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Our reference: PZ

Date 02 February 2021

CUMBRIA POLICE & CRIME COMMISSIONER'S PUBLIC ACCOUNTABILITY CONFERENCE

In line with the COVID-19 Government Guidelines The Police and Crime Commissioner's Public Accountability Conference will take place **remotely** on **Friday 19th February 2021**, 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.

If you would like to join the meeting as a member of the public or press, please contact Paula Zutic on paula.zutic@cumbria.police.uk you will then be provided with a copy of the dial in details. Following the meeting papers will be uploaded on to the Commissioner's website.

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 11th December 2020 (copy to follow)

6. FINANCIAL SUMMARY 2020/21 – QUARTER 3 TO DECEMBER 2020

To receive and note the quarter three financial summary which incorporates the Commissioner's revenue budget, Constabulary revenue budget and capital monitoring report for the period up to 31 December 2020 (copy to follow)

7. TREASURY MANAGEMENT ACTIVITIES 2020/21 QUARTER 3 (OCTOBER TO DECEMBER 2020)

To receive & note the OPCC Treasury Management Activities 2020/21 Report – Quarter 3 to December 2020 (copy to follow)

8. DECISION 001-2021 – CAPITAL STRATEGY 2021/22

To receive, note and approve the Capital Strategy 2021/22, comprising:

- A) CAPITAL STRATEGY 2021/22 (inclusive of prudential indicators 2021/22 to 2024/25 (copy to follow)**
- B) CAPITAL PROGRAMME 2021/22 TO 2030/31 (copy to follow)**
- C) TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22 (inclusive of Investment Strategy, Borrowing Strategy, MRP Statement) (copy to follow)**

9. DECISION 002-2021 - 2021/22 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 2021/22 AND FINANCIAL FORECASTS 2022/23 TO 2024/25 (copy to follow)**
- C) RESERVES STRATEGY 2021/22 (copy to follow)**

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

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

10. DECISION 003-2021 – CORPORATE SUPPORT ANNUAL UPDATE

To receive, note and approve the consolidated annual Corporate Support update including progress and forward plans within the current Estate, Fleet and Commercial strategies. (copy to follow)

11. DECISION 004-2021 - ICT STRATEGY 2019 – 2022

To receive, note and approve the ICT Strategy (2019-2022) (copy to follow)

**CUMBRIA POLICE & CRIME COMMISSIONER
PUBLIC ACCOUNTABILITY CONFERENCE**

Minutes of the Public Accountability Conference held on
Friday 11th December 2020 remotely via TEAMS conference call
at 10:00am

PRESENT

Police & Crime Commissioner - Mr Peter McCall (Chair)

Also present:

Chief Constable (Michelle Skeer);
Assistant Chief Constable (Andy Slattery);
Joint Chief Finance Officer (Roger Marshall);
OPCC Chief Executive (Vivian Stafford);
Constabulary Communications Officer (Nick Griffiths);
OPCC Media & Communications Officer (Laura Milligan);
OPCC Executive Support Officer (Paula Zutic) – taking minutes

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

In line with the COVID-19 Government guidelines the Public Accountability Conference was held remotely via TEAMS.

001. APOLOGIES FOR ABSENCE

Apologies for absence were received from the Deputy Chief Constable (Mark Webster);

002. QUESTIONS FROM MEMBERS OF THE PUBLIC

No questions had been received from members of the public prior to the meeting.

003. URGENT BUSINESS AND EXCLUSION OF THE PRESS AND PUBLIC

There were no items of urgent business to be considered by the Committee.

004. DISCLOSURE OF PERSONAL INTERESTS

There were no disclosures of any personal interest relating to any item on the Agenda.

005. MINUTES

The Chair presented the minutes of the Public Accountability Conference held on the 4th November 2020, these had previously been circulated with the agenda. The minutes were agreed as an accurate record and signed by the Chair.

RESOLVED, that, the

- (i) Minutes of the Public Accountability Conference held on the 4th November 2020 be confirmed as a correct record and signed by the Chair;

006. PERFORMANCE PRESENTATION

The Assistant Chief Constable presented the report, the purpose of which is to provide information to the public that shows performance in the context of the demand the police service deals with; the productivity of the officers; and staff and the outcomes that are delivered. The report covers the period 12 months to the end of October 2020, and provides assurance to the Commissioner that the Constabulary is focusing its resources and time on the right things and through the right activity.

Over the last 12 months there have been 277,253 contacts into the control room, made up of 59,832 emergency calls (999) and 176,508 non-emergency calls (101) as well as 40,913 non-emergency emails (101 emails).

All calls into the Constabulary are answered and dealt with by a Police Officer in the Command and Control Room. This takes longer to deal with but provides a better and more robust service to the caller, often providing reassurance in difficult and stressful situations, as well as knowledgeable and practical advice. This also often negates the need for a Police Officer to travel to the incident, which helps us to manage our resources better.

The approach utilises *Lean* principles, by having the most capable resource (that is, the most knowledgeable, experienced and skilled) at the front end of the process to drive out inefficient and wasteful activity and to view the system as a whole. **The approach shifts the emphasis from a call centre ethos (handling calls for service and passing them on to be dealt with) to a problem-solving ethos where officers seek to resolve calls for the caller immediately they are received.**

Using Police Officers' experience and knowledge means that the Constabulary can ask the right questions to determine the best course of action for the person calling us. The THRIVE decision model helps the Constabulary to decide the most appropriate response to provide by considering threat, harm, risk, investigation opportunity and engagement opportunities. This is especially useful and responsive for people who may be more vulnerable, which is one of the increasing demands (examples include domestic violence and child sexual exploitation). HMIC has commented on the quality of this service to the public and how it contributes significantly to protecting the public.

The approach delivers a command and control culture to keep people safe, provide optimum management of police resources to respond to incidents and, lay the foundations for managing out demand that is not appropriate for the police to deal with.

The model - **Threat, Harm, Risk, Investigation, Vulnerability and Engagement** - is used to assess the appropriate initial police response to an emergency call. The incident is graded as either scheduled, priority or immediate response and then passed to a dispatcher who uses an IT system and GPS to identify and deploy the most appropriate and timely resource. The dispatcher also has responsibility for relaying the background information that has been gathered, to the attending officers.

Rather than having a "one size fits all" approach to certain types of crime, THRIVE allows the Constabulary to service the needs of each victim and puts officers and staff where they are needed most. It enables CMR to make appropriate decisions about the required level of resource. For example, it could mean that a phone call from an Officer may resolve a situation that in the past would automatically have required a home visit.

The Constabulary also has a Safeguarding Desk and Digital Media Investigators in the CCR to provide an experienced and better quality response to keep people safe as soon as possible, to improve initial contact, and speed up response

The FIM (Force Incident Manager) has oversight of the Command & Control Room.

The chart on slide 5 (the presentation is available to view on the Commissioner's website [here](#)) shows all incoming telephone and 101 email demand during 12 months to end October 2020

key points to note are that:

- 31% of people who call the Constabulary want to speak to departments or an individual and choose to connect directly to them
- 83% of all calls are for non-emergencies
- The first lockdown period resulted in a reduction in 999 and 101 calls, but these are returning to pre-pandemic levels
- Whilst telephone demand into the CCR has reduced by 7% compared to the previous year, demand has shifted to online requests for service resulting in an overall 9% increase in requests for service. Over the past 12 months, 40,913 emails and forms were dealt with in CMR compared to 6,115 in the previous 12 months.

- Emails and online forms now account for 10% of all demand, compared to 2% in the previous year.

Answering emergency calls is always a priority for the Constabulary and the performance figures show that - over the past 12 months – the Force are answering 98% of 999 calls. The current median average answering time for emergency calls is 3 seconds – which is being sustained.

For the 101 into the CMR –

- The average call answering time over the past 12 months is 2 minutes 25 seconds, a considerable improvement on 12 months ago when it was over 8 minutes.
- There were around 64436 abandoned 101 calls into CMR over the past 12 months . A call can be abandoned at any point in the process and all of this data is now captured
- The average time people wait before abandoning a 101 call is under 3 minutes. Callers often abandon before the introductory message, some hang up when queued and some hang up and call back
- It should be noted that an abandoned call is not always a negative because callers may choose to end the call (or abandon the call) for a whole host of reasons including:
 - domestic reasons
 - interruptions or
 - their query has been answered by the recorded messages on the system, for example when they know they can report online

The daily levels call answering times fluctuate significantly and are impacted by a number of variables- demand driven - increased calls on certain days, times of year, when weather is very good or very bad and resources available for answering.

Trend lines provide an opportunity to understand the direction of travel for call answering, and this shows an improving picture. There is a significant range of activities happening in the Constabulary to improve processes and response to the public – these include:

- The Constabulary’s response to HMICFRS national thematic report, A Call for Help - Police contact management through call handling and control rooms 2018/19- which was published on 9 July 2020. Key points are being addressed and managed by our Cumbria Constabulary Improvement Plan (CCIP). Work is being undertaken on:
 - measures and abandonment rates
 - ensuring the effectiveness of the Safeguarding Desk and its use
 - improving quality assurance to manage risk and embedding the approach via the SBC process
 - a business case for improving the website is due to be considered in December
 - training for officers and staff in the room
 - investment in technology and associated processes
 - Implementing the national contact management strategy

Advice was provided by police officers directly speaking to members of the public who called the Constabulary for help on over 52,000 occasions in the past year, an increase of approx. 8,000 compared with a year ago. The amount of advice provided to the public shows the value of putting a lot of information online, making it easier for the public to access. This is ongoing work.

Key points to note about demand are:

- Incidents have decreased over the last three years. However they were starting to increase prior to March 2020, have reduced during lockdown and have started to increase again from August.
- The impact of Covid 19 on demand is significant and this was outlined to the Commissioner at the PAC in October 2020. In summary, the key points are:
 - An increase in ASB compared to the previous year. This is driven by Covid related incidents, and once these are removed, the underlying level for ASB is 12% lower than the previous year
 - Public safety and welfare incidents initially reduced for a short period after lockdown, but have been at or above 2019 levels since April. The category includes the two highest volume categories of incident, which always feature in our top demand - concern for safety and suspicious circumstances/premises /vehicle.
 - Crime and traffic related incidents are significantly lower
- Although overall incident demand is lower than previous years, this masks some key changes
 - There has been a shift of demand from North and South to West – centred on the LDNP
 - Of the top 10 busiest days since 2017, the Constabulary have experienced 7 of these since March 2020
 - It is predicted that this change in demand will continue for as long as the pandemic lasts and people come to Cumbria instead of holidaying in other countries. It should be noted, that the specific incidents that are consistently increasing during peak times are those that take less time to deal with and this goes some way to balance the increased volume during that time.

Protecting vulnerable people is a key priority for the Constabulary, underlined by our mission to Keep People Safe. Increases in demand are forecasted for most of the areas within this section.

In Cumbria, volume is low for so-called Honour-Based Violence (HBV), Female Genital Mutilation (FGM), forced marriages and modern slavery and human trafficking (MSHT). Hate crime increases of 22% comprise an additional 138 crimes recorded compared to the previous year volume – the largest offence type being public order (+86 crimes) and race related hate crime accounting for 100 of these additional crimes (up 32%) and homophobic

up by 42 crimes (+39%).

Missing persons demand is significantly down as a result of Covid and lockdowns. These types of incident take significant time and resource to deal with and the initial reduction in their volume, freed up significant resource enabling more visible patrol, supporting the engagement with the public through the 4E approach and the ability to deal with the increases in other incident types.

A key feature is mental health related crime which has risen by 486 crimes, with violence against the person crimes accounting for 355 of these- 0% of these offences are violence without injury and stalking and harassment.

Child and adult safeguarding reporting has increased although child sexual offences are down by 24% and missing persons declining. There is an expectation that much of this will increase as the country comes out of the pandemic and the Covid 19 effect on crime reduces, resulting in more crime being reported when people feel able to do so – including many third party reports.

There are no dedicated functions or teams to address each specific category - all serious crime investigation and safeguarding issues are dealt with by the Crime and Safeguarding Teams (CASTs) and, in the main, patrol deals with missing persons, people with mental ill health and stalking and harassment as part of incident response and investigations of a less serious nature. These areas of policing provide demand challenges because of Cumbria's ageing population, greater public awareness and expectations, more effective identification and reporting, increases in crime reporting and significantly improved crime recording, greater complexity of investigations and preparation for court hearings.

Latest data identifies that the Constabulary performs above the national average rate for convictions at both courts and the latest comparable data published is for 2019 which identifies that Cumbria is eighth out of 42 forces for its successful conviction rate at 84%. The focus is to make sure that the Constabulary keeps people safe by effectively investigating and prosecuting and we continuously seek ways to improve how this is achieved.

The Commissioner thanked the Assistant Chief Constable for his report and following a discussion the report was noted.

RESOLVED, that,

- (i) The report be noted;

007. THEMATIC PRESENTATION – COMMUNITY RESPONSE

The Chief Constable presented the report, which demonstrates how Cumbria Constabulary have used the additional money raised by the Police & Crime Commissioners Council Tax Precept, and also the additional funding pledged by Government for Operation Uplift.

2019/2020 the country was starting to come out of austerity and this allowed the Constabulary to create dedicated teams to target pro-active work.

In 2020/2021 during the consultation for the Council Tax Precept, members of the public had told the Commissioner what key areas were important to them. Dedicated Missing from Home and Mental Health Officers were introduced.

The Commissioner supported the Chief Constable to start early recruitment of 51 additional Officers for Operation Uplift. The national target was to achieve this in 18 months – Cumbria Constabulary achieved it in 6 months. This allowed Officers to be brought back into rural areas – Keswick, Windermere, Brampton, Ambleside etc. The rural officers are linked into Local Focus Hubs and Child Centred Policing.

Focus Hubs operate at a local level and enable different partner agencies to work together. This model started as a proof of concept in Allerdale and has grown organically and has now rolled out to the 6 Districts across Cumbria. Best practice is shared across all areas.

Child Centred Policing looks at problem solving in the neighbourhood, and looks at the family as a whole enabling issues to be addressed at the source. This also links to Police Cadets and Mini Police schemes.

This work has already been peer reviewed, but another review is imminent in January 2021 by Durham.

Engagement events are key to deliver pro-active policing messages. The Constabulary are constantly looking at engagement with communities through the Local Focus Hubs and dedicated Neighbourhood Policing Teams. The Cadets and Mini Police have been a huge success and deliver key messages to their peers and parents (e.g. road safety messages).

During Covid, on-line training programmes have been developed for the Cadets and Mini-Police so that they can have virtual lessons. Vocational qualifications are being looked at (similar to Duke of Edinburgh Awards), and Safeguarding has been introduced for Cadet Leaders. Some activities have continued where it is Covid safe to do so.

Social media is also used widely by the Constabulary to deliver key messages, many Teams within the Force have their own Face Book Page / social media accounts.

Community resolutions are utilised where possible, as a lot of complainants want an apology and to make the person aware of the impact of their actions. This helps to stop some of the

criminal behaviour escalating. Nobody wants to criminalise children, just to help them get back on the rails if at all possible.

Commissioner noted the effort that has gone into recruiting the additional Officers for Operation Uplift. Over the last 4½ years there has been a significant increase in Officer numbers, that has had huge challenges, especially with Covid and the Constabulary should be proud to have achieved their target in 6 months.

The Commissioner wished to formally congratulate everyone involved and it was noted that we are already seeing the effect of the additional officers and he hopes that the public appreciate and are re-assured by that.

The Chief Constable advised that Phase 2 of Operation Uplift will be going ahead in 2021, and the Constabulary are currently waiting for the allocation number to be confirmed, however – recruitment has already started and we should be 17 ahead by March 2021.

It was noted that we currently have more Officers in Cumbria than we have ever had – with more to come.

The Commissioner thanked the Chief Constable for her report and following a discussion the report was noted.

RESOLVED, that,

- (i) The report be noted;

Meeting concluded at 11:00

Signed: _____

Date: _____

The Police and Crime Commissioner for Cumbria

Financial Summary 2020/21 as at 31 December 2020

Public Accountability Conference 19 February 2021



Group Revenue Budget

Group Overspend £250k (0.23%) ↓

Constabulary Underspend £46k (0.03%),

PCC Overspend £296k (1.2%)



Constabulary Revenue Budget

Underspend £46k (0.03%) ↓

Increased Expenditure £3k (0.00%),

Reduced Income £49k (0.93%)

(see pages 3 and 4)



Capital Budget

The effects of the global pandemic are being felt in all departments and as a result several schemes have been re-profiled into 2021/22. Most of the planned vehicle replacements are ordered, but production and delivery have been delayed. In relation to ICT, new agile ways of working need to be fully reviewed and the impact on the future ICT infrastructure is still to be evaluated, resulting in delayed expenditure. (see page 5)



Operation lectern - Covid 19

The current forecast combined revenue and capital spend on the Constabulary COVID 19 response (Op. Lectern) is £1.204m

(revenue £1.204m, capital £0k).

(see page 6 for more details)



Operation Uplift

The current forecast combined revenue and capital spend on Operation Uplift is £1.861m

(revenue £1.861m, capital £0k).

(see page 7 for more details)



Treasury Management

Investment balance @ 31/12/20 £15.873m ↓

(down from £20.237m at 30/09/20).

Quarterly average daily balance - £22.996m

The current investment income forecast has been reduced from £96k to £15k to reflect the extremely low interest rates currently being received whilst prioritising the security of the principal funds.

PCC Revenue Budget 2020/21 as at 31 December 2020

Description	Revised Budget 2020/21 £'000s	Forecast Expenditure / (Income) 2020/21 £'000s	Forecast (Under)/ Overspend 2020/21 £'000s	Forecast (Under)/ Overspend 2020/21 %	Forecast (Under)/ Overspend @ SEP-20 £'000s	Change in Forecast SEP-20 to DEC-20 £'000s
Office of the Police and Crime Commissioner	812	812	0	0.00%	(3)	3
Other PCC Budgets	(23,666)	(23,370)	296	(1.25%)	185	111
Movements To / (From) Reserves	(1,792)	(1,792)	0	0.00%	0	0
Total OPCC Budgets	(24,646)	(24,350)	296	(1.20%)	182	114
Funding Provided to the Constabulary	134,846	134,800	(46)	(0.03%)	122	(168)
Net Expenditure	110,200	110,450	250	0.23%	304	(54)
External Funding	(110,199)	(110,199)	0	0.00%	0	0
Total	1	251	250		304	(54)

The balance on the police property act fund as at 31 December 2020 was £69k. Details of the awards made from this fund to community bodies can be found on the Commissioners website. <https://cumbria-pcc.gov.uk/what-we-do/funding/property-fund/>

Expenditure & Income Variances

Office of the PCC £0k Includes reductions in staffing (£9k) and transport (£4k) offset by increases in printing, catering and supplies and services (£13k).

Other PCC Budgets +£296k

Additional expenditure on Premises (£150k) mostly on increased repair and maintenance £82k, additional cleaning £90k both as a result of the Covid-19 pandemic, increased business rates £49k and other premises £16k, offset by reductions in utilities £87k.

Increased expenditure on insurances £62k.

Reduction in investment income £81k.

Statutory accounting adjustments £3k.

Funding Provided to the Constabulary -£46k The underspend is in the main due to additional net expenditure in response to Covid-19 (PPE, sanitisers, ICT cost, overtime etc offset by government grants in respect of lost income, PPE reimbursements and additional patrols

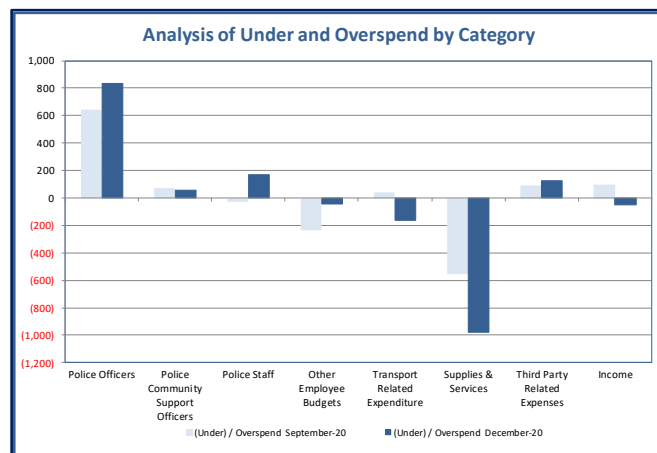
Savings to in-year budgets as a result of reduced activity in areas such as travel, fuel and training during the covid pandemic are estimated at £919k, these are however offset by reductions in core income not covered by grants of £124k.

Pages 3 and 4 provide a more detailed analysis of the Constabulary revenue budget position.

Constabulary – Revenue Budget 2020/21 (1)

Description	Revised Budget 2020/21 £'000s	Forecast Expenditure / (Income) 2020/21 £'000s	Forecast (Under)/ Overspend 2020/21 £'000s	Forecast (Under)/ Overspend 2020/21 %	Forecast (Under)/ Overspend @ SEP-20 £'000s	Change in Forecast SEP-20 to DEC-20 £'000s
Constabulary Funding						
Police Officers	94,049	94,885	836	0.89%	645	191
Police Community Support Officers	2,272	2,328	56	2.46%	71	(15)
Police Staff	24,318	24,490	172	0.71%	(31)	203
Other Employee Budgets	2,075	2,032	(43)	(2.07%)	(237)	194
Transport Related Expenditure	2,020	1,857	(163)	(8.07%)	44	(207)
Supplies & Services	13,237	12,257	(980)	(7.40%)	(558)	(422)
Third Party Related Expenses	2,187	2,312	125	5.72%	92	33
Total Constabulary Funding	140,158	140,161	3	0.00%	26	(23)
Income	(5,312)	(5,361)	(49)	0.92%	96	(145)
Total Constabulary Funding Net of Income	134,846	134,800	(46)	(0.03%)	122	(168)

Revenue Expenditure Quarter 2 to Quarter 3



Command / Directorate	Adjusted Budget	Forecast Outturn	Forecasted Variance	%
Staff Pay				
Corporate Support	110,964,963	111,609,680	644,717	0.6%
CORE				
Chief Officers	1,636,755	590,307	(1,046,448)	-63.9%
Crime Command	2,459,377	2,508,688	49,311	2.0%
Territorial Policing Command	4,930,297	5,108,244	177,947	3.6%
Corporate Support	3,677,004	3,119,710	(557,294)	-15.2%
Corporate Improvement	161,238	262,036	100,798	62.5%
Legal Services	(141,535)	(97,777)	43,758	-30.9%
ICT & Information Management	5,731,353	5,572,161	(159,192)	-2.8%
SECONDED				
Secoended	(11,429)	(4,486)	6,943	-60.7%
Secoended - TITAN	(11,719)	(11,718)	1	-0.0%
EARMARKED				
Earmarked - Chief Officers	0	0	0	0.0%
Earmarked - Crime Command	23,738	20,317	(3,421)	-14.4%
Earmarked - Territorial Policing	10,753	(73,738)	(84,491)	-785.7%
Earmarked - Sellafie Id	(54,380)	(54,380)	0	0.0%
Earmarked - People Department	346,611	346,611	0	0.0%
Earmarked - Force Charity	0	0	0	0.0%
Earmarked - Force Gymnasiums	0	0	0	0.0%
Earmarked - Safety Camera / Road Safety	359,507	362,521	3,014	0.8%
Earmarked - Op Lectern	(72,359)	1,076,802	1,149,161	-1588.1%
PROJECT				
Projects - Crime Command	129,373	0	(129,373)	-100.0%
Projects - Territorial Policing	133,260	133,260	0	0.0%
Projects - Estates & Fleet	11,938	11,938	0	0.0%
Projects - Learning & Development	28,030	17,253	(10,777)	-38.4%
Projects - ICT	811,145	871,878	60,733	7.5%
Projects - Corporate Improvement	201,148	101,605	(99,543)	-49.5%
Projects - Business Transformation	1,467,456	1,467,456	0	0.0%
Projects - Op Uplift	2,053,310	1,861,187	(192,123)	-9.4%
Grand Total	134,845,834	134,799,554	(46,280)	-0.0%

Change in Revenue Budget Position

September - December the forecast budget overspend at the end of December has reduced by £168k compared to the £122k overspend forecast at the end of September (Qtr 2). The reduction is largely as a result of a forecast increase in Government grant / loss of income reimbursement in relation to Covid-19 and partly due to a change to the assumption that reduced activity on some budgets as a result of the pandemic will now continue to the end of the financial year.

Constabulary – Revenue Budget 2020/21 (2)

Pay Expenditure

Police Officers +£836k Changes to the workforce plan, principally resulting from the early recruitment of Operation Uplift phase 1 and 2 officers in advance of the target date and a limited number of acting/temporary promotions £576k, additional spend re Operation Lectern £35k plus other additional overtime Crime £105k, TP £120k.

PCSOs +£56k Changes to the workforce plan including starting 1 FTE above budgeted FTE and profile of leavers.

Police Staff +£172k Additional spend in respect of workforce plan changes £119k, costs of Operation Lectern £107k and overtime £115k (Comms Centre etc.). This is offset by an underspend on Operation Uplift -£169k, as some L&D and ICT posts have not been recruited.

Income

Income -£49k After removing £572k of income lost due to Covid-19 (Driver Awareness Income, Costs Awarded to Police, Kendal Calling and other events) the additional income arises, in the main due to abnormal loads income £55k, mutual aid £94k and reimbursements from other forces £158k. These are offset by reductions in POCA income £48k, Sale of Goods and Assets and Fees and Charges £150k and recharges £60k.

Non-Pay Expenditure

Other Employee -£43k Includes reductions on recruitment costs £43k, training (£130k after removing £230k savings due to Covid-19) offset by additional costs of management of change £95k and the apprenticeship levy £30k.

Transport -£163k Includes savings on fuel £121k, travel costs £31k and other transport costs £10k. Note though that savings on fuel (£252k) and travel expenses (£148k) due to reduced travel and changes in activity levels as part of our response to Covid-19, have previously been removed from this budget.

Supplies & Services -£980k The main changes are summarised below:

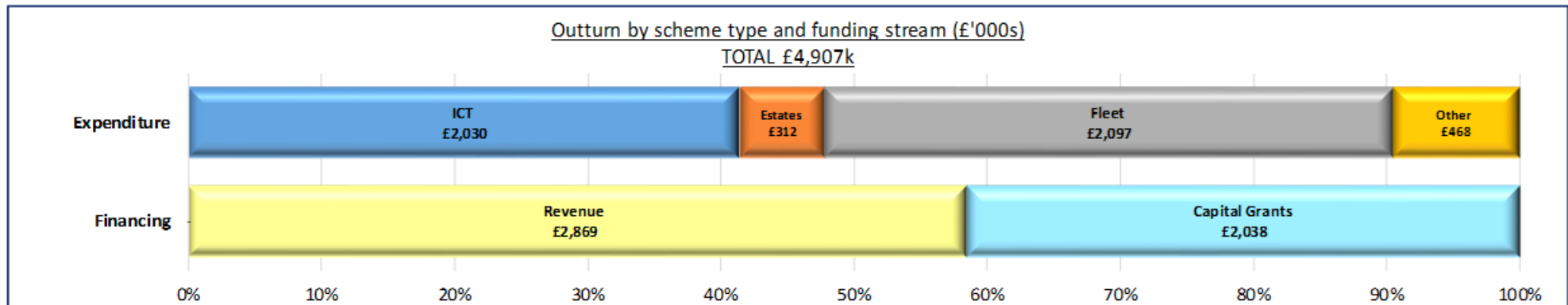
- Increased costs in relation to Operation Lectern (£998k re PPE, First Aid, ICT, Office Equipment etc.)
- Offset by savings due to reduced activity levels as a result of the Covid-19 pandemic, net of lost income that the Constabulary cannot reclaim from the government £1,120k.
- Underspending on other core budgets Forensics £60k, Catering £70k, Office Equipment, Uniform and Custody £196k, Airwave £280k, Custody Medical Contract £29k, Accommodation & Subsistence £117k and Consultants £57k.

Third Party Payments +£125k New contributions re LRF manager, NPoCC SIB funding, an increase in our contributions to national ICT costs, increase in our NPAS contribution, and an extension to Operation Elter.

Key Assumptions

The main assumption is in relation to operation lectern and reflects the view that the current changed activity levels will continue for the remainder of the financial year.

Capital Budget 2020/21



Capital Budget

	Capital Budget 2020/21 £000s
Capital Budget 2020/21 (approved 19/02/20)	7,553
Impact of 2019/20 Outturn (approved 20/05/20)	258
New Schemes Approved/Drawdown	96
Budgets Changes - Approved	(174)
Approved Adjusted Budget 2020/21	7,733
Forecast Capital Expenditure 2020/21	4,907
Forecast Variation	(2,827)
Made up of:	
Budget Changes (Under)/Overspend	33
Slippage to 2020/21	(2,859)
	(2,827)

ICT

A number of ICT schemes are being re-evaluated in light of the current working situation and the recovery plans, in particular the Converged Infrastructure (£2.3m). The capital programme has been reprofiled and as a result £4.08m has been moved into 2021/22 to allow for further planning and 'proof of concept' to continue (£2m of this slippage was already forecast in the approved programme.) In addition, £17k from the digital interview equipment scheme has been moved to revenue expenditure on software.

Estates & Fleet

Work has started on the roofing schemes and replacement UPS as per the approved programme. Most of the vehicle replacements planned for 2020/21 are ordered. It is now clear that, due to delays in production, a number of these will not be received until 2021/22 and as such £996k has been reprofiled to facilitate this. A written off vehicle and an early replacement motor bike have been brought forward into 2020/21 at an increase of £50k, the associated financing has also been brought forward.

Other

The Taser expansion programme is progressing well with the new tasers being received. The paperwork to claim the £65k grant from the Home Office will be completed and submitted once the invoices are paid.

Operation Lectern (Covid 19 response) 2020/21

The current forecast financial impact in respect of the Constabulary Covid-19 response is set out below.

Analysis Lvl 1	Subjective Analysis Lvl 1	Adjusted Budget	Forecasted Actual	Forecasted Variance	
Expenditure	Police Officer Pay	30,678	33,729	3,051	
	PCSO Pay	0	1,040	1,040	
	Police Staff Pay	0	82,615	82,615	
	Police Officer Overtime	222,304	253,878	31,574	
	PCSO Overtime	0	3,888	3,888	
	Police Staff Overtime	0	24,815	24,815	
	Other Employee Expenses	0	19,655	19,655	
	Restructure, Training & Conference Costs	0	235	235	
	Premises Related Expenditure	0	127,366	127,366	
	Transport Related Expenditure	0	13,153	13,153	
	Supplies & Services Related Expenditure	0	998,259	998,259	
	Third Party Related Expenditure	0	2,283	2,283	
	Internal Recharges Expenditure	0	1,189	1,189	
	Expenditure Total		252,982	1,562,105	1,309,123
	Income	Reimbursed Services - Other Public Bodies	(325,341)	(339,741)	(14,400)
		Reimbursed Services - Other	0	(18,191)	(18,191)
Income Total		(325,341)	(357,932)	(32,591)	
Grand Total		(72,359)	1,204,173	1,276,532	
Savings due to Response to COVID-19 Total			(918,600)	(918,600)	
Loss of income due to COVID-19 Total			572,000	572,000	
Home Office COVID Grants Total		(252,982)	(701,145)	(448,163)	
Total Effect of COVID-19 on Constabulary		(325,341)	156,429	481,770	

Supplies & Services Related Expenditure			
Office Equipment, Furniture & Materials	0	19,737	19,737
Clothing, Uniform & Laundry	0	26,988	26,988
Custody Costs	0	1,195	1,195
Forensic Costs	0	6,502	6,502
Police Doctors & Surgeons	0	412,844	412,844
Communications & Computing	0	522,609	522,609
Specialist Operational Equipment (incl Dogs & Firearms)	0	5,796	5,796
Advertising (non staff) & Public Relations costs.	0	1,168	1,168
Consultants Fees	0	800	800
Banking & Treasury costs	0	460	460
Accommodation & Subsistence	0	156	156
Other Miscellaneous	0	4	4
Supplies & Services Related Expenditure Total	0	998,259	998,259

Breakdown of main Operation Lectern cost:

- Officer pay and overtime on Covid enforcement activities. £288k.
- Police Doctors & Surgeons £413k of First Aid / PPE equipment.
- Communications & Computing £523k includes ICT Hardware Purchases £441k (laptops etc.), additional licensing £51k and Network Hardware Purchases £18k.

The forecast spend in respect of the Constabulary's Covid-19 response assumes the current level of additional cleaning and purchase of PPE to at least 31 Mar 20'21.

Forecast Income relates to reimbursement of costs received where we have purchased PPE kit on behalf of other forces or public services together with government income specifically to reimburse us for spend on medical grade PPE.

The management accounts position at December includes savings of £919k and estimated loss of income totalling £572k. Also included is Government funding of £701k in respect of lost income and Covid enforcement.

Impact on Core Budgets

With reduced activity levels in some areas the following savings on core budgets are anticipated based on the assumption that the reduced activity continues until at least the end of March 2021:

- Appleby Fair £111k
- Training £230k
- Vehicle Hire, Mileage & Public Transport £148k
- Accommodation & Subsistence £178k
- Vehicle Fuel £252k
- **Total Potential Savings £919k**

These savings are offset by a forecast reduction in routine income of £572k of which we are able to reclaim £448k under the Government's Income Loss Recovery Scheme.

Operation Uplift 2020/21

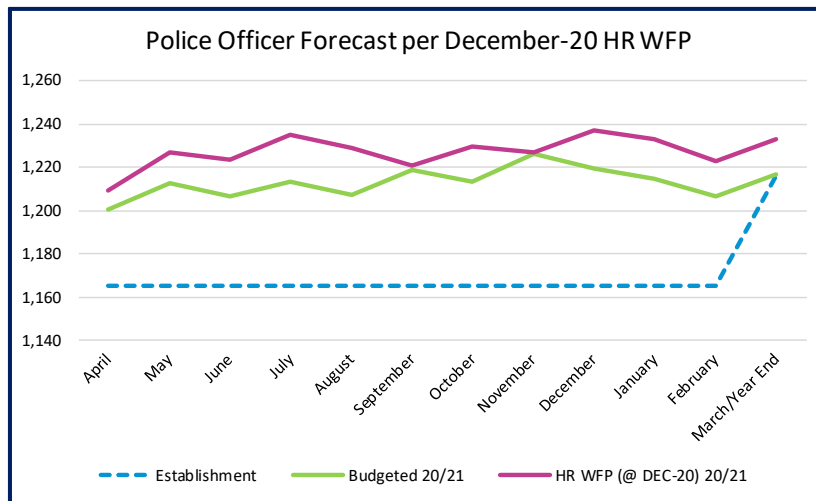
Analysis Lvl 1	Subjective Analysis Lvl 1	Adjusted Budget	Forecasted Actual	Forecasted Variance
Expenditure	Police Officer Pay	1,653,310	1,596,901	(56,409)
	Police Staff Pay	400,000	230,183	(169,817)
	Police Officer Overtime	0	13,246	13,246
	Police Staff Overtime	0	707	707
	Other Employee Expenses	0	3,766	3,766
	Transport Related Expenditure	0	1,572	1,572
	Supplies & Services Related Expenditure	0	14,812	14,812
Expenditure Total		2,053,310	1,861,187	(192,123)
Grand Total		2,053,310	1,861,187	(192,123)

The forecast spend on Operation Uplift reflects the assumption we will have recruited the target of an additional 51 FTE officers from phase 1 by early in 2020/21 and have begun recruiting to phase 2.

The forecast underspend on police officer pay predominantly relates to payments for unsociable hours.

Staffing in support of the additional recruitment and servicing the additional officers is currently forecast to underspend by £169k. This relates to requirements in Learning and Development and ICT the provision of which are currently under review.

Police Officer WFP



The current financial forecasts as at the end of December are based on the latest HR workforce plan as at 31 December 2020. The WFP shows the forecast actual FTE (red line) above the original budget set in Feb'20 (green line). This results in a forecast overspend on Police Officer pay it is currently forecast that police officer numbers will reach 1,232.62 FTE at Mar 2021, 16.62 FTE above the budgeted establishment figure of 1,216 FTE.

The Police and Crime Commissioner for Cumbria

Treasury Management Activities 2020/21 as at 31 December 2020 (Quarter 3)

Public Accountability Conference 19 February 2021 and Joint Audit Committee 17 March 2021



Cash flow Balances

Quarterly average daily balance - £22.996m

Investment balance @ 31/12/20 £15.873m 

(down from £20.237m at 30/09/20).



Investment Interest Forecast

Base Budget - £96,491

Revised Budget - £96,491

Current Estimate - £15,000



Borrowing Strategy

No borrowing was undertaken during the quarter ended 31 December 2020 and none is expected during the remainder of 2020/21.

Investment Strategy

Category	Category Limit (£m)	Investments at 31 Dec (£m)	Compliance with Limit
1 - Banks Unsecured	20	0.691	Yes
2 - Banks Secured	20	0.000	Yes
3 - Government (inc LA)	10	8.600	Yes
4 - Registered Providers	10	0.000	Yes
5 - Pooled Funds	15	6.582	Yes
Total		15.873	

There have been no breaches in the approved limits to report during the quarter.

Performance Indicators

	Number of Days	Average Balance £	Largest Balance £
Days In Credit	91	7,818	116,443
Days Overdrawn	1	(720)	(720)

Average interest rate earned 0.02%

Average bank base rate quarter 3 0.10%

(Current bank base rate 0.10%)

Treasury and Prudential Indicators

During the quarter ended 31 December 2020, the treasury function has operated within the treasury and prudential indicators set out in the Treasury Management Strategy Statement and in compliance with the Treasury Management Practices.

Compliance with the prudential and treasury indicators are shown on page 3.

Economic Outlook and Treasury position for the quarter ended 31 December 2020

Economic outlook and Interest Rate Forecasts

The key quarterly meeting of the Bank of England Monetary Policy Committee on 05/11/20 kept Bank Rate unchanged. However, it revised its economic forecasts to take account of a second national lockdown which will have the effect of putting back economic recovery and doing further damage to the economy.

Significantly, there was no mention of negative interest rates in the minutes or Monetary Policy Report. Link Treasury's Interest rate forecasts currently shows no increase, (or decrease), through to quarter 1 2024 but they estimate that there could well be no increase during the next five years as it will take some years to eliminate spare capacity in the economy, and therefore for inflationary pressures to rise to cause the MPC concern. Inflation is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short-lived factor and so not a concern.

Vaccination announcements have enormously boosted confidence that life could largely return to normal during the second half of 2021, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels; this would help to bring the unemployment rate down. With the household saving rate having been exceptionally high since the first lockdown in March, there is plenty of pent-up demand and purchasing power stored up for these services. Effective vaccines would radically improve the economic outlook once they have been widely administered.

Strategy Limits

There have been no breaches in the strategy limits during quarter 3.

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	0.00%	499,414	499,414
NatWest (Liquidity Select Acc)	A+	31/12/2020	04/01/2021	O/N	0.01%	192,000	192,000
						691,414	691,414
Category 2 - Banks Secured (Includes Banks & Building Societies)							
						0	0
Category 3 - Government (Includes HM Treasury and Other Local Authorities)							
Debt Management Office	Gov	03/11/2020	29/01/2021	29	0.01%	1,600,000	1,600,000
Debt Management Office	Gov	06/11/2020	29/01/2021	29	0.01%	3,000,000	3,000,000
Debt Management Office	Gov	27/11/2020	22/01/2021	22	0.01%	1,000,000	1,000,000
Debt Management Office	Gov	07/12/2020	26/02/2021	57	0.01%	3,000,000	3,000,000
						8,600,000	8,600,000
Category 4 - Registered Providers (Includes Providers of Social Housing)							
None						0	0
						0	0
Category 5 - Pooled Funds (Includes AAA rated Money Market Funds)							
Invesco		Various	On demand	O/N		1,950,000	1,950,000
Fidelity		Various	On demand	O/N		482,005	482,005
BlackRock		Various	On demand	O/N		1,650,000	1,650,000
Goldman Sachs	AAA	Various	On demand	O/N		500,000	500,000
Aberdeen Standard	AAA	Various	On demand	O/N		2,000,000	2,000,000
						6,582,005	6,582,005
Total						15,873,419	15,873,419

In July 2020 the police pension grant was received from the Home Office. Along with the July grant payment the investments reached their highest balance of £30.677m. A large proportion of the pension grant was invested with the Debt Management Office (DMO) of HM Treasury to be returned at regular intervals as cashflow forecasts require. This has almost all been returned and with the DMO rates fluctuating daily (even into negative rates) we will manage the remaining portfolio in MMF's, taking advantage of positive DMO rates where we can to spread our risk.

Treasury and Prudential Indicators 2020/21 at 31 December 2020

Treasury Management Indicators		Result	RAG	Prudential indicators		Result	RAG
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		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	
The Operational Boundary <i>The operational boundary represents and estimate of the most likely but not worse case scenario it is only a guide and may be breached temporarily due to variations in cash flow.</i>	TEST - Is current external borrowing within the approved limit	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	
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		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 2020/21</i>	TEST - Is the current capital outturn within planned limits	YES	
Gross and Net Debt <i>The purpose of this indicator is 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		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	
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		This area is intentionally left blank for future indicators.			
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					

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that regular reports are presented with regards to treasury management activities. This quarterly report ensures the Police and Crime Commissioner is implementing best practice in accordance with the Code.



Peter McCall

Office of the Police and Crime Commissioner Report

REQUEST FOR POLICE & CRIME COMMISSIONER DECISION - (N° 001/ 2021)

TITLE: Approval of the Capital Strategy, Capital Programme and Treasury Management Strategy 2021/22

Executive Summary:

The purpose of this report is to provide information on the proposed capital strategy for 2021/22. The capital strategy (item 08a) is an overarching strategy that sits above the two documents which have been produced historically namely the capital programme (item 08b) and the treasury management strategy statement (item 08c). 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 08a)** – The Commissioner is asked to approve the capital strategy including the prudential indicators set out in the report.
- 1.2. **Capital Programme (Item 08b)** - The Commissioner is asked to:
- Approve the capital programme for 2021/22 and beyond as part of the overall budget process for 2021/22.
 - Approve the status of capital projects as detailed in appendices 2 to 5.
- 1.3. **Treasury Management Strategy (Item 08c)** - The Commissioner is asked to:
- Approve the Borrowing Strategy for 2021/22 as set out on pages 8-9
 - Approve the Investment Strategy for 2021/22 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 2021/22 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:



Peter McCall



Capital Strategy 2021/22



Office of the Police and Crime Commissioner Report

Public Accountability Conference 19 February 2021

Title: Capital Strategy 2021/21

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

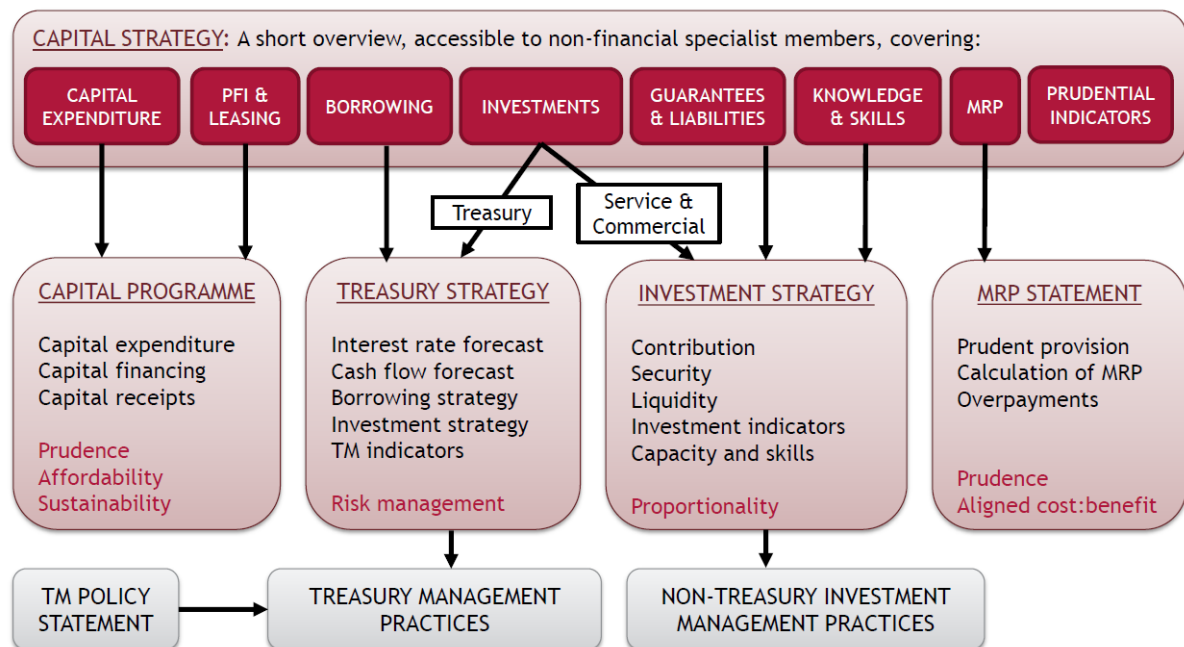
- 1.1. This capital strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 1.2. The aim of this report is to provide enough detail to allow non-financial decision makers to understand how stewardship, value for money, prudence, sustainability and affordability will be secured without repeating in detail the information that is contained in other documents presented as part of this suite of capital and treasury management reports (agenda items 08b & 08c).
- 1.3. These reports meet the reporting requirements of the Chartered Institute of Public Finance and Accounting (CIPFA) Prudential Code for capital finance in Local Authorities 2017 updated guidance.

2. Recommendations

- 2.1. The Commissioner is asked to approve the contents of the report.

3. Introduction

- 3.1. The CIPFA Prudential Code (the code) and guidance notes were originally issued in 2002 and were later fully revised in 2009, 2011 and again in 2017. This code requires the Commissioner to look at capital expenditure and investment plans in light of the overall strategy and resources and ensure that the decisions are being made with sufficient regard to the long run implications and potential risks to the Commissioner.
- 3.2. This capital strategy report summarises the purpose and governance over a range of activities associated with capital investment and financing, which are reported on in detail elsewhere on this agenda item. The diagram below provides an overview of the scope of these activities, their inter-dependencies and reporting structures:



*The MRP Statement, Investment Strategy and the Prudential Indicators of the Commissioner are encompassed into the Treasury Management Strategy.

4. Capital Expenditure and Financing

- 4.1. Capital expenditure is the term used to describe expenditure on assets, such as property, vehicles and ICT equipment, that will be used (or have a life) of more than 1 year. There is some limited discretion on what is to be treated as capital expenditure and assets costing less than £25k will be charged to the revenue account in accordance with the Financial Rules and Regulations (this is known as the deminimis level).

4.2. Capital expenditure plans are under-pinned by asset strategies, which are developed by respective service leads linked to delivery of the Commissioner’s Police and Crime Plan and the Constabulary’s overall Vision 2025. The principal asset strategies and their objectives are:

- The Digital, Data and Technology Strategy, which has six key themes
 - On-going provision of trusted and reliable ICT services. Business as Usual
 - A cost effective and affordable ICT service
 - Actively supporting the delivery of Cumbria Vision 25
 - To implement national ICT systems
 - To meet local demand to renew and replace Core Systems and Applications
 - Collaboration
- The Estates Strategy, which aims to maintain an Estate which is fit for purpose whilst reducing overhead expenditure and maximising and exploiting existing assets.
- The Fleet Strategy, which aims to satisfy the Constabulary’s vehicle needs within a sustainable financial model.

4.3. A workplan is developed annually to support delivery of each strategy. The updated financial implications are distilled early in the financial planning process and subsequently consolidated to produce a ten year capital programme. The overall capital programme is then subject to a process of financial scrutiny in the context of both available capital funding resources and the overall revenue budget position. The financial approval process includes specific challenge at a Capital Star Chamber chaired by the Deputy Chief Constable. The final capital programme and associated asset strategies are subject to approval by both the Constabulary Chief Officer Group and the Commissioner at his Public Accountability Conference.

4.4. The capital expenditure estimates for the current year and four year medium term are shown below:

Capital Expenditure	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Capital Expenditure	6.33	4.91	5.21	16.37	9.64	3.20

4.5. The profile of capital expenditure fluctuates annually. Across the current four year programme, annual average expenditure typically comprises £1.3m to replace fleet vehicles, £1.5m on estate schemes (although by their nature these investments tend to be more lumpy) and around £3.0m for replacement of ICT systems and equipment.

- 4.6. The 2021/22 capital programme includes ICT expenditure, continuing work on the replacement of a number of control room systems with a single integrated solution, development and roll out of mobile technology and smartphones, consideration of options for ICT infrastructure and a move to more cloud based systems. In addition, preparatory work on the national programme to replace the Police Radio System (Airwave) with an Emergency Services Network (ESN) will continue, in advance of significant expenditure to implement the system in future years. Investment in the on-going replacement of vehicles in accordance with the Fleet Strategy will continue. Expenditure on Estates schemes over the 4 years is dominated by the need to evaluate options and provide a territorial headquarters in the west of the County. Work will also be undertaken to assess the capital investment requirements to equip the additional officers recruited through Operation Uplift and some provision has been made for this in the programme.
- 4.7. Before the commencement of each financial year the schemes for that year are revisited to be assigned an approval category. Large schemes which have previously been approved by the Commissioner following submission of a business case and the smaller rolling replacement schemes are approved on a firm basis, meaning that they can be progressed without further scrutiny. Schemes which have been approved in principle but need some detailed work may be delegated to the Joint Chief Finance Office for future approval. Schemes requiring business cases, option appraisals and financial appraisals are given the status of indicative until they have been thoroughly scrutinised by all relevant business leads before being passed to the Constabulary Chief Officer Group and the Police and Crime Commissioner for final approval.
- 4.8. The capital programme must be financed from a combination of capital grants, capital receipts, reserves, direct support from the revenue budget and, unlike the revenue budget, borrowing is permitted. Whilst it is a statutory requirement that the Commissioner agrees a balanced revenue budget, the Prudential Code requires the capital programme to be demonstrated as 'Affordable, Prudent and Sustainable', it is up to each authority how it determines these criteria. Cumbria defines an 'Affordable, Prudent and Sustainable' programme as being fully funded (from the sources outlined above) for the medium term financial forecast period of 4 years. The revenue budget and MTFP must also fully reflect any revenue implications of the capital programme including servicing costs of borrowing.
- 4.9. The difficulty facing Cumbria is that capital grants have been reduced to a negligible level, the potential to generate future capital receipts is low and capital reserves are likely to be extinguished in the next two years. Whilst some additional capital borrowing is planned to finance long lived estates projects, this is not a viable option for shorter life assets such as vehicles and ICT. Collectively, this means that

the Capital Programme is increasingly reliant on contributions from the revenue budget to fund it. This is reflected in the revenue budget and MTFF where revenue support for capital have increased to an annual figure of £3.7m by the end of the 10 year forecast period.

- 4.10. When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debts. Capital financing assumes that all capital receipts will be used to finance new assets rather than reduce existing debt.
- 4.11. Full details of the 10 year programme and associated financing can be found in the separate report 'Capital Programme 2021/22 to 2030/31 (item 08b on this agenda).

5. Treasury Management

- 5.1. Treasury management is concerned with keeping sufficient but not excessive cash available to meet spending needs while managing the risks involved. Surplus cash is invested until required while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Police and Crime Commissioner is generally cash rich in the short term due to the level of reserves currently held and revenue grants being received in advance of spend, but cash poor in the long term due to capital expenditure being incurred in advance of being financed.
- 5.2. Treasury Management involves the management of large sums of money and is therefore inherently risky. Accordingly, treasury activities are strictly controlled and managed in accordance with CIPFA's Prudential Code. The Treasury Management Strategy is approved annually by the Commissioner at his Public Accountability Conference, with activities being reported upon a periodic basis through the same meeting. The Joint Audit Committee also provides scrutiny of treasury management activities. Responsibility for treasury activities is delegated to the Joint Chief Finance Officer, who delegates responsibility for day to day management to the Deputy Chief Finance Officer. The Treasury Management Strategy incorporates subsidiary investment and borrowing strategies, which are summarised below.
- 5.3. **Investment strategy** - Treasury investments arise from receiving cash before it is paid out again. The Commissioner makes investments because he has a cash surplus as a result of his day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments). The Commissioner does not make investments to support local public services by lending to or buying shares in other organisations (service investments), or to earn investment income (known as commercial investments where investment income is the main purpose).

The Commissioner's policy on treasury investments is to prioritise **security** and **liquidity** over **yield**; that is to focus on minimising risk rather than maximising returns. The risk that an investment counter-party defaults is very real as illustrated by the BCCI and, more recently, Icelandic Banks scandals, which impacted on public sector bodies. The investment strategy seeks to mitigate this risk by only investing in high quality, trusted counter-parties and spreading the investment portfolio across organisations. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy (subject to strict criteria) and the Commissioner may request his money back at short notice.

Whilst the Commissioner has historically held significant investments, these balances are being reduced as the Commissioner has undertaken internal borrowing to support the capital programme (see below) and reserves are drawn down to support the revenue budget.

Further details on treasury investment strategy are on pages 10 to 13 of the treasury management strategy (agenda item 08c).

- 5.4. **The Borrowing Strategy** – As indicated the Commissioner currently holds no external debts, other than a PFI arrangement described in section 6 of this report, with all external borrowing with the PWLB (Public Works Loans Board) having been repaid during 2012/13. However, there is an underlying need to borrow, known as the Capital Financing Requirement (CFR), arising from historical decisions to finance capital expenditure from borrowing within prudent limits. To date this has been met from internal borrowing.
- 5.5. The capital financing requirement (CFR) is a measure of the amount of capital spending that has not yet been financed by capital receipts, grants or contributions, it is in essence the amount of internal debt finance of the Police and Crime Commissioner. The CFR increases each time there is new capital expenditure financed by debt and decreases with MRP repayments, capital receipts assigned to repay debt or by making additional voluntary contributions. The CFR for the 31 March 2021 is forecast to be £21.60m.

Internal Borrowing – the practice of using reserves and provisions that have been set aside for future use to fund capital expenditure plans now. External borrowing comes with interest payments of currently 3%+ where investments are currently making less than 1% return in terms of interest, therefore there is an incremental cost to borrow in advance of need (known as cost of carry). This is therefore discouraged if there are cash reserves available that can be drawn down as an alternative to borrowing.

- 5.6. The main objectives when borrowing is to achieve a low but certain cost of finance, while retaining flexibility should plans change in future. These objectives are often conflicting, and the Commissioner would therefore have to strike a balance between low cost short-term loans (currently available at around 0.1%) and long-term fixed rate loans where the future cost is known but higher (currently 3.0%+). Current forecasts show that a small amount of short term borrowing, probably from other local authorities, may be required at the start of 2021/22 to bridge a shortfall in cash in advance of receipt of the new financial year's revenue grants.

It is unlikely that the Commissioner will actually exercise long term external borrowing until there is a change in the present structure of investments rates compared to the costs of borrowing, as this would result in a significant net interest cost to the revenue account in the short term. Nevertheless, such financing decisions have long term consequences and should be taken in this context. Long term interest rates will therefore be carefully monitored with the aim of deciding the most advantageous time to take on long term liabilities.

Liability Benchmark - 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 (the Commissioner's treasury advisors) 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.

As an assurance that borrowing is only undertaken for capital purposes and is sustainable, the Commissioner is required to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with the statutory guidance a lower 'operational boundary' is also set as a warning level should debt approach the limit.

Further details on the borrowing strategy are on pages 8 to 9 of the treasury management strategy (agenda item 08c).

6. Other Liabilities

- 6.1. In relation to other external liabilities the Commissioner's balance sheet currently shows debt of £4.585m in relation to a private finance initiative (PFI) scheme for the provision of the Territorial Police HQ in West Cumbria. This debt is scheduled to reduce gradually through annual unitary charge payments met from the revenue account, until 2026 when the primary arrangement comes to an end. At this point a decision on the provision of future policing facilities in West Cumbria will need to be made. Options are currently being evaluated.
- 6.2. The Commissioner's balance sheet also shows long term liabilities totalling £1.266bn in respect of the Local Government and Police Officer Pension Scheme deficits. These will be met through a combination of payments from the revenue budget over a long period and support from central Government. A sum of £1.017m has been set aside to cover risks from legal claims and insurance liabilities. The Commissioner is also at risk of having to pay for an unlawful discrimination claim arising from the transitional provisions in the Police pension Regulations 2015 but has not put aside any money because there is no clarity of the scale of the claim and no certainty over who will bear the costs at this time.
- 6.3. The risk of these pension liabilities crystallising and requiring payment is monitored by the Finance Services team. Further details on liabilities and guarantees are on page 92 of the 2019/20 statement of accounts.

7. Prudential Indicators

- 7.1. Both capital expenditure plans and treasury management are supported by a range of Prudential Indicators, whose purpose is to act as an early warning system that these activities are falling outside prescribed limits and may no longer be affordable, prudent or sustainable. 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. Details of Prudential indicators are set out on pages 15-21 of the treasury management strategy (agenda item 08c).

8. Revenue Budget Implications

- 8.1. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable.
- 8.2. The Commissioner is also required to set aside a sum each year from the revenue budget to repay borrowing, which is linked to the life of the asset being financed. This is known as the minimum revenue payment (MRP) and can be likened to the minimum repayment on a credit card debt. The estimates for the repayment of internal borrowing from the revenue budget is shown below:

Minimum revenue provision	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Minimum revenue provision for the financial year	0.49	0.61	0.63	0.65	0.68	0.89

- 8.3. The net annual charges to the revenue account are collectively known as financing costs; which are compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants as a key prudential indicator of the affordability, prudence and sustainability of capital expenditure plans see below.

Ratio of Financing Costs to Net Revenue Stream	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Investment income	0.14	0.02	0.01	0.01	0.01	0.01
MRP	0.49	0.61	0.63	0.65	0.68	0.89
Financing Costs	0.35	0.59	0.62	0.64	0.67	0.88
Net Revenue Stream	111.14	118.76	120.04	124.44	126.84	126.84
Ratio	0.32%	0.50%	0.52%	0.52%	0.53%	0.70%

The ratios of financing costs to the revenue budget above are considered sustainable.

Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred over the MTFF period may extend for up to 50 years into the future. The Joint Chief Finance Officer is satisfied that the proposed capital programme is **prudent, affordable and sustainable**.

9. Knowledge and Skills

- 9.1. The Commissioner employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Joint Chief Finance Officer is committed to the Governments apprenticeship levy scheme and currently has a number of key employees studying at Level 3/4 (AAT) and Level 7 (CIPFA).
- 9.2. Where employees do not have the knowledge and skills required, use is made of suitably qualified external advisers. The Commissioner currently employs Link Asset Services Limited as treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Commissioner has access to knowledge and skills commensurate with his risk appetite.

CUMBRIAVISION 25





Cumbria Office of the Police and Crime Commissioner

Title: Capital Programme 2021/22 & Beyond

Public Accountability Conference: 19th February 2021

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 2021/22 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

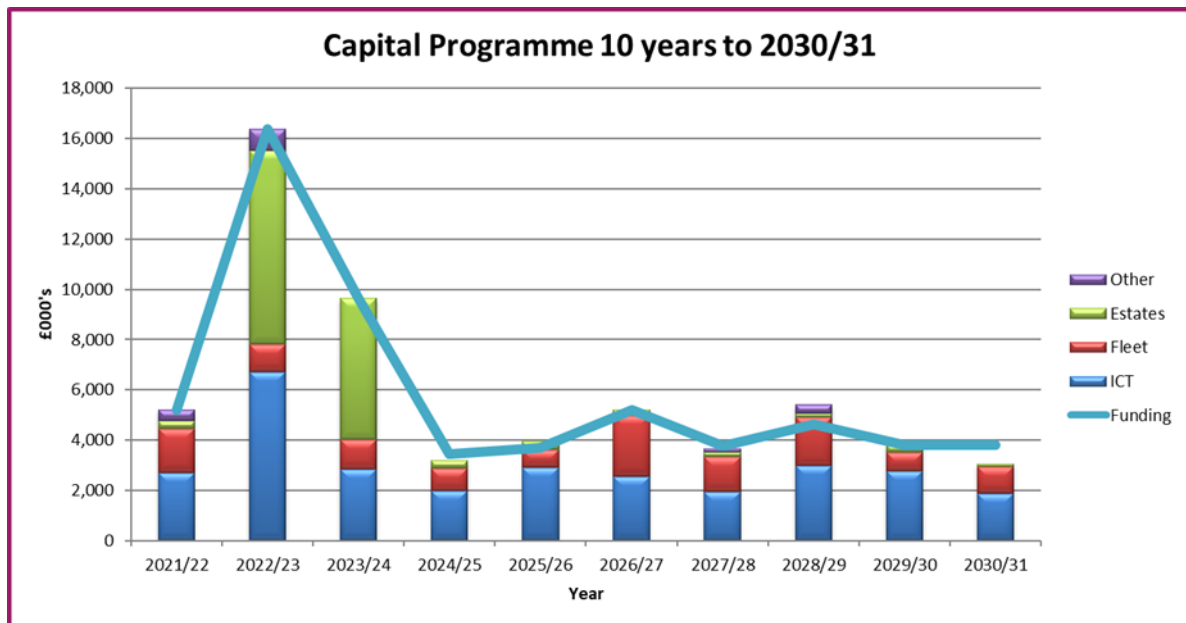
- 2.1. Police and Crime commissioner is asked to note the proposed capital programme for 2021/22 and beyond as part of the overall budget process for 2021/22.
- 2.2. The Commissioner is asked to approve the status of capital projects as detailed in appendices 2 to 5.

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 include the replacement of the countywide CCTV system and resources set aside to support the additional officers recruited through Operation Uplift.
- 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 (2021/22 to 2024/25).

Capital Expenditure	Yr 0 2020/21 £	Yr 1 2021/22 £	Yr 2 2022/23 £	Yr 3 2023/24 £	Yr 4 2024/25 £
ICT Schemes	2,029,816	2,692,539	6,721,276	2,850,369	1,987,939
Fleet Schemes	2,096,670	1,768,374	1,085,280	1,185,600	897,184
Estates Schemes	311,794	300,000	7,710,000	5,600,000	310,000
Other Schemes	468,307	450,000	850,000	0	0
Total Capital Expenditure	4,906,587	5,210,913	16,366,556	9,635,969	3,195,123
Capital Receipts	0	0	(2,437,945)	(532,606)	0
Contributions from Revenue	(2,885,527)	(3,796,427)	(3,908,862)	(3,405,881)	(3,461,459)
Capital Grants	(2,021,060)	(1,164,486)	(2,869,749)	(97,482)	0
Capital Reserves	0	(250,000)	(3,750,000)	0	0
Borrowing	0	0	(3,400,000)	(5,600,000)	0
Total Capital Financing	(4,906,587)	(5,210,913)	(16,366,556)	(9,635,969)	(3,461,459)
(Excess)/Shortfall	0	(0)	(0)	0	(266,336)

3.4. The profile of capital expenditure fluctuates annually. Across the current ten-year programme, annual average expenditure typically comprises £1.3m to replace fleet vehicles and around £3.0m for replacement of ICT systems and equipment. The profile of Estates schemes is more ‘lumpy’, with peaks of expenditure when major buildings are replaced. ICT Expenditure reflects the Constabulary Strategy to invest in digital technology and the national programme to replace the Police Radio System (Airwave) with an Emergency Services Network (ESN). The diagram below shows the make up of the capital programme over 10 years.



3.5. 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 2024/25. The appendix also shows that in years 5-10 of the programme there are some shortfalls and deficits, but overall the budget is balanced. This has been achieved through an increase in revenue contributions from year 5 (see paragraph 3.8). 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.

3.6. In relation to the financing of the capital programme, the Government’s grant settlements for 2020/21 and 2021/22 both included a reduced level of specific capital grant funding of £97k pa. However, additional funding for the recruitment of 20,000 additional Police Officers, known as Operation Uplift was integral to the settlement. The Policing Minister’s statement, which accompanied the settlement, made it clear that the additional revenue funding for Operation Uplift included a capital element to

support the infrastructure costs required to equip the additional officers in their roles. The money was deliberately directed to the revenue budget to provide forces with maximum flexibility to decide upon the most appropriate balance between officers and equipment to support Operation Uplift. A scheme totaling £800k (£300k 2021/22 and £500k 2022/23) for Operation Uplift has now been included in the programme, funded from the revenue budget. The detailed allocation of this budget will be decided during 2021/22, with a significant proportion likely to be allocated to vehicles.

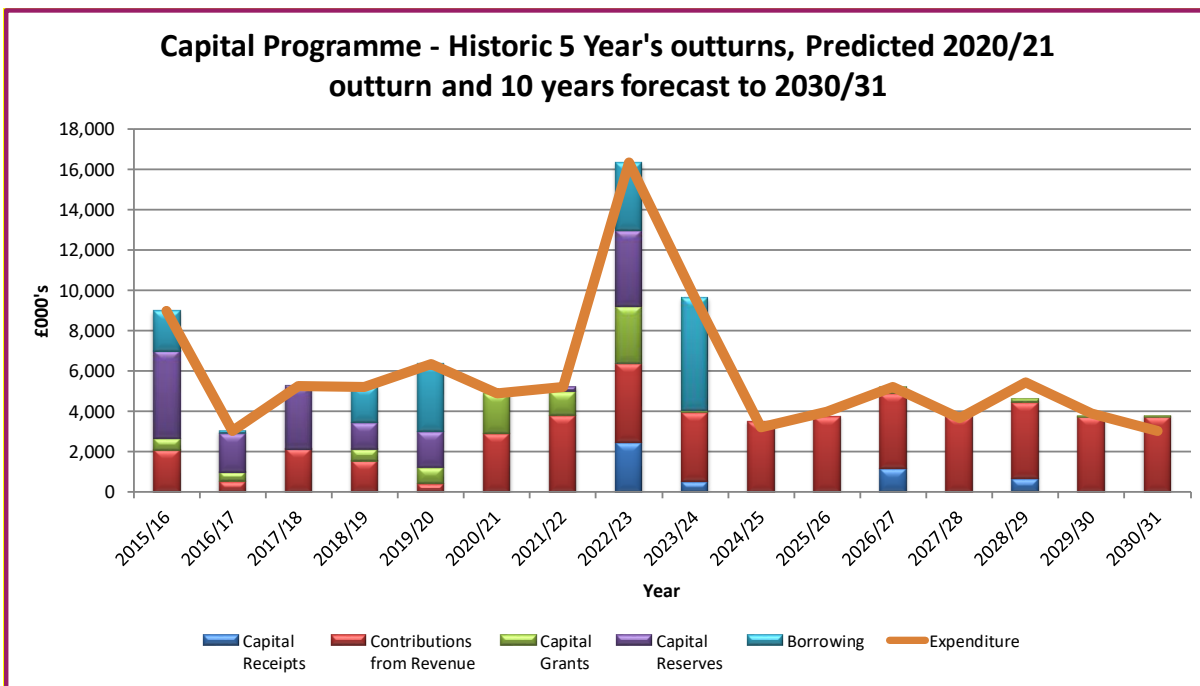
3.7. As a result of the majority of capital expenditure being in relation to relatively short lived assets (e.g. ICT and fleet of up to 10 years' life), choices for financing the capital expenditure are fairly limited. Borrowing for short-lived assets is not a viable consideration due to the requirement to set aside funds from 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.

3.8. By the end of 2022/23 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 £0.48m to £1.68m for 2018/19 and 2019/20
- PCP Jan 2017 – Increase of £1.3m to £2.98m for 2020/21 onwards - as accumulated capital reserves and grant are fully extinguished.
- PCP Jan 2019 – Increase £0.3m to £3.28m from 2020/21.
- PCP Feb 2020 – Increase £0.27m to £3.56m from 2020/21 (to replace lost grant –see above)

As described in paragraph 3.6 revenue support for the capital programme in 2021/22 and 2022/23 has been increased as a result of Operation Uplift. However, in the absence of other funding streams, there is a likelihood that the level of revenue budget support for the underlying capital programme will need to increase still further. The ten-year capital programme in appendix 1 shows revenue support for the capital programme increasing to over £3.7m pa from 2025/26.

The chart below illustrates capital expenditure and funding over a historic five-year period and forecast for ten-year period which illustrates how the capital programme will become almost entirely dependent upon revenue funding in future:



3.9. 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 Digital Data and Technology Strategy.

The ICT Capital Programme also makes provision for a large number of national ICT programmes, which include changes of major strategic importance, in particular, 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 £3.0m over the four years of the MTF and £7.4m 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. The timescales for the project are constantly changing 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 pandemic shifted the focus of ICT resources as they were quickly required to equip the workforce with hardware and a resilient network to allow for agile working at home. Whilst some projects were able to continue, the largest replacement in 2020/21 for the converged infrastructure had to be paused. The pandemic has provided the Constabulary with an opportunity to assess the current agile working and look at how this will affect future working arrangements. This will help determine the ICT infrastructure that is needed to support a more agile future. The Infrastructure is currently a consolidation of server hardware in an on-site data centre. The desire is to move away from this expensive hardware and towards cloud storage. This would be a managed software solution and would therefore be revenue expenditure but until such time that a 'Proof of Concept' provides us with a firm pathway to Cloud, the budget is provisioned for in capital. The budget has been reprofiled from the large server replacement each 4 years to an even budget across all 10 years to reflect more accurately the financing of a managed solution.

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 £1.4m 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.

3.10. 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, the Corporate Support Annual Update presented to the Commissioner for approval elsewhere on this agenda, incorporates detail on progress against delivery of the strategy over the last year and work planned for 2021/22. 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 2020/21 85 vehicles were planned for replacement at an estimated cost of £2,847k. Many these vehicles are to replace the 'Single Vehicle platform' that was rolled out in 2014/15. The conclusion was reached that there is no longer a single vehicle that meets all the requirements of the differing teams that use the vehicle and that a mix of cars and vans would be the most appropriate option. Unfortunately, due to the world wide-pandemic, production of vehicles largely ceased for a time, before beginning slowly again. This has meant that the lead time for delivery of some models has increased. Of the 85 vehicles planned for replacement, 79 have been ordered. Of these; 16 have been received, 39 are still expected before the year end and, unfortunately, 24 will now not be received until 2021/22. Following a few minor changes to the plan a total of 28 vehicles with a budget of £966k have been moved forward to 2021/22 to reflect these delays.



The Constabulary now has 7 electric vehicles on the fleet. Five of which are livered and 2 are currently used as unmarked pool vehicles. These vehicles are supported by a network of 14 electric vehicle charging points at HQ and the main deployment centres.

The plan for 2021/22 is to replace 37 vehicles with a budget of £772k. This is made up with a mix of operational vehicles for the Mobile and Pro-active Support Groups, several unmarked Area Drug Team vehicles and a number of pool vehicles. The budget has been created on pricing from current

frameworks but at this point in time the effect of Brexit and trade negotiations is unknown, but the general feeling is that prices will increase.

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

3.11. 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, the Corporate Support Annual Update presented to the Commissioner for approval elsewhere on this agenda, incorporates detail on progress against delivery of the strategy over the last year and work planned for 2021/22. 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 main focus of the strategy in recent years has been the development of the new Eden Deployment Centre 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 emphasis shifts for the coming years to focus on improved premises in the west of the county in response to major flooding incidents in recent years, options for which will be developed over 2021/22. The west scheme accounts for the majority of the estates capital spend, £13m out the £13.9m planned over the medium term, with some smaller items of life cycle replacement making up the difference. Beyond this, in the 10-year plan, the estates capital budget reduces significantly once the west scheme is complete, to leave on average £225k per year for replacement schemes.

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

3.12. Other Schemes

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

Also included in the is section is a scheme titled Operation Uplift. This scheme refers to the Governments decision to 'uplift' the number of officers in each Constabulary and as such they have provided additional revenue and capital grants to facilitate this growth. This funding will be required to make changes to the Estate, increase the vehicle Fleet and purchase the additional ICT equipment that each officer will require to undertake their roles. Detailed planning is underway to ascertain exactly where this funding is required but until that is complete it will be held in total as 'other schemes'.

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 2020 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 2022/23 as reserves and grants are extinguished.

5. Supplementary information

Attachments

Appendix 1	Capital Expenditure and Financing 10 years 2021/22 to 2030/31
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 2020 and December 2020
Appendix 7	Capital Receipts Breakdown 2009/10 to 2020/21

Capital Expenditure and Financing 10 years 2021/22 to 2030/31

Capital Expenditure	Yr 0 2020/21 £	Yr 1 2021/22 £	Yr 2 2022/23 £	Yr 3 2023/24 £	Yr 4 2024/25 £	Yr 5 2025/26 £	Yr 6 2026/27 £	Yr 7 2027/28 £	Yr 8 2028/29 £	Yr 9 2029/30 £	Yr 10 2030/31 £	Yr 1-10 Total £
ICT Schemes	2,029,816	2,692,539	6,721,276	2,850,369	1,987,939	2,902,508	2,544,082	1,957,695	3,001,228	2,759,106	1,872,157	29,288,899
Fleet Schemes	2,096,670	1,768,374	1,085,280	1,185,600	897,184	709,560	2,430,890	1,386,000	1,917,480	746,460	1,071,440	13,198,268
Estates Schemes	311,794	300,000	7,710,000	5,600,000	310,000	350,000	245,000	170,000	155,000	320,000	105,000	15,265,000
Other Schemes	468,307	450,000	850,000	0	0	0	0	150,000	350,000	43,000	0	1,843,000
Total Capital Expenditure	4,906,587	5,210,913	16,366,556	9,635,969	3,195,123	3,962,068	5,219,972	3,663,695	5,423,708	3,868,566	3,048,597	59,595,167
Capital Financing	Yr 0 2020/21 £	Yr 1 2021/22 £	Yr 2 2022/23 £	Yr 3 2023/24 £	Yr 4 2024/25 £	Yr 5 2025/26 £	Yr 6 2026/27 £	Yr 7 2027/28 £	Yr 8 2028/29 £	Yr 9 2029/30 £	Yr 10 2030/31 £	Yr 1-10 Total £
Capital Receipts	0	0	(2,437,945)	(532,606)	0	0	(1,161,674)	0	(649,935)	0	0	(4,782,160)
Contributions from Revenue	(2,868,527)	(3,813,427)	(3,908,862)	(3,405,881)	(3,461,459)	(3,716,600)	(3,744,984)	(3,769,840)	(3,772,167)	(3,711,965)	(3,710,733)	(37,015,916)
Capital Grants	(2,038,060)	(1,147,486)	(2,869,749)	(97,482)	0	0	(292,446)	0	(194,964)	(97,482)	(97,482)	(4,797,090)
Capital Reserves	0	(250,000)	(3,750,000)	0	0	0	0	0	0	0	0	(4,000,000)
Borrowing	0	0	(3,400,000)	(5,600,000)	0	0	0	0	0	0	0	(9,000,000)
Total Capital Financing	(4,906,587)	(5,210,913)	(16,366,556)	(9,635,969)	(3,461,459)	(3,716,600)	(5,199,104)	(3,769,840)	(4,617,066)	(3,809,447)	(3,808,215)	(59,595,167)
(Excess)/Shortfall	0	(0)	(0)	0	(266,336)	245,468	20,868	(106,144)	806,642	59,120	(759,617)	0

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

ICT Schemes

ICT Summary	Yr 0 2020/21 £	Yr 1 2021/22 £	Yr 2 2022/23 £	Yr 3 2023/24 £	Yr 4 2024/25 £	Yr 5 2025/26 £	Yr 6 2026/27 £	Yr 7 2027/28 £	Yr 8 2028/29 £	Yr 9 2029/30 £	Yr 10 2030/31 £	Yr 1-10 Total £
ICT End User Hardware Replacement (002x)	388,606	1,000,068	961,666	348,084	813,579	643,628	446,621	698,538	661,125	881,714	450,871	6,905,894
ICT Core Hardware Replacement (003/004x)	496,414	2,205,003	1,687,400	1,868,050	964,110	1,447,719	1,014,347	1,380,748	2,283,899	991,478	1,514,254	15,357,009
ICT Core Infrastructure Replacement (projects)	933,400	280,423	2,615,383	382,378	99,325	1,210,336	1,416,831	106,397	308,750	1,250,695	112,909	7,783,428
ICT Infrastructure Solution Replacement (Projects)	211,396	207,045	456,827	251,857	110,925	113,033	115,239	117,488	277,081	122,120	124,503	1,896,117
Savings Target - 15% Year 5-10 (linked to ICT tech advances)	0	0	0	0	0	(512,207)	(448,956)	(345,476)	(529,628)	(486,901)	(330,381)	(2,653,549)
General Prudent Slippage (linked to workloads and staffing levels)		(1,000,000)	1,000,000	0	0	0	0	0	0	0	0	0
Total ICT Summary	2,029,816	2,692,539	6,721,276	2,850,369	1,987,939	2,902,508	2,544,082	1,957,695	3,001,228	2,759,106	1,872,157	29,288,899

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 2021/22 to 2024/25, covering the period for which the capital programme is fully funded.

Fleet Schemes

Fleet Summary Proposed	Number of Vehicles in Category	Yr 0 2020/21 £	Yr 1 2021/22 £	Yr 2 2022/23 £	Yr 3 2023/24 £	Yr 4 2024/25 £	Yr 5 2025/26 £	Yr 6 2026/27 £	Yr 7 2027/28 £	Yr 8 2028/29 £	Yr 9 2029/30 £	Yr 10 2030/31 £	Yr 1-10 Total £
Covert	14	72,328	79,674	26,520	78,000	91,160	21,600	66,660	51,520	85,500	99,760	23,600	623,994
Neighbourhood Policing	92	854,781	660,000	482,460	374,400	0	64,800	1,195,150	1,000,160	410,400	0	0	4,187,370
Specialist Vehicles	28	189,960	265,000	0	115,440	118,720	237,600	121,660	112,000	417,240	128,760	101,480	1,617,900
Dog Vehicles	10	80,661	280,000	0	0	0	75,600	269,500	0	0	0	82,600	707,700
Motor Cycles	8	15,000	0	0	0	0	152,280	0	0	0	0	17,700	169,980
Pool Cars	29	13,260	174,200	15,300	64,480	38,584	19,440	125,070	14,560	224,580	17,400	73,160	766,774
Protected personnel Carriers	9	183,600	0	244,800	0	0	0	132,000	0	205,200	0	283,200	865,200
Roads Policing Vehicles	20	618,000	174,000	40,800	312,000	434,600	79,920	374,000	112,000	353,400	433,840	165,200	2,479,760
Crime Command	39	15,300	30,000	0	202,800	114,480	58,320	114,400	33,600	0	0	283,200	836,800
Crime Scene Investigators	10	0	20,500	275,400	0	0	0	0	0	0	23,780	0	319,680
Garage	6	0	0	0	0	0	0	0	0	153,900	0	0	153,900
Chief Officer Pool	2	0	0	0	38,480	37,100	0	0	0	0	42,920	41,300	159,800
Above Strength Vehicles	16	0	0	0	0	0	0	0	0	0	0	0	0
Partnership Vehicles	15	53,780	85,000	0	0	62,540	0	32,450	62,160	67,260	0	0	309,410
Total Fleet Summary	298	2,096,670	1,768,374	1,085,280	1,185,600	897,184	709,560	2,430,890	1,386,000	1,917,480	746,460	1,071,440	13,198,268
Number of Vehicles Replaced Each Year		70	65	32	45	33	27	84	44	57	18	40	

Status - Fleet Replacement - It is recommended that all fleet replacement schemes are approved as firm for 2021/22 only. This provides authority to procure on the basis of the currently approved fleet strategy. The strategy will be reviewed during 2021/22 to inform the status of the capital programme in future years.

Estates Schemes

Estates Schemes	Ref	Status	Yr 0 2020/21	Yr 1 2021/22	Yr 2 2022/23	Yr 3 2023/24	Yr 4 2024/25	Yr 5 2025/26	Yr 6 2026/27	Yr 7 2027/28	Yr 8 2028/29	Yr 9 2029/30	Yr 10 2030/31		
			£	£	£	£	£	£	£	£	£	£	£		
Existing Schemes															
Roof Repairs - Various															
Whitehaven Police Station		Firm	37,625	0	0	0	0	0	0	0	0	0	0	0	0
Kendal Police Station		Firm	56,249	0	0	0	0	0	120,000	0	0	25,000	0	145,000	
Roof Repairs - HQ Dog section		Firm	70,000	0	0	0	250,000	0	0	0	0	0	0	250,000	
Heating, Ventilation & Cooling Plant - Various															
Police Headquarters			0	0	0	0	0	300,000	0	0	0	200,000	0	500,000	
Barrow HVAC			0	0	0	0	0	0	0	60,000	0	0	0	60,000	
Other Existing Schemes															
UPS Durranshill			0	0	0	0	60,000	0	0	0	0	0	0	60,000	
UPS HQ		Firm	100,000	0	0	0	0	0	0	0	30,000	0	0	30,000	
UPS Barrow			0	0	0	0	0	0	0	60,000	0	0	0	60,000	
Garage Provision			0	0	500,000	0	0	0	0	0	0	0	0	500,000	
Durranshill - Replacement CCTV system and cell call			0	0	0	0	0	50,000	0	0	0	0	0	50,000	
Kendal CCTV and Cell Call			0	0	0	0	0	0	0	50,000	0	0	0	50,000	
West Resilience Flood Management	a		0	250,000	7,150,000	5,600,000	0	0	0	0	0	0	0	13,000,000	
Roof Repairs & Glazing - Durranshill			0	0	0	0	0	0	75,000	0	0	0	0	75,000	
HQ Static inverter			0	0	0	0	0	0	0	0	50,000	0	0	50,000	
HQ window conservation			0	0	0	0	0	0	50,000	0	0	0	0	50,000	
Durranshill heat and vent plant		Firm	27,920	0	0	0	0	0	0	0	0	0	0	0	
Gas suppression cylinder replacements		Firm	20,000	0	0	0	0	0	0	0	0	25,000	0	25,000	
Barrow CCTV camera replacement			0	0	0	0	0	0	0	0	35,000	0	0	35,000	
Comms Centre Cooling plant life cycle replacement			0	0	0	0	0	0	0	0	0	70,000	0	70,000	
Kendal M&E plant			0	0	0	0	0	0	0	0	20,000	0	0	20,000	
Carlisle M&E plant (area 2)			0	0	60,000	0	0	0	0	0	20,000	0	0	80,000	
Sub Total Existing Estates Schemes			311,794	250,000	7,710,000	5,600,000	310,000	350,000	245,000	170,000	155,000	320,000	0	15,110,000	
New Estates Schemes 2021/22															
Kendal - yr 10 electrical and plant infrastructure			0	0	0	0	0	0	0	0	0	0	50,000	50,000	
Durranshill curtain walling life cycles			0	0	0	0	0	0	0	0	0	0	30,000	30,000	
Learning and Development Centre life cycles			0	0	0	0	0	0	0	0	0	0	25,000	25,000	
Barrow - custody services to support digital roll out	b		0	50,000	0	0	0	0	0	0	0	0	0	50,000	
Sub Total New Estates Schemes			0	50,000	0	0	0	0	0	0	0	0	105,000	155,000	
Total Estates Schemes			311,794	300,000	7,710,000	5,600,000	310,000	350,000	245,000	170,000	155,000	320,000	105,000	15,265,000	

Estates Scheme Status Recommendations*

1. It is recommended that schemes (a) and (b) 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 2021/22 and 2024/25 only unless otherwise stated.

Other Schemes

Other Schemes 2021/22 onwards	Yr 0 2020/21 £	Yr 1 2021/22 £	Yr 2 2022/23 £	Yr 3 2023/24 £	Yr 4 2024/25 £	Yr 5 2025/26 £	Yr 6 2026/27 £	Yr 7 2027/28 £	Yr 8 2028/29 £	Yr 9 2029/30 £	Yr 10 2030/31 £	Yr 1-10 Total £
CCTV	23,890	150,000	350,000	0	0	0	0	150,000	350,000	0	0	1,000,000
New CED migration (currently Taser X26)	302,055	0	0	0	0	0	0	0	0	0	0	0
Glock Pistol Replacement	45,167	0	0	0	0	0	0	0	0	0	0	0
Portable Ballistic Protective Equipment	0	0	0	0	0	0	0	0	0	43,000	0	43,000
Laser Scanning	58,191	0	0	0	0	0	0	0	0	0	0	0
Business Transformation	0	0	0	0	0	0	0	0	0	0	0	0
Operation Uplift	14,379	300,000	500,000	0	0	0	0	0	0	0	0	800,000
Operation Lecturn	24,625	0	0	0	0	0	0	0	0	0	0	0
Total Other Schemes	468,307	450,000	850,000	0	0	0	0	150,000	350,000	43,000	0	1,843,000

Other Scheme Status Recommendations*

1. It is recommended that the wholesale replacement of the CCTV system in 2021/22 and 2022/23 be subject to a business case.
2. It is recommended that the capital aspects of the operation uplift programme in 2021/22 and 2022/23 be subject to a business case.

*scheme status applies to the financial profile between 2021/22 and 2024/25 only unless otherwise stated.

Analysis of the change in Capital Programme between February 2020 and the February 2021 proposal.

	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	4 Year
	2020/21	2021/22	2022/23	2023/24	2024/25	TOTAL
	£	£	£	£	£	£
Capital Strategy - Approved (February 2020)	7,552,976	8,035,056	10,884,805	8,358,113	3,477,887	30,755,861
Capital Strategy - Proposed (December 2020)	4,906,587	5,210,913	16,366,556	9,635,969	3,195,123	34,408,560
Difference (decrease)/Increase	(2,646,389)	(2,824,143)	5,481,751	1,277,855	(282,764)	3,652,699
Difference by Type						
- ICT Schemes	(2,238,548)	(1,771,496)	3,191,161	1,063,391	(144,408)	2,338,648
- Fleet Schemes	(750,150)	992,353	(384,410)	214,464	(138,356)	684,051
- Estates Schemes	29,169	(1,775,000)	1,825,000	0	0	50,000
- Other Schemes	313,140	(270,000)	850,000	0	0	580,000
Difference (decrease)/Increase	(2,646,389)	(2,824,143)	5,481,751	1,277,855	(282,764)	3,652,699
Explanation of the Difference by Type						
- ICT Schemes						
Realignments Current Year	(2,547,894)	1,380,198	1,393,441			2,773,638
Realignments Future Years				448,488	(600,592)	(152,105)
New Scheme	104,265	0	0	0	0	0
Transfer From Revenue	12,269	0	0	0	0	0
Transfer to Revenue	192,812	0	0	0	(512,025)	(512,025)
Changes to Infrastructure (smoothing)	0	(1,629,494)	700,000	502,284	800,000	185,159
Changes to Tablet replacements (smoothing)	0	(522,200)	97,720	112,620	168,209	(260,850)
New Year						0
Prudent Slippage		(1,000,000)	1,000,000			
- Fleet Schemes						
Price Correction	0	0	1,500	0	0	1,500
Slippage from 19/20	130,354	0	0	0	0	0
Previously approved SVG/COG report changes	(63,300)	(185,000)	(100,000)	300,000	50,000	65,000
Motorcycle replacement B/Fwd	15,000	0	0	(15,000)	0	(15,000)
Effect of previous Write Offs	111,461	0	0	0	(70,000)	(70,000)
Mileage Issues B/Fwd	0	281,200	(224,000)	(44,200)	0	13,000
Slippage to 2021/22	(926,000)	926,000	0	0	(75,000)	867,000
Inflation	(17,665)	(29,847)	(61,910)	(26,336)	(43,356)	(161,449)
- Estates Schemes						
Kendal Police Station	1,249	0	0	0	0	0
Garage Provision	0	(500,000)	500,000	0	0	0
West Resilience Flood Management	0	(1,325,000)	1,325,000	0	0	0
New Schemes Added in	0	50,000	0	0	0	50,000
Slippage from 19/20	27,920	0	0	0	0	0
- Other Schemes						
CCTV	23,890	(350,000)	350,000	0	0	0
New CED migration (currently Taser X26)	192,055	(220,000)	0	0	0	(220,000)
Laser Scanning	58,191	0	0	0	0	0
Operation Uplift	14,379	300,000	500,000	0	0	814,379
Operation Lecturn	24,625	0	0	0	0	24,625
Difference (decrease)/Increase	(2,646,389)	(2,824,143)	5,481,751	1,277,855	(282,764)	3,652,699
Difference left to explain	0	0	0	0	0	0

Property Disposals – Details of Sale Proceeds

Year	Premises Sold	Net Capital Receipts £
2020/21	At the time of writing this report there had been no funds received for any premises sold.	0
2019/20	There were no property sales	0
2018/19	Police House -39 Liddle Close Carlisle	156,454
2018/19	Ulverston Police Station	490,963
2017/18	Cleator Moor Police Station	103,061
2017/18	Barrow Police Station	439,639
2016/17	Police House - 21 Thornleigh Road	260,630
2016/17	Maryport Police Station	78,505
2015/16	Police House 11-12 The Green, Penrith	57,994
2015/16	Wigton Police Station	182,955
2015/16	Ambleside Police Station	315,369
2013/14	Dalton in Furness Police Station	118,244
2013/14	Keswick Police Station	327,000
2012/13	Kirkby Stephen Police Station & House	149,143
2012/13	Police House - 3 Centurians Walk, Carlisle	172,673
2012/13	Police House - 4 Allan Court, Workington	171,400
2012/13	Alston Police Station	164,877
2012/13	Ambleside Police Station	139,247
2012/13	Cockermouth Police Station	238,387
2012/13	Millom Police Station	43,956
2012/13	Milnthorpe Police Station	139,240
2012/13	Sedbergh Police Station	88,672
2011/12	Police House - Durdar	147,930
2011/12	Police House - 12 Derwent Drive Kendal	181,557
2011/12	Police House - 10 Clifton Court, Workington	123,680
2010/11	Police House - 52 Whitestiles, Seaton	113,576
2010/11	Police House - 6 Helsington Road, Kendal	213,332
2009/10	Police House - 3 Derwent Drive, Kendal	150,143
Please note there were no property disposals in 2014/15		0
Total		4,768,625



Public Accountability Conference
19 February 2021
Agenda Item No 08c

Joint Audit Committee
17 March 2021
Agenda Item No 12c

Office of the Police and Crime Commissioner Report

Title: Borrowing, Treasury Management, Investment and MRP Strategies 2021/22 (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 2021/22.

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 2021/22 as set out on pages 8-9
2. Approve the Investment Strategy for 2021/22 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 2021/22 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 2021/22 (Including Prudential Indicators)

Treasury Management Strategy Statement 2021/22

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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 2021/22 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 2021 and for the following financial years are summarised below:

Estimated Treasury Position	Estimate 2021/22 £m	Estimate 2022/23 £m	Estimate 2023/24 £m	Estimate 2024/25 £m
External Borrowing	0.00	0.00	0.00	0.00
Interest Payments	0.00	0.00	0.00	0.00
Investments (average)	14.919	9.765	2.494	0.379
Interest Receipts	0.015	0.010	0.010	0.010

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 £21.60m at the start of the 2021/22 financial year. This includes £4.40m 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 08b) 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 2021/22 is £10k (latest forecast for 2020/21 is £15k). The low level of receipts reflects the historically low level of investment returns currently available where the Bank of England base rate stands at 0.10%.

Key Messages

Economic uncertainty continues as a result of the covid-19 pandemic, keeping interest rates and growth predictions low.

Interest Rates are forecast to remain at 0.10% for the medium term

Treasury Management Interest Rate Forecast

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it subsequently left the Bank Rate unchanged at its subsequent meetings, including its last meeting on 4th February 2021, although some forecasters had suggested that a cut into negative territory could happen. However, at that last meeting, we were informed that financial institutions were not prepared for implementing negative rates.

The Monetary Policy Committee (MPC), therefore, requested that the Prudential Regulation Authority require financial institutions to prepare for such implementation if, at any time in the future, the MPC may wish to use that as a new monetary policy tool. The MPC made it clear that this did not in any way imply that they were about to use this tool in the near future. As shown in the forecast table above, no increase in Bank Rate is expected in the near-term, as it is unlikely that inflation will rise sustainably above 2% during this period so as to warrant increasing Bank Rate.

Base Rate Estimates	2020/21	2021/22	2022/23	2023/24	2024/25
Quarter 1	0.10%	0.10%	0.10%	0.10%	0.10%
Quarter 2	0.10%	0.10%	0.10%	0.10%	0.10%
Quarter 3	0.10%	0.10%	0.10%	0.10%	0.10%
Quarter 4	0.10%	0.10%	0.10%	0.10%	0.10%

As for money market funds (MMFs), yields have fallen near to zero. Some fund managers have resorted to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surfeit of money swilling around at the very short end of the market.

Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government – this in turn may benefit the Commissioner if the need to borrow short term occurs in the near future.

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 2021/22 and beyond.

Capital Financing	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Balance B/fwd	19.35	22.21	21.60	20.97	23.72	28.64
Plus Capital Expenditure financed from borrowing	3.35	0.00	0.00	3.40	5.60	0.00
Less MRP for Debt Redemption	-0.49	-0.61	-0.63	-0.65	-0.68	-0.89
Balance C/Fwd	22.21	21.60	20.97	23.72	28.64	27.75

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 08b).

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 2021/22. Given that the CFR is forecast to be £21.60m this effectively means that the Commissioner will be funding over £17.20m of capital spend from internal resources (CFR £21.60m less £4.40m in relation to the PFI).

Currently, there is a significant differential between investment rates at 0.10% 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 (Public Works Loans Board) 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 2021/22 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 little 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 2020/21, the Commissioner's investment balance has ranged between £10.73m and £27.39m. The larger sum was due to the receipt in July 2020 of £20.0m pension top up grant from the Home Office, which is drawn down steadily over the remainder of the year. Balances in 2021/22 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 2021/22 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. However, given the current economic uncertainty arising from Covid 19 it is unlikely that they will be pursued. 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 2021/22. 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 assets. 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 2021/22 amounts to £10k (£15k 2020/21) 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	2020/21	2021/22	2022/23	2023/24	2024/25
Limit on principal invested beyond one year	£2m	£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 2021/22

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.

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Capital Expenditure	Actual	Forecast	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
Capital Expenditure	6.33	4.91	5.21	16.37	9.64	3.20

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Capital Financing	Actual	Forecast	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
Capital Receipts	0.00	0.00	0.00	2.44	0.53	0.00
Government Grants	0.82	2.04	1.15	2.87	0.10	0.00
Revenue Contributions	2.16	2.87	4.06	7.66	3.41	3.47
Total Financing	2.98	4.91	5.21	12.97	4.04	3.47
Borrowing	3.35	0.00	0.00	3.40	5.60	0.00
Total Funding	3.35	0.00	0.00	3.40	5.60	0.00
Total Financing and Funding	6.33	4.91	5.21	16.37	9.64	3.47

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 2021/22 (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	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Balance B/fwd	19.35	22.21	21.60	20.97	23.72	28.64
Plus Capital Expenditure financed from borrowing	3.35	0.00	0.00	3.40	5.60	0.00
Less MRP for Debt Redemption	-0.49	-0.61	-0.63	-0.65	-0.68	-0.89
Balance C/Fwd	22.21	21.60	20.97	23.72	28.64	27.75

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	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
External Borrowing	24.13	23.70	23.28	26.26	31.44	30.85
Other Long Term Liabilities	4.59	4.40	4.20	3.97	3.70	3.40
Total Authorised Limit	28.71	28.10	27.47	30.22	35.14	34.25

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 2021/22 (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 De	2019/20 £m	2020/21 £m	2021/22 £m	2021/22 £m	2022/23 £m	2024/25 £m
External Borrowing	22.63	22.20	21.78	24.76	29.94	29.35
Other Long Term Liabilities	4.59	4.40	4.20	3.97	3.70	3.40
Total Operational Boundary	27.21	26.60	25.97	28.72	33.64	32.75

Actual External Debt

The Commissioner's actual external debt as at 31 March 2021 will be £4.40m, comprising only of other long-term liabilities of £4.40m 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.

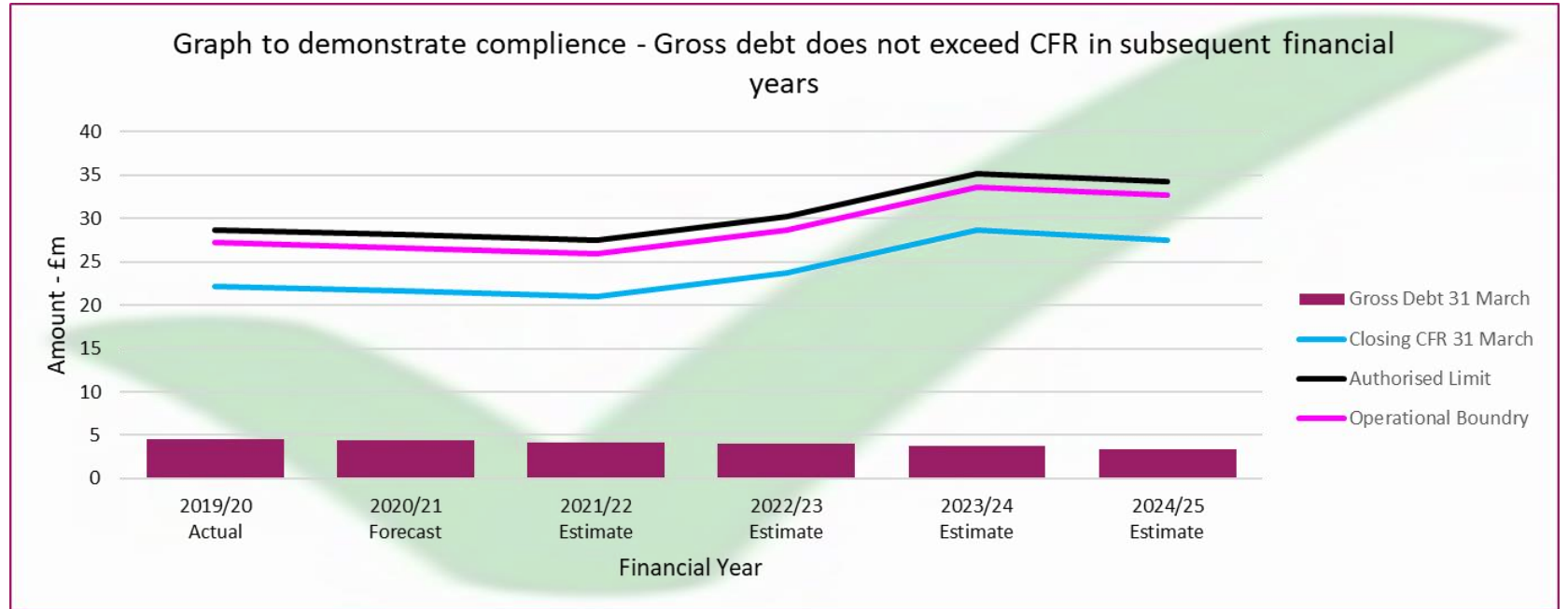
Other Prudential Indicators 2021/22 (Continued)

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	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Closing CFR 31 March	22.21	21.60	20.97	23.72	28.64	27.48
Gross Debt 31 March	4.58	4.40	4.20	3.96	3.70	3.40

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 2021/22 (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 no way meant to indicate planned increases in funding from Council Tax.

Ratio of Financing Costs to Net Revenue Stream	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Investment income	0.14	0.02	0.01	0.01	0.01	0.01
MRP	0.49	0.61	0.63	0.65	0.68	0.89
Financing Costs	0.35	0.59	0.62	0.64	0.67	0.88
Net Revenue Stream	111.14	118.76	120.04	124.44	126.84	126.84
Ratio	0.32%	0.50%	0.52%	0.52%	0.53%	0.70%

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 2021/22

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 2021/22 is unchanged from that of 2020/21 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 2021/22.

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 2021/22 compared to those in operation for 2020/21.

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 2021/22 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. If 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 2021/22 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 the Commissioners 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 2021/22 are the same as the limits for 2020/21. 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 2021/22 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 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 / 2021)

TITLE: 2021/22 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 2021/22 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 2022/23 to 2024/25 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 09a), taking into account his advice in respect of his decisions on the proposed budgets.

Appendix B of the attached report 'Budget 2021/22 and Financial Forecasts 2022/23 to 2024/25 (item 09b) 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 2021/22 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 £272.16 for 2021/22, an increase of £6.57 or 2.47%, being the amount within the budget resolution

The commissioner is also asked to approve the Reserves Strategy for 2021/22 which is provided as a separate report (item 09c).

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 2021/22 budgets for the Constabulary provide resources to maintain establishment numbers.
- 3.5. I.T.: The budgets and capital programme are supported by a comprehensive Digital Data and Technology 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. An update of progress in delivering the Commercial Strategy and workplan for 2021/22 is provided as part of the Corporate Support Update elsewhere on this agenda. 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 2021/22 and Financial Forecasts 2022/23 to 2024/25

Public Access to Information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the PCC website within 3 working days of approval. Any facts/advice/recommendations that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would not compromise the implementation of the decision being approved.

Is the publication of this form to be deferred? NO

If yes, for what reason:

Until what date (if known):

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

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

ORIGINATING OFFICER DECLARATION:

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

Signed: **Date:**

OFFICER APPROVAL

Chief Executive / Deputy Chief Executive (delete as appropriate)

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

Signature: **Date:**

Media Strategy

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

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

If yes, has a media strategy been formulated? YES

Is the media strategy attached? NO

What is the proposed date of the press release: 19th February 2021



Cumbria Office of the Police and Crime Commissioner

Public Accountability Conference 19 February 2021

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 (£68.490m). The next most significant funding source is Council Tax (£46.622m). The balance of expenditure is funded from specific grants, reserves and fees and charges. The 2021/22 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 2021/22 in respect of funding. This level of assurance cannot be given to resources beyond 2021/22. A sensitivity analysis of key aspects of the budget is provided at Appendix A.
- 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 2021. The 2021/22 grant settlement included funding for the recruitment of the second tranche of police officers as part of the Government's pledge to provide an additional 20,000 officers nationally (known as Operation Uplift) by 2022/23. At this stage, the numbers of officers which will be allotted to Cumbria in year 3 of Op Uplift and the level of funding they will attract has still to be determined. For planning purposes, a pro rata increase in funding in line with that received in 2021/22 has been assumed in 2022/23. The grant settlement for 2021/22 also provided a continuation of funding to offset much of the financial impact of increased police officer pension contributions applicable from 1st April 2019. Whilst it has been assumed that this funding will continue in future years, this is not guaranteed. Collectively, these factors mean that the calculation of grant funding forecasts beyond the 2021/22 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 2021/22

recognises the financial impact of the Covid-19 pandemic and assumes moderate council tax increases of 2% in future years.

- 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 2021/22 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 £6.57 increase on the band D council tax, which represents an increase of 2.47%. 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 2022/23 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. This risk is heightened by the financial hardships being felt by many households during the current pandemic. 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. Due to current economic uncertainty as a result of the covid-19 pandemic, the medium term forecast assumes no annual increase in tax base. 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 was declared. During 2020/21

as a result of the covid-19 pandemic district councils are now forecasting a significant deficit for 2020/21 and a reduced taxbase. The government has announced that this deficit (where it relates specifically to 2020/21) can be spread over three years (2021/22 to 2023/24). The deficit shown for 2021/22 is £234k and this represents £64k arising from previous years and £170k being a 1/3rd share of the deficit arising in 2020/21. At this stage only the 1/3rd share of £170k has been reflected in the forecasts for 2022/23 and 2023/24, beyond this there has been no forecast budget included for surplus or deficit. The Government has announced additional local council tax support, which will mitigate this risk in the short term, but the economic impact of the pandemic will need to be monitored over future years.

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 2021/22 is presented based on notifications of the actual financial settlements. Beyond 2021/22 financial forecasts are based on estimates. The current medium term forecast assumes that the core level of Government funding will increase in 2022/23 to fund the final phase of the operation uplift programme and that it will then be maintained at the level provided for 2022/23 on a flat cash basis for the remainder of the MTF.

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 any 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 2022/23 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 MTFF 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 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 2025 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 £21.6m at the end of the 2020/21 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 0% pay increase for 2021/22 as a result of the Chancellors announcement in the autumn statement of a public sector pay freeze for 2021/22. The remaining years of the MTFF assume a return to modest pay increases of 1.75% in 2022/23, 2.00% in 2023/24 and 2.25% in 2024/25. Pay costs account for the most significant element of the budget and are therefore highly sensitive to variations against the budget assumption. For 2021/22 the majority of the non-pay budget lines have not been increased for general inflation, from 2022/23 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 and staff numbers at a planned level can be operationally difficult as a result of the timing of turnover and lead in time to recruit replacements. 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 year 3 of Operation Uplift at an individual force level are yet to be determined. As the workforce plan assumes an element of recruitment in advance for phase 3 of Operation Uplift, this gives rise to a risk if the Government revises its national recruitment plans downwards, which would need to be managed by reducing recruitment in the subsequent year.

4.10 Risks regarding the potential financial impact of meeting pensions obligations arising from the McCloud judgement and the implementation of the Emergency Services Network (ESN) have been specifically recognised and will continue to be closely monitored.

Savings Requirements/Budget Management

- 4.11 The overall savings requirement over 4 years to balance the budget is around £5.1m 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.
- 4.12 The more significant immediate risk is in respect of budget management. The 2020/21 budget is currently forecasting to overspend by £0.3m. The primary reasons for the forecast overspend relate to a combination of Covid 19 and early recruitment for Op Uplift and therefore does not point to any fundamental weakness in the financial management process.
- 4.13 The overall financial position in 2020/21 does not present any material risks and to some degree has been mitigated by the favourable 2021/22 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 2021/22. 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 £6.7m, which is intended, alongside savings plans, to manage medium term budget pressures arising from increasing demands and constrained funding. A further £2.2m 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 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 09c 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 2021

Appendix A

Budget 2021/22 and MTFF to 2024/25 Sensitivity Analysis

The table below illustrates the sensitivity of the budget and MTFF to changes in key assumptions by 0.5% or 1%. The table below includes the impact of an increase in assumptions, a reduction will produce an equal and opposite change. The table below shows increases in income as a negative figure (in brackets) and increases in expenditure as a positive figure.

Budget Area	Sensitivity Analysis	2021/22	2022/23	2023/24	2024/25	
Expenditure	Pay	<i>Current assumption in MTFF</i>	0.00%	1.75%	2.00%	2.25%
	Inflation	Impact in £000's of 0.50% increase in pay inflation	-	£284k	£512k	£549k
	General	<i>Current assumption in MTFF</i>	0.00%	2.00%	2.00%	2.00%
	Inflation	Impact in £000's of 1% increase in general inflation	-	£174k	£186k	£180k
	Fuel	<i>Current assumption in MTFF</i>	5.00%	5.00%	5.00%	5.00%
	Inflation	Impact in £000's of 1% increase in fuel inflation	-	£12k	£12k	£12k
	Police	<i>Current assumption in MTFF</i>	31.00%	31.00%	32.00%	32.00%
	Pensions	Impact in £000's of 1% increase in contribution rate	-	£436k	£450k	£460k
	Local Govt	<i>Current assumption in MTFF</i>	18.40%	18.40%	20.40%	20.40%
	Pensions	Impact in £000's of 1% increase in contribution rate	-	£222k	£232k	£236k
Funding	Council Tax	<i>Current assumption in MTFF</i>	2.47%	1.98%	1.98%	1.97%
	Precept	Impact in £000's of 1% increase in precept	-	(£478k)	(£488k)	(£498k)
	Council Tax	<i>Current assumption in MTFF</i>	0.00%	0.00%	0.00%	0.00%
	Base	Impact in £000's of 1% increase in taxbase	-	(£478k)	(£488k)	(£498k)
	Government Grant	<i>Current assumption in MTFF</i>	6.30%	5.96%	0.00%	0.00%
	Impact in £000's of 1% increase in Govt. grant	-	(£726k)	(£726k)	(£726k)	



Peter McCall

Cumbria Office of the Police and Crime Commissioner

Public Accountability Conference 19 February 2021

Budget 2021/22 and Financial Forecasts 2022/23 to 2024/25

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 2021/22 and the level of council tax to support the budget. The report also provides provisional estimates for the three years to 2024/25, 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 2021/22 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 2021 - 2025	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s
Police Pay - Police Officer Pay & Allowances	67,504	69,370	71,274	74,509	77,102
Police Pay - Contribution to Pension Fund A/c	24,923	26,506	21,215	21,215	21,215
Police Pay - Ill Health & Injury Pensions	1,247	1,262	1,288	1,314	1,340
PCSO Pay	2,272	1,894	3,402	3,446	3,500
Staff Pay	24,925	25,972	26,362	27,487	28,256
Other Employee Costs	1,750	2,217	2,533	1,953	1,992
Premises Costs	4,454	4,571	4,679	4,793	4,910
Transport Costs	2,458	2,369	2,439	2,512	2,587
Supplies & Services	11,213	11,061	11,282	10,767	10,983
Third Party Expenditure	2,194	2,416	2,464	2,514	2,564
LGPS Past Service Costs	22	22	23	23	24
Insurances/Management of Change	728	909	920	931	943
Commissioned Services	2,250	2,216	2,216	2,216	2,216
Accounting and Financing Costs	4,693	5,311	8,921	4,665	4,895
Contributions to Reserves Revenue	96	96	96	46	46
Contributions to Reserves Capital	0	0	0	0	0
Total Expenditure	150,729	156,192	159,114	158,391	162,573
Funded by					
Home Office Pension Top Up Grant	(24,923)	(26,506)	(21,215)	(21,215)	(21,215)
Other Grants & Contributions	(9,145)	(8,604)	(8,611)	(8,620)	(8,629)
Sales, Fees, Charges & Rents	(5,347)	(5,261)	(5,108)	(5,158)	(5,319)
Interest/Investment Income	(96)	(10)	(10)	(10)	(10)
Revenue Reserves Drawdown	(1,019)	(449)	(235)	(170)	0
Capital Reserves Drawdown	0	(250)	(3,750)	0	0
Formula Grant	(64,429)	(68,491)	(72,570)	(72,570)	(72,570)
Council Tax Income	(45,770)	(46,621)	(47,615)	(48,560)	(49,691)
Total Income/Funding	(150,729)	(156,192)	(159,114)	(156,303)	(157,434)
Net Savings Requirement	0	0	0	2,088	5,139

- 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 £156.192m in 2021/22 to support an equivalent level of expenditure. In 2023/24 a budget gap arises of £2.1m and this increases to £5.1m in 2024/25. 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 2021/22 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 £15 (for 2020/21 for the flexibility was given to increase by £10, in 2019/20 £24, 2018/19 £12), for Cumbria this sum would represent an annual increase of 5.65%. In combination with the additional grant funding provided by the Government, the proposed increase in the council tax precept for policing of 2.47% has facilitated the recruitment of an additional 47 police officers, which represents Cumbria's share of the second phase of Operation Uplift involving the recruitment of 6,000 officers nationally. This has the effect increasing the establishment of police officers from 1,216 to 1,263 FTE, although actual officer numbers are anticipated to be above this figure. 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. 2021/22 Policing Bodies Grant Settlement

- 4.1 On the 17th December 2020 the funding allocations for policing bodies in England and Wales were announced. The outcome of the settlement is a formula funding amount of £68.490m for the Cumbria police area for 2021/22, which represents an increase of £4.061m compared to the 2020/21 level of funding. The increase in grant is principally intended to enable the Constabulary to recruit additional officers, as part of the second 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 MTFP assumes that grant funding in 2022/23 will increase pro rata in line with phase 3 of the Operation Uplift Programme model, but thereafter the level of core funding will be maintained on a flat cash basis for the remaining 2 years of the MTFP.
- 4.2 The settlement confirmed that the current arrangements for formula funding and damping would continue for 2021/22. This means all policing bodies will continue to receive the same proportion of core Government funding as in 2020/21. It remains unclear whether the Government will re-visit the Home Office police funding formula in the next spending review, which will apply from 2022/23. 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 (£27m), 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 £0.8m, which is conditional on the Constabulary delivering its targeted increase in police officers (+47) as part of phase 2 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 2021/22 cash levels for the remainder of the MTF.

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. In a change for 2021/22, the share of collection fund deficits arising in 2020/21 as a result of the worldwide covid-19 pandemic, will be spread equally over the following three years with the Commissioner being required to fund a third of the actual deficit for 2020/21 in three annual instalments. The Commissioner is expected to receive a government grant of 75% to offset these deficit amounts.

Council Tax 'Band B' is the band into which the highest number of properties in Cumbria fall, for this band the increase is £5.11 per annum or 10 pence per week (from £206.57 to £211.68 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 £15 increase on a band D property for 2021/22. **The Commissioner's budget is based on a precept increase of 2.47%. The financial implications for residents are that the Band D Council Tax amount would increase to £272.16 for 2021/22, an increase of £6.57.**

- 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 2021/22 and the tax base for the prior year. The table shows that the total tax base is estimated to reduce by 234 band D equivalent properties. In recognition of the likelihood that the council tax base would reduce as a result of the pandemic, the government has announced a council tax support scheme which police and crime commissioners can access. The government has indicated that the sum available to the PCC for Cumbria will amount to £781k. This funding has been included in the budget from 2020/21 and will be included in a reserve that will be drawn down in future years to negate the impact of the reduced taxbase. Budgets from 2022/23 are based on no assumed annual increase in the tax base. 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 2020/21	Tax Base 2021/22	Increase (decrease)	% change
Allerdale Borough	30,905.23	30,889.76	(15.47)	-0.05%
Barrow Borough	19,730.84	19,695.44	(35.40)	-0.18%
Carlisle City	34,468.61	34,666.41	197.80	0.57%
Copeland Borough	20,838.01	20,772.12	(65.89)	-0.32%
Eden District	20,741.45	20,741.45	0.00	0.00%
South Lakeland District	45,712.13	45,396.81	(315.32)	-0.69%
Total	172,396.27	172,161.99	(234.28)	-0.14%

- 5.5 In addition to the recurrent grant and tax base income, the 2021/22 budget is reduced by the net impact of a forecast deficit on the 2020/21 district collection funds. The table below shows the council tax attributable to each district for 2021/22 and the position on each district collection fund (surplus/deficit) for 2020/21.

Council Tax Income 2021/22	Tax base 2021/22	Precept (Band D) £	Council Tax Income £	Declared Surplus/ (Deficit)	Total 2021/22 £
Allerdale Borough	30,889.76	272.16	8,406,957	4,291	8,411,248
Barrow Borough	19,695.44	272.16	5,360,311	(60,614)	5,299,697
Carlisle City	34,666.41	272.16	9,434,810	(71,971)	9,362,839
Copeland Borough	20,772.12	272.16	5,653,340	1,931	5,655,271
Eden District	20,741.45	272.16	5,644,993	(25,432)	5,619,561
South Lakeland District	45,396.81	272.16	12,355,196	(82,275)	12,272,921
Total	172,161.99	272.16	46,855,607	(234,071)	46,621,537

- 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 2021/22 budget is supported by the use of £0.7m of earmarked revenue and capital reserves.
- 5.7 Fees and charges income is estimated to provide £5.3m in 2021/22 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 £156.192m can be supported by budgeted income in 2021/22. However, it is anticipated that beyond 2022/23 funding will fail to keep pace with expenditure pressures meaning that by 2024/25 £5.1m savings will be needed to offset rising costs. The key driver in the level of savings requirements is inflationary pressure. The budget and medium-term forecast is based on the Government's previously announced public sector pay freeze for 2021/22, but thereafter it is assumed that there will be pay rises averaging 2% per annum over the remainder of the forecast. 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 continue to 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 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 £0.097m in capital grant to support capital expenditure from the 2021/22 settlement. 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. For 2021/22 the revenue budget contributes £3.8m to fund capital, this figure has more than tripled over recent years and is expected to continue at a high level. 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 £19.9m at the start of 2021/22 to £15.3m by end of March 2025, largely due to provision of funding to the support the capital programme. Of the remaining £15.3m, 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 2021/22** (see item 09c). 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 2021/22. A total of 642 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 £6.57 (2.47%) which is under the maximum allowed amount of £15 on a band D property. The Commissioner has also sought the view of the Chief Constable. The Police and Crime Panel voted unanimously to support the Commissioner's proposal at its meeting on 28th January 2021.
- 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 2021/22 to 2024/25. The 2021/22 budget is balanced based on a precept increase of £6.57 for a band D property which equates to an increase of 2.47%. In future years savings will be required to offset the forecast deficit of £2.1m in 2023/24 and £5.1m per annum from 2024/25. The precept proposal will increase the annual Council Tax attributable to the Commissioner by £6.57 for a Band D property resulting in a Band D Council Tax charge of £272.16.

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 2021/22 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 £272.16 for 2021/22, an increase of £6.57.

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 2021

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 2020/21 £	Base Budget 2021/22 £	Base Budget 2022/23 £	Base Budget 2023/24 £	Base Budget 2024/25 £
Constabulary Funding					
Police Officer - Pay & Allowances	67,504,354	69,370,540	71,274,405	74,509,403	77,102,542
Police Officer - Contribution to Pension Fund A/c	24,923,000	26,506,000	21,215,000	21,215,000	21,215,000
Police Officer - Ill Health & Injury Pensions	1,246,534	1,262,613	1,287,866	1,313,624	1,339,897
Police Community Support Officers	2,272,443	1,893,869	3,401,723	3,446,250	3,500,243
Police Staff - Pay & Allowances	24,259,557	25,287,149	25,670,289	26,782,226	27,536,250
Other Employee Benefits	1,745,039	2,211,809	2,527,656	1,947,545	1,986,496
Transport Related Expenditure	2,453,549	2,365,626	2,435,666	2,508,243	2,583,464
Supplies & Services	11,094,206	10,931,144	11,149,767	10,632,543	10,845,194
Third Party Related Expenditure	2,178,139	2,404,892	2,452,990	2,502,050	2,552,091
Earned Income	(5,347,138)	(5,260,984)	(5,106,493)	(5,158,104)	(5,318,071)
Total Constabulary Funding	132,329,683	136,972,658	136,308,869	139,698,780	143,343,106
Commissioner's Budget					
Office of the Police & Crime Commissioner	822,715	846,580	856,587	872,788	891,064
Commissioned Services Budget	2,249,590	2,215,782	2,215,782	2,215,782	2,215,782
Premises Related Costs	4,452,921	4,569,451	4,677,942	4,791,557	4,908,448
LGPS Past Service Costs	22,300	22,300	22,900	23,500	24,100
Insurances & Management of Change	727,604	908,717	919,917	931,417	943,217
Accounting & Financing Costs	4,681,948	5,299,921	8,909,558	4,653,890	4,883,611
Contributions to Reserves Revenue	95,884	95,884	95,884	45,884	45,884
Grants & Contributions	(33,384,558)	(34,429,538)	(29,145,741)	(29,154,117)	(29,163,729)
Grants - Victims & Restorative Justice	(583,172)	(583,172)	(583,172)	(583,172)	(583,172)
Grants - Capital	(100,000)	(97,482)	(97,482)	(97,482)	(97,482)
Interest/Investment Income	(96,491)	(10,000)	(10,000)	(10,000)	(10,000)
Total Commissioner's Budget	(21,111,259)	(21,161,557)	(12,137,826)	(16,309,954)	(15,942,278)
Use of Reserves					
Revenue Reserve Drawdown	(1,018,941)	(449,080)	(235,407)	(170,381)	(250)
Capital Reserve Drawdown	0	(250,000)	(3,750,000)	0	0
Total Use of Reserves	(1,018,941)	(699,080)	(3,985,407)	(170,381)	(250)
Budget Requirement	110,199,483	115,112,021	120,185,636	123,218,446	127,400,579
Formula Grant & Council Tax Income					
General Police Grant	(64,429,188)	(68,490,485)	(72,570,485)	(72,570,485)	(72,570,485)
Council Tax Precepts	(45,770,295)	(46,621,536)	(47,615,151)	(48,560,320)	(49,691,115)
Total Formula Grant & Council Tax Income	(110,199,483)	(115,112,021)	(120,185,636)	(121,130,805)	(122,261,600)
Net Deficit/Savings Requirement	0	(0)	0	2,087,640	5,138,979
Council Tax per Band D Property	£265.59	£272.16	£277.56	£283.05	£288.63
Increase over previous year		£6.57	£5.40	£5.49	£5.58
Percentage Increase		2.47%	1.98%	1.98%	1.97%

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 2021/22.

Revenue Estimates 2021/22: That the Commissioner's net **Budget Requirement** of £115,112,021 be approved.

Council Tax Base 2021/22: That it is noted that the Council Tax base has been calculated at the amount of 172,161.99 for 2021/22. 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 2021/23 financial year:

Ref	2021/22 Amount £s	Description
(a)	£156,096,393	being the total of gross expenditure
(b)	£40,984,372	being the total of income from specific grants, fees and charges and transfers from reserves
(c)	£115,112,021	being the Budget Requirement for the year to be met from Council Tax and External Finance
(d)	£68,490,485	being the total the Commissioner estimates will be received from external financing, being the Police Grant
(e)	(£234,071)	being the net surplus/(deficit) on district collection funds
(f)	£46,855,607	being the council tax requirement (the budget requirement less the collection fund surplus and external finance)
(g)	£272.16	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 2021/22 Amount £.pp	Proportion
Band A	181.44	6/9 ths
Band B	211.68	7/9 ths
Band C	241.92	8/9 ths
Band D	272.16	9/9 ths
Band E	332.64	11/9 ths
Band F	393.12	13/9 ths
Band G	453.60	15/9 ths
Band H	544.32	18/9 ths

Billing Authority	Tax Base 2020/21	Precept (Band D) £	Amount Payable £
Allerdale Borough	30,889.76	272.16	8,406,957
Barrow Borough	19,695.44	272.16	5,360,311
Carlisle City	34,666.41	272.16	9,434,810
Copeland Borough	20,772.12	272.16	5,653,340
Eden District	20,741.45	272.16	5,644,993
South Lakeland District	45,396.81	272.16	12,355,196
Total	172,161.99	272.16	46,855,607



Cumbria Office of the Police and Crime Commissioner

Reserves Strategy 2021/22

Public Accountability Conference 19 February 2021

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 2031. **Appendix B** summarises this information graphically.
- 1.5 The medium term financial forecast shows a budget deficit of £2.1m in 2023/24 and £5.1m in 2024/25. 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 2021/22. 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. This section includes the addition of a reserve to provide support for reduced council tax precept income as a result of a reduction in the tax base, due principally to increased local council tax support for low income households and increases in collection fund deficits. The reserve is due to be established from Government grants expected in 2020/21 and 2021/22 and is likely to be utilised in succeeding years to meet council tax deficits arising from the financial effect of the pandemic.
- 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 2021

Planned Movement in Reserves 2021/22 to 2030/31

Reserves Plan 2021 - 2025	Note	Actual	Estimated	Forecast	Net	Forecast	Net	Forecast	Net	Forecast	Net	Forecast	Net	Forecast	Net	Forecast	Net	Forecast	Net	Forecast	Net	Forecast
		Balance 31/03/20 £000s	Gain/(Use) 2020/21 £000s	Balance 31/03/21 £000s	Gain/(Use) 2021/22 £000s	Balance 31/03/22 £000s	Gain/(Use) 2022/23 £000s	Balance 31/03/23 £000s	Gain/(Use) 2023/24 £000s	Balance 31/03/24 £000s	Gain/(Use) 2024/25 £000s	Balance 31/03/25 £000s	Gain/(Use) 2025/26 £000s	Balance 31/03/26 £000s	Gain/(Use) 2026/27 £000s	Balance 31/03/27 £000s	Gain/(Use) 2027/28 £000s	Balance 31/03/28 £000s	Gain/(Use) 2028/29 £000s	Balance 31/03/29 £000s	Gain/(Use) 2029/30 £000s	Balance 31/03/30 £000s
General Reserve/Police Fund	1	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	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	2																					
HQ Refurbishments		294	(60)	234	0	234	0	234	0	234	0	234	0	234	0	234	0	234	0	234	0	234
West Cumbria Estate		4,000	0	4,000	(250)	3,750	(3,750)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Capital Reserves		4,294	(60)	4,234	(250)	3,984	(3,750)	234	0	234	0	234	0	234	0	234	0	234	0	234	0	234
Budget Stabilisation/Insurance	3																					
PCC Operational Reserve		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	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	500	0	500	0	500	0	500	0	500	0	500	0	500	0	500	0	500	0	500
Insurance Reserve		1,186	46	1,232	46	1,278	46	1,324	46	1,370	46	1,416	0	1,416	0	1,416	0	1,416	0	1,416	0	1,416
Total Budget Stabilisation/Insurance Reserves		2,186	46	2,232	46	2,278	46	2,324	46	2,370	46	2,416	0	2,416	0	2,416	0	2,416	0	2,416	0	2,416
Budget Support Reserves	4																					
Budget Support Reserve		7,674	(967)	6,707	0	6,707	0	6,707	0	6,707	0	6,707	0	6,707	0	6,707	0	6,707	0	6,707	0	6,707
Council Tax Support Reserve		0	781	781	(298)	483	(235)	248	(170)	78	0	78	0	78	0	78	0	78	0	78	0	78
Total Budget Support Reserves		7,674	(186)	7,488	(298)	7,190	(235)	6,955	(170)	6,785	0	6,785	0	6,785	0	6,785	0	6,785	0	6,785	0	6,785
Short Term Project Reserves	5																					
Body Armour (Future Roll Out)		237	50	287	50	337	50	387	0	387	0	387	0	387	0	387	0	387	0	387	0	387
Business Intelligence		58	(30)	28	0	28	0	28	0	28	0	28	0	28	0	28	0	28	0	28	0	28
Business Transformation		1,175	(1,175)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cohort Software		25	(25)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Commissioned Services		1,883	(18)	1,865	(46)	1,819	0	1,819	0	1,819	0	1,819	0	1,819	0	1,819	0	1,819	0	1,819	0	1,819
Covid-19 Response		236	0	236	0	236	0	236	0	236	0	236	0	236	0	236	0	236	0	236	0	236
Cumbria Road Safety Initiatives		25	0	25	0	25	0	25	0	25	0	25	0	25	0	25	0	25	0	25	0	25
HQ Security		130	0	130	0	130	0	130	0	130	0	130	0	130	0	130	0	130	0	130	0	130
Learning & Development (Business Transformation)		195	(195)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PFI Lifecycle Replacements		256	0	256	0	256	0	256	0	256	0	256	0	256	0	256	0	256	0	256	0	256
Red Sigma		252	(147)	105	(105)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Short Term Project Reserves		4,472	(1,540)	2,932	(101)	2,831	50	2,881	0	2,881	0	2,881	0	2,881	0	2,881	0	2,881	0	2,881	0	2,881
Total Earmarked Revenue Reserves		14,332	(1,680)	12,652	(353)	12,299	(139)	12,160	(124)	12,036	46	12,082	0	12,082	0	12,082	0	12,082	0	12,082	0	12,082
Total All Reserves	6	21,626	(1,740)	19,886	(603)	19,283	(3,889)	15,394	(124)	15,270	46	15,316	0	15,316	0	15,316	0	15,316	0	15,316	0	15,316

Overall reserves are forecast to fall to just £15.3m over the life of the MTF, this represents a fall of 29% compared to their current level of £21.6m

Planned Movement in Reserves 2021/22 to 2030/31

