
Enquiries to: Mrs P Zutic
Telephone: 01768 217734 (op2)

Our reference: PZ

Date 01 February 2023

CUMBRIA POLICE & CRIME COMMISSIONER'S PUBLIC ACCOUNTABILITY CONFERENCE

The Police and Crime Commissioner's Public Accountability Conference will take place **remotely on Thursday 16th February 2023, 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 7th December 2022 (copy to follow)

6. FINANCIAL SUMMARY 2022/23 – QUARTER 3 TO DECEMBER 2022

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 2022 (copy to follow)

7. TREASURY MANAGEMENT ACTIVITIES 2022/23 QUARTER 3 (OCTOBER TO DECEMBER 2022)

To receive & note the OPCC Treasury Management Activities 2022/23 Report – Quarter 3 to December 2022 (copy to follow)

8. DECISION 001-2023 – CAPITAL STRATEGY 2023/24

To receive, note and approve the Capital Strategy 2023/24, comprising:

A) CAPITAL STRATEGY 2023/24 (inclusive of prudential indicators 2023/24 to 2027/28

(copy to follow)

B) CAPITAL PROGRAMME 2023/24 TO 2032/33 (copy to follow)

C) TREASURY MANAGEMENT STRATEGY STATEMENT 2023/24 (inclusive of Investment Strategy, Borrowing Strategy, MRP Statement) (copy to follow)

D) TREASURY MANAGEMENT PRACTICES (copy to follow), updated version of TMPs which have been adapted to cover joint arrangements in respect of PCC police related activity and Fire.

9. DECISION 002-2023 - 2023/24 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 2023/24 AND FINANCIAL FORECASTS 2024/25 TO 2027/28 (copy to follow)

C) RESERVES STRATEGY 2023/24 (copy to follow)

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

Minutes of the Public Accountability Conference held on
Wednesday 7th December 2022 Via Teams
at 10:00am

PRESENT

Police & Crime Commissioner - Mr Peter McCall (Chair)

Also present:

OPCC Chief Executive (Vivian Stafford);
Deputy Chief Constable (Rob Carden);
Assistant Chief Officer (Nancie Shackleton);
Chief Finance Officer (Roger Marshall);
Superintendent (Andy Wilkinson);
Chief Inspector (Lee Skelton);
Constabulary Communications Manager (Steven Ramshay);
OPCC Media & Communications Officer (Laura Milligan);
OPCC Assistant Partnerships Officer (Peter Abram);
OPCC Administration Officer (Ellen Cannon)
OPCC Executive Support Officer (Paula Zutic) – taking minutes;

In attendance:

Member of public

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

001. APOLOGIES FOR ABSENCE

Apologies for absence were received from the Chief Constable (Michelle Skeer); and the Assistant Chief Constable (Jonathan Blackwell);

002. QUESTIONS FROM MEMBERS OF THE PUBLIC

A question had been received from a member of the public, in advance of the meeting. The question was read out by the Commissioner during the meeting:-

The British Association for Shooting and Conservation wrote to the Chief Constable in September 2022 raising concerns about the force's unacceptable operational performance on firearms licensing, with constituents facing processing delays of up to two years. Will the

PCC and Chief Constable take up BASC's offer of a meeting to discuss and agree to a plan to provide support and staff resources to the force's firearms licensing department, to return turnaround times to an acceptable standard by the middle of 2023?

The Commissioner answered as follows:-

"I am aware that the Chief Constable's Office provided a response to you on 15th September 2022. Several BASC members have also contacted the OPCC and have been provided with a response detailing action taken by the Constabulary. To summarise:

1. The Constabulary are in the process of recruiting several additional staff into the Firearms Licensing Department.
2. The Constabulary have purchased a new software package, enabling digitisation of all existing and new records. Work is already underway to convert existing records, and they hope to achieve full digitisation by early 2023
3. The Constabulary recently took the difficult decision to cease accepting any new firearm or shotgun grant applications until at least January 2023, to enable them to address the existing backlogs
4. The Firearms Licensing Department have issued temporary permits to those who are eligible, and these will be converted to substantive certificates as soon as practicable.

We do thank BASC for offering to assist with the firearms licensing department. However, I hope that you appreciate that any staff member, officer or civil, that is employed by Cumbria Constabulary and the OPCC have to undertake significant vetting and training therefore we do have to decline your offer for support on these grounds."

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 2nd November 2022 which 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 2nd November 2022 be confirmed as a correct record and signed by the Chair;

006. PERFORMANCE PRESENTATION

The presentation was given by Superintendent Wilkinson.

National Crime & Policing Measures:-

- Support police in Governments crime reduction ambition
- Address key priorities
- Measured at a national level
- Create an expectation of “significant improvement”
- Reduce the risk of over prioritisation and perverse incentives
- Digital Crime Policing Pack in development
- Local proxy / indicative measures

It was noted that the data used does not belong to the police – national crime & policing measures are monitored and local proxy / indicative measures are produced.

Over the last 12 month period there have been 39,299 crimes which is a 19.6% increase and equates to 6442 crimes.

Over the same 12 month period there has been a 12.5% national increase in crime so Cumbria is currently above the national average, but compared to other forces pre-covid we are lower than others nationally.

There have been increases in Domestic Abuse (13%); Hate; Sexual Offences (29%); Theft (26.9%); and possession of an offensive weapon (74.3%) which is a significant increase.

The Commissioner sought assurance that the possession of offensive weapons offences are not exacerbated by the current firearms licencing issue?

Superintendent Wilkinson reassured the Commissioner that none of the offences were firearms related. There has been a change in how offensive weapons crimes are recorded – for example if someone owned a samurai sword at home that would now be recorded as an offensive weapon.

22% of the crimes recorded also had an element of threat.

Work is taking place nationally with the NPCC in relation to neighbourhood crime.

Robbery has seen an increase of 16.7%, compared to pre-covid 7.9%. To provide some context when compared to other forces, Cumbria have a very high positive outcome rate with 22.4% of robberies receiving a positive outcome compared to MSG 14%.

Theft has jumped to 26.9%, this figure has been aggravated by COVID and the current financial landscape and the rise had been expected. Burglary has increased by 24%.

DCC Carden re-assured the Commissioner that a review of the Crime Allocation Policy has been carried out, and now every robbery & theft will result in an investigation by CID.

Vehicle offences have increased by 21% (which is a decrease from pre-covid levels) – these are mainly non-witness type investigations.

Homicide – in Cumbria there has been 1 x manslaughter in the previous 12 months and no murders. The murder trial that has been in the news recently relates to a murder that happened more than 12 months ago, so it is not included in these figures.

Crimes involving firearms – a number of firearms offences occur in the county & it was explained that in some instances a crime is recorded even when a firearm hasn't been sighted. The crime is recorded to enable investigative activity to take place, and sometimes the firearm is never recovered (or may not have been present). Even if there is no firearm, the crime still exists in the recorded figures.

Victim satisfaction – 72.2% of people surveyed are satisfied. There are still improvements to be made but Cumbria are 4% higher than the national average.

Victim progress updates is an area that requires improvement. The Commissioner reinforced the message that a lot of letters that arrive in his post bag could have been dealt with earlier by timely progress updates being given.

Quarter 2 is starting to show an improvement in satisfaction, every survey is analysed and trends / themes are disseminated to share learning and best practice.

ASB – there had been a reduction in ASB satisfaction but this has now plateaued. DCC Carden explained that there is an aspiration in future for PSCO's to be used for update visits. DCC Carden will take this away to have a look at it in the short term.

Cyber – there had been a spike through COVID and this area has continued to increase. The main cyber offences are online theft and online sexual offences. It was noted that ACC Blackwell will be the national lead for this area of business (developing toolkits etc.)

County Lines – year on year there has been a reduced number of offences. Currently this is down 18.3% (93 to 76 offences) where a county lines flag has been used.

There are between 1 – 9 County Lines running into the county at any one time.

The current County Lines gangs are newly established, and have taken over from previous CL groups that have been taken out by the police. The Constabulary are constantly gathering intelligence to deal with these groups.

The Commissioner welcomes the noticeable response to pro-active policing activity & he welcomes the reduction.

KSI – seeing busier roads and seasonal trends. Killed / seriously injured tend to be on the minor roads. There doesn't tend to be a huge number of collisions on the motorway or A roads, but when they do occur they are likely to be bad accidents.

DCC Carden advised that a decision had been taken at the Strategic Management Board meeting yesterday to approve a plan to separate roads policing and firearms teams. Bases will be in strategic locations around the county – the new team will be called Uniformed Operational Support and is likely to come on stream in June/July 2023.

VAWG – there is no substantive offence for VAWG, it is covered under assault etc. There has been an increase in the number of offences occurring / recorded. The Constabulary encourage reporting in this area.

The Commissioner asked if there was a link between a reduction in prostitution / human trafficking / modern slavery & does this relate to the drop in county lines? The DCC will take this away to interrogate the figures and will come back directly to the Commissioner.

999 emergency calls – the national target is to answer 90% of 999 calls within 10 seconds. This was identified as an area for improvement through Peel, and Cumbria is now consistently achieving 91.8% - 92.5% per month. This morning the figure was 98% answered within 10 seconds.

The league tables published by the Home Office also include BT data, which can add on several seconds before the call is put through to the local force. Cumbria is currently 5th in the country, and answer calls less than 2.5 seconds behind the highest performing area.

101 non-emergency calls – There are no national targets for 101 calls but a local target has been set by the Constabulary with the aim to answer calls within 5 minutes. Data is reviewed on a daily basis. Cumbria have set a target which is comparable with other areas who have a switchboard facility. In Cumbria, all calls are answered by Police Officers who aim to deal with as much as they can at the point of call 'in the room'.

The Commissioner feels this is a huge improvement on previous years & wished to pass on his thanks to the team who are working hard to maintain and continue to improve this area.

For future reports, the DCC will also include the response to calls to the data.

HMICFRS

There has been a change in the HMICFRS inspection team, and Superintendent Wilkinson has included some position statements for completeness.

The following were discussed:-

- 10087 - position statement submitted, reality testing & imminent sign off
 - 10088 - position statement submitted, reality testing & imminent sign off
 - 10089 - position statement submitted, reality testing & imminent sign off
 - 16302 – position statement submitted, reality testing & imminent sign off
 - 16345 - position statement submitted, reality testing & imminent sign off
 - 18438 - position statement submitted, reality testing & imminent sign off
 - 18482 - position statement submitted, reality testing & imminent sign off
 - 18525 - position statement submitted, reality testing & imminent sign off
-
- Stop & Search disproportionality – Power BI product has been developed & will be presented to the appropriate Boards. This also feeds into the Race Action Plan – there are 63 recommendations out of the national police race action plan with 19 prioritised – this will be monitored through the Ethics & Integrity Panel.
 - Use of force form – Superintendent Wilkinson is in discussion with HMICFRS around the methodology. Subject to reality testing & imminent sign off.
 - Call Handlers – quality & assurance process. Ethics & Integrity Panel will be asked to assist for objectivity.
 - SBC's – new PDR's are now in place so this has been achieved. Subject to reality checking & imminent sign off.
 - Develop an up to date strategic assessment that will enable the force to provide policing services that meet current and future demand;
 - make sure it has enough analytical capacity and capability to review this strategic assessment regularly; and
 - make sure that all financial plans, workforce, IT, estates and other corporate plans are aligned to this assessment

This is currently awaiting sign off. It has been subject to consultation and visits to other high performing forces.

The Commissioner thanked Superintendent Wilkinson for his presentation.

Following a discussion, the report was noted.

RESOLVED, that

- (i) The report be noted;

007. THEMATIC PRESENTATION – RURAL CRIME

The report was presented by Chief Inspector Skelton.

MISSION

- To deliver an outstanding police service to Keep Cumbria Safe.

OBJECTIVE

- To disrupt Serious and Organised Rural Acquisitive Crime (SORAC) [impacting on the ‘rural’ commercial communities of Cumbria including farming, agriculture and businesses situated in remote rural locations].
- To provide a level of service that is commensurate with the level of criminality being committed and victim impact in terms of intelligence, proactive / reactive investigation, crime prevention and victim support.

Operation Lantern is Cumbria Constabulary’s response to rural crime and activity takes place under the following four strands:-

- Prepare
- Protect
- Prevent
- Pursue

Details for each activity can be viewed on slide 4 of the presentation, which is available on the Commissioner’s website.

The geography of Cumbria is a significant challenge. There are 9 main routes into the county, using the fast road network and all fall within the Kendal & Eden quadrant. Crime data mapping for the upper Eden area shows that deviation from the strategic road area is minimal.

Intel led stop and search is taking place, but certain tactics cannot be discussed in a public forum.

The new NPT model will invest in Community Beat Officers and PCSO's. WhatsApp group will also be set up & used as another way of communicating with the Police. This has been signed off by the DCC and a press release will be going out in the next couple of weeks.

Target Hardening initiatives are on-going, and is incentivised by NFU and other insurers.

Officer & Staff Training – An APP has been added to all handheld devices & training days are utilised for bespoke training sessions.

Technical Support options – These relate to overt technical support and crime prevention techniques such as alarms (similar to ring doorbells). A business case is due to be submitted in relation to this.

The next steps and aspirations are to:-

- Aspire to achieve an “Excellent” HMICFRS grading re Rural Crime in Cumbria
- Embed the Operation Lantern “brand”
- Rollout of Rural Farm-Watch WhatsApp groups – Nov / Dec 2022
- Evidence Based Policing Research – Thematic Lead attending Cambridge University EBP course in Jan 2023
- Rural Crime Conference – Cumbria Summer 2023 – sharing national best practice
- Widen Operation Checkpoint / Op Checkpoint to include ALL region 1,2 and 3 forces
- Finalise the rollout and implementation of the NPT policing model in BCUs
- Creation of MSG deployment centre in Eden “Gateway to Cumbria”
- Employ an “in house” Technical Support Unit capability in Cumbria
- Establish a Rural Crime Team – once Uplift resources are fully online

The Commissioner thanked Chief Inspector Skelton for his report and is encouraged by the focus on Rural Crime.

Following a discussion, the report was noted.

RESOLVED, that

- (i) The report was noted;

Due to time constraints, the Commissioner felt that there was not enough time remaining to discuss the final agenda item – Thematic presentation – visible & effective policing presence response, and that this item should be carried forward to the next PAC meeting.

Meeting concluded at 12:30

Signed: _____

Date: _____

DRAFT

The Police and Crime Commissioner for Cumbria

Financial Summary 2022/23 as at 31 December 2022 (Quarter 3)

Public Accountability Conference 16 February 2023



Group Revenue Budget

Overspend £71k (0.06%)

Increased Expenditure +£579k (0.36%),

Increased Income -£508k (1.28%)

See page 2



Commissioner's Revenue Budget

Overspend £34k (0.21%)

Increased Expenditure £372k (2.2%),

Increased Income £338k (1.0%)

See page 2



Constabulary Revenue Budget

Overspend £37k (0.03%)

Increased Expenditure £207k (0.14%),

Increased Income £170k (2.71%)

See pages 3-5



Capital Budget

Budget / Forecast £6.701m

Expenditure at Qtr 3 is £2.058m

Profiling to future years £1.306m

Budget changes approved Qtr3 £0.639m

Budget changes to note £0.014m

See page 6



Treasury Management

Investment balance 31/12/22 £17.744m ↓

(Down 20% from £22.033m at 30/09/22).

The current investment income forecast is £380k against a budget of £10k and reflects the recent increase in investment interest rates.

See separate report on the agenda.

PCC Revenue Budget 2022/23 as at 31 December 2022

Description	Revised Budget	Forecast Outturn	Forecast (Under)/Overspend	Forecast (Under)/Overspend	Projected (Under)/Overspend	Change in Forecast
	2022/23	2022/23	2022/23	2022/23	@ SEP-22	SEP-22 to Dec-22
	£'000s	£'000s	£'000s	%	£'000s	£'000s
Office of the Police and Crime Commissioner	753	762	9	1.20%	(2)	11
Other PCC Budgets	(17,218)	(17,193)	25	-0.15%	(80)	105
Movements To / (From) Reserves	(1,810)	(1,810)	0	0.00%	0	0
Total OPCC Budgets	(18,275)	(18,241)	34	-0.19%	(82)	116
Funding Provided to the Constabulary	139,974	140,011	37	0.03%	847	(810)
Net Expenditure	121,699	121,770	71	0.06%	765	(694)
External Funding	(121,699)	(121,699)	0	0.00%	0	0
Total	0	71	71		765	(694)

Key Themes:

- Overall forecasted overspend of £71k (0.06%).
- PCC budgets forecast to overspend by £34k (0.19%). Constabulary forecast to overspend by £37k (0.03%).
- Overtime pressures for officers (+£1,095k) and, to a lesser extent, staff (+£109k) in all Commands / Directorates.
- Rising inflation is impacting on non-staff budgets, particular pressure is being seen on vehicle repair & maintenance (+£143k), vehicle fuel budgets (+£124k) and premises utilities shown within OPCC budgets (+£195k).
- The main changes from the figures reported for quarter 2 relate to police officer pay, the reversal of the National Insurance rates (approx £270k), changes in the work force plan and changes following the forcewide restructure.
- Over quarter 3 police staff pay has also reduced and income increased, whilst pressure has increased on non-pay budgets as a result of inflation.
- Reversal of the increase in national insurance rates (approx £270k) has reduced the forecast overspend.
- Following the budget decision to borrow £3m in lieu of revenue contributions to capital, the final outturn position for the group is expected to be an underspend of around £3m which could be used to balance the budget in 2023/24. This will be reflected in the OPCC figures at the end of the year as they hold the capital financing budgets.

The balance on the police property act fund as at 31 December 2022 was £61k. 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 +£9k This is largely as a result of reduced staffing costs in the OPCC which are being offset by increases in training and conferences, consultants and audit fees.

Other PCC Budgets +£25k

Increased expenditure on Premises +£99k mostly as a result of increased expenditure in relation to premises repair and maintenance £126k, Utilities £195k, cleaning costs £5k and other premises costs £14k which are being partly offset by reduced rates -£242k as a result of a refund from a rating re-evaluation.

Increases in insurance costs following a re-tender exercise £124k and increased costs associated with settling 3rd party claims of £139k.

Increase in investment income -£370k, recent increases in interest rates have provided a forecast increase in investment income.

Funding Provided to the Constabulary Overspend £37k The Constabulary is forecasting to be pretty much on budget. An overspend on police officer pay budgets as a result of continuing pressure on overtime is being largely offset by changes to the profile of recruitment for police officers which will see the constabulary meet its operation uplift target of recruiting an additional 68 FTE police officers in 2022/23 and reductions in police staff pay as a result of a high level of vacancies. Vehicle repair and maintenance and fuel costs are currently experiencing pressure as a result of the higher rates of inflation.

Pages 3, 4 and 5 provide a more detailed analysis of the Constabulary revenue budget position.

Constabulary – Revenue Budget 2022/23 (1)

Constabulary - Subjective Analysis

Description	Revised Budget	Forecast Outturn	Forecast (Under)/Overspend	Forecast (Under)/Overspend %	Forecast (Under)/Overspend @ SEP-22	Change in Forecast SEP-22 to Dec-22
	2022/23 £'000s	2022/23 £'000s	2022/23 £'000s	2022/23 %	£'000s	£'000s
Constabulary Funding						
Police Officers	97,859	98,291	432	0.44%	1,314	(882)
Police Community Support Officers	1,917	1,924	7	0.37%	(49)	56
Police Staff	26,852	26,583	(269)	(1.00%)	(54)	(215)
Other Employee Budgets	3,211	3,162	(49)	(1.53%)	(209)	160
Transport Related Expenditure	2,378	2,588	210	8.83%	73	137
Supplies & Services	10,805	10,640	(165)	(1.53%)	(345)	180
Third Party Related Expenses	3,220	3,261	41	1.27%	44	(3)
Total Constabulary Funding	146,242	146,449	207	0.14%	774	(567)
Income	(6,268)	(6,438)	(170)	2.71%	73	(243)
Total Constabulary Funding Net of Income	139,974	140,011	37	0.03%	847	(810)

Constabulary - Objective Analysis

Command / Directorate	Revised Budget 2022/23 £'000s	Forecast Outturn 2022/23 £'000s	(Under) / Overspend 2022/23 £'000s	(Under) / Overspend 2022/23 %	Sep-22 Forecast £'000s	Sep-22 Variance £'000s	Change in Variance £'000s
Pay Budgets							
Core Police Pay	92,017	91,376	(641)	-0.70%	86,831	283	(924)
Core PCSO Pay	1,910	1,917	7	0.37%	1,862	(48)	55
Core Police Staff Pay	24,117	23,830	(287)	-1.19%	23,740	(18)	(269)
Sub Total Pay Budgets	118,044	117,123	(921)	-0.78%	112,433	217	(1,138)
CORE COMMAND BUDGETS							
Chief Officer Group	923	687	(236)	-25.57%	929	49	(285)
Corporate Support Directorate	4,128	4,216	88	2.13%	3,880	(312)	400
Crime & Intelligence Command	2,529	2,355	(174)	-6.88%	1,946	(177)	3
Cumberland BCU	1,762	2,085	323	18.33%	1,821	220	103
Digital Data & Tech Command	5,606	5,724	118	2.10%	5,772	(275)	393
Legal Services Directorate	(192)	(159)	33	-17.19%	(165)	27	6
Marketing & Communications	232	181	(51)	-21.98%	201	(22)	(29)
Operations Command	1,940	2,443	503	25.93%	2,834	456	47
Standards, Insight & Performance Command	(57)	15	72	-126.32%	5	75	(3)
Westmorland & Furness BCU	2,881	3,188	307	10.66%	3,210	145	162
Sub Total Core Command Budgets	19,752	20,735	983	4.98%	20,433	186	797
SECONDED	(13)	(13)	0	0.00%	(13)	0	0
EARMARKED	705	768	63	8.94%	986	225	(162)
PROJECT	1,486	1,398	(88)	-5.92%	7,385	219	(307)
Grand Total	139,974	140,011	37	0.03%	141,224	847	(810)

Key Themes:

- Overall forecasted overspend of £37k (0.03%).
- Overtime pressures for officers (+£1,095k) and, to a lesser extent, staff (+£109k) in all Commands / Directorates.
- Rising inflation is impacting on non-staff budgets, particular pressure is being seen on vehicle repairs & maintenance budgets (+£143k), vehicle fuel budgets (+£124k) and premises utilities shown within OPCC budgets (+£195k).
- The main changes from the figures reported for quarter 2 relate to police officer pay, the reversal of the National Insurance rates (approx £270k), changes in the work force plan and changes following the forwider restructure.
- Over quarter 3 police staff pay has also reduced and income increased, whilst pressure has increased on non-pay budgets as a result of inflation.
- Reversal of the increase in national insurance rates (approx £270k) has reduced the forecast overspend.
- Following the budget decision to borrow £3m in lieu of revenue contributions to capital, the final outturn position for the group is expected to be an underspend of around £3m which could be used to balance the budget in 2023/24. This will be reflected in the OPCC figures at the end of the year as they hold the capital financing budgets.

Variance Narrative

A high level explanation of the main budget variances by department/command is provided on page 5.

Constabulary – Revenue Budget 2022/23 (2)

Pay Budgets – Key Themes

Pay budgets at £117m (excluding overtime) account for 84% of the overall Constabulary budget. The forecast as at 31 December is for an underspend of £921k (0.78%) across combined police officer, PCSO and police staff pay.

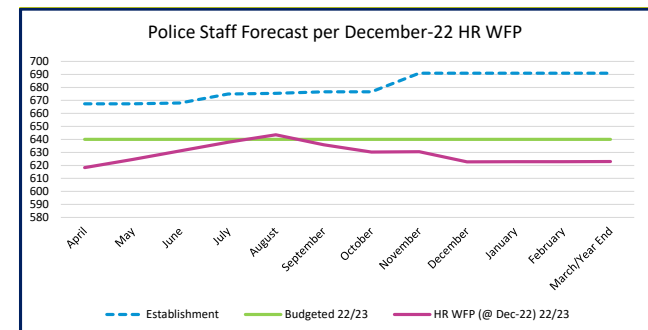
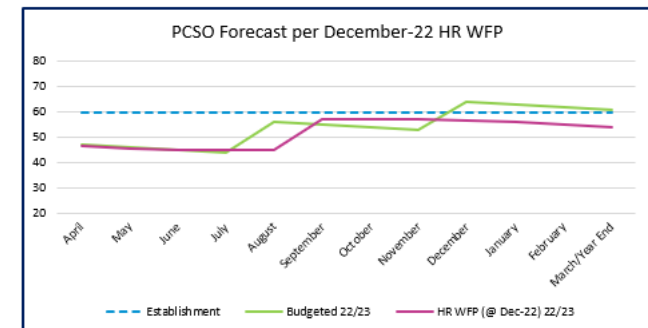
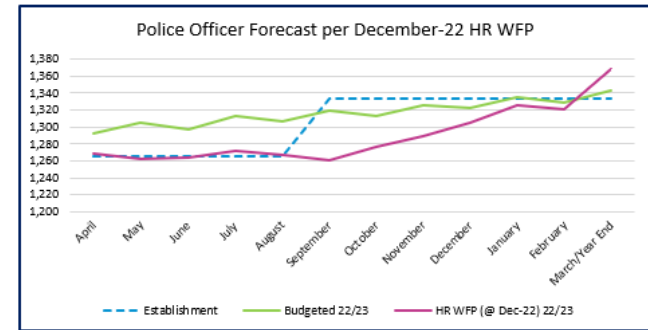
The budget forecasts include the pay awards for police officers and police staff. The impact of the police officer pay award has largely been neutralised by an additional Home Office grant, there has been no such additional grant in relation to police staff pay to date.

Police Pay -£641k - The underspend on police officer pay of £641k (0.70%) is largely as a result of small changes to the workforce plan as a result of the operation uplift recruitment, changes due to the forcewide restructure and the impact of national insurance on the forecast overspend on overtime. Although overtime is shown within individual command budgets, the associated employers national insurance is allocated to core pay lines. During the first 9 months of the year the actual numbers of police officers in post has averaged 36 less than budgeted (approx. £1m), with planned recruitments for the final quarter, which will see the Constabulary reach the operation uplift target, this average falls to 27 under and explains the forecast budget underspend. The graph illustrates this where the red line showing actual police officer numbers is below the green line which represents the budgeted profile.

PCSO Pay +£7k - The overspend on PCSOs £7k (0.39%) is largely as a result of the additional pay rise.

Police Staff Pay -£287k – The underspend on Police Staff £287k (1.19%) is largely as result of the impact higher than anticipated vacancies throughout the year which are largely offset by the increased impact of the police staff pay award.

The 3 graphs illustrate the FTE numbers included in the budget for 2022/23 (based on the WFP provided at budget setting) and the latest actual numbers and forecasts for the remaining 3 months of the year provided in the HR WFP at 31 December.



Constabulary – Revenue Budget 2022/23 (3)

Operational Commands

Chief Officer Group -£236k largely as a result of the removal of the forecast against the covid recovery contingency £250k, underspend on vehicle maintenance £3k and grants & donations £11k which are partly offset by overspends in overtime £2k, office equipment £4k other third party payments £9k, consultants fees £6k & award ceremonies £6k & catering recharges £1k.

Crime & Intel Command -£174k Mainly as a result of increased income £274k (of which £244k relates to proceeds of crime & £33k public protection), reductions in transport expenditure £10k & third party related spend of £24k (with the most significant being Forensic Services £17k), printing recharges 5k. These underspends are being offset to a degree by overspends in relation to police officer overtime £20k, staff overtime £7k, agency staff £16k, staff welfare costs £1k, training expenditure £15k, & supplies & services £80k (of which the most significant are CHIS £31k, subscriptions £38k expert witness £7k).

Cumberland BCU +£323k This is largely as a result of forecast increases in police officer overtime £394k, staff overtime £20k, agency staff £2k, staff welfare costs £1k, training £15k, & reductions in income from football & events £8k. These overspends are being offset to a degree by forecast underspends in relation to transport related expenditure £105k & supplies & services £5k (largely reductions in clothing & uniform offset by increases in equipment), PCSO overtime £1k, Printing recharges 5k & other income 2k.

Operations Command +£503k Largely as a result of increases in police officer overtime £302k, police staff overtime £37k, transport related spend (largely fuel) £94k & supplies & services £146k (largely uniform, equipment and accommodation) and reduced income on abnormal loads £26k. These overspends are offset to a degree by underspends in relation to training £69k & increased other income £27k (mainly reimbursed services relating to civil contingencies), printing recharges 6k & third party related expenditure 2k.

Standards, Insight & Performance Command +£72k This overspend is mainly as a result of increases in police officer overtime £22k, training £6k & reduced income in relation to firearms licences £74k. These overspends are being offset to a degree by underspends on police staff overtime £1k, transport costs £8k, supplies & services (mainly consultants) £17k and printing recharges 4k.

Westmorland & Furness BCU +£307k The main variances are increased spend in relation to police officer overtime £320k, police staff overtime £28k, transport £33k which are being partly offset by savings in relation to PCSO overtime 1k, supplies & services £41k (largely reductions in clothing/uniform, custody costs and interpreters & translators offset by increases in equipment), collaborations 6k, printing recharges 2k and increased income 24k (mainly in relation to football & events £19k).

Support Directorates

Corporate Support Directorate +£88k The main variances relate to a reduction in the forecast spend in relation to redundancy/termination £216k, and increased income £139k (training courses, catering and rates refund). These underspends are offset to a degree by overspends on police officer overtime £20k, police staff overtime £14k, relocation expenses £21k, staff welfare costs £48k training £117k and increases in transport related expenses (largely fuel & accident damage) £224k.

Digital Data and Tech Command +£118k Overspends in supplies & services £80k and third party spend £61k, reduction of fees and charges income £3k. These overspends are being partly offset by reduced spend on training £5k and transport costs £20k.

Legal Services +£33k This is largely due to reduced income in relation to costs awarded to the police.

Marketing and Communications -£51k The underspend has largely arisen due to underspends in relation to non-staff advertising £34k, website costs £19k & training £3k & recruitment costs 2k which are being offset by increases in printing £9k (as a result in the mid-year changes to the print unit).

Seconded, Earmarked Funds and Projects

Seconded £0k Forecast spend in relation to seconded staff is matched by income.

Earmarked Funds +£63k Largely as a result of reduced income forecast in relation to the Driver Awareness Scheme (**Safety Camera Partnership**) of £226k offset by smaller underspends across a number of schemes.

Projects -£88k This largely relates to forecast underspend for ICT projects (mainly Saab) £143k, Business Intelligence projects 44k and L&D projects 14k partly offset by spend in relation to operation uplift £64k, Website replacement 39k & Evidence based policing 13k.

Constabulary – Capital Budget 2022/23

Capital Expenditure

ICT

The budget for modern workspace has been re-profiled by £486k within current & future years to enable the purchase of Laptops & Docks in 2022/23, also £18k has been returned as new telephony devices are to be funded through revenue. The converged infrastructure project has returned £218k as this is no longer needed, with a further £335k being transferred to Airwave handsets to extend the warranties on current handsets, this is due to expected delays to ESN. The Airwave budget has also brought forward £50k from 23/24 to fund required handset updates.

The Control room futures and Silverlite projects have handed back £361k, due to no longer being required & the projects coming to an end.

The business case for the county wide CCTV project has been approved and moved from 'Other' capital projects into ICT (£173k) with an additional £88k moved from a reserve - totalling 261k.

Estates & Fleet

The vehicle replacement programme remains on track and most vehicles are ordered and delivery expected within the financial year, although there are time lags on certain vehicles. Fleet is currently subject to rapidly increasing prices and current commitments are showing as over budget (£78k); however, this will be reviewed in the next quarter when deliveries have taken place.

Other

As well as CCTV moving, £50k for Cell safety has moved from 'Other' capital projects into Estates, and a further £50k added (£100k total) for the Cell Alarm system at Workington.

Capital Programme 2022/23	Original Approved Budget £000s	Impact of 2021/22 Outturn £000s	New Schemes Approved £000s	Budget Changes Approved £000s	Approved Adjusted Budget £000s	Actual Expenditure to Dec-22 £000s	Draft Capital Outturn £000s	Forecast Variation £000s	Of Which Budget Re-Profile	Budget Changes
ICT Schemes										
ICT End User Hardware Replacement (002x)	1,288	(104)	0	(3)	1,181	438	1,086	(95)	(563)	468
ICT Software Application Replacement (003x)	0	2	0	7	9	0	0	(9)	0	(9)
ICT Core Hardware Replacement (004x)	2,016	45	(29)	0	2,032	201	531	(1,501)	(948)	(553)
ICT ESN / Radio Replacement (005x)	382	50	0	0	432	421	817	385	0	385
ICT Core Infrastructure Replacement	96	0	0	0	96	0	0	(96)	(96)	0
ICT Infrastructure Solution Replacement (Projects)										
- Case & Custody	0	38	0	0	38	0	0	(38)	(38)	0
- Control Room Futures	608	12	0	0	620	62	292	(328)	0	(328)
- Police Works / Silverlite	33	317	0	0	350	142	317	(33)	0	(33)
- Unspecified change to National systems (D)	55	0	0	(55)	0	0	0	0	0	0
- National ANPR / ANPR replacements	52	79	0	0	131	0	71	(60)	(60)	0
- Anti Corruption Software	0	57	0	0	57	50	57	0	0	0
- Firearms Licencing digitisation	0	0	80	0	80	0	64	(16)	(16)	0
- Mark 43	1,000	0	(272)	0	728	43	228	(500)	(500)	0
- County Wide CCTV	0	0	262	55	317	41	317	0	0	0
Profiling Adjustment	(1,000)	0	0	0	(1,000)	0	0	1,000	1,000	0
Total ICT Schemes	4,530	496	41	4	5,071	1,398	3,780	(1,291)	(1,221)	(70)
Fleet Schemes										
2021/2022 Approved Strategy	0	646	0	0	646	456	646	0	0	0
2022/2023 Approved Strategy	1,106	22	14	76	1,218	0	1,219	1	0	1
Reimbursed Vehicles	85	0	0	0	85	0	0	(85)	(85)	0
Total Fleet Schemes	1,191	668	14	76	1,949	456	1,865	(84)	(85)	1
Estates Schemes										
Kendal Police Station - Roof	56	0	0	0	56	0	56	0	0	0
Eden Deployment Centre	0	0	0	0	0	-86	0	0	0	0
Carlisle M&E plant (area 2)	60	0	0	0	60	5	60	0	0	0
West Cumbria Estate	600	20	0	(600)	20	13	20	0	0	0
Dog Section Wrey	200	167	0	0	367	7	367	0	0	0
EDC adaptations	290	16	0	0	306	196	306	0	0	0
Cell Safety	0	0	0	0	0	0	100	100	0	100
Total Estates Schemes	1,206	203	0	(600)	809	135	909	100	0	100
Other Schemes										
CCTV	174	0	(174)	0	0	0	0	0	0	0
X2 Taser migration	68	0	0	0	68	0	68	0	0	0
Glock Pistol Replacement	0	45	0	0	45	39	45	0	0	0
Laser Scanning - Accident investigation	0	4	0	0	4	0	4	0	0	0
Operation Uplift	0	25	0	0	25	30	30	5	0	5
Barrow - custody services to support digital roll out	50	0	0	0	50	0	0	(50)	0	(50)
Total Other Schemes	292	74	(174)	0	192	69	147	(45)	0	(45)
Total Capital Expenditure 2022/23	7,219	1,441	(119)	(520)	8,021	2,058	6,701	(1,320)	(1,306)	(14)

Financing 2022/23

Revenue Contributions £3,480k

General Grants £2,843k

Borrowing £367k

Reserves £20k

Total £6,701k

Re-profiling 2022/23

Capital schemes can span one or more financial years. Profiling to future years represents schemes that are still proceeding as planned but where there is a change in the profile of spend between years

Re-Profile	Previously Reported	New Qtr 3	Total £'000s	% of Base Budget
ICT Schemes	(908)	(313)	(1,221)	-24%
Estates Schemes	0	0	0	0%
Fleet Schemes	(85)	0	(85)	-5%
Other Schemes	0	0	0	0%
	(993)	(313)	(1,306)	-15%

2022/23 Capital Commitments	DDaT £000s	Estates £000s	Fleet £000s	Other £000s	TOTAL £000s
Forecast Outturn	3,779	910	1,865	146	6,700
Spend to Dec-22	1,398	135	456	69	2,058
Remaining budget	2,381	775	1,409	77	4,642
Ordered Commitments	835	369	1,488	267	2,959
Un-committed budget	1,546	405	(78)	(190)	1,683

The Police and Crime Commissioner for Cumbria

Treasury Management Activities 2022/23 for the period 01 October 2022 to 31 December 2022

Public Accountability Conference 16 February 2023 and Joint Audit Committee 22 March 2023



Cash flow Balances

Quarter 3 average daily balance - £23.856m
 Investment balance @ 31/12/22 £17.744m
 (Down 20% from £22.033m at 30/09/22)



Investment Interest Forecast

Base Budget - £10,000
 Revised Budget - £10,000
 Current Estimate - £380,000



Borrowing Strategy

The budget for 2023/24 includes a decision that borrowing of £3m will be undertaken in 2022/23 to replace planned revenue contributions. This will release funds to balance the budget in 2023/24. As this decision is subject to formal approval of the budget, its impact is not reflected in this report.

Investment Strategy

Category	Category Limit (£m)	Investments at 31 Dec (£m)	Compliance with Limit
1 - Banks Unsecured	20	7.511	Yes
2 - Banks Secured	20	0.000	Yes
3 - Government (inc LA)	10	6.613	Yes
4 - Registered Providers	10	0.000	Yes
5 - Pooled Funds	15	3.620	Yes
Total		17.744	

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

Performance Indicators

Quarter 3	Number of Days	Average Balance (£)	Largest Balance (£)
Days In Credit	63	65,982	409,008
Days Overdrawn	0	0	0

Average interest rate earned – 2.54%
 Average bank base rate – 2.81%
 (Current bank base rate – 4.00%)

Treasury and Prudential Indicators

During the period 01 October 2022 and 31 December 2022, 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 2022

GDP grew by 0.1% month on month in November. This was better than expected and was driven by growth in the services sector, with suggestions that there was a positive boost from the World Cup. It is now predicted that the UK economy will be in recession for all of 2023.

CPI inflation fell slightly from 10.7% in November to 10.5% in December. Fuel inflation has fallen dramatically from 17.2% in November to 11.5% in December and may fall to 0% in the coming months. Other sectors which saw downward pressure were clothing and footwear, and recreation and culture. However, these were offset by increases in prices for hotels and restaurants, and food and drink. CPI inflation may have peaked. Inflation is forecast to reduce during 2023, average CPI inflation for 2023 is currently forecast at 7%.

The MPC has increased the Bank Rate 375bps over the past twelve months taking rates to a 14 year high of 4.00% on 2nd February 2023. Further increases are likely in the coming months, with the rate expected to peak in the summer. The Bank of England will continue its efforts to squeeze inflation out of the economy but it is thought that a reduction by the end of the year may be possible.

The MPC has confirmed that it would do everything necessary to ensure headline inflation, on the CPI measure, drops back to 2% over a three-year timeframe. Link, the treasury advisers to the PCC, have revised their interest forecast and predict the MPC will increase the Bank Rate in Quarters 1 and 2 of 2023 to combat ongoing inflationary and wage pressures. Link's view is that the Bank Rate will peak at 4.5% and only start to reduce to 4.25% in the final quarter of 2023. This is in line with the peak forecast by economists, but higher than current market pricing of a peak of 4.25%.

Base Rate Estimates	2022/23	2023/24	2024/25
Quarter 1	1.25	4.50	3.75
Quarter 2	2.25	4.50	3.25
Quarter 3	3.50	4.25	3.00
Quarter 4	4.25	4.00	2.75

Investments in place on 31 December 2022

Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate (%)	Amount (£)	Counterparty Total (£)
Category 1 - Banks Unsecured (Includes Banks & Building Societies)							
Nationwide BS	A	04/10/2022	03/01/2023	95	2.69%	2,000,000	2,000,000
Svenska Handelsbanken	AA	07/11/2022	07/03/2023	158	3.05%	1,000,000	1,000,000
Lloyds CD	A+	07/11/2022	14/02/2023	137	3.45%	2,000,000	2,000,000
Santander CD	A+	25/11/2022	31/03/2023	182	3.58%	2,000,000	2,000,000
Svenska Handelsbanken (Deposit Acc)	AA	Various	On Demand	N/A	1.70%	501,426	501,426
NatWest (Liquidity Select Acc)	A+	31/12/2022	03/01/2023	O/N	0.80%	10,000	10,000
						7,511,426	7,511,426
Category 2 - Banks Secured (Includes Banks & Building Societies)							
None						0	0
						0	0
Category 3 - Government (Includes HM Treasury and Other Local Authorities)							
Treasury Bills	Gov	01/08/2022	30/01/2023	122	2.060%	1,635,204	1,635,204
Treasury Bills	Gov	07/11/2022	27/03/2023	178	2.955%	1,977,585	1,977,585
Debt Management Office	Gov	07/11/2022	28/02/2023	151	3.040%	2,000,000	2,000,000
Debt Management Office	Gov	07/12/2022	31/01/2023	123	3.100%	1,000,000	1,000,000
						6,612,789	6,612,789
Category 4 - Registered Providers (Includes Providers of Social Housing)							
None						0	0
						0	0
Category 5 - Pooled Funds (Includes AAA rated Money Market Funds)							
Fidelity	AAA	Various	On demand	O/N	3.131%	2,950,000	2,950,000
Aberdeen Standard	AAA	Various	On demand	O/N	3.640%	670,000	670,000
						3,620,000	3,620,000
Total						17,744,215	17,744,215

On 5th July 2022 the police pension grant of £19.85m was received and is largely in advance and will be drawn down over the remainder of the year. Along with the July grant payment, the investments reached their highest balance of £30.97m. A large proportion of this balance (60%) was split between the Debt Management Office (DMO) of HM Treasury, Treasury Bills, Certificates of Deposit and Fixed Term Investments to be returned at regular intervals as cashflow forecasts require, with the remainder (40%) being managed through the money market funds.

Borrowing position for the quarter ended 31 December 2022

At 31st December 2022 there were no loans outstanding.

Treasury and Prudential Indicators 2022/23 at 31 December 2022

Treasury Management Indicators		Result	RAG	Prudential indicators		Result	RAG
<p>The Authorised Limit</p> <p><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 needed with some headroom for unexpected movements. This is a statutory limit under section3(1) of the local government Act 2003.</i></p>	<p>TEST - Is current external borrowing within the approved limit</p>	YES		<p>Ratio of Financing Costs to Net Revenue Stream</p> <p><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></p>	<p>TEST - Is the ratio of capital expenditure funded by revenue within planned limits</p>	YES	
<p>The Operational Boundary</p> <p><i>The operational boundary represents an 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></p>	<p>TEST - Is current external borrowing within the approved limit</p>	YES		<p>Net Borrowing and the Capital Financing Requirement</p> <p><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></p>	<p>TEST - Is net debt less than the capital financing requirement</p>	YES	
<p>Actual External Debt</p> <p><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></p>	<p>TEST - Is the external debt within the Authorised limit and operational boundary</p>	YES		<p>Capital Expenditure and Capital financing</p> <p><i>The original and current forecasts of capital expenditure and the amount of capital expenditure to be funded by prudential borrowing for 2022/23.</i></p>	<p>TEST - Is the current capital outturn within planned limits</p>	YES	
<p>Gross and Net Debt</p> <p><i>The purpose of this indicator is to highlight a situation where the Commissioner is planning to borrow in advance of need.</i></p>	<p>TEST - Is the PCC planning to borrow in advance of need</p>	NO		<p>Capital Financing Requirement</p> <p><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></p>	<p>TEST - Is the capital financing requirement within planned limits</p>	YES	
<p>Maturity Structure of Borrowing</p> <p><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></p>	<p>TEST - Does the PCC have large amounts of fixed rate debt requiring repayment at any one time</p>	NO		This area is intentionally left blank for future reporting or is reserved for additional indicators.			
<p>Upper Limit for total principal sums invested for over 365 Days</p> <p><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></p>	<p>TEST - Is the value of long term investments within the approved limit</p>	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 half yearly report ensures the Police and Crime Commissioner is implementing best practice in accordance with the Code.



Office of the Police and Crime Commissioner Report

Public Accountability Conference 16 February 2023

Title: Capital Strategy 2023/24

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

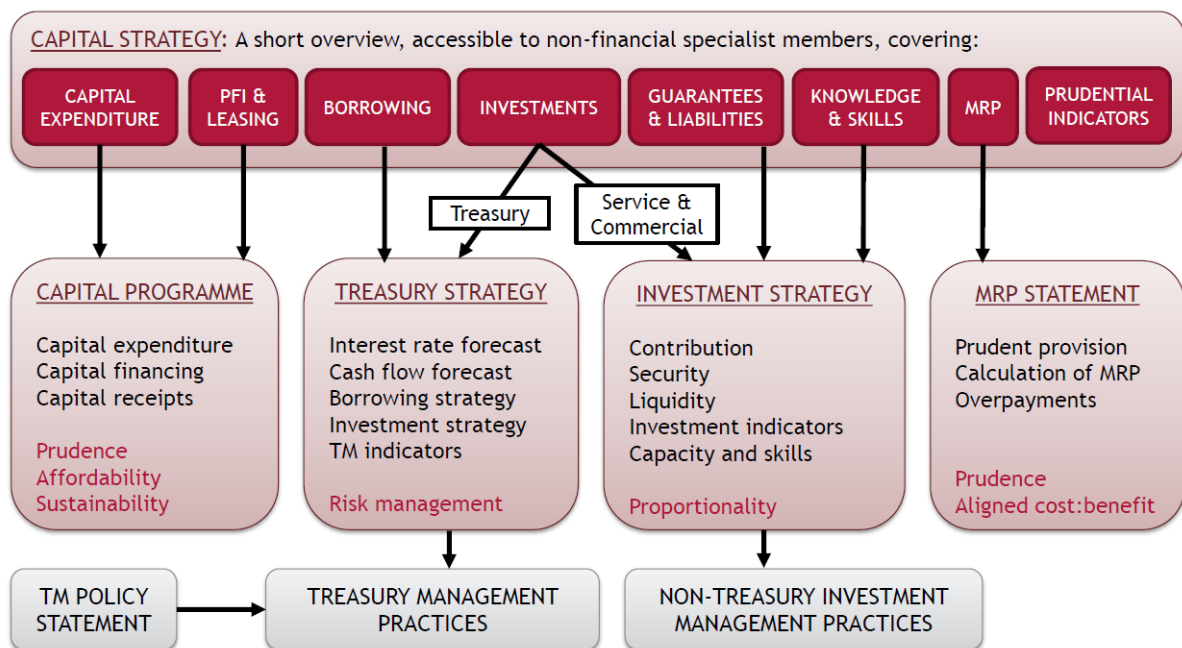
- 1.1. This capital strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 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 2021 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, 2017 and again in 2021. 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. The changes around commercialisation strategies are not relevant to the Police and Crime Commissioner and all other changes must be adopted for the 01 April 2023.
- 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 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 five year medium term are shown below:

Capital Expenditure	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Capital Expenditure	5.37	6.70	7.95	4.03	2.68

4.5. The profile of capital expenditure fluctuates annually. Across the current five year programme, annual average expenditure typically comprises £1.5m to replace fleet vehicles, £0.8m on estate schemes (although by their nature these investments tend to be more lumpy) and around £2.7m for replacement of ICT systems and equipment.

- 4.6. The 2023/24 capital programme includes ICT expenditure on 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 5 years is dominated by the need to evaluate options and provide a territorial headquarters in the west of the County upon the expiry of the existing PFI arrangement in 2026.
- 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 CC 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 has previously defined an 'Affordable, Prudent and Sustainable' programme as being fully funded (from the sources outlined above) for the medium term financial forecast (MTFF) period of 5 years. 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 projected costs in the later years of the capital programme become increasingly indicative and should be treated with caution. As the capital programme is fully funded over ten years, it meets the test of being Affordable, Prudent and Sustainable. The revenue budget and MTFF 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 zero, the potential to generate future capital receipts is low and capital reserves are likely to have been fully utilised by 2028/29. This means that the only viable options in future to fund capital expenditure are directly from the revenue

budget or through borrowing, which itself has implications for the revenue budget. The challenge for the PCC and Constabulary will need to find an appropriate balance between capital and revenue expenditure, which is sustainable.

- 4.10. In the context of requiring significant revenue savings to balance the revenue budget in 2023/24 and beyond primarily due to increased inflation, the decision has been taken to fund £3m p.a. of capital expenditure on short lived assets from borrowing rather than directly from the revenue budget in 2022/23 and 2023/24. This will deliver short term revenue savings, but will spread the financing costs over subsequent years.
- 4.11. 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.
- 4.12. Full details of the 10 year programme and associated financing can be found in the separate report 'Capital Programme 2023/24 to 2032/33 (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 PCCs Chief Finance Officer, who delegates responsibility for day to day management to the CCs 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 2023 is forecast to be £24.83m.

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 around 4.5% where investments are currently making around 4% 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 4%) and long-term fixed rate loans where the future cost is known but higher (currently 4.5%+). Current forecasts show that a small amount of short term borrowing, probably from other local authorities, may be required at the start of 2023/24 to bridge a shortfall in cash in advance of receipt of the new financial year's revenue grants.

Given the current spike in borrowing costs it is unlikely that the Commissioner will actually exercise long term external borrowing until these reduce. As such financing decisions have long term consequences and should be taken in this context, long term interest rates will be carefully monitored with the aim of deciding the most advantageous time to take on long term liabilities.

Liability Benchmark - The 2021 code requires Authorities to define their own 'Liability Benchmark' which will provide a future basis for developing a strategy for managing interest rate risk. This has been included in the TMSS for the first time.

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 £4.198m 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 £1.521bn 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 £1.596m 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 96 of the 2021/22 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 PCCs 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	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Minimum revenue provision for the financial year	0.63	0.65	1.31	1.94	1.98

- 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	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Investment income	0.01	0.38	0.40	0.15	0.06
MRP	0.63	0.65	1.31	1.94	1.98
Financing Costs	0.62	0.27	0.91	1.79	1.92
Net Revenue Stream	124.08	128.63	133.97	137.58	137.58
Ratio	0.50%	0.21%	0.68%	1.30%	1.39%

The financing costs are forecast to increase from 2022/23, reflecting the decision to borrow £3m pa for 2 years from 2022/23 in lieu of direct revenue highlighted earlier in the report. Nonetheless, 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.

- 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.

Cumbria Office of the Police and Crime Commissioner

Title: Capital Programme 2023/24 & Beyond

Public Accountability Conference: 16th February 2023

Report of the Joint Chief Finance Officer

Originating Officers: Michelle Bellis, Deputy Chief Finance Officer
Sarah Walker Financial Services Officer

1. Purpose of the Report

- 1.1. The purpose of this report is to provide information on the proposed capital programme for 2023/24 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 2023/24 and beyond as part of the overall budget process for 2023/24.
- 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

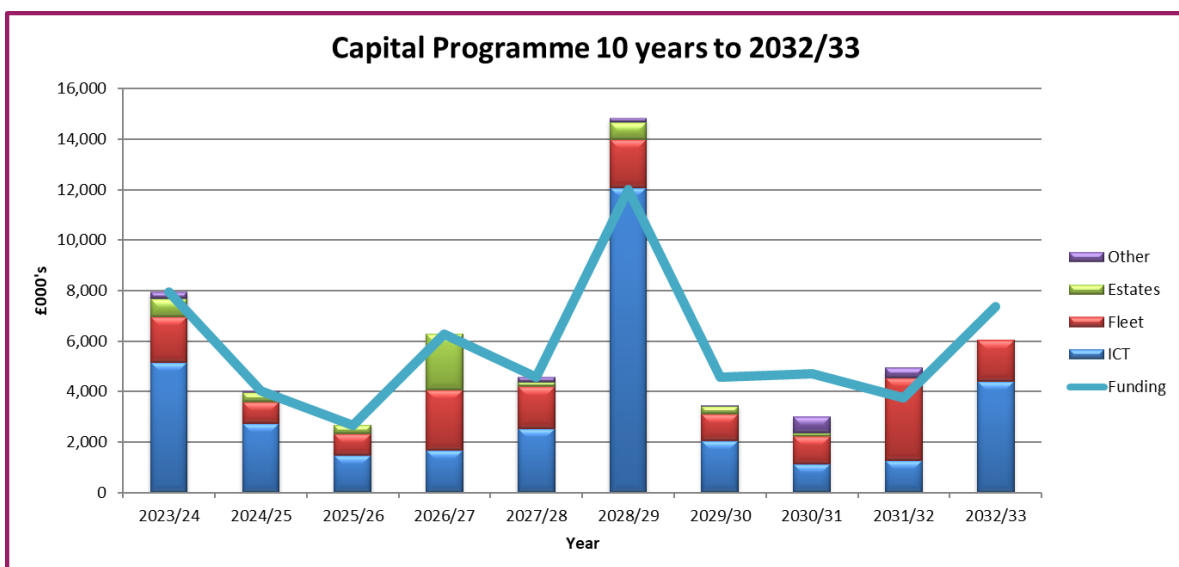
- 3.1. Local Authorities (including Police and Crime Commissioners) determine their own programmes for capital investment in non-current (fixed) assets that are essential to the delivery of quality public

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**”. The test applied to meet these requirements states that all schemes, within the 5-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 include the replacement of firearms equipment, such as tasers and CCTV.
- 3.3. The profile of capital expenditure fluctuates annually. Across the current ten-year programme, annual average expenditure typically comprises £1.7m to replace fleet vehicles and around £3.4m for replacement of ICT systems and equipment. The profile of Estates schemes is ‘lumpier’, with peaks of expenditure when major buildings are replaced. ICT Expenditure reflects the Constabulary Strategy to invest in digital technology.
- 3.4. The table below provides a high-level summary of the proposed capital programme and associated capital financing over the five-year timeframe of the medium-term financial forecast (2023/24 to 2027/28).

Capital Expenditure						
	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£	£	£	£	£	£
ICT Schemes	3,779,303	5,147,718	2,721,681	1,467,018	1,658,824	2,539,263
Fleet Schemes	1,865,073	1,821,000	873,528	848,640	2,405,947	1,657,389
Estates Schemes	909,807	713,695	366,040	360,000	2,219,765	170,000
Other Schemes	147,275	267,829	67,829	0	0	200,000
Total Capital Expenditure	6,701,457	7,950,242	4,029,078	2,675,658	6,284,536	4,566,651
Capital Financing						
	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£	£	£	£	£	£
Capital Receipts	0	0	0	0	0	0
Revenue Contributions	(261,825)	(581,006)	(3,205,189)	(2,615,658)	(3,715,448)	(3,843,903)
Revenue Reserves - DRC	(218,537)	(643,006)	(517,849)	0	0	0
Capital Grants	(2,833,937)	(1,708,561)	0	0	(333,825)	0
Capital Reserves	(20,000)	(1,997,669)	(286,040)	0	(1,235,263)	(722,748)
Borrowing	(3,367,158)	(3,020,000)	(20,000)	(60,000)	(1,000,000)	0
Total Capital Financing	(6,701,457)	(7,950,242)	(4,029,078)	(2,675,658)	(6,284,536)	(4,566,651)
(Excess)/Shortfall	0	0	0	0	0	0

3.5. The diagram below shows the composition of the capital programme over 10 years. The large block of Estates work in 2026/27 relates to the purchase and modernisation of the deployment centre in West Cumbria at the end of the current PFI contract. The large increase in ICT expenditure in 2028/29 shows indicative costs relating to the radio replacement as part of the national Emergency Services Network scheme (ESN) (£5m) and potential renewal of the command and control system with a new product (£4m).



- 3.6. The 10 year total of the capital programme has decreased by £10.6m since the last capital strategy was agreed by the Commissioner in February 2022, from £68.4m to £57.8m. This change is largely as a result of a change in assumptions with regards to the estate provision in West Cumbria following the end of the current PFI contract in 2026, a reduction of £10.6m.
- 3.7. Historically, the capital programme has been financed through a combination of capital grants, capital receipts, capital reserves, borrowing and contributions from the revenue budget. Reserves and accumulated capital grants will be largely exhausted by 2028/29. In addition, the Government's grant settlements over recent years had successively reduced the amount of capital grant to the point where it was removed altogether in 2022/23, although the Policing Minister has made it clear that the additional revenue funding for Operation Uplift has included a capital element to support the infrastructure costs required to equip the additional officers in their roles.
- 3.8. As a result of the reducing funding sources described above, the choices for future financing of the capital programme are largely limited to contributions from the revenue budget or borrowing. In the past borrowing has been confined to long life assets such as Estates and as a result the capital programme has become increasingly reliant on contributions from the revenue budget to finance capital expenditure. Historically, the annual contribution from the revenue budget was set at £1.2m.

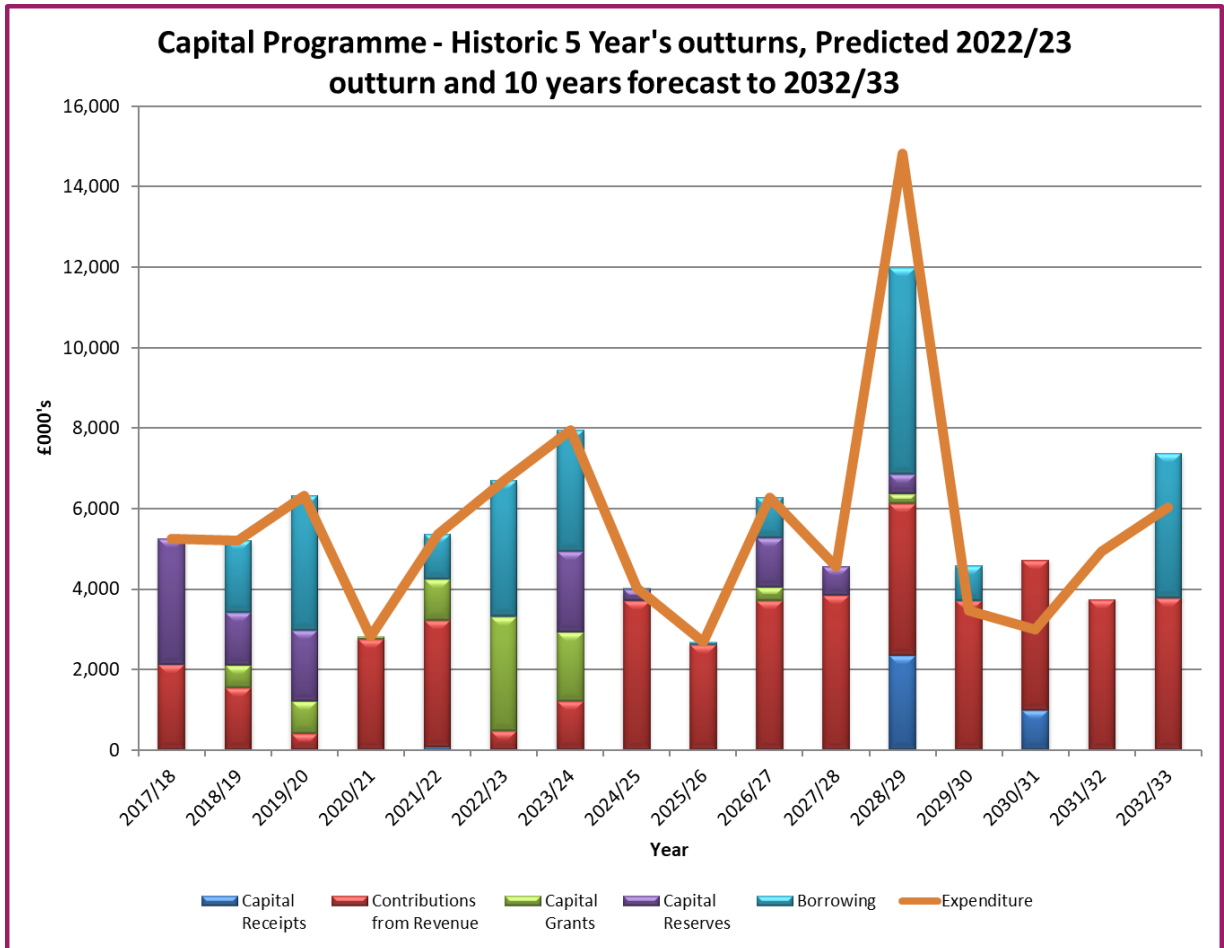
The following increases have been approved since then

- 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 2021/22

- 3.9. As a result of the current inflationary pressure on the revenue budget the decision has been taken to reduce revenue contributions in both 2022/23 and 2023/24 by £3m p.a. and to replace this with borrowing as a means of balancing the revenue budget in the short term.
- 3.10. 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 five-year period to 2027/28. The appendix also shows that in years 5-10 of the programme there are some shortfalls and deficits but overall the budget is balanced (£160k over). This has been achieved by assumed borrowing of £13.7m over the 10 year MTF. 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.

3.11. 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 and borrowing in the future.



3.12. 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 supports the delivery of the Constabulary's Digital 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 an estimated cost of £9.6m over 10 years. The scheme has been re-scheduled later in the programme, due to national delays on the project, with £5.5m expenditure planned in 2028/29 and a further £3.6m in 2032/33, having previously been scheduled to commence in 2026/27. 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.

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 center. The desire is to move away from this expensive hardware and towards cloud storage; £5.2m has been set aside over the 10 year strategy to implement this.

The ICT programme 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.

Work has commenced in partnership with a company (Mark 43) to facilitate the development of a replacement record management system, allowing us to keep ahead of the evolving complexities of policing technologies and join all information in one place. Originally £3m of capital funding was set aside for this project, however this has been reduced to £1.1m due to some of the costs being funded from the revenue budget.

The current contract for the command and control system comes to an end in 2028/29, options are being considered for the future and £4m has been placed indicatively in the programme in 2028/29 to cover this work.

If these large schemes are discounted, the programme shows that the ICT capital programme presented remains broadly flat over the 10 years at an average of £1.5m 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. Over recent years significant investment in mobile and digital ICT has been undertaken and was successful in allowing the Constabulary to work effectively from home during the pandemic. The capital strategy presented provides 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.

3.13. Fleet Schemes

The Constabulary fleet replacement programme consists of 294 vehicles. The capital programme provides for the replacement and kit out of these vehicles on a periodic basis at the end of their useful life. The fleet schemes are supported by the fleet strategy, an update of which was presented to the Commissioner as part of the budget setting process in the autumn. 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 2022/23, 61 vehicles were planned for replacement (including 27 where delivery had been delayed from 2021/22) at an estimated cost of £1.86m. The pandemic delayed delivery of a large number of vehicles in 2020/21 and this is still having a knock-on effect for deliveries in 2022/23. Of the



34 vehicles in the programme for 2022/23, 25 have been ordered and only 2 of those received, it is hoped the remaining 23 will be delivered by the end of March 2023. The remaining nine vehicles are awaiting decisions on the most suitable models to purchase and replacement is likely to be re-profiled into future years.

A review of pool car usage and the type of replacement vehicles required has taken place and 4 electric vehicles have been purchased. The effects of Brexit and the pandemic are still being felt, and as a result of high inflation levels the prices of vehicles are still rising. This is also influencing lead times for delivery, given that only 2 vehicles ordered this financial year have been received. Accordingly, approval has been given to pre-order vehicles from the 2023/24 programme; 12 Ford Transits and 10 Volvo XC90's have been ordered for delivery in April 2023.

There has been a new scheme added in 2023/24 for the introduction of vehicle telematics costing £130k. This will provide in car data recording to improve vehicle utilisation and it is anticipated that the detailed data provided will result in efficiencies in future years.

The plan for 2023/24 is to replace 55 vehicles with a budget of 1.691m. This is made up with a mix of operational vehicles for territorial policing and two vehicles for Sellafield policing unit (Sellafield reimburse the full cost of these vehicles). The budget has been created on pricing from current frameworks and recent purchases with a caveat that prices are volatile & rapidly increasing, and there is potential that the budget requirement will increase.

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

3.14. 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, leased in and leased out property together with surplus assets subject to disposal). The estates schemes are supported by the estates strategy, an annual update of progress against this was presented to the Commissioner as part of the budget setting process for 2023/24. 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 (following the development of the new Learning &



Development Centre (LDC) and replacement hostel accommodation on the HQ site at Penrith) has been on smaller life cycle replacements at various premises, including roof repairs, enhancing the LDC, heating and ventilation and improvements to the uninterrupted power supply.

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 previous years, including a review of options for the West Cumbria deployment centre which is currently part of a PFI arrangement. Options will continue to be developed over 2023/24, however, the budget has been reduced significantly from £13m to £2m based on the assumption that the current premises will be purchased and renovated rather than undertaking a new build.

In response to local government reorganisation in Cumbria from 01/04/2023, the Constabulary have restructured during 2022 to better align with the two new unitary authorities. The Constabulary has moved to a Basic Command Unit (BCU) model with 2 BCU's; Cumberland and Westmorland and Furness. As a result of the changes there has been a requirement to bolster policing resources in Eden, to facilitate this a new scheme has been added for Hunter Lane improving facilities to the site £800k. If these specific pieces of work are excluded, the estates programme averages £200k per year for replacement schemes.

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

3.15. Other Schemes

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

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

4. Capital Receipts

- 4.1. **Appendix 7** provides details of property disposals and the proceeds of those sales over recent years. The table shows total property receipts of £5.026m. At 31 March 2022 there was a balance of property receipts unapplied of £2.349m, this means that £2.677m 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 2028/29 as reserves and grants are fully utilised.

5. Supplementary information

Attachments

- | | |
|------------|--|
| Appendix 1 | Capital Expenditure and Financing 10 years 2023/24 to 2032/33 |
| 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 2022 and February 2023 |
| Appendix 7 | Capital Receipts Breakdown 2009/10 to 2022/23 |

Capital Expenditure and Financing 10 years 2023/24 to 2032/33

Capital Expenditure	Yr 0 2022/23 £	Yr 1 2023/24 £	Yr 2 2024/25 £	Yr 3 2025/26 £	Yr 4 2026/27 £	Yr 5 2027/28 £	Yr 6 2028/29 £	Yr 7 2029/30 £	Yr 8 2030/31 £	Yr 9 2031/32 £	Yr 10 2032/33 £	Yr 1-10 Total £
ICT Schemes	3,779,303	5,147,718	2,721,681	1,467,018	1,658,824	2,539,263	12,063,144	2,033,504	1,115,184	1,262,686	4,415,119	34,424,142
Fleet Schemes	1,865,073	1,821,000	873,528	848,640	2,405,947	1,657,389	1,921,700	1,065,120	1,120,050	3,276,027	1,626,534	16,615,934
Estates Schemes	909,807	713,695	366,040	360,000	2,219,765	170,000	685,000	320,000	105,000	0	0	4,939,500
Other Schemes	147,275	267,829	67,829	0	0	200,000	150,000	43,000	650,000	400,000	0	1,778,659
Total Capital Expenditure	6,701,457	7,950,242	4,029,078	2,675,658	6,284,536	4,566,651	14,819,844	3,461,624	2,990,234	4,938,713	6,041,654	57,758,235
Capital Financing	Yr 0 2022/23 £	Yr 1 2023/24 £	Yr 2 2024/25 £	Yr 3 2025/26 £	Yr 4 2026/27 £	Yr 5 2027/28 £	Yr 6 2028/29 £	Yr 7 2029/30 £	Yr 8 2030/31 £	Yr 9 2031/32 £	Yr 10 2032/33 £	Yr 1-10 Total £
Capital Receipts	0	0	0	0	0	0	(2,348,985)	0	(1,000,000)	0	0	(3,348,985)
Revenue Contributions	(261,825)	(581,006)	(3,205,189)	(2,615,658)	(3,715,448)	(3,843,903)	(3,778,029)	(3,711,926)	(3,710,693)	(3,743,649)	(3,777,754)	(32,683,256)
Revenue Reserves - DRC	(218,537)	(643,006)	(517,849)	0	0	0	0	0	0	0	0	(1,160,855)
Capital Grants	(2,833,937)	(1,708,561)	0	0	(333,825)	0	(249,412)	0	0	0	0	(2,291,797)
Capital Reserves	(20,000)	(1,997,669)	(286,040)	0	(1,235,263)	(722,748)	(486,375)	0	0	0	0	(4,728,096)
Borrowing	(3,367,158)	(3,020,000)	(20,000)	(60,000)	(1,000,000)	0	(5,138,589)	(864,202)	0	0	(3,602,163)	(13,704,954)
Total Capital Financing	(6,701,457)	(7,950,242)	(4,029,078)	(2,675,658)	(6,284,536)	(4,566,651)	(12,001,390)	(4,576,128)	(4,710,693)	(3,743,649)	(7,379,917)	(57,917,943)
(Excess)/Shortfall	0	0	0	0	0	0	2,818,454	(1,114,505)	(1,720,459)	1,195,064	(1,338,263)	(159,708)

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

ICT Schemes

ICT Summary	Yr 0 2022/23 £	Yr 1 2023/24 £	Yr 2 2024/25 £	Yr 3 2025/26 £	Yr 4 2026/27 £	Yr 5 2027/28 £	Yr 6 2028/29 £	Yr 7 2029/30 £	Yr 8 2030/31 £	Yr 9 2031/32 £	Yr 10 2032/33 £	Yr 1-10 Total £
ICT End User Hardware Replacement (002x)	1,086,279	1,125,300	790,224	404,635	853,408	1,957,793	756,614	629,624	461,674	845,582	527,301	8,352,156
ICT Core Hardware Replacement (003/004x)	530,637	1,752,308	835,239	660,000	525,000	525,000	2,057,849	883,703	924,142	791,424	1,002,753	9,957,418
ICT ESN Radio Replacement (Airwave)	817,083	19,200	0	45,000	0	0	622,178	0	0	0	0	686,378
ICT Core Infrastructure Replacement	0	581,094	0	0	0	0	5,138,589	864,202	0	0	3,602,163	10,186,048
ICT Infrastructure Solution Replacement (Projects)	1,345,304	1,669,816	1,096,218	357,383	280,416	56,469	4,017,542	142,875	59,749	60,885	62,042	7,803,396
Savings	0	0	0	0	0	0	(529,628)	(486,901)	(330,381)	(435,205)	(779,139)	(2,561,254)
Total ICT Summary	3,779,303	5,147,718	2,721,681	1,467,018	1,658,824	2,539,263	12,063,144	2,033,504	1,115,184	1,262,686	4,415,119	34,424,142

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 Constabulary's Chief Finance Officer to agree the status of schemes based on 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 Constabulary's Chief Finance Officer's virement authorisation limits for which there is a clear business case
- Schemes above the Constabulary's 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 2023/24 to 2026/27.

Fleet Schemes

Fleet Summary	Status	Number of Vehicles in Category	Yr 0 2022/23 £	Yr 1 2023/24 £	Yr 2 2024/25 £	Yr 3 2025/26 £	Yr 4 2026/27 £	Yr 5 2027/28 £	Yr 6 2028/29 £	Yr 7 2029/30 £	Yr 8 2030/31 £	Yr 9 2031/32 £	Yr 10 2032/33	Yr 1-10 Total £
Covert	Firm	14	68,000	91,000	142,800	29,120	60,235	52,137	100,100	156,800	31,920	65,917	33,365	763,393
Neighbourhood Policing	Firm	94	580,344	420,000	0	124,800	1,676,746	657,012	462,000	0	0	1,938,170	717,846	5,996,573
Specialist Vehicles	Firm	31	264,196	140,000	73,440	228,800	128,896	116,640	332,200	219,520	108,300	224,576	184,080	1,756,452
Dog Vehicles	Firm	14	78,094	176,000	20,400	8,320	100,488	212,760	92,400	197,120	22,800	49,880	111,864	992,032
Motor Cycles	Firm	8	0	0	0	127,920	0	0	0	0	17,100	0	0	145,020
Pool Cars	Firm	27	214,000	74,000	37,128	18,720	64,342	14,040	45,100	204,960	84,360	42,224	21,240	606,114
Protected personnel Carriers	Firm	9	240,000	0	0	0	159,000	0	247,500	0	342,000	0	0	748,500
Roads Policing Vehicles	Firm	25	70,000	415,000	382,500	239,200	106,000	448,200	412,500	257,600	114,000	481,400	442,500	3,298,900
Crime Command	Firm	41	41,000	255,000	121,380	71,760	110,240	27,000	16,500	29,120	336,300	126,440	46,020	1,139,760
Crime Scene Investigators	Firm	10	294,637	0	0	0	0	0	0	0	23,370	313,200	0	336,570
Garage	Firm	6	0	0	0	0	0	0	148,500	0	0	0	0	148,500
	Firm			0	0	0	0	0	0	0	0	0	0	0
VIP	Firm	1	0	0	35,700	0	0	0	0	0	39,900	0	0	75,600
Partnership Vehicles	Firm	14	0	120,000	60,180	0	0	129,600	64,900	0	0	34,220	69,620	478,520
Telematics	Delegated		0	130,000	0	0	0	0	0	0	0	0	0	130,000
General underspend b/fwd Contingency			14,801	0	0	0	0	0	0	0	0	0	0	0
Total Fleet Summary		294	1,865,073	1,821,000	873,528	848,640	2,405,947	1,657,389	1,921,700	1,065,120	1,120,050	3,276,027	1,626,534	16,615,934
Number of Vehicles Replaced Each Year			62	45	29	32	91	34	41	34	42	94	42	

Status - Fleet Replacement - It is recommended that all fleet vehicle replacement schemes are approved as firm for 2023/24 only. This provides authority to procure on the basis of the currently approved fleet strategy. The strategy will be reviewed during 2023/24 to inform the status of the capital programme in future years. It is recommended that the scheme to introduce a Telematics vehicle information system be delegated to the Constabulary Chief Finance Officer for final approval.

Estates Schemes

Appendix 4

Estates Summary	Status	Yr 0 2022/23 £	Yr 1 2023/24 £	Yr 2 2024/25 £	Yr 3 2025/26 £	Yr 4 2026/27 £	Yr 5 2027/28 £	Yr 6 2028/29 £	Yr 7 2029/30 £	Yr 8 2030/31 £	Yr 9 2031/32 £	Yr 10 2032/33 £	Yr 1-10 Total £
Existing Schemes													
Roof Repairs - Various													
Roof Repairs - Kendal Police Station	Firm	56,249	0	0	0	120,000	0	0	25,000	0	0	0	145,000
Roof Repairs & Glazing - Durranhill		0	0	0	0	75,000	0	0	0	0	0	0	75,000
Heating, Ventilation & Cooling Plant - Various													
Police Headquarters HVAC		0	0	0	300,000	0	0	0	200,000	0	0	0	500,000
Barrow HVAC		0	0	0	0	0	60,000	0	0	0	0	0	60,000
Comms Centre Cooling plant		0	0	0	0	0	0	0	70,000	0	0	0	70,000
UPS													
UPS Durranhill		0	0	60,000	0	0	0	0	0	0	0	0	60,000
UPS HQ		0	0	0	0	0	0	30,000	0	0	0	0	30,000
UPS Kendal		0	0	0	0	0	0	30,000	0	0	0	0	30,000
UPS Barrow		0	0	0	0	0	60,000	0	0	0	0	0	60,000
CCTV and Cell Call													
Durranhill CCTV system and cell call	Indicative	0	50,000	0	0	0	0	0	0	0	0	0	50,000
Kendal CCTV and Cell Call		0	0	0	0	0	50,000	0	0	0	0	0	50,000
Barrow CCTV camera replacement		0	0	0	0	0	0	35,000	0	0	0	0	35,000
Other Existing Schemes													
Garage Provision		0	0	0	0	0	0	500,000	0	0	0	0	500,000
Cell Call & CCTV -	Firm	100,000	0	0	0	0	0	0	0	0	0	0	0
West Estate Purchase	Indicative	20,000	20,000	20,000	60,000	1,000,000	0	0	0	0	0	0	1,100,000
HQ Static inverter		0	0	0	0	0	0	50,000	0	0	0	0	50,000
HQ window conservation		0	0	0	0	50,000	0	0	0	0	0	0	50,000
Learning and Development Centre life cycles		0	0	0	0	0	0	0	0	25,000	0	0	25,000
Gas suppression cylinder replacements		0	0	0	0	0	0	0	25,000	0	0	0	25,000
Kendal M&E plant		0	0	0	0	0	0	20,000	0	0	0	0	20,000
Kendal - yr 10 electrical and plant		0	0	0	0	0	0	0	0	50,000	0	0	50,000
Carlisle M&E plant (area 2)	Firm	60,000	0	0	0	0	0	20,000	0	0	0	0	20,000
Learning and Development - ground floor	Firm	306,400	0	0	0	0	0	0	0	0	0	0	0
Dog Section - Wreay	Firm	367,158	0	0	0	0	0	0	0	0	0	0	0
Durranhill curtain walling life cycles		0	0	0	0	0	0	0	0	30,000	0	0	30,000
Sub Total Existing Estates Schemes		909,807	70,000	80,000	360,000	1,245,000	170,000	685,000	320,000	105,000	0	0	3,035,000
New Estates Schemes 2023/24													
Hunter Lane	Indicative	0	513,695	286,040	0	0	0	0	0	0	0	0	799,735
Estate Modernisation		0	0	0	0	974,765	0	0	0	0	0	0	974,765
Brampton Boiler	Firm	0	50,000	0	0	0	0	0	0	0	0	0	50,000
Cockermouth Paving	Firm	0	80,000	0	0	0	0	0	0	0	0	0	80,000
Sub Total New Estates Schemes		0	643,695	286,040	0	974,765	0	0	0	0	0	0	1,904,500
Total Estates Schemes		909,807	713,695	366,040	360,000	2,219,765	170,000	685,000	320,000	105,000	-	-	4,939,500

Estates Scheme Status Recommendations*

It is recommended that the scheme to update premises at Hunter Lane be agreed in principle as an indicative scheme, and subject to a business case being approved by the Commissioner.

*scheme status applies to the financial profile of 2023/24 only unless otherwise stated.

Appendix 5

Other Schemes

Other Schemes	Status	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 1-10
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2031/32	Total
		£	£	£	£	£	£	£	£	£	£	£	£
CCTV	Indicitive	0	0	0	0	0	0	150,000	0	450,000	400,000	0	1,000,000
Taser CED migration (T60 package /T7 * 79)	Firm	67,829	67,829	67,829	0	0	200,000	0	0	0	0	0	335,659
X26 taser fleet replacement	Firm	0	200,000	0	0	0	0	0	0	200,000	0	0	400,000
Glock Pistol Replacement	Firm	45,167	0	0	0	0	0	0	0	0	0	0	0
Portable Ballistic Protective Equipment	Delegated	0	0	0	0	0	0	0	43,000	0	0	0	43,000
Laser Scanning	Firm	4,158	0	0	0	0	0	0	0	0	0	0	0
Operation Uplift	Firm	30,121	0	0	0	0	0	0	0	0	0	0	0
Total Other Schemes		147,275	267,829	67,829	0	0	200,000	150,000	43,000	650,000	400,000	0	1,778,659

Other Scheme Status Recommendations*

*scheme status applies to the financial profile of 2023/24 only with the exception of the Taser CED migration scheme which is a five year Home Office Programme.

Analysis of change in Capital Programme between February 2022 and the February 2023 proposal.

EXPENDITURE	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	1-5 Year
	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £	TOTAL £
Capital Strategy - Approved (February 2022)	7,219,088	12,275,960	12,225,892	3,709,879	9,689,689	3,502,048	41,403,469
Capital Strategy - Proposed (February 2023)	6,701,457	7,950,242	4,029,078	2,675,658	6,284,536	4,566,651	25,506,165
Difference (decrease)/Increase	(517,631)	(4,325,718)	(8,196,814)	(1,034,221)	(3,405,153)	1,064,603	(15,897,303)
Difference by Type							
- ICT Schemes	(750,817)	255,427	(1,047,166)	(921,361)	(4,590,161)	472,964	(5,830,297)
- Fleet Schemes	674,073	605,160	124,312	27,140	(589,757)	741,639	908,493
- Estates Schemes	(296,442)	(4,836,305)	(7,073,960)	60,000	1,974,765	0	(9,875,500)
- Other Schemes	(144,445)	(350,000)	(200,000)	(200,000)	(200,000)	(150,000)	(1,100,000)
Difference (decrease)/Increase	(517,631)	(4,325,718)	(8,196,814)	(1,034,221)	(3,405,153)	1,064,603	(15,897,303)
Explanation of the Difference by Type							
- ICT Schemes							
2021/22 outturn Qtr 4	495,530	0	0	0	0	0	0
Renewal added	63,935	351,500	500,000	278,000	200,000	0	1,329,500
Airwaves Handsets B/F from 23/24 to 22/23	50,000	(50,000)	0	0	0	0	(50,000)
Reprofile	(2,057,091)	(50,209)	(1,032,684)	(259,525)	362,725	(531,944)	(1,511,637)
Newly approved	335,149	42,000	0	0	0	0	42,000
Removed	(316,045)	517	(63,056)	(58,650)	(279,823)	(100,709)	(501,720)
Transferred from 'Other section'	372,320	298,403	0	0	0	0	298,403
Police Works - HMICFRS work added	(33,400)	60,000	0	0	0	0	60,000
Print Room Closure/ Impact on MFPs	(292,765)	350,000	0	0	0	(50,870)	299,130
ESN Refresh	0	0	(200,000)	(543,000)	(4,452,778)	0	(5,195,778)
Updated estimates	(854,613)	216,000	134,379	(383,719)	(390,449)	(502,558)	(926,347)
Smartphone Spec decision / ESN delays	(295,073)	157,919	(335,122)	14,835	(49,000)	14,792	(196,576)
Surface Pro / desktop Update	781,236	(120,703)	(50,682)	30,697	19,163	1,298,777	1,177,252
Savings Target removed	0	0	0	0	0	345,476	345,476
- Fleet Schemes							
Qtr.4 delivery delays	633,729	0	0	0	0	0	0
Re-profile	0	0	0	(29,000)	(77,075)	(6,725)	(112,800)
2nd hand car increase	15,000	0	(5,000)	15,000	0	(5,000)	5,000
Write off B/Fwd	95,344	0	0	0	(90,400)	95,344	4,944
Extended Life	(26,000)	0	28,000	0	0	(26,000)	2,000
New Approval	41,000	0	0	0	0	0	0
CSD est reduced moved to area elec	0	0	0	60,000	(53,000)	0	7,000
Late commission - pushed back	0	0	0	(30,000)	30,000	0	0
Correction to life	(85,000)	123,000	0	0	(29,500)	104,500	198,000
Price Increase	0	(42,000)	103,000	43,000	(114,064)	93,000	82,936
Ops Command reschedule (ontop of those previously identified)	0	418,000	10,000	(18,000)	(170,000)	447,000	447,000
Inflation	0	(23,840)	(11,688)	(13,860)	(85,718)	39,520	(95,587)
Telematics		130,000					
- Estates Schemes							
Garage Provision	0	(500,000)	0	0	0	0	(500,000)
Cell Call	100,000	0	0	0	0	0	0
West Estate	(580,000)	(4,980,000)	(7,360,000)	60,000	1,000,000	0	(11,280,000)
Learning and Development - ground floor	16,400	0	0	0	0	0	0
Dog Section	167,158	0	0	0	0	0	0
Estate Modernisation	0	513,695	286,040	0	974,765	0	0
Brampton Boiler / Cockermouth Paving		130,000					
- Other Schemes							
CCTV	(173,890)	(350,000)	0	0	0	(150,000)	0
New CED migration (T60 package / T7 * 79)	0	0	0	0	0	200,000	0
X26 taser fleet replacement	0	0	(200,000)	(200,000)	(200,000)	(200,000)	0
Glock Pistol Replacement	45,167	0	0	0	0	0	0
Laser Scanning	4,158	0	0	0	0	0	0
Barrow - custody services to support digital roll out	(50,000)	0	0	0	0	0	0
Operation Uplift	30,121	0	0	0	0	0	0
Difference (decrease)/Increase	(517,631)	(4,325,718)	(8,196,814)	(1,034,221)	(3,405,153)	1,064,603	(15,897,303)

Appendix 7

Property Disposals – Details of Sale Proceeds

Year	Premises Sold	Sale Proceeds £	Costs of Disposal £	Net Capital Receipts £
2022/23	at the time of writing there has been no funds received for any premises sold			
2021/22	Police House - 16 Hillswood Avenue	258,750	1,240	257,510
2020/21	There were no property sales	-	-	-
2019/20	There were no property sales	-	-	-
2018/19	Police House -39 Liddle Close Carlisle	159,000	2,546	156,454
2018/19	Ulverston Police Station	500,000	9,037	490,963
2017/18	Cleator Moor Police Station	105,000	1,939	103,061
2017/18	Barrow Police Station	450,000	10,361	439,639
2016/17	Police House - 21 Thornleigh Road	266,200	5,570	260,630
2016/17	Maryport Police Station	80,500	1,995	78,505
2015/16	Police House 11-12 The Green, Penrith	60,000	2,006	57,994
2015/16	Wigton Police Station	187,500	4,545	182,955
2015/16	Ambleside Police Station	321,500	6,131	315,369
2013/14	Dalton in Furness Police Station	121,000	2,756	118,244
2013/14	Keswick Police Station	327,000	0	327,000
2012/13	Kirkby Stephen Police Station & House	150,000	857	149,143
2012/13	Police House - 3 Centurians Walk, Carlisle	175,500	2,827	172,673
2012/13	Police House - 4 Allan Court, Workington	173,500	2,100	171,400
2012/13	Alston Police Station	166,000	1,123	164,877
2012/13	Ambleside Police Station	141,000	1,753	139,247
2012/13	Cockermouth Police Station	241,000	2,613	238,387
2012/13	Millom Police Station	45,600	1,644	43,956
2012/13	Milnthorpe Police Station	140,500	1,260	139,240
2012/13	Sedbergh Police Station	90,000	1,328	88,672
2011/12	Police House - Durdar	150,000	2,070	147,930
2011/12	Police House - 12 Derwent Drive Kendal	183,500	1,943	181,557
2011/12	Police House - 10 Clifton Court, Workington	125,000	1,320	123,680
2010/11	Police House - 52 Whitestiles, Seaton	115,500	1,924	113,576
2010/11	Police House - 6 Helsington Road, Kendal	216,000	2,668	213,332
2009/10	Police House - 3 Derwent Drive, Kendal	155,000	4,857	150,143
Please note there were no property disposals in 2014/15				0
Total		5,104,550	78,415	5,026,135



Public Accountability Conference
16 February 2023
Agenda Item No 08c

Joint Audit Committee
16 March 2023
Agenda Item No TBC

Office of the Police and Crime Commissioner Report

**Title: Borrowing, Treasury Management, Investment and MRP
Strategies 2023/24 (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 the 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, 2017, and again in 2021. The TMSS presented here complies with the 2021 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 2023/24.

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:

Treasury Management Definition

‘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 2023/24 as set out on pages 8-9.
2. Approve the Investment Strategy for 2023/24 as set out on pages 10-13.
3. Approve the Treasury Management Prudential Indicators as set out on pages 15-17.
4. Approve the other Prudential Indicators set out on pages 17 to 21.
5. Approve the Minimum Revenue Provision Policy Statement for 2023/24 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. The updated TMPs are also provided on the agenda at item 08d.
7. Delegate to the PCCs 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 2023/24
(Including Prudential Indicators)**

Treasury Management Strategy Statement 2023/24

Contents

Treasury Management Strategy Statement - General Principles	Page 3
Treasury Management Cash Flow Forecast	Page 5
Interest Rate Forecast	Page 7
Borrowing Strategy	Page 8
Investment Strategy	Page 10
Treasury Risk and Treasury Management Practices	Page 14
Treasury Management Indicators	Page 15
Other Prudential Indicators	Page 17
Minimum Revenue Provision (MRP) Strategy	Page 22
Appendix A – Counterparty List and Selection Criteria	Page 23

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. However, it should 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 and 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 Commissioner's 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 counterparty 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 counterparties, 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 2023/24 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, 2017 and 2021. 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 advisors, 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 Commissioner's 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 outgoing 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 peak by mid-2023 and start to fall by the end of 2023. Further rate cuts are expected through 2024 and 2025. 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 2023 and for the following financial years are summarised below:

Estimated Treasury Position	Estimate 2023/24 £m	Estimate 2024/25 £m	Estimate 2025/26 £m	Estimate 2026/27 £m
External Borrowing	0.00	0.00	0.00	0.00
Interest Payments	0.00	0.00	0.00	0.00
Investments (average)	12.209	5.771	2.460	0.800
Interest Receipts	0.400	0.150	0.063	0.020

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 estimate for interest receipts in 2023/24 is £400k (latest forecast for 2022/23 is £380k). The timing of future external borrowing is currently not known and decisions regarding the end of the PFI contract are still to be made.

The Commissioner's underlying need to borrow, as measured by the Capital Financing Requirement (CFR), is estimated to be £24.83m at the start of the 2023/24 financial year. This includes £3.96m 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 rate forecasts are frequently changing, and there are continuing general uncertainties over the creditworthiness 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.

Key Messages

CPI inflation may have peaked. The Bank of England is forecasting inflation to fall to 4% by the end of 2023.

The Bank Rate is forecast to rise further in 2023, peaking in the summer and starting to fall by the end of the year, ahead of further reductions during 2024 and 2025.

Treasury Management Interest Rate Forecast

- GDP in November rose by 0.1% month on month which was better than expected driven by growth in the services sector. It is expected that the UK economy will be in recession throughout 2023 and Q1 of 2024.
- The CPI inflation figure fell slightly from 10.7% in November to 10.5% in December. Fuel inflation has fallen dramatically from 17.2% in November to 11.5% in December and may fall to 0% in the coming months. Inflation also fell in clothing and footwear, and recreation and culture. However, this was offset by increases in prices for hotels and restaurants, and food and drink.
- The labour market remains tight as the 3myy rate of average earnings growth (excluding bonuses) increased from 6.1% in October to 6.4% in November. However, despite the increase in the supply of workers, the sharp rise in single-month employment in November kept the unemployment rate unchanged at 3.7%.

Over recent weeks, there has been a more upbeat feel to markets after a tumultuous 2022. The Bank of England has slashed the size of the recession it is forecasting from a 2.9% peak fall in real GDP over eight quarters, as it predicted in November, to a fall of just 1.0% over five quarters. Furthermore, forecasts now have inflation falling from 10.5% to 4.0% by the end of this year, to 1.0% by the end of 2024 and to just above 0% by the end of 2025.

The Monetary Policy Committee (MPC) has increased the Bank Rate 375bps over the past twelve months, taking rates to a 14 year high of 4.00%. At the February meeting a 7-2 majority saw it rise by 0.50%, with two members preferring to leave the rates unchanged. The Bank has implied that rates are close to their peak but lingering domestic inflation pressures are likely to result in further rate increases taking rates to a peak of 4.50% in mid-2023. Rates are expected to start to reduce by the end of the year and fall steadily over the medium term.

Base Rate Estimates	2023/24	2024/25	2025/26	2026/27
Quarter 1	4.50%	3.75%	2.75%	2.50%
Quarter 2	4.50%	3.25%	2.50%	2.50%
Quarter 3	4.25%	3.00%	2.50%	2.50%
Quarter 4	4.00%	2.75%	2.50%	2.50%

Key Messages

The Commissioner has an increasing Capital Financing Requirement due to the capital programme, but has modest investments (after deducting the pension grant receipt), 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 2023/24 and beyond.

Capital Financing	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Balance B/fwd	21.60	22.11	24.82	26.53	24.61
Plus Capital Expenditure financed from borrowing	1.13	3.37	3.02	0.02	0.06
Less MRP for Debt Redemption	-0.63	-0.65	-1.31	-1.94	-1.98
Balance C/Fwd	22.10	24.83	26.53	24.61	22.69

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 Commissioner's 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 2023/24. Given that the CFR is forecast to be £24.83m this effectively means that the Commissioner will be funding over £20.87m of capital spend from internal resources (CFR £24.83m less £3.96m in relation to the PFI).

The Bank Rate rises over recent months have pushed up the cost of long term finance to over 4%. Borrowing rates are expected to start falling in the second half of 2023 and to continue over the medium term. Consequently, undertaking long term borrowing at this time is likely to fix higher costs into the revenue account and commit the Commissioner to costs for many years in the future. It is 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 ongoing 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 2023/24 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.

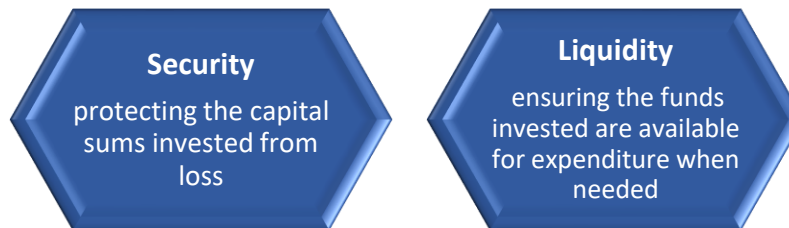
Investment Strategy

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.

The treasury management investment strategy operates 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 2022/23, the Commissioner's investment balance has ranged between £4.76m and £30.97m. The larger sum was due to the receipt in July 2022 of £19.85m pension top up grant from the Home Office, which is drawn down steadily over the remainder of the year. Balances in 2023/24 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 £27m.

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 2023/24 remains the same. The decision to enter into an approved class of investment is delegated to the PCC Chief Finance Officer. The strategy allows for investments in pooled funds such as money market funds or property funds. The use of property funds would further diversify the Commissioners' portfolio, provide a longer-term investment and increase yield whilst maintaining security. However, given current economic volatility arising from high inflation 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 PCC 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 2023/24. 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 2023/24 amounts to £400k (£380k 2022/23) 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 and 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 PCC 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 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 10 years	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

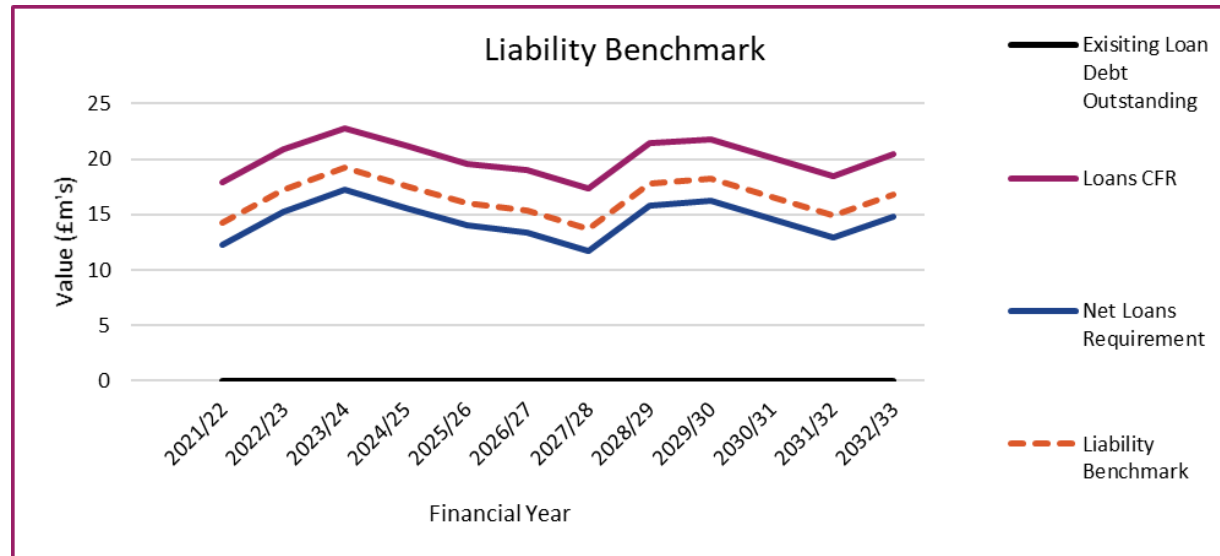
The purpose of this indicator is to contain the Commissioner’s exposure to the possibility of loss that might arise as a result of having to borrow short term at higher rates or losses by seeking early repayment of its investments.

Price Risk Indicator	2022/23	2023/24	2024/25	2025/26	2026/27
Limit on principal invested beyond one year	£2m	£2m	£2m	£2m	£2m

3. Liability Benchmark

The 2021 code requires Authorities to define their own ‘Liability Benchmark’ which looks at the net management of the PCC’s overall treasury position. The aim of the indicator is to support in the management of treasury risks, namely refinancing risk, interest rate and credit risk. It does this through profiling the borrowing portfolio close to the plotted liability benchmark position.

The graph below shows that the current position for the Police and Crime Commissioner is one of no external debt but a loan requirement just below the capital financing requirement. The gap to the external loans of zero represents the under borrowed position / internal borrowing undertaken.



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

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 PCC 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.

Other Prudential Indicators 2023/24

As per the 2021 CIPFA Prudential Code for Capital Finance and the accompanying guidance notes the Commissioner is required to produce a number of indicators to assist understanding and to evaluate the prudence and affordability of the capital expenditure plans and the borrowing and investment activities undertaken in support of this.

Capital Expenditure and Capital Financing

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

Capital Expenditure	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Capital Expenditure	5.37	6.70	7.95	4.03	2.68

Capital Financing	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Capital Receipts	0.08	0.00	0.00	0.00	0.00
Government Grants	1.01	2.83	1.71	0.00	0.00
Revenue Contributions	3.14	0.50	3.22	4.01	2.62
Total Financing	4.23	3.33	4.93	4.01	2.62
Borrowing*	1.13	3.37	3.02	0.02	0.06
Total Funding	1.13	3.37	3.02	0.02	0.06
Total Financing and Funding	5.36	6.70	7.95	4.03	2.68

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 2023/24 (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	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Balance B/fwd	21.60	22.11	24.82	26.53	24.61
Plus Capital Expenditure financed from borrowing	1.13	3.37	3.02	0.02	0.06
Less MRP for Debt Redemption	-0.63	-0.65	-1.31	-1.94	-1.98
Balance C/Fwd	22.10	24.83	26.53	24.61	22.69

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	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
External Borrowing	24.41	27.36	29.33	27.70	26.12
Other Long Term Liabilities	4.20	3.96	3.70	3.40	3.06
Total Authorised Limit	28.61	31.32	33.03	31.10	29.18

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 2023/24 (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 PCC Chief Financial Officer has delegated authority, within the total Operational Boundary, to effect movement between the separately identified and agreed figures for External Borrowing and Other Long-term Liabilities. Any such changes will be reported to the Commissioner and the Joint Audit Committee meeting following the change.

Operational Boundary for External Debt	2021/22 £m	2021/22 £m	2022/23 £m	2024/25 £m	2025/26 £m
External Borrowing	22.91	25.86	27.83	26.20	24.62
Other Long Term Liabilities	4.20	3.97	3.70	3.40	3.06
Total Operational Boundary	27.11	29.83	31.53	29.60	27.68

Actual External Debt

The Commissioner's actual external debt as at 31 March 2023 will be £3.96m, comprising only of other long-term liabilities of £3.96m 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.

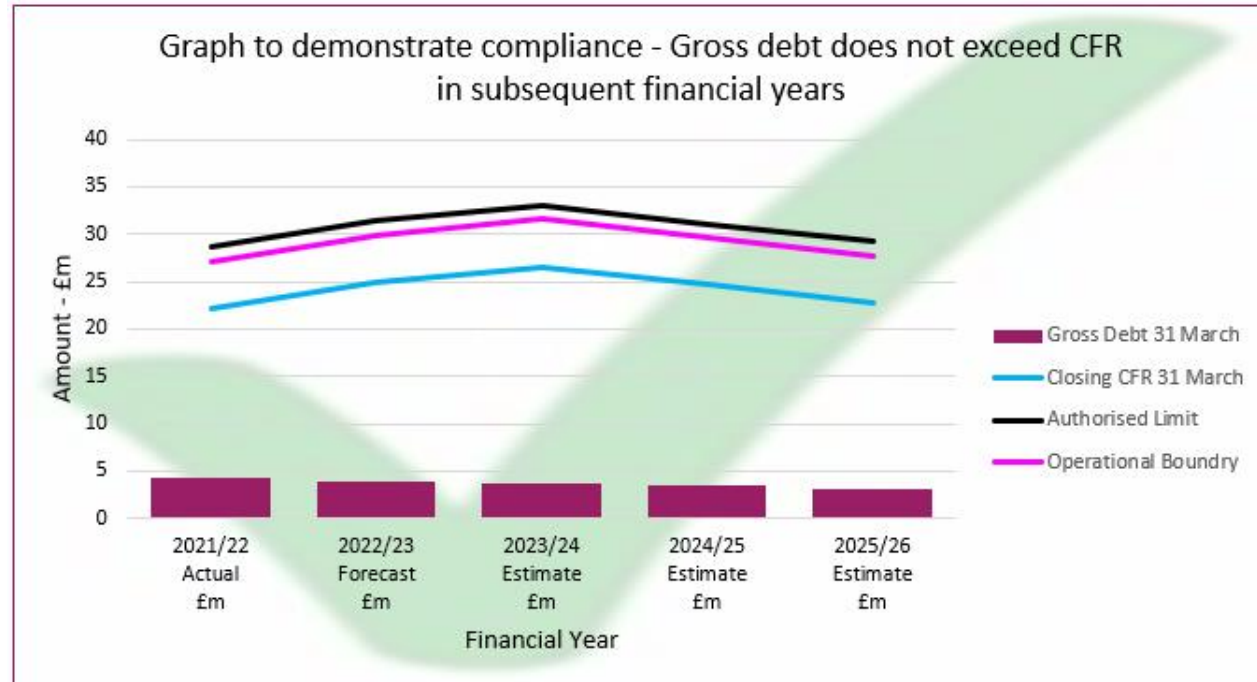
Other Prudential Indicators 2023/24 (Continued)

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	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Closing CFR 31 March	22.11	24.82	26.53	24.61	22.69
Gross Debt 31 March	4.20	3.96	3.70	3.40	3.06

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 2023/24 (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	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Investment income	0.01	0.38	0.40	0.15	0.06
MRP	0.63	0.65	1.31	1.94	1.98
Financing Costs	0.62	0.27	0.91	1.79	1.92
Net Revenue Stream	124.08	128.63	133.97	137.58	137.58
Ratio	0.50%	0.21%	0.68%	1.30%	1.39%

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 2023/24

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 2023/24 is unchanged from that of 2022/23 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 2023/24.

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 2023/24 compared to those in operation for 2022/23.

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 2023/24 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 2023/24 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

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

Key Messages

Whilst these limits also apply to the Commissioner's 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 this strategy.

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 2023/24 are the same as the limits for 2022/23. 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.

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	2	3	4	5
		Banks Unsecured	Banks Secured	Government	Registered Providers	Pooled Funds
<u>Category Limit 2020/21</u>	Amount Duration	£20m	£20m	Unlimited	£10m	£20m
<u>Individual Institution/Group Limits</u>						
UK Government	Amount Duration	N/A	N/A	£ unlimited 50 Years	N/A	N/A
AAA	Amount Duration	£2m 5 years	£4m 20 years	£4m 50 years	£2m 20 years	£4m per fund (Pooled funds are generally not rated but the diversification of funds equate to AAA credit rating)
AA+	Amount Duration	£2m 5 years	£4m 10 years	£4m 25 years	£2m 10 years	
AA	Amount Duration	£2m 4 years	£4m 5 years	£4m 15 years	£2m 10 years	
AA-	Amount Duration	£2m 3 years	£4m 4 years	£4m 10 years	£2m 10 years	
A+	Amount Duration	£2m 2 years	£4m 3 years	£2m 5 years	£2m 5 years	
A	Amount Duration	£2m 13 months	£4m 2 years	£2m 5 Years	£2m 5 years	
A-	Amount Duration	£2m 6 months	£4m 13 months	£2m 5 years	£2m 5 years	
None	Amount Duration	N/A	N/A	£2m 25 years	£2m 5 years	

Note, individual, group and category limits for 2023/24 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.

Schedule B – Explanation of Counterparty Groupings

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



Class of Investment

Category 1 - Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Category 2 - Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank’s assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

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

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

Category 5 - Pooled Funds: Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority’s investment objectives will be monitored regularly.

Public Accountability Conference
16 February 2023
Agenda Item 08d

Joint Audit Committee
22 March 2023
Agenda Item TBC



Peter McCall



Joint Treasury Management Practices 2023/24

The Commissioner and Members are asked to note that any changes in wording from the previous document have been highlighted in green.

On 1 April 2023, the Police and Crime Commissioner takes on responsibility for Fire and will become the **Cumbria Commissioner Fire and Rescue Authority**. The Police and Crime Commissioner for Cumbria and Cumbria Commissioner Fire & Rescue Authority are separate legal entities with no group accounting relationship and as such treasury management activities will be kept separate. However, the decision has been taken for the PCC/Constabulary shared Financial Services Team to carry out treasury management activities on behalf of both organisations. On an annual basis a separate treasury management strategy statement (TMSS) will be produced for both organisations. The TMSS and all treasury management activity is covered by a set of overarching principles contained within this document of Treasury Management Practices. This Treasury Management Practices document is a Joint document covering both organisations. Throughout this document, reference will be made to 'The Commissioner', for the purposes of this document, this is intended to refer to responsibilities in relation to the separate responsibilities of **The Police and Crime Commissioner for Cumbria (PCC)** and **Cumbria Commissioner Fire and Rescue Authority (CCFRA)**.

From 01 April 2023 the Joint Chief Finance Officer will be replaced with Separate Chief Finance Officers for the PCC/Fire (PCC CFO) and the Constabulary (CC CFO).

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).

Service investments and Commercial investments are classed as non- treasury investments.

The Commissioner does not currently have, and does not intend to invest in, non-treasury investments so the detailed Treasury Management Practices below relate to Treasury Investments only.

Treasury Management Practices – Treasury Investments

Contents

Section	Detail	Page
Schedule 1	Summary Identifying risks of Treasury Management, with specific reference to relevant TMP's	4
Schedule 2	Individual TMP's employed within the PCC and CCFRA	15
TMP 1	Risk management	15
TMP 2	Performance measurement	18
TMP 3	Decision making and analysis	19
TMP 4	Approved instruments, methods and techniques	20
TMP 5	Organisation, clarity, segregation of responsibilities and dealing arrangements	21
TMP 6	Reporting requirements and management information arrangements	25
TMP 7	Budgeting, accounting and audit arrangements	27
TMP 8	Cash and cash flow management	27
TMP 9	Money laundering	28
TMP 10	Training and qualifications	28
TMP 11	Use of external service providers	29
TMP 12	Corporate governance	30

Finance Staff The Financial Services Team have authority to undertake transactions on instruction from the Joint PCCs Chief Finance Officer as part of the arrangements for shared financial services.

Schedule 1

Summary Identifying Risks of Treasury Management

The “**Treasury Management in the Public Services: Code of Practice and cross sectoral guidance notes**” (the Code) identifies twelve areas where statements of Treasury Management practices (TMPs) should be developed to implement the full requirements of the Code.

TMP 1 Risk Management

The **PCCs Joint** Chief Finance Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. They will report at least annually on the adequacy / suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation’s objectives in this respect, all in accordance with the procedures set out in TMP6 ‘Reporting requirements and management information arrangements’. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule 2.

1. Credit and Counterparty Risk Management

The risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty’s diminished creditworthiness, and the resulting detrimental effect on the organisation’s capital or current (revenue) resources.

The Commissioner regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 ‘Approved instruments, methods and techniques’ and listed in schedule 2 of this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financial or derivative arrangements.

To ensure this it will maintain a defined list of authorised counterparties and the group deposit limits. In conjunction with The Commissioner’s treasury advisors (Link Treasury Services Limited) the creditworthiness of counterparties is reviewed on an ongoing basis. Where such monitoring results in significant changes to the approved counterparty list, this will be reported to the Commissioner and the Joint Audit Committee through

the quarterly treasury management activities report. The treasury advisory service provided by Link Treasury Services Limited gives daily updates on credit worthiness which allows immediate action where necessary. Any amendments are subsequently put to the Commissioner for ratification. A weekly statement will be presented to the Deputy CC Chief Finance Officer for approval detailing all the week's investment activity and a summary of all amounts deposited at any one time by counterparty and category together with details of any borrowings undertaken or repaid in the week and the total outstanding at close of business for the week. Copies of this information are also provided to the Joint-PCCs Chief Finance Officer and the Director of Corporate Support. Where exceptional circumstances make it necessary to deviate from the approved lending list limits this will be approved by the Joint-PCCs Chief Finance Officer (or in his/her absence by the Deputy CC Chief Finance Officer) in advance of the transaction being undertaken and will be reported to the Commissioner at the earliest opportunity.

Policy on environmental, social and governance (ESG) considerations

The CIPFA TM Code 2021 requires ESG considerations to be incorporated into TMP1 from 1st April 2023. The Commissioner is supportive of the Principles for Responsible Investment (www.unpri.org) and will seek to bring ESG (environmental, social and governance) factors into the decision-making process for investments.

Within this, the Commissioner is also appreciative of the Statement on ESG in Credit Risk and Ratings which commits signatories to incorporating ESG into credit ratings and analysis in a systemic and transparent way. The Commissioner uses ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties. Each of these rating agencies is a signatory to the ESG in credit risk and ratings statement, which is as follows:

"We, the undersigned, recognise that environmental, social and governance (ESG) factors can affect borrowers' cash flows and the likelihood that they will default on their debt obligations. ESG factors are therefore important elements in assessing the creditworthiness of borrowers. For corporates, concerns such as stranded assets linked to climate change, labour relations challenges or lack of transparency around accounting practices can cause unexpected losses, expenditure, inefficiencies, litigation, regulatory pressure and reputational impacts.

At a sovereign level, risks related to, inter alia, natural resource management, public health standards and corruption can all affect tax revenues, trade balance and foreign investment. The same is true for local governments and special purpose vehicles issuing project boards. Such events can result in bond price volatility and increase the risk of defaults.

In order to more fully address major market and idiosyncratic risk in debt capital markets, underwriters, credit rating agencies and investors should consider the potential financial materiality of ESG factors in a strategic and systemic way. Transparency on which ESG factors are considered, how these are integrated, and the extent to which they are deemed material in credit assessments will enable better alignment of key stakeholders.

In doing this the stakeholders should recognise that credit ratings reflect exclusively an assessment of an issuer's creditworthiness. Credit rating agencies must be allowed to maintain full independence in determining which criteria may be material to their ratings. While issuer ESG analysis may be considered an important part of a credit rating, the two assessments should not be confused or seen as interchangeable.

*With this in mind, we share a common vision **to enhance systematic and transparent consideration of ESG factors in the assessment of creditworthiness.***

2. Liquidity Risk Management

The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business / service objectives will be thereby compromised.

The Commissioner considers that the prospect of ongoing liquidity problems is remote due to the nature and timing of its main income sources and the substance of major items of expenditure. However, it will ensure that the **PCC/Constabulary Policing Body** and **CCFRA** have adequate, though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business / service objectives. This will be achieved through the use of a proven cash flow forecasting model. This is updated annually to include all known major income streams (e.g. Home Office Grant, precepts, pension grant etc.) and all major payments (e.g. payroll, HMRC, weekly payment run estimates, etc.).

The Commissioner will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities. There are currently no plans to borrow in advance of need.

3. Interest Rate Risk Management

The risk that fluctuations in the level of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

The Commissioner will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 'Reporting requirements and management information arrangements'.

The Commissioner will achieve this by the prudent use of approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to consideration and, if required, approval of any policy or budgetary implications.

The Commissioner will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy. There are currently no plans to utilise such instruments.

Revised interest forecasts for both the current and forward years are incorporated within the Commissioner's and Cumbria Commissioner Fire and Rescue Authority budget and medium term financial forecasts on a regular basis. An appropriate limit will also be defined in the annual strategy setting out the maximum amount of variable rate debt to be incurred. However, security of principal will always take precedence over interest returns in decisions over investment of our cash.

4. Exchange Rate Risk Management

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

The Commissioner will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income / expenditure levels. However, this is not considered to be an issue for the Commissioner at the moment, as all treasury transactions are currently undertaken in pounds sterling.

5. Inflation Risk Management

The risk that inflation will erode the future value of and / or yield from an investment.

The Commissioner will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

6. Refinancing Risk Management

The risk that maturing borrowings, capital, projects or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for refinancing, both capital and current (revenue), and / or that the terms are inconsistent with prevailing market conditions at the time.

The Commissioner will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured, documented and the maturity profile of the monies raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Commissioner as can be reasonably achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

7. Legal and Regulatory Risk Management

The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements and that the organisation suffers losses accordingly.

The Commissioner will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1(1) 'Credit and counterparty risk management', it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

An Investment Strategy, as required in Section 15 of the Local Government Act 2003 will be put to the Commissioner annually for ratification as part of the treasury management strategy statement.

The Commissioner recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

Regular scanning of the internal and external regulatory framework will be undertaken by the Deputy CC Chief Finance Officer to aid the above.

8. Fraud, Error and Corruption and Contingency Management

The risk that the organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

The Commissioner will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

9. Market Risk Management

The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

The Commissioner will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

Only very secure instruments and institutions are chosen with strict limits placed on the value of deposit that can be made with each institution (including group limits) thus limiting its exposure.

TMP 2 Performance Measurement

The Commissioner is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in schedule 2.

TMP 3 Decision Making and Analysis

The Commissioner will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and the processes and practices to be pursued in reaching decisions are detailed in Schedule 2.

TMP 4 Approved Instruments, Methods and Techniques

The Commissioner will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in Schedule 2 and within the limits and parameters defined in TMP1 Risk Management.

Where the Commissioner intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Commissioner will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products. There are currently no plans to utilise such instruments.

TMP 5 Organisation, Clarity, Segregation of Responsibilities and Dealing Arrangements

The Commissioner considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times clarity of treasury management responsibilities. A separate statement of responsibilities exists to facilitate this and is set out in Schedule 2.

The principle on which this will be based is a clear distinction, as far as is feasible between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions and the audit and review of the treasury management function.

The **Joint PCCs** Chief Financial Officer has overall responsibility for the treasury management activities but delegates day-to-day management of the function to the **Deputy CC** Chief Finance Officer.

If and when the Commissioner intends, as a result of lack of resources or other circumstances, to depart from these principles, the Joint PCCs Chief Finance Officer will ensure that the reasons are properly reported in accordance with TMP6 'Reporting requirements and management information arrangements', and the implications properly considered and evaluated.

On behalf of the Joint PCCs Chief Finance Officer, the Deputy CC Chief Finance Officer will ensure that:

- there are clear written statements of the responsibilities for each post engaged in treasury management.
- there are appropriate arrangements for absence cover.
- that at all times, those engaged in treasury management will follow the policies and procedures set out.
- there is proper documentation for all deals and transactions.
- that procedures exist for the effective transmission of funds.

The present arrangements are detailed in schedule 2.

The delegations to the Deputy CC Chief Finance Officer in respect of treasury management are set out within schedule 2 of this document. The Deputy CC Chief Finance Officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the "Standard of Professional Practice on Treasury Management".

TMP 6 Reporting Requirements and Management Information Arrangements

The Commissioner will ensure that regular reports are prepared and considered on the implementation of treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum the Commissioner, will receive:

- an annual report on the strategy and plan to be pursued in the coming year (before 31 March).
- A rolling three year statement of treasury Indicators, combining those required by the prudential code and by the treasury management code.
- A mid-year review.
- A quarterly summary of treasury management activity.
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Commissioner's treasury management policy statement and TMPs. (Reported to both the Commissioner's Public Accountability Conference and the Joint Audit Committee).

In addition to the above, the **Joint Audit Committee** will receive:

- regular (no less than quarterly) monitoring reports on treasury management activities and risks. In addition, where ongoing monitoring of the credit worthiness of approved counterparties has revealed a significant change, this will also be reported to the Joint Audit Committee.
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Constabulary's treasury management policy statement and TMPs. (Reported to both the Commissioner's Public Accountability Conference and the Joint Audit Committee).

The Joint Audit Committee will have responsibility for the scrutiny of treasury management strategy, policies and practices.

The present arrangements and the form of these reports are detailed in schedule 2.

TMP 7 Budgeting, Accounting and Audit Arrangements

The **Joint PCCs** Chief Finance Officer will recommend and the Commissioner will approve and if necessary, from time to time will amend an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 'Risk management', TMP2 'Performance measurement' and TMP4 'Approved instruments, methods and techniques'. The **Joint PCCs** Chief Finance Officer will ensure the effective exercise of controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 'Reporting requirements and management information arrangements'.

The Commissioner will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force at that time.

The Commissioner will ensure that its auditors and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles. The Commissioner will also ensure that such information and papers demonstrate compliance with external and internal policies and approved practices.

TMP 8 Cash and Cash Flow Management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Commissioner will be under the control of the **Joint PCCs** Chief Finance Officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the ~~Joint~~ PCCs Chief Finance Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1(2) 'liquidity risk management'. The present arrangements for preparing cash flow projections, and their form, are set out in Schedule 2.

TMP 9 Money Laundering

The Commissioner is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and for reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in schedule 2.

TMP 10 Training and Qualifications

The Commissioner recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. The Commissioner will therefore seek to appoint individuals who are both capable and experienced and will also provide training to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The **Deputy CC** Chief Finance Officer will on behalf of the **Joint PCCs** Chief Financial Officer recommend and implement the necessary arrangements.

The **Joint PCCs** Chief Finance Officer will ensure that Joint Audit Committee members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure they have the necessary skills to complete their role effectively.

The present arrangements are detailed in schedule 2.

TMP 11 Use of External Service Providers

The Commissioner recognises that responsibility for treasury management decisions remains with the organisation at all times. It recognises that there may be potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed as consistent with the Joint Procurement Regulations. The monitoring of such arrangements rests with the Joint PCCs Chief Finance Officer, and details of the current arrangements are set out in schedule 2.

The Commissioner has a formal contract with Link Treasury Services Limited, to provide a range of technical advice and information covering the treasury business.

TMP 12 Corporate Governance

The Commissioner is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Commissioner has adopted and implemented the key principles of the CIPFA Code of Practice on Treasury Management. This, together with the other arrangements detailed in Schedule 2, are considered vital to the achievement of proper corporate governance in treasury management, and the Joint PCCs Chief Finance Officer will monitor, and if and when necessary, report upon effectiveness of these arrangements.

Treasury Management Practices

TMP 1 Risk Management

Liquidity Risk

In its day to day operations the Commissioner experiences wide fluctuations in its receipts and payments, although, the majority of its cash streams are known at least three days in advance. The policy will be to maintain the minimum cash balance hence make best use of potential income streams.

A minimum investment balance of £250k should be held to cover unforeseen expenditure; this should be placed on treasury deposit overnight, within the liquidity select/business reserve account or within instantly accessible money market funds.

Standby Facilities

- The Deputy CC Chief Finance Officer will ensure that the daily investment function has adequate cover. On a day to day basis treasury management tasks are performed on rotation by two Financial Services Officers, under the guidance of the Financial Services Manager (Treasury Technical) in the event of their absence, there is a clear order of personnel designated for cover and that order is communicated to all involved (see below).
 - 1) Financial Services Manager (Treasury Technical)
 - 2) Deputy CC Chief Finance Officer
- All programs and systems are held within the main body of the Commissioner's IT systems and are therefore backed up daily. A weekly record of the daily transactions will be kept at least until External Audit has reviewed the statutory accounts.
- In the event that the Bankline system is not operational balances and transaction details can be obtained from the Nat West Corporate Office.
- Temporary borrowings / overdrafts will only be used in exceptional cases to manage day to day movements in cash balances.

Interest Rate Risk

Details of approved interest rate exposure limits / Minimum / Maximum proportions of variable rate debt / interest.

Previously The Commissioner is required to approve a series of Prudential Indicators, which includes recommended setting of limits for upper limits on exposure to fixed and variable interest rates. The 2021 code encourages requires Authorities to define their own 'Liability Benchmark' which will provide a basis for developing a strategy for managing interest rate risk. On the basis the Commissioner's 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.

Policies concerning the use of financial derivatives and other instruments for interest rate management.

Forward Dealing – forward dealing will not normally form part of the day to day activities other than arranging deposits to cover periods when signatory cover is limited and will be subject to approval by the Deputy CC Chief Finance Officer on behalf of the Joint PCCs Chief Finance Officer.

Forward Borrowing – would be considered as part of the long-term debt authorisation process and in each case will be looked at on its own merits. The Commissioner will only progress when prudent to do so.

It should be noted that the current strategy does not approve the use of such derivatives.

Inflation Risk

The Commissioner's treasury advisors, Link Treasury Services Limited provide regular updates on the financial markets and the wider UK economy to inform the treasury management team. The PCCs Chief Finance Officer and CC Chief Finance Officer will consider inflationary pressures when reviewing the performance of the treasury function.

Exchange Rate Risk

This is currently not a concern to the Commissioner as all receipts are presently in sterling.

Credit and Counterparty Risk

Criteria to be used for creating / managing approved Counterparty lists / limits – the Joint PCCs Chief Finance Officer and the Deputy CC Chief Finance Officer will formulate suitable criteria for assessing and monitoring investment

counterparties and shall construct a lending list comprising time, type, and specific Counterparty limits. An Investment strategy will be submitted to the Commissioner detailing selection procedures. Compliance with these limits and any significant changes to the approved counterparty list as a result of the ongoing review of the creditworthiness of counterparties will be included in the regular monitoring reports provided to the Commissioner and the Joint Audit Committee.

Environmental, social and governance issues: for short term investments with counterparties, the Commissioner utilises the ratings provided by Fitch, Moody's and Standard & Poor's to assess creditworthiness, which do include analysis of ESG factors when assigning ratings. The Commissioner will continue to evaluate additional ESG-related metrics and assessment processes that it could incorporate into its investment processes and will update accordingly.

Refinancing Risk; Debt / Other Capital Financing Maturity Profiling, Policies and Practices.

The Prudential Code requires that:

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

To that end the Commissioner will set annual prudential indicators and then proceed to operate within those boundaries, thus showing that all decisions taken adhere to the above.

Fraud, Error, Corruption and Contingency Management

Policy on Delegated Powers – members of staff undertaking day to day management of cash are identified in TMP 5. There will always be complete segregation of duties between staff involved in carrying out transactions in the Money Market and those authorised to transfer cash (any amendments to these policies will be reviewed by Management / Internal Audit prior to implementation).

Policy on the use of Internet Systems – The Bankline system operated by NatWest for obtaining balances and making payments is an internet based system. In addition to this counterparties are increasingly providing services via the internet from checking rates to viewing details of investments. Prior to using such facilities, an assessment will be made of the security of such arrangements and, when satisfied, approval will be obtained from the **Joint PCCs** Chief Finance Officer.

Emergency and Business Continuity Arrangements – the following standby facilities will be maintained.

- All staff involved in the treasury management function will have designated absence cover (see Policy).
Corporate Support / Financial Services / AME

- All local programmes and systems will be backed up on a daily basis and also printed weekly records are maintained.
- Bank balances can be manually obtained from the bank in the event of a Bankline Systems failure.
- Evidence of any error or discrepancy will be notified to the Joint PCCs Chief Finance Officer and the Deputy CC Chief Finance Officer as soon as identified.
- Computer Systems are backed up on a daily basis by the IT department.
- Business Continuity Planning is actively managed, and includes all areas of finance and treasury.
- All staff involved in Treasury Management have mobile tablets which allow access to the treasury management records from another location if they are unable to operate from HQ (provided HQ systems are in operation).
- The Bankline system is internet based and as such bank account information can be accessed by appropriate staff from any location with internet access.

Treasury management is recognised as high priority for Financial Services and as such arrangements in the event of a business continuity event are detailed in the Financial Services Business Continuity Plan.

Insurance Cover Details – Fidelity Guarantee insurance is held for staff involved in treasury management processes at a suitable level and is reviewed annually.

Market Value of Investments

The investment strategy, whilst principally centred around investments with a fixed value such as cash fixed term deposits and AAA rated Money Market Funds has been extended to include AAA rated Money Market Funds with a variable net asset value (VNAV). The use of VNAV funds will be limited to longer term investments to minimise the risk of incurring a loss in value as a result of adverse market conditions funds and will be subject to advice and closely monitoring in conjunction with the Commissioner’s treasury advisors, Link Treasury Services Limited.

TMP 2 Performance Measurement

Frequency and Processes for Tendering

Banking Services - Arrangements for banking services will be reviewed every 5 years to ensure that the level of prices and service delivery reflect efficiency savings achieved by the supplier and current pricing trends.

Money Broking Services - In the main, the Commissioner deals directly with financial institutions although, from time to time investments are placed with institutions facilitated by a broker. Usage of Brokers is monitored to ensure that

investments placed through brokers are proportional and that overreliance on any one broker is avoided. There are currently two brokers approved for use by the Commissioner:

- RP Martin, Edinburgh
- King and Shaxson, London

Consultants/Advisors - The Commissioner has appointed Link Treasury Services Limited as its treasury advisors for the financial year 01 April 2023 to 31 March 2024.

Methods to be Employed for Measuring the Performance of the Commissioner’s treasury management activities -

Benchmarks will be used to assess the performance of the Treasury Management function in the following areas:

- Investments – the yield on investments for over three months in duration will be measured against the average Bank of England base interest rate over the period of the investment.
- Annual investment performance against budget.
- Long term borrowing against budget.
- Temporary borrowing against budget.
- **Borrowing against the Liability benchmark**
- **These Statistics** will be reported to the Commissioner and the Joint Audit Committee on an appropriate basis.

Benchmarking and Calculating Methodology - The Commissioner will continue to search for appropriate benchmarks which effectively compare investment performance.

TMP 3 Decision Making and Analysis

Funding, Borrowing, Lending and New Instruments & Techniques

In respect of every decision made the Commissioner will:

- Above all, be clear about the nature and extent of the risks to which it may be exposed.
- Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained.
- Be content that the documentation is adequate both to deliver its objectives and protect its interests, and to deliver good housekeeping.
- Ensure that counterparties are judged satisfactory in the context of the organisation’s credit worthiness policies, and that limits have not been exceeded.
- Be content that the terms of any transactions have been benchmarked against the market, and have been found to be competitive.

In respect of borrowing and other funding decisions, the Commissioner, in consultation with the **Joint PCCs** Chief Finance Officer, will:

- Consider the ongoing revenue liabilities created, and the implications for the Commissioner's future plans and indicative budgets.
- Evaluate the economic and market factors that might influence the manner and timing of any decisions to fund.
- Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing, and private partnerships.
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use and, if relevant, the opportunities for foreign currency funding.

In respect of investment decisions, the Commissioner will:

- Consider the optimum period, in light of cash flow availability and prevailing market conditions.
- Consider alternative investment products and techniques available, especially the implications of using any which may expose the Commissioner to changes in the value of its capital.
- Ensure that asset security is always considered paramount in any investment.

TMP 4 Approved Instruments, Methods and Techniques

Approved Activities of the Treasury Management Function

- Borrowing.
- Lending.
- Debt repayment and rescheduling.
- Consideration, approval and use of new financial instruments and treasury management techniques.
- Managing the underlying risk associated with the capital financing and surplus funds.
- Managing cashflow.
- Banking activities.
- Leasing.
- Forecasting interest receipts and payments arising as a result of treasury activities.

Approved Instruments for Investment

- Deposits with banks and building societies or local authorities up to 365 days.
- Non-specified deposits with banks and building societies or local authorities up to 5 years.

- Pooled Funds (including Triple A rated Money Market Funds both with a constant and variable net asset value).
- Registered Providers (including providers of social housing).
- Deposits with Government (including HM Treasury, Debt Management Office and Local Authorities).

Investment in any new instrument can only be undertaken following consultation with and approval by the **Joint PCCs** Chief Finance Officer.

Approved Methods and Sources of Raising Capital Finance

Borrowing will only be undertaken in keeping with the contents of the Prudential Code and within the limits determined through the approved Prudential Indicators and Treasury Management Strategy and, in respect of any long term borrowings, following consultation with the **Joint PCCs** Chief Finance Officer.

TMP 5 Organisation, Clarity, Segregation of Responsibilities and Dealing Arrangements.

Policy on Delegation, Review and Reporting Arrangements

The Commissioner will receive and review reports on its treasury management strategy, policies and practices, including as a minimum, an annual strategy and plan in advance of the year and an annual report after its close. They will also:

- Approve amendments to the treasury management policy statement and treasury management practices.
- Approve the division of responsibilities and delegation within the treasury management function.
- Endorse relevant Codes of Practice on treasury business.
- Receive a quarterly summary of treasury management activities.

Assurance with regards to monitoring of treasury management policies and practices is a function of the Joint Audit Committee. The Commissioner delegates overall arrangements for the treasury management function including determining appropriate strategy and procedures to the **Joint PCCs** Chief Finance Officer. The **Joint PCCs** Chief Finance Officer delegates to the **Deputy CC** Chief Finance Officer the undertaking of day to day treasury management activities in accordance with the strategies and procedures. All officers undertaking treasury management activity will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

The Commissioner nominates the Joint Audit Committee to be responsible for assurance in respect of effective scrutiny of the treasury management strategy and policies.

The **Joint Audit Committee** will:

- Receive and review regular monitoring reports in relation to treasury management activities which will include any significant changes to the approved counterparty list as a result of the ongoing review of the creditworthiness of counterparties.
- Review the treasury management policy and procedures and make recommendations to the Commissioner.
- Receive and review external and internal audit reports in relation to treasury management.

The **Joint PCCs Chief Finance Officer** will:

- Review the policy statement and annual strategy statement and present to the Commissioner.
- Review periodic treasury management reports and present to the Commissioner.
- Review the annual treasury management report and present to the Commissioner.
- Review compliance with relevant treasury Codes of Practice.
- Ensure that there is a written statement of responsibilities covering the complete treasury management function.
- Delegate the operation of the treasury management function to the **Deputy CC** Chief Finance Officer.
- Ensure the adequacy of internal audit, and liaising with external audit.
- Approve any long or short term borrowings.

The **Deputy CC Chief Finance Officer** will:

- Ensure arrangements are in place for the preparation of periodic treasury management policy statements and an annual strategy statement.
- Hold the Financial Services Manager (**Treasury Technical**) to account for the day to day management of the treasury function.
- Review the periodic reports on treasury management activities.
- Review the annual report on treasury management as soon as possible after the end of a financial year.
- Review compliance with relevant treasury codes of practice.
- Ensure that all staff who deal in treasury matters understand and have access to the Non Investments Product Code and the CIPFA Code of Practice.
- Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Oversee and approve investments made for periods greater than three months.
- Review the performance of the treasury function at least twice each financial year.
- Ensure adequate separation of duties.
- Institute a range of performance measures for treasury management.
- Recommend the appointment of external service providers.

- Prepare an annual report on Treasury Management as soon as possible after the end of a financial year.
- Ensure compliance with relevant Treasury Codes of Practice.
- Document and maintain 'Treasury Management Practices' as set out in the Code of Practice.
- Review alternative methods of investment.
- Provide advice to the **Joint PCCs** Chief Finance Officer in respect of any borrowings.

The **Financial Services Manager (Treasury Technical)** will:

- Have overall responsibility for the daily treasury management activities.
- Prepare periodic reports on treasury management activities.
- Review treasury systems documentation.
- Prepare and keep up to date cash flow projections for a 12 month rolling period.
- Liaise with the **Deputy CC** Chief Finance Officer for any investment over three months.
- Deal with counterparties and make a record of such.
- Comply with the Non Investments Product Code and the CIPFA Code of Treasury Management.
- Ensure creditworthiness and maintain lending list.
- Ensure the training of those listed for absence cover is kept up to date.
- Monitor performance of brokers and ensure a spread of brokers are used.
- Supply the **Deputy CC** Chief Finance Officer with a weekly report on treasury activities for authorisation and supply an electronic copy to the **Joint PCCs** Chief Finance Officer and the Director of Corporate Support.

Absence Cover for Daily Dealing Arrangements

In the absence of the two designated Financial Services Officers the absence cover is to cascade thus:

- 1) Financial Services Manager (**Treasury Technical**)
- 2) **Deputy CC** Chief Finance Officer

Each treasury deal transacted via the Bankline system requires a second individual to authorise the deal. The following posts will have responsibility for authorising Bankline deals:

- 1) Financial Services Officer – (5.6 FTE used subject to availability)

Before any planned absence all staff will be notified of their required responsibilities.

The **Financial Services Trainee/Apprentice** will:

- Reconcile treasury deals in the Commissioner cash book.
- Receive and verify confirmation of treasury deals.
- Reconcile general ledger entries in relation to treasury activity.

- Produce management information for reporting treasury activities.

Internal/Management Audit will:

- Complete periodic checks on the treasury management function and make recommendations where appropriate.
- Review compliance with agreed policies, procedures and Codes of Practice and make recommendations for improvement where appropriate.

Principles and Practices Concerning Segregation of Duties

The activities of the Treasury function will be carried out in accordance with the duties and responsibilities detailed above. In particular, day to day duties will be split to ensure that no one person can both initiate and then authorise payment.

Other than in the event of a technical failure all deposits will be initiated through the Bankline software – complete segregation of duties. It will be a disciplinary offence for individuals to release their personal operator cards or passwords. If a card is lost or stolen then the system administrator (Financial Services Manager (Systems) or Financial Services Assistant) must be immediately informed - who will then immediately change all relevant computer access codes.

Dealing Limits

Approved dealers have the delegated power to enact transactions on a day to day basis within the constraints of the treasury management practice schedules and the procedure manual. They can, in particular operate within the limits laid down within the Counterparty Selection Criteria and Approved Counterparty List.

Policy on Broker's Services

In the main, the Commissioner deals directly with financial institutions, from time to time investments are placed with institutions facilitated by a broker. Usage of Brokers is monitored to ensure that investments placed through brokers are proportional and that overreliance on any one broker is avoided. There are currently two brokers approved for use by the Commissioner:

- RP Martin, Edinburgh
- King and Shaxson, London

Policy on Taping of Conversations

The Commissioner does not tape conversations with brokers.

Direct Dealing Practices

Direct deals will if appropriate be undertaken with anyone on the agreed counterparty list. Approved dealers have the delegated power to enact transactions and all transactions require independent authorisation by an approver before funds are transferred via Bankline.

Settlement Transmission Procedures

Once a deal has been agreed, either with a broker or direct with a third party, funds will be transferred in accordance with Bankline procedures.

Documentation Requirements

All transactions will be recorded on a daily basis on the Investments spreadsheet.

Arrangements Concerning the Management of Counterparty Funds

The Commissioner will not undertake transactions on behalf of other organisations.

TMP 6 Reporting Requirements and Management Information Arrangements

Annual Treasury Management Strategy Statement

The treasury management strategy will set out the broad parameters of the treasury function for the forthcoming financial year. The strategy will be submitted to the Commissioner for approval, alongside the budget, capital strategy, capital programme and prudential indicators before commencement of each financial year.

The treasury management strategy will cover the following elements:

- The prospects for interest rates, long and short term.
- An investment strategy as set out in the Local Government Act 2003.
- The expectations for debt rescheduling.
- The treasury approach to risk management.
- Any extraordinary treasury issue.
- Any borrowing requirement under the Prudential Code.
- Annual statement on MRP.

Policy on Interest Rate Exposure

The **Joint PCCs** Chief Finance Officer is responsible for incorporating the authorised borrowing limit determined as part of the Commissioner's Prudential Indicators into the annual treasury management strategy, and for ensuring compliance with the limit. Should it prove necessary to amend this limit, a report will be submitted for approval to the Commissioner.

Annual Report on Treasury Management Activities

An annual report will be presented to both the Commissioner and the Joint Audit Committee at the earliest practicable meeting after the end of the financial year. This report will include the following:

- A comprehensive picture for the financial year of all treasury policies, plans, activities and results.
- Transactions executed and their revenue (current) effects.
- Monitoring of compliance with approved policy, practices and statutory / regulatory requirements.
- Monitoring of compliance with delegated powers.
- Indication of performance especially for returns against budget, and performance against other like Authorities.
- Comment on CIPFA Code requirements.

In addition, a mid-year review will be presented to the Commissioner and regular updates on Treasury Management activities will be presented to the Joint Audit Committee throughout the year.

Management Information Reports

Management information reports will be prepared weekly by the Financial Services Manager (**Treasury Technical**), and will be presented to the **Deputy CC** Chief Finance Officer, **Joint PCCs** Chief Finance Officer and the Director of Corporate Support.

These reports will contain the following:

- An analysis of all investment decisions made during the week and by whom these decisions were made.
- An analysis of all investments currently placed by category.
- The current month's earned interest report, this will also show year to date and forecast budget.
- The current quarter's cashflow analysis.
- Any new borrowings or repayments in the week.
- The amount of outstanding borrowings.

Control reconciliation reports will be prepared monthly by the Financial Services Trainee/Apprentice, which will be presented to the Financial Services Manager (Treasury Technical).

These reports will contain:

- Balance per the financial systems – this will be obtained after the monthly reconciliation of the bank
- Balance per the investment analysis as above.
- Explanation of any variance.

If for any reason any member of the treasury management team has reason to suspect any type of fraud or misappropriation he or she will this report directly to the Joint PCCs Chief Finance Officer or in his/her absence to the Deputy CC Chief Finance Officer or the Internal Auditor.

TMP 7 Budgeting, Accounting and Audit Arrangements

Accounts

The cost of the treasury management function amounts, in the main, to the salaries of those involved. If any external costs are to be incurred these will be reported separately during the budget monitoring process.

External Auditors

All records will be made available to both internal and external audit as and when required. As a minimum annual check external audit will gain third party confirmation of all year end balances on deposit.

TMP 8 Cash and Cash Flow Management

Cashflow Statements

A cashflow statement will be prepared before the beginning of each financial year to include all known elements of income from the revenue budget. The cash flow forecasts during the year will be maintained for a rolling 12 month period. Spending profiles will also be set out based on payroll projections and estimates of other payments. The cashflow statement will also be updated during the year on a daily basis to include major variations as or when they become known. The weekly activity report will also show the current quarter's cashflow projections.

A debt liability benchmark will be created and monitored on a quarterly basis to inform a long term view of liquidity requirements.

TMP 9 Money Laundering

Policy for Establishing Identity/Authenticity of Lenders

No borrowing is currently undertaken other than with the Public Works Loan Board (PWLB), which is part of the UK Debt Management Office, an executive agency of HM Treasury. PWLB loans were taken out to replace equivalent debt transferred from Cumbria County Council upon the creation of freestanding police forces in 1995. The Prudential Code now provides a framework for additional borrowing, subject to that borrowing being prudent, sustainable and affordable. Any additional borrowing will properly recognise the potential for money laundering and will only be undertaken from lending instructions of the highest repute.

Methodology for Identifying Sources of Deposit

The Commissioner only lends to organisations that appear on the Financial Services Authority's (FSA's) Prudential Regulation Authority's list of authorised banks and financial institutions, other local authorities and the Governments through treasury bills or the Debt Management Office (DMO).

The Commissioner's Financial Regulations require the Joint PCCs Chief Finance Officer to be responsible for ensuring compliance with the Money Laundering Regulations 2007.

The Joint PCCs Chief Finance Officer will:

- Implement internal reporting procedures.
- Ensure relevant staff receive appropriate training in the subject.
- Establish internal procedures with respect to money laundering.
- Obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken.
- Report their suspicions.

TMP 10 Training and Qualifications

Statement of Professional Practice (SOPP)

The Joint PCCs Chief Finance Officer is a member of CIPFA, and has a professional responsibility through both personal compliance and by ensuring that relevant staff are appropriately trained.

The Deputy CC Chief Finance Officer is also a member of CIPFA and as such has the same duty of care in the provision of any financial information. Other staff employed in the treasury management function will be qualified to the level that is appropriate to their post (as per the job description). All staff are required to undertake basic training prior

to undertaking day to day treasury business and will, in addition, be expected to undertake continuous training as appropriate to enable them to keep up to date with all aspects of treasury management within their responsibility.

All CIPFA members are required to abide by CIPFA's Ethics Standard on Professional Practice (SOPP) which includes a section in relation to treasury management.

Training courses run by CIPFA and other training providers will form the major basis of ongoing staff training. Records will be kept of all courses and seminars attended by staff in their personal training records file.

The **Joint PCCs** Chief Finance Officer will ensure that members charged with governance in relation to treasury management will receive appropriate training and that records of such training received will be maintained. Training may be provided internally or externally.

TMP 11 Use of External Service Providers

The Commissioner recognises that responsibility for treasury management decisions remains with the organisation at all times.

The use of any external service providers will, at all times, be subject to the Procurement Regulations / Financial Regulations of the Commissioner. The use of external services is currently restricted to banking services and treasury advice (investments and borrowing).

Advisers - The Commissioner has a formal contract with Link Treasury Services Limited, to provide a range of technical advice and information covering the treasury business. The contract is awarded following consultation with the **Joint PCCs** Chief Finance Officer.

Banking – Banking services will be reviewed every 5 years to ensure that the level of prices and service delivery reflect efficiency savings achieved by the supplier and current pricing trends.

Brokers - In the main, the Constabulary deals directly with financial institutions, from time to time investments are placed with institutions facilitated by a broker. Usage of Brokers is monitored to ensure that investments placed through brokers are proportional and that overreliance on any one broker is avoided. There are currently two brokers approved for use by the Commissioner:

- RP Martin, Edinburgh
- King and Shaxson, London

TMP 12 Corporate Governance

The Commissioner is fully committed to the CIPFA Code of Practice in Treasury Management and believes he has secured a framework for demonstrating openness and transparency of his treasury management function.

Free access to all information on our treasury management function will be given to all relevant interested parties.

Clear policies have been devised which outline the separation of roles in the treasury management function and the proper management of relationships both within and outside the Office of the Police and Crime Commissioner. All staff are fully appraised of their individual role and where the segregation of duty lies. Clear reporting lines also exist to report any breaches in procedure. This is further supported by well-defined treasury management responsibilities and job specifications.

The Commissioner seeks to ensure a fair distribution of business between brokers. The Joint PCCs Chief Finance Officer receives a weekly report to evidence this.

On an annual basis, a treasury strategy is approved prior to the year, by the Commissioner and a year-end summary of treasury activities is reported to the Joint Audit Committee.

Regular treasury management activity updates are submitted to the Commissioner and the Joint Audit Committee during the year.

The Annual Governance Statements which are published each year and accompany the Statutory Statement of Accounts outlines details of the Commissioner's and Constabulary's governance and risk management processes which are applicable to treasury management activities.



Cumbria Office of the Police and Crime Commissioner

Public Accountability Conference 16 February 2023

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 working in conjunction with nominated budget-holders. Estimates are subject to scrutiny by financial services staff and the Constabulary's Chief Officer Group, 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 unitary authority 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 five financial years, which is in accordance with best practice as set out in the financial management code. 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. The internal auditors carry out a review of financial sustainability as part of their annual programme. 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 (£72.875m). The next most significant funding source is Council Tax (£52.082m). The balance of expenditure is funded from specific grants, reserves and fees and charges. The 2023/24 budget is based on actual government grant settlement figures and unitary authority notifications of the Council Tax base. As such, a high degree of assurance can be provided in respect of the level of certainty for 2023/24 in respect of funding. This level of assurance cannot be given to resources beyond 2023/24. A sensitivity analysis of key aspects of the budget is provided at Appendix A.
- 3.2 In autumn 2021 the government completed a 3 year spending review. In December, detailed figures were provided to forces for the 2023/24 financial year with high level estimates of the overall funding for policing for the following year. The 2023/24 grant settlement included funding for maintenance of the additional 169 police officers provided in Cumbria through the Government's pledge to provide an additional 20,000 officers nationally (known as Operation Uplift) by 2022/23. Cumbria's share of the operation uplift officers amounted to 51 in phase 1, 50 in phase 2 and 68 in phase 3 (169 additional officers in total). In 2023/24, a proportion of grant funding (£2.3m) is ringfenced and is dependent on successfully maintaining the force's Operation Uplift target. Beyond 2023/24 the MTFF assumes that additional grant announced for policing in 2024/25 as part of the spending review will be directed to forces and that similar annual increases in grant funding will continue for the duration of the MTFF.
- 3.3 The grant settlement for 2023/24 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 2023/24 financial year are uncertain.
- 3.4 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. Police and Crime Commissioners were given the flexibility to increase council tax by up to £15 for a band D property in 2023/24. This was increased from the maximum of £10 previously outlined in the spending review. The MTFF assumes that the higher level applied in 2023/24 is for one year only and will revert to the previous £10, the Medium-Term Financial Forecast assumes this level of council tax increase will continue for the duration of the forecast.

- 3.5 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

- 3.6 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 2023/24 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 supported by the panel of a £14.94 increase on the band D council tax, which represents an increase of 5.3%. 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

- 3.7 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 unitary 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. This figure has remained constant for a number of years and it is assumed that this will continue over the length of the Medium-Term Financial Forecast.

- 3.8 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.
- 3.9 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 2024/25 settlement onwards.
- 3.10 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 in the current economic climate. Should this risk materialise there will be an implication for the collection funds managed by the unitary authorities 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

- 3.11 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 2023/24 but may go up or down compared to the forecasts for the four final years of the medium term financial forecast. Due to current economic uncertainty following the covid-19 pandemic and wider economic climate,

the medium term forecast assumes only a modest 0.72% annual increase in tax base. Estimates are revisited on an annual basis.

- 3.12 In any single year the actual council tax income collected from households by unitary 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 experienced a significant deficit for 2020/21 and a reduced taxbase. The government announced that this deficit (where it related specifically to 2020/21) could be spread over three years (2021/22 to 2023/24). The deficit shown for 2023/24 is £219k and this represents £49k deficit arising in 2022/23 and £170k in respect of the third share of the 2020/21 deficit. At this stage there has been no forecast budget included for surplus or deficit in future years. The Government provided additional local council tax support, which was held in reserve and has now been used to mitigate this reduction in council tax income.

Council Tax/Council Tax Grant Risk

- 3.13 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 2023/24. 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 the Unitary 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

- 3.14 The budget for 2023/24 is presented based on notifications of the actual financial settlements. Beyond 2023/24 financial forecasts are based on estimates. The 2021 spending review also gave details of grant funding for 2023/24 and 2024/25 at an overall service level. The Policing

Minister has indicated that the additional grant funding in future years is intended to maintain officer numbers recruited during Operation Uplift and contribute towards meeting pay increases. On this basis, for the purposes of medium-term financial planning, it has been assumed that the additional funding in future years will be directed towards forces with Cumbria's share extrapolated from the national totals. It has also been assumed that similar increases will continue beyond the period covered by the spending review. There is a risk that this is too optimistic, for example if a proportion of the additional funding is retained centrally or directed towards other priorities and that as a result the level of grant received by Cumbria will be lower than those in the forecast.

- 3.15 In 2021 the Home Office announced its intention to review the Police Funding Formula, which is the mechanism by which funding is allocated across individual forces. There were subsequently delays experienced with this review, but it is believed that the Home Office now intend to consult on the allocation methodology in spring 2023, followed by exemplifications of proposed funding being provided to forces later in the year. The new formula may be implemented as early as 2024/25. The medium-term financial forecast currently assumes 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, as the new formula is not sufficiently developed to reach any conclusions on its effect. 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

- 3.16 The capital budget has been developed as a 10 year programme. Government capital allocations are only given on an annual basis and in the settlement for 2022/23 the capital grant was removed altogether. 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 five 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 in the context of the current PFI arrangement coming to an end in 2026. 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 2028 includes a significant number ICT capital schemes, including the implementation of a new Records Management System and the Emergency Services Communications Network. The experience of past financial years is that ICT capital schemes can experience delays against the budget. The reasons for the delays 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 delays 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 (either through direct revenue contributions or servicing borrowing) will be required. The capital programme presented shows a funding surplus over 10 years of £160k. 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 projected costs in the later years of the capital programme become increasingly indicative and should be treated with caution.

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 £24.83m at the end of the 2022/23 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 Inflationary pressures are currently more volatile than they have been for almost a generation as the world economy emerges from the pandemic and deals with the effects of the war in Ukraine. Against this background, at a local level pay costs are provided for within the budget on the basis of a 3% pay increase for 2023/24. The remaining years of the MTFF assume a return

to modest pay increases of 2% per annum for the remaining years of the MTFF to 2027/28. Pay costs account for the by far the most significant element of the budget, which is therefore highly sensitive to variations from the budget assumption. For 2023/24 the majority of the non-pay budget lines have been increased by 5% for general inflation, with 2.00% in the remaining years of the MTFF, in line with Bank of England long term forecasts. Inflation on fuel and energy costs are based on higher percentage annual increases. There is a particular risk that pay awards will be higher than the amounts provided and that the current inflationary pressure is more prolonged than currently assumed, both of which have the potential to impact negatively on the financial position and would need to be managed through draw down of reserves in the short term.

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.

4.10 Specific 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 5 years to balance the budget is around £16m. However, given the uncertainties over future funding, planning for a range of financial scenarios is being undertaken. Having delivered £26m of savings since 2010, additional savings will be challenging to deliver. Delivery of savings may also be constrained by Operation Uplift, which will require officer numbers to be maintained in the short term and therefore confines savings opportunities to 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, income generation, 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 MTF 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 In respect of budget management, the 2022/23 budget is currently forecast to be broadly in line with the budget. Pressure on overtime budgets which are being offset by changes in police officer pay as a result of the profile of recruitment of police officers and increased vacancies in respect of police staff across the Constabulary and therefore does not point to any fundamental weakness in the financial management process.
- 4.13 The decision to replace £3m of revenue support for the capital programme with borrowing in 2022/23 means that an underspend of this magnitude on the revenue budget is likely at the year end, which will be set aside in a reserve to support the 2023/24 budget. Although this represents a significant variance from the budget, it is indicative of a change in strategic financial planning rather than any fundamental weakness in financial management processes.
- 4.14 The overall financial position in 2022/23 does not present any material risks. However, the tightness of the budget position is indicative of a growing financial pressure, which will require careful management on an on-going basis.

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 £4m for 2023/24. 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 £6m, which is intended, alongside savings plans, to manage medium term budget pressures arising from increasing demands and constrained funding. A further £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

16th February 2023

Appendix A

Budget 2023/24 and MTFF to 2027/28 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	2023/24	2024/25	2025/26	2026/27	2027/28	
Expenditure	Pay	<i>Current assumption in MTFF</i>	3.00%	2.00%	2.00%	2.00%	2.00%
	Inflation	Impact in £000's of 0.50% increase in pay inflation	-	£323k	£554k	£554k	£554k
	General	<i>Current assumption in MTFF</i>	5.00%	3.00%	2.00%	2.00%	2.00%
	Inflation	Impact in £000's of 1% increase in general inflation	£56k	£91k	£127k	£123k	£132k
	Fuel	<i>Current assumption in MTFF</i>	0.00%	0.00%	0.00%	0.00%	0.00%
	Inflation	Impact in £000's of 1% increase in fuel inflation	-	£11k	£11k	£11k	£11k
	Police	<i>Current assumption in MTFF</i>	31.00%	31.00%	31.00%	31.00%	31.00%
	Pensions	Impact in £000's of 1% increase in contribution rate	-	£545k	£572k	£600k	£625k
	Local Govt	<i>Current assumption in MTFF</i>		CC 18.9%, PCC 18.6% (for all years)			
	Pensions	Impact in £000's of 1% increase in contribution rate	-	£273k	£267k	£272k	£285k
Funding	Council Tax	<i>Current assumption in MTFF</i>	2.47%	1.98%	1.98%	1.98%	1.97%
	Precept	Impact in £000's of 1% increase in precept	-	(£544k)	(£566k)	(£588k)	(£611k)
	Council Tax	<i>Current assumption in MTFF</i>	0.00%	0.72%	0.72%	0.72%	0.72%
	Base	Impact in £000's of 1% increase in taxbase	-	(£544k)	(£566k)	(£588k)	(£611k)
	Government Grant	<i>Current assumption in MTFF</i>	0.37%	1.71%	1.35%	1.33%	1.31%
	Impact in £000's of 1% increase in Govt. grant	-	(£741k)	(£751k)	(£761k)	(£771k)	



Peter McCall

Cumbria Office of the Police and Crime Commissioner

Public Accountability Conference 16 February 2023

Budget 2023/24 and Financial Forecasts 2024/25 to 2027/27

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 2023/24 and the level of council tax to support the budget. The report also provides provisional estimates for the four years to 2027/28, 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. In January, more detailed financial and contextual information has been provided to the Police and Crime Panel. Accompanying the budget report on this agenda is a report covering the capital strategy and programme, treasury management strategy, Prudential Indicators and the policy on Minimum Revenue Provision (MRP). These reports support the due diligence in respect of the affordability of the capital programme and the revenue implications of that expenditure. The agenda includes the 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 2023/24 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 2023 - 2028	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
Police Pay - Police Officer Pay & Allowances	73,982	79,194	83,153	87,271	91,531	95,314
Police Pay - Contribution to Pension Fund A/c	21,215	17,129	15,683	15,146	14,297	13,411
Police Pay - Ill Health & Injury Pensions	1,316	1,341	1,342	1,367	1,394	1,421
PCSO Pay	1,917	2,257	2,343	2,415	2,472	2,526
Staff Pay	27,357	29,335	31,436	30,624	31,433	33,048
Other Employee Costs	3,138	3,147	2,773	2,637	2,635	2,637
Premises Costs	4,920	6,054	6,057	6,088	6,211	6,210
Transport Costs	2,393	2,558	2,580	2,600	2,620	2,640
Supplies & Services	10,526	11,267	11,406	11,863	12,165	12,383
Third Party Expenditure	3,265	4,124	4,150	4,253	4,352	4,470
LGPS Past Service Costs	23	(363)	(374)	(385)	0	0
Insurances/Management of Change	1,072	1,441	1,434	1,441	1,434	1,441
Commissioned Services	2,351	3,245	3,302	2,513	2,555	2,597
Accounting and Financing Costs	6,180	5,013	6,398	5,002	6,901	6,207
Contributions to Reserves Revenue	96	46	46	46	46	46
Contributions to Reserves Capital	0	0	369	1,101	0	0
Total Expenditure	159,751	165,788	172,098	173,982	180,046	184,351
Funded by						
Home Office Pension Top Up Grant	(21,215)	(17,129)	(15,683)	(15,146)	(14,297)	(13,411)
Other Grants & Contributions	(9,928)	(12,098)	(12,117)	(11,331)	(11,000)	(10,670)
Sales, Fees, Charges & Rents	(5,118)	(5,418)	(5,116)	(5,131)	(5,164)	(5,353)
Interest/Investment Income	(10)	(400)	(150)	(63)	(20)	(20)
Revenue Reserves Drawdown	(1,181)	(3,788)	(5,175)	(73)	(28)	(28)
Capital Reserves Drawdown	(600)	(1,998)	(286)	0	(1,235)	(723)
Formula Grant	(72,604)	(72,875)	(74,123)	(75,123)	(76,123)	(77,123)
Council Tax Income	(49,095)	(52,082)	(54,449)	(56,625)	(58,829)	(61,063)
Total Income/Funding	(159,751)	(165,788)	(167,099)	(163,492)	(166,696)	(168,391)
Net Savings Requirement	0	0	4,999	10,490	13,350	15,960

- 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 £165.788m in 2023/24 to support an equivalent level of expenditure. In 2024/25 a budget gap arises of £5.0m and this increases to £16.0m by 2027/28. 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 2023/24 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 2023/24 (for 2022/23 the flexibility was given to increase by £10, in 2021/22 £15, in 2020/21 £10, in 2019/20 £24, 2018/19 £12), for Cumbria this sum would represent an annual increase of 5.3%. In combination with the additional grant funding provided by the Government, the proposed increase in the council tax precept for policing of 5.3% has facilitated the continuation of an additional 169 police officers, which represents Cumbria's share of Operation Uplift (the programme to recruit 20,000 officers nationally). This has the effect increasing the establishment of police officers from 1,165 to 1,334 FTE. The remainder of the proposed budget has been produced on a broadly continuation basis, which means that current levels of service have been maintained over the life of the five year forecast.

4. 2023/24 Policing Bodies Grant Settlement

- 4.1 On the 14th December 2022 the funding allocations for policing bodies in England and Wales were announced. The outcome of the settlement is a formula funding amount of £72.875m for the Cumbria police area for 2023/24, which represents an increase of £0.271m compared to the 2022/23 level of funding. The MTF assumes that grant funding in 2024/25 and beyond will increase in line with national policing resources announced in the 2021 spending review.
- 4.2 The settlement confirmed that the current arrangements for formula funding and damping would continue for 2023/24. This means all policing bodies will continue to receive the same proportion of core Government funding as in 2022/23. In 2021 the Home Office announced its intention to re-visit the Home Office police funding formula, which is used to allocate funding across forces, for implementation as early as 2023/24. The implementation has been delayed but the Government are now intending to consult on formula allocation methodologies in spring 2023 and are expected to provide exemplifications of funding levels using the new formula later in the year. 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 (£17m), 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 £2.3m, which is conditional on the Constabulary maintaining its targeted increase in police officers

(+169) as part of Operation Uplift. The Commissioner will also receive income of £1.38m 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 2023/24 cash levels for the remainder of the MTFF.

5. Council Tax Income & Other Income

5.1 The net budget for the Cumbria Police area is funded by a combination of formula grant and Council Tax income. Income from Council Tax is dependent on a precept levied on each Unitary 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 Unitary Council's Collection Funds. The Council Tax Base takes account of expected collection levels and discounts. The surplus or deficit position on each Council 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 that arose in 2020/21 as a result of the worldwide covid-19 pandemic, has been 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 (in 2021/22, 2022/23 and 2023/24). The Commissioner has received a government grant of 75% to offset these deficit amounts. For 2022/23 the district councils are collectively forecasting a small deficit over and above the third share of the 2020/21 deficit, providing a combined deficit of £219k to be distributed in 2023/24.

Council Tax 'Band A' is the band into which the highest number of properties in Cumbria fall, for this band the increase is £9.96 per annum or 19 pence per week (from £188.10 to £198.06 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 or fixed amount 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 2023/24. **The Commissioner's budget is based on a precept increase of 5.3%. The financial implications for residents are that the Band D Council Tax amount would increase to £297.09 for 2023/24, an increase of £14.94.**

5.3 Council tax income is forecast using the tax base estimates provided by unitary 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 the unitary councils through the consultation process.

5.4 During 2021/22 the PCC received government funding of £782k by way of a council tax support scheme in recognition of the fall in taxbase figures for 2021/22. This funding was added to a reserve that has now been fully drawn down to negate the impact of the reduced taxbase.

The table below sets out the tax base for each unitary authority for 2023/24 and the tax base for the prior year (which is shown on the basis of the 6 district councils). The table shows that the total tax base is estimated to increase by 2,079 band D equivalent properties. Budgets from 2024/25 are based on an assumed annual increase in the tax base of 0.72%. 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 / Unitary Council	Tax Base 2022/23	Tax Base 2023/24	Increase (decrease)	% change
Allerdale Borough	31,031.82	88,328.60	1,281.19	1.47%
Carlisle City	35,164.84			
Copeland Borough	20,850.75			
Total Cumberland Council	87,047.41	88,328.60	1,281.19	1.47%
Barrow Borough	19,899.25	87,714.75	797.92	0.92%
Eden District	20,832.41			
South Lakeland District	46,185.17			
Total Westmorland & Furness Council	86,916.83	87,714.75	797.92	0.92%
Total	173,964.24	176,043.35	2,079.11	1.20%

- 5.5 In addition to the recurrent grant and tax base income, the 2023/24 budget is reduced by the net impact of a forecast deficit on the 2022/23 district collection funds. The table below shows the council tax attributable to each unitary authority for 2023/24 and the position on each authority collection fund (surplus/deficit) for 2022/23.

Council Tax Income	Tax base 2023/24	Precept (Band D) £	Council Tax Income £	Declared Surplus/ (Deficit)	Total 2023/24 £
Cumberland Council	88,328.60	297.09	26,241,544	(156,392)	26,085,152
Westmorland and Furness Council	87,714.75	297.09	26,059,175	(62,316)	25,996,859
Total	176,043.35	297.09	52,300,719	(218,708)	52,082,011

- 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 2023/24 budget is supported by the use of £5.7m of earmarked revenue and capital reserves.
- 5.7 Fees and charges income is estimated to provide £5.3m in 2023/24 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 £165.788m can be supported by budgeted income in 2023/24. However, it is anticipated that beyond 2024/25 funding will fail to keep pace with expenditure pressures meaning that by 2027/28 £16m 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 assumed increase for pay inflation at 3% in 2023/24, and 2% per annum thereafter. General inflation is included at 5% in 2023/24, 3% in 2024/25 and 2% thereafter in line with Bank of England estimates. Against this backdrop, all expenditure budgets are subject to rigorous scrutiny and many are zero based each year.
- 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 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 and primarily includes investment in ICT, fleet and estates. The programme has historically been funded by a combination of capital grants, capital receipts, reserves, support from the revenue budgeted and borrowing. Over recent years the level of capital grant has reduced significantly as a result of national top-slicing from capital allocations and in 2022/23 was removed from the finance settlement altogether. Beyond 2023/24 both reserves and capital receipts will be largely exhausted and as a result revenue contributions will be the primary source of capital funding. On average the revenue budget contributes £3.6m per annum to fund capital, this figure has more than tripled over recent years and is expected to continue at a high level. As a result of the current inflationary pressure on the revenue budget, the decision has been taken to reduce revenue contributions in both 2022/23 and 2023/24 by £3m p.a. and to replace this with borrowing as a means of balancing the revenue budget in the short term. In the first five years of the medium-term financial forecast the capital programme is fully funded, however a relatively small capital funding gap of £160k is forecast over the final 5 years of the programme.

8. Reserves and Balances

8.1 Over the life of the financial forecast total reserves are planned to reduce from £24.1m at the start of 2023/24 to £12.5m by end of March 2028, largely due to provision of funding to the support the capital programme. Of the remaining £12.5m, the general reserve of £4m is held for managing financial risks and unforeseen events, budget support, stabilisation and insurance reserves/contingencies of £6.6m 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 2023/24** (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 2023/24. A total of 411 individuals responded to the survey and the outcome of public consultation has been that 50% of respondents have agreed with the proposal to increase council tax by £14.94 (5.3%), 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 to support the Commissioner's proposal at its meeting on 26th January 2023.
- 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 2023/24 to 2027/28. The 2023/24 budget is balanced based on a precept increase of £14.94 for a band D property which equates to an increase of 5.3%. In future years savings will be required to offset the forecast deficit of £5m in 2024/25 rising to £16m per annum by 2027/28. The precept proposal will increase the annual Council Tax attributable to the Commissioner by £14.94 for a Band D property resulting in a Band D Council Tax charge of £297.09.

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 2023/24 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 £297.09 for 2023/24, an increase of £14.94.**

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

16 February 2023

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

Roger Marshall – Joint Chief Finance Officer

Tel: 0300 124 0113 Ext: 48591, email: Roger.Marshall@cumbria.police.uk

Michelle Bellis – Deputy Chief Finance Officer

Tel: 0300 124 0113 Ext: 48853, email: Michelle.Bellis@cumbria.police.uk

Budget for the Commissioner and the budget for the Chief Constable

Description	Base Budget 2022/23 £	Base Budget 2023/24 £	Base Budget 2024/25 £	Base Budget 2025/26 £	Base Budget 2026/27 £	Base Budget 2027/28 £
Constabulary Funding						
Police Officer - Pay & Allowances	73,981,725	79,193,859	83,152,784	87,271,102	91,531,486	95,314,429
Police Officer - Contribution to Pension Fund A/c	21,215,000	17,129,073	15,683,203	15,146,287	14,296,816	13,410,938
Police Officer - Ill Health & Injury Pensions	1,316,432	1,341,498	1,341,498	1,367,316	1,393,909	1,421,300
Police Community Support Officers	1,916,574	2,257,153	2,343,439	2,414,413	2,471,817	2,525,769
Police Staff - Pay & Allowances	26,652,618	28,480,332	30,564,729	29,735,356	30,526,510	32,123,060
Other Employee Benefits	3,128,708	3,145,094	2,771,001	2,635,606	2,634,056	2,635,656
Transport Related Expenditure	2,389,429	2,554,588	2,576,715	2,596,351	2,616,386	2,636,814
Supplies & Services	10,372,454	11,090,995	11,208,843	11,662,622	11,961,437	12,176,026
Third Party Related Expenditure	3,253,415	4,112,175	4,138,354	4,241,043	4,339,722	4,458,080
Earned Income	(5,117,630)	(5,254,968)	(4,951,337)	(4,994,685)	(5,022,925)	(5,210,494)
Total Constabulary Funding	139,108,725	144,049,799	148,829,229	152,075,411	156,749,214	161,491,579
Commissioner's Budget						
Office of the Police & Crime Commissioner	894,473	896,259	933,534	981,801	999,385	1,018,494
Commissioned Services Budget	2,351,126	3,245,141	3,301,696	2,513,198	2,554,649	2,596,927
Premises Related Costs	4,918,785	6,052,748	6,055,373	6,086,982	6,209,363	6,208,389
LGPS Past Service Costs	23,300	(362,600)	(373,900)	(385,400)	0	0
Insurances & Management of Change	1,072,346	1,441,035	1,434,035	1,441,035	1,434,035	1,441,035
Accounting & Financing Costs	6,169,159	5,002,208	6,387,025	4,991,129	6,889,805	6,195,745
Contributions to Reserves Revenue	95,884	45,884	45,884	45,884	45,884	45,884
Contributions to Reserves Capital	0	0	368,926	1,100,696	0	0
Grants & Contributions	(30,560,214)	(27,847,750)	(26,420,645)	(25,896,618)	(24,716,439)	(23,500,115)
Grants - Victims & Restorative Justice	(583,172)	(1,379,794)	(1,379,794)	(580,657)	(580,657)	(580,657)
Grants - Capital	0	0	0	0	0	0
Interest/Investment Income	(10,000)	(400,000)	(150,000)	(63,000)	(20,000)	(20,000)
Total Commissioner's Budget	(15,628,313)	(13,306,869)	(9,797,865)	(9,764,950)	(7,183,975)	(6,594,298)
Use of Reserves						
Revenue Reserve Drawdown	(1,181,632)	(3,788,250)	(5,174,759)	(72,849)	(27,974)	(28,256)
Capital Reserve Drawdown	(600,000)	(1,997,669)	(286,040)	0	(1,235,263)	(722,748)
Total Use of Reserves	(1,781,632)	(5,785,919)	(5,460,800)	(72,849)	(1,263,237)	(751,004)
Budget Requirement	121,698,780	124,957,011	133,570,564	142,237,612	148,302,002	154,146,277
Formula Grant & Council Tax Income						
General Police Grant	(72,603,656)	(72,875,000)	(74,123,000)	(75,123,000)	(76,123,000)	(77,123,000)
Council Tax Precepts	(49,095,124)	(52,082,011)	(54,448,620)	(56,624,739)	(58,829,371)	(61,062,815)
Total Formula Grant & Council Tax Income	(121,698,780)	(124,957,011)	(128,571,620)	(131,747,739)	(134,952,371)	(138,185,815)
Net Deficit/Savings Requirement	(0)	0	4,998,944	10,489,873	13,349,630	15,960,462
Council Tax per Band D Property	£282.15	£297.09	£307.08	£317.07	£327.06	£337.05
Increase over previous year		£14.94	£9.99	£9.99	£9.99	£9.99
Percentage Increase		5.30%	3.36%	3.36%	3.25%	3.05%

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 2023/24.

Revenue Estimates 2023/24: That the Commissioner's net **Budget Requirement** of £124,957,011 be approved.

Council Tax Base 2023/24: That it is noted that the Council Tax base has been calculated at the amount of 176,043.35 for 2023/24. This is the total of the tax bases calculated by the Unitary Councils as required by regulation.

Budget Requirement: That the following amounts are calculated by the Commissioner for the 2023/24 financial year:

Ref	2023/24 Amount £s	Description
(a)	£165,742,358	being the total of gross expenditure
(b)	£40,785,346	being the total of income from specific grants, fees and charges and transfers from reserves
(c)	£124,957,011	being the Budget Requirement for the year to be met from Council Tax and External Finance
(d)	£72,875,000	being the total the Commissioner estimates will be received from external financing, being the Police Grant
(e)	(£218,708)	being the net surplus/(deficit) on district collection funds
(f)	£52,300,719	being the council tax requirement (the budget requirement plus the collection fund deficit and less external finance)
(g)	£297.09	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 2023/24 Amount £.pp	Proportion
Band A	198.06	6/9 ths
Band B	231.07	7/9 ths
Band C	264.08	8/9 ths
Band D	297.09	9/9 ths
Band E	363.11	11/9 ths
Band F	429.13	13/9 ths
Band G	495.15	15/9 ths
Band H	594.18	18/9 ths

Billing Authority	Tax Base 2023/24	Precept (Band D) £	Amount Payable £
Cumberland Council	88,328.60	297.09	26,241,544
Westmorland and Furness Council	87,714.75	297.09	26,059,175
Total	176,043.35	297.09	52,300,719



Cumbria Office of the Police and Crime Commissioner

Reserves Strategy 2023/24

Public Accountability Conference 16 February 2023

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 5 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 recent years, 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 5 year timeframe plus a further year, 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 2033. **Appendix B** summarises this information graphically.
- 1.5 The medium term financial forecast shows a budget deficit of £5m in 2024/25 rising to £16m by 2027/28. A productivity and efficiency plan is 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 £4m in 2023/24 (see #). 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.

As part of approving this reserves strategy, the Commissioner is asked to formally approve the increasing of the General Reserve/Police fund from its current level of £3.6m to £4.0m for 2023/24. The increase in the reserve will be funded by a corresponding reduction in the Budget Support Reserve

- 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 estate 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 2029.
- 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 was established from Government grants received in 2020/21 and 2021/22 and has now been fully used to meet council tax deficits arising in 2023/24 and to help balance the budget.

- 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 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

16 February 2023

Planned Movement in Reserves 2023/24 to 2032/33

Reserves Forecast	MTFF																							
	Actual	Planned	Forecast	Planned	Forecast	Planned	Forecast	Planned	Forecast	Planned	Forecast	Planned	Forecast	Planned	Forecast	Planned	Forecast	Planned	Forecast	Planned	Forecast	Planned	Forecast	
	Balance 31/03/22 £000's	Gain/(Use) 2022/23 £000's	Balance 01/04/23 £000's	Gain/(Use) 2023/24 £000's	Balance 31/03/24 £000's	Gain/(Use) 2024/25 £000's	Balance 01/04/25 £000's	Gain/(Use) 2025/26 £000's	Balance 01/04/26 £000's	Gain/(Use) 2026/27 £000's	Balance 01/04/27 £000's	Gain/(Use) 2027/28 £000's	Balance 31/03/28 £000's	Gain/(Use) 2028/29 £000's	Balance 01/04/29 £000's	Gain/(Use) 2029/30 £000's	Balance 01/04/30 £000's	Gain/(Use) 2030/31 £000's	Balance 01/04/31 £000's	Gain/(Use) 2031/32 £000's	Balance 31/03/32 £000's	Gain/(Use) 2032/33 £000's	Balance 31/03/33 £000's	
General Reserve/Police Fund	3,600	400	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0
Total General Reserve/Police Fund	3,600	400	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0
Earmarked Capital Reserves																								
Capital Reserves																								
West Cumbria Estate	4,000	(778)	3,223	(1,962)	1,261	(286)	975	0	975	(975)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Financing Smoothing	0	0	0	0	0	369	369	1,101	1,470	(260)	1,209	(723)	486	(486)	0	0	0	0	0	0	0	0	0	0
HQ Adaptions	294	0	294	0	294	0	294	0	294	0	294	0	294	0	294	0	294	0	294	0	294	0	294	0
CCTV Capital Reserve	0	36	36	(36)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Capital Reserves	4,294	(742)	3,552	(1,998)	1,555	83	1,638	1,101	2,738	(1,235)	1,503	(723)	780	(486)	294	0	294	0	294	0	294	0	294	0
Budget Stabilisation / Insurance Reserves																								
Constabulary Operational Reserve	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0
PCC Operational Reserve	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0
Insurance Reserve	909	46	955	46	1,001	46	1,047	46	1,092	46	1,138	46	1,184	46	1,230	46	1,276	46	1,322	46	1,368	46	1,414	0
75% Tax Income Guarantee Scheme	920	(750)	170	(170)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
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	0	500	0
Total Budget Stabilisation / Insurance Reserves	2,829	(704)	2,125	(124)	2,001	46	2,047	46	2,092	46	2,138	46	2,184	46	2,230	46	2,276	46	2,322	46	2,368	46	2,414	0
Budget Support Reserves																								
Budget Support Reserve	7,366	(1,357)	6,009	(1,516)	4,493	(3,000)	1,493	0	1,493	0	1,493	0	1,493	0	1,493	0	1,493	0	1,493	0	1,493	0	1,493	0
Total Budget Support Reserves	7,366	(1,357)	6,009	(1,516)	4,493	(3,000)	1,493	0	1,493	0	1,493	0	1,493	0	1,493	0	1,493	0	1,493	0	1,493	0	1,493	0
Short-term Project Reserves																								
PFI Lifecycle Reserves	247	0	247	0	247	0	247	0	247	0	247	0	247	0	247	0	247	0	247	0	247	0	247	0
Body Armour (Future Roll Out)	337	50	387	0	387	0	387	0	387	0	387	0	387	0	387	0	387	0	387	0	387	0	387	0
Records Management System	2	3,469	3,471	(1,338)	2,133	(2,099)	35	0	35	0	35	0	35	0	35	0	35	0	35	0	35	0	35	0
Business Intelligence	28	0	28	0	28	0	28	0	28	0	28	0	28	0	28	0	28	0	28	0	28	0	28	0
HQ Security	180	0	180	0	180	0	180	0	180	0	180	0	180	0	180	0	180	0	180	0	180	0	180	0
Business Transformation	218	(17)	201	(79)	122	0	122	0	122	0	122	0	122	0	122	0	122	0	122	0	122	0	122	0
Covid 19 Recovery	694	(694)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CO - Demand Risk Resourcing	100	0	100	0	100	0	100	0	100	0	100	0	100	0	100	0	100	0	100	0	100	0	100	0
Firearms Digitisation	0	125	125	(42)	83	(42)	42	(42)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CCTV Revenue Reserve	0	666	666	(544)	122	(34)	87	(31)	56	(28)	28	(28)	0	0	0	0	0	0	0	0	0	0	0	0
PCC - Commissioned Services	3,175	(175)	3,000	(100)	2,900	0	2,900	0	2,900	0	2,900	0	2,900	0	2,900	0	2,900	0	2,900	0	2,900	0	2,900	0
Total Short-term Project Reserves	4,983	3,423	8,406	(2,102)	6,304	(2,175)	4,129	(73)	4,057	(28)	4,029	(28)	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0
Total Earmarked Revenue Reserves	15,178	1,362	16,540	(3,742)	12,797	(5,129)	7,669	(27)	7,642	18	7,660	18	7,677	46	7,723	46	7,769	46	7,815	46	7,861	46	7,907	0
Total Reserves	23,072	1,021	24,092	(5,740)	18,352	(5,046)	13,306	1,074	14,380	(1,217)	13,163	(705)	12,458	(440)	12,017	46	12,063	46	12,109	46	12,155	46	12,201	0

Overall reserves are forecast to fall to just £12.2m over the life of the MTFF, this represents a fall of 50% compared to their current level of £24.9m

Planned Movement in Reserves 2023/24 to 2033/33

