



To: All Members and Officers of the
Staffordshire Police, Fire and Crime Panel.

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My Ref:

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Date: 4 February 2020

Dear Sir/Madam,

Staffordshire Police, Fire and Crime Panel - Monday, 10th February, 2020

I have recently forwarded to you a copy of the agenda for the next meeting of the
Staffordshire Police, Fire and Crime Panel.

I am now able to enclose, for consideration at next Monday, 10th February, 2020 meeting of the
Staffordshire Police, Fire and Crime Panel, the following reports that were unavailable when the
agenda was printed.

7. **Proposed Police Budget and Precept 2020/21**
 - a) Proposed Policing Precept and Budget 2020/21
 - b) Policing Treasury Management Strategy (Pages 1 - 24)
 - c) Reserves Strategy (Pages 25 - 32)
 - d) Capital Strategy and Minimum Revenue Provision Policy (Pages 33 - 46)
8. **Annual Report of the Police, Fire and Crime Commissioner 2019/20 - DRAFT
version for comment (Pages 47 - 82)**

John Tradewell
Secretary to the Panel

Enc



Report to the Police Fire and Crime Panel – 10th February 2020

Policing Budget Report for 2020/21

(Including Medium Term Financial Strategy)

Report of the Staffordshire Commissioner

Introduction

The purpose of this report is to set out the proposed budget and precept proposals for the Police and Crime element of the Commissioner's portfolio for 2020/21. It is the final report for the Staffordshire Commissioner in his second and final term in office since May 2016 and delivers one of the Commissioner's key responsibilities under the Police Reform and Social Responsibility Act 2011.

The report sets out the following:

- Net policing budget requirement for 2020/21
- Proposed precept for the policing element of the council tax 2020/21
- Proposed Policing Medium Term Financial Strategy (MTFS)
- Outline Policing Capital Budget

The report should be read in conjunction with the accompanying:

- Treasury Management Strategy
- Reserves Strategy
- Capital Strategy

Recommendations

The Police, Fire and Crime Panel is asked to:

- Examine the information presented in this report, including:
 - The Total 2020/21 net revenue budget requirement of £212.402m (**Appendix 1**), including
 - A council tax requirement for 2020/21 of £79.412m before collection fund surplus/deficits are taken into account (**see Appendix 5**)

- Support the proposal to increase the 2020/21 precept for the policing element of the council tax bill by 3.94% or £8.53 per annum which is equivalent to 16.4p per week, increasing the council tax to £225.09 for a Band D Property **(see Appendix 5)**.
- To note that the Council Tax base has increased to 352,801 properties, equivalent to an increase of 1.79% (0.20% higher than the 2019/20 increase) **(see Appendix 4)**. The Council Tax collection fund has also been finalised delivering a surplus of £1.511m **(see Appendix 3)**.
- To note that the Budget and MTFS fully support and include the investment required to deliver the Officer Uplift of 90 by 31 March 2021 in line with the Ring Fenced Grant of £2.532m.
- To note the MTFS summary financials **(Appendix 6)** and MTFS assumptions **(see paragraph 8.2)**
- Support the proposed four year Capital Investment Programme **(see section 11)** and the Capital Strategy and Capital Programme Paper
- Note the outcome of The Staffordshire Commissioner's budget consultation document (see paragraph 3.4) which included a survey regarding the proposed level of precept for 2020/21.

Matthew Ellis
Staffordshire Commissioner

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1. Executive Summary

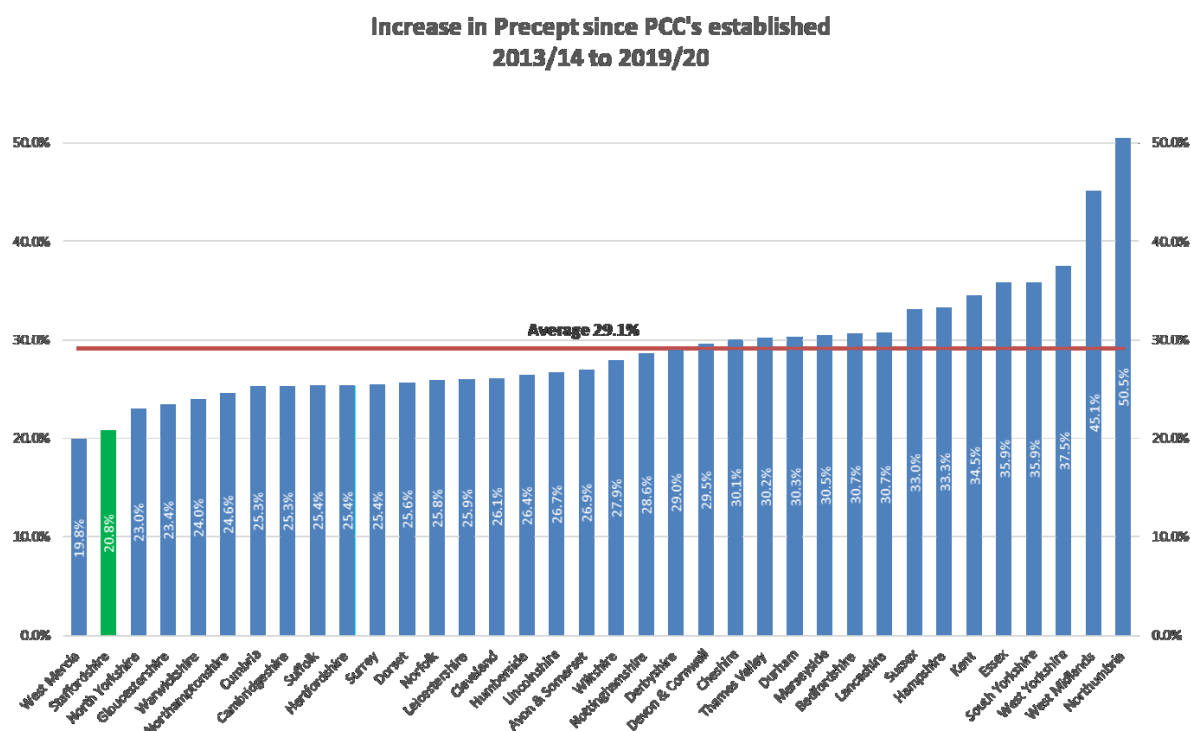
- 1.1 This report, and the Council Tax precept proposal within it, is the result of considerable work by the Staffordshire Commissioner's Office and Staffordshire Police, taking into account public and stakeholder consultation and key government announcements.
- 1.2 Following the announcement of the council tax referendum levels and Police Grant settlement by Government, the Commissioner has considered; current and future funding requirements, together with the factors included within his Police and Crime Plan, the results of the survey with local residents, as well as actual and expected cost pressures and expected efficiency savings available to the Force and to his own office.
- 1.3 The Commissioner has understood the current and emerging operational challenges, both nationally, regionally and locally, with particular reference to those areas included within the Force's Strategic Assessment.
- 1.4 The Commissioner has taken into account the adequacy and level of reserves and the impact of future financial challenges and opportunities in the MTFs. Since coming into office he has maintained a position to keep reserves at a minimum safe level and is constantly reviewing that position. This paper is accompanied by a revised Reserves Strategy.
- 1.5 The Commissioner was the first to call on Government for the flexibility to increase the policing element of the Council Tax bill. He strongly believes that this brings more transparency and accountability on the need for any additional funding and how that will be used.
- 1.6 After careful consideration of all of these aspects the Commissioner is proposing a precept increase of £0.16 per week from April 2020. The proposed precept enables the Commissioner to provide an increase in funding of £4.357m in 2020/21 in order to maintain and safeguard policing and community safety services across Staffordshire and Stoke on Trent, and to make targeted additional investment in his Police and Crime Plan.
- 1.7 The Commissioner and Chief Constable will make new revenue investments totalling £1.719m, above and beyond those provided for by Central Government in:
 - The Special Constabulary
 - Automatic Number Plate Recognition (ANPR)
 - Technology and Digital Capability
 - Technology Modernisation & Innovation
 - Contact Management Systems
 - Investigations & Intelligence

Further detail is contained in section 6.

- 1.8 The Commissioner will continue to support the Chief Constables transformation programme and has committed to ensuring that the scope of the capital

programme and achievement of capital receipts will support this, through new IT platforms and Estate, balanced against the long term sustainability of Police and Crime funding. These include the implementation of a Core Policing IT Platform, with development having already started in the current financial year, investments in fit for purpose estate and new equipment to meet the needs of modern policing. This paper is accompanied by a Capital Strategy and Treasury Management Strategy which explain how this investment will be targeted and afforded. Further detail on the proposed capital investment is contained in section 11.

- 1.9 The consultation with residents, through the resident's online survey, 81% supported increased investment in Policing. In addition Policing and Crime has continued to increase as areas of public concern and in importance for public sector investment over the last 12 months through various national surveys.
- 1.10 The Commissioner recognises that there are still financial challenges faced over the coming years in order to meet the increasing demand for police services and uncertainty as a result of the Comprehensive Spending Review and would welcome a multi-year settlement from government to assist with planning for critical service delivery.
- 1.11 The Commissioner has, over both of his terms of Office, been committed to only increase local taxation through the Policing precept where absolutely necessary. His view had been that efficiencies should be delivered within policing and community safety before he would consider asking council taxpayers for more. This policy impact has resulted in Staffordshire taxpayers seeing the second lowest increase in council tax levels, as a percentage, since the Commissioner took Office in April 2012 (with his first precepting decision for the 2013/14 financial year)



- 1.12 In relation to the efficiency agenda the following has been achieved over the current financial year:

- Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS) awarding the Force a 'Good' rating for the use of resources in their most recent inspection.
- Based on Home Office data Staffordshire Police has delivered over £1m of procurement efficiencies over the past 12 months, ranking at number three out of forty three Forces in terms of savings delivered; the Force is the twenty first largest in terms of net revenue budget
- Savings of £816k delivered to date through collaboration with Staffordshire Fire and Rescue Service on shared services and governance changes.
- Further additional savings from those above from the shared estates solution within Tamworth following the opening of the new joint Fire and Police station in December 2019.
- The Financial and Commercial Services team within Staffordshire Police (now a shared service with Staffordshire Fire and Rescue Service) has been shortlisted for a prestigious national Public Finance award

1.13 If the proposals in this document are supported then Policing will have the following funding available in 2020/21.

Table 1 Net Budget Requirement Comparison 2019/20 to 2020/21

Funding Source	2019/20 £'000	2020/21 £'000	Change £'000
Home Office Police Grant	107,139	115,158	8,019
Uplift Grant (ringfenced)	0	2,532	2,532
Police Pension Grant	1,825	1,825	0
Revenue Support Grant	8,423	8,423	0
Council Tax Freeze Grant	3,541	3,541	0
Home Office Funding	120,928	131,479	10,551
Precept	75,056	79,413	4,357
Council Tax Collection Fund Surplus	1,010	1,511	501
Total	196,994	212,402	15,408
Staffordshire Commissioner	9,160	7,938	(1,222)
Staffordshire Police Force	182,342	198,155	15,813
Capital Financing	5,492	4,590	(902)
New Commissioner Precept Enabled Investments	0	1,719	1,719
Total	196,994	212,402	15,408

The detailed budgets are shown in Appendix 1

2. The Budget Process

- 2.1 The 2020/21 budgeting round continues to use a risk-based approach to budget setting which has sought to align the budget process with identified strategic operational priorities and risks, making strategic investments where funding allows in line with the Commissioners Police and Crime Plan coupled with Staffordshire Police's Policing Plan.
- 2.2 The Commissioner and Staffordshire Police have considered key corporate risks when setting the budget. Essentially these risks are operational and organisational around managing people, infrastructure assets, information, commissioning etc.
- 2.3 The Force continues to identify its Strategic Operational Risks as part of the Force Management Statement (a requirement of Her Majesty's Inspectorate of Constabulary, Fire and Rescue Service). This has been used to inform resourcing strategies at both Directorate and Departmental Level.
- 2.4 The latest MTFS and, in particular, the 2020/21 budget contained within this report aligns the Force and Commissioner's financial resources to areas of greatest risk and therefore is fundamental to the performance management of Staffordshire Police and the Staffordshire Commissioners Office.
- 2.5 Both Chief Finance Officers have worked closely with the wider finance team throughout the year during the budget monitoring process and in preparation of the revenue and capital budgets for 2020/21. In respect of the budget, this has included (but was not limited to), the identification and agreement of assumptions and methodology and challenge and scrutiny of the budget workings across both the Staffordshire Commissioners Office (SCO) and Staffordshire Police.
- 2.6 The Commissioner and his management team have held regular discussions with the Chief Constable and his Chief Officers throughout the year and during the budget preparation process and the announcement and interpretation of the settlement. For the 2020/21 budget preparation and MTFS the late announcement of both the funding settlement and having only a one year spending review has introduced a greater degree of planning risk than would be desired.
- 2.7 These discussions have culminated in a number of full and robust discussions of the budget requirement, the right sizing and funding of the capital programme, national and local operational and financial challenges, the precept options available to the Commissioner and a review of the MTFS and associated risks.
- 2.8 Furthermore, there has been a significant degree of scrutiny and challenge undertaken by the Commissioner and his team, prior to, during and post the Strategic Governance Board on the 30th January, culminating in final discussions on the policing budget and decision on precept by the Commissioner. The decision around precept is taken by the Commissioner applying his judgement based upon the above budget process.

3. Precept Strategy and 2020/21 Proposal

- 3.1 The 2020/21 proposed precept increase is the lowest for three years. For the period 2013/14 to 2016/17, the Commissioner maintained council tax levels at the same level as in 2012/13. His strategy was that efficiencies should be delivered within policing and community safety before increasing the amount paid by council tax payers. The rise was then 1.99% in 2017/18 and 6.29% or £11.40 in 2018/19 followed by £24 for 2019/20.
- 3.2 Following the increase last year the Commissioners increases have been the second lowest nationally. The proposed increase of 3.94% has to be seen in this context.
- 3.3 The Council Tax Referendum Principles for 2020/21 confirm that PCCs can increase the policing element of Council Tax by what they consider necessary, but that the maximum increase before a referendum is required is now £10.
- 3.4 The Commissioner regularly engages with local residents and stakeholders on a wide range of matters. In relation to the precept, the recent consultation showed that 81% of those who responded would support an increase in investment in policing.
- 3.5 The Commissioner has listened to this feedback and has outlined his intention to increase funding in the coming year by £4.357m, which will provide some additional investment to the Chief Constable as well as ensuring that all material cost pressures across the Commissioner's Office and Staffordshire Police are met.
- 3.6 The table below illustrates the financial impact of the policing element of the precept changes on the Council Band D rate and increase in funding for Police and Crime in Staffordshire.

Table 2 – Precept Increase 2019/20 to 2020/21

Council Tax (Police & Crime Element)	2019/20	2020/21
Band D Council Tax Proposed	£ 216.56	£ 225.09
Increase on Prior Year	£ 24.00	£ 8.53
Percentage increase on Prior Year	12.46%	3.94%
Council Tax Increase	£ 8,317,925	£ 4,357,196
Total Precept Levied	£ 75,055,560	£ 79,412,756
Weekly Increase	£ 0.46	£ 0.16

- 3.7 The increase in Council Tax funding also takes into account the actual tax base increases for 2020/21 (1.79%) for Staffordshire and Stoke on Trent when calculating the financial impact of the precept flexibility.
- 3.8 The proposed Council Tax increase by banding is shown in **Appendix 5**

4. National Picture, Grant Settlement and Officer Uplift

- 4.1 On the 22nd January 2020, the Government announced the final 2020/21 Police Finance Settlement. Unlike previous years no provisional settlement was received prior to this.
- 4.2 In relation to the Police funding formula, there has been no change to this. Any changes to this will take place after the next spending review which is expected to occur before the provisional finance settlement in 2021/22. It is currently unknown if Staffordshire would have any net gain or loss from this review given it has not yet started, and as such can be seen as a risk or an opportunity for future years. The MTFS assumes no impact from any potential changes to the funding formula.
- 4.3 In addition to the change in precept principles, the Minister confirmed an increase for the main Police Grant of £750m. Staffordshire's share is £8.0m, although the Home Office have been clear that this does not cover any inflationary uplift.
- 4.4 In addition to the above core policing grant a ring-fenced grant for Officer Uplift has been introduced. Nationally this is £168m, of which Staffordshire share is £2.532m. The Commissioner and Chief Constable have not yet received the grant determination letter setting out the conditions of use; what is known is that this grant is dependent upon the delivery of the increase in Officer numbers (for Staffordshire this is an additional 90 Officers by the 31st March 2021).
- 4.5 The above grant is insufficient on its own to pay for the uplifted Officer numbers. However, it is clear that the uplift in the non-ring-fenced core policing grant is anticipated to provide the additional funding required to deliver the 90. This is welcome given the additional flexibility of non-ring-fenced grant compared to ring-fenced grant.
- 4.6 The Police Pensions grant received in 2019/20 has been confirmed again for 2020/21, in line with the previous MTFS assumptions. Nationally this grant is £153m of which Staffordshire's share is £1.825m. The MTFS assumes this grant is held cash flat over the life of the MTFS, in line with no inflation increase being applied between 2019/20 and 2020/21.
- 4.7 The capital grant paid to Commissioners has been reduced by 75% compared to the 2019/20 budget and MTFS. This has introduced a budget pressure, which has been absorbed within the increase in the core policing grant.
- 4.8 Since 2014/15, Commissioners have received their core policing funding from the Home Office which subsumed the former DCLG grants (including previous funding from Business Rates).
- 4.9 Previous Council Tax freeze grants have been maintained within the funding settlement at a cash flat value and have not been inflated in line with inflation.
- 4.10 National reallocations (top slicing) have increased from the 2019/20 reallocations total £1.029bn to £1.121bn. Additional capabilities are being added at a national level. Whilst these national reallocations reduce the allocations to Police and Crime Commissioners from the overall Home Office settlement, local allocations are not being adversely affected by these reallocations given the overall growth in core grants.

4.11 The national reallocations elements are detailed further as follows:

Table 3 Top Slice from Home Office

Top Slice	2017/18 (£m)	2018/19 (£m)	2019/20 (£m)	2020/21 (£m)
PFI	73	73	73	73
Police Technology Programmes	417	495	495	498
Arm's Length Bodies	54	63	63	73
Strengthening the response to Organised Crime	28	42	90	140
Top ups to NCA and ROCUs	0	0	56	57
Police Transformation Fund	175	175	175	0
Special Grant	50	93	73	81
Pre-charge Bail	15	4	4	2
Police Uplift Programme	0	0	0	17
National Operational Policing Units	0	0	0	3
Counter Terrorism	0	0	0	32
National Capability Programmes	0	0	0	47
Forensics	0	0	0	29
Serious Violence	0	0	0	39
PRUM	0	0	0	2
HO STAR	0	0	0	8
Blue Light Commercial	0	0	0	4
Police Now	0	0	0	7
Safer Streets Fund	0	0	0	10
Total	812	945	1,029	1,121

4.12 The key issues in relation to the settlement and top slice elements include the following:

- The majority of Counter Terrorism (CT) funding is negotiated separately to the police settlement, therefore, increases do not impact on the rest of the Police settlement.
- The Police Transformation Fund (PTF) has been disbanded and no allocations made for 2020/21
- The Police Technology Programme has a budget for 2020/21 of £498m, which is a £3m (0.6%) increase on the 2019/20 funding.
- Police Technology Programmes include ESN, existing Airwave System, Home Office Biometrics and the National Law Enforcement Database.
- Arms-Length Bodies include Her Majesty's Inspectorate (HMI), Gangmasters and the Independent Office for Police Conduct, which replaces the Independent Police Complaints Commission (IPCC).

4.13 Whilst the total value of the national reallocations for 2020/21 is known, there does remain a level of uncertainty about the impact on the Police Grant of top slices over the life time of the MTFS (which are anticipated to increase). This presents risks to the future funding, materially in the case of future funding for ROCUs and the ESN (Emergency Services Network) programme.

5. Officer Uplift

- 5.1 The announced uplift in Police Officer numbers is welcomed by both the Commissioner and the Chief Constable. For Staffordshire this uplift in 2020/21 is 90 Officers.
- 5.2 The allocation methodology used by the Home Office is based on the share of core policing grant. Whilst the methodology and final numbers are unknown for years two and three it is likely that representations will be made be areas with higher levels of crime than Staffordshire for a redistribution and change to the methodology.
- 5.3 Whilst the allocations for years two and three of the uplift have yet to be determined, assuming they are on the same allocation methodology as year one, Staffordshire will see an uplift of an additional 120 officer in 2021/22 (in addition to the 90 in 2020/21) followed by an additional 90 in 2022/23. Over the three years the uplift would be c.300 Officers.
- 5.4 This uplift is in addition to the uplift as a result of previous precept increases by the Commissioner in 2018/19 and 2019/20. These Officer numbers are in the Home Officer Baseline and will need to be sustained to access the uplift funding.
- 5.5 The government has been clear in the funding allocated for 2020/21 that the revenue grant contains funding for the capital investment required to enable the uplift to be successful. This funding is one off in nature and any underspend will be carried forward in an earmarked Uplift reserve to be spent as agreed by the Commissioner and Chief Constable.
- 5.6 The Force is planning, in relation to the 90 Officers, to allocate these to the following areas.
 - 24/7 Uniformed Proactive disruptions
 - Offender Management
 - Adult Protection Exploitation Team
 - Child Protection Exploitation Team
 - Tutoring of new constables
 - Roads Policing

The deployment of Officers is legally at the discretion of the Chief Constable and is subject to change based upon operational requirements.

6. Local Investments In Policing

- 6.1 The Commissioner, in reaching a decision to increase the Policing precept, has considered the need to balance increases in local taxation against the investments required in local policing to continue building back in capability and capacity, as well as enabling Staffordshire Police to respond to new and emerging threats.
- 6.2 These investments have been designed to balance and complement the investment in Police Officer numbers as a result of the government investment in Policing. The government's focus has been on increasing Officer numbers and the infrastructure directly related to increasing Officer numbers. The government's investment does not focus, at a local level, on increasing technological innovation, specialist Police staff roles, volunteer roles both in relation to revenue spend through pay costs or capital investment in infrastructure. These areas are becoming increasingly important to Policing in terms of meeting future demand.
- 6.3 The increase proposed is lower than the increases proposed by both the County and City Councils. The increase allows for key investments that Staffordshire Police needs to make above and beyond a rise in the precept linked to inflation would allow for. These investments are:
- 6.4 **Investment in the Special Constabulary** - The Force has c.230 volunteer special constables who make a significant contribution to Staffordshire Police. This investment will ensure that all special constables are equipped to the same standard as regulars both in terms of equipment and also digital access, including the full roll out of body worn video on a personal issue basis to all members of the special constabulary. The outcomes expected are:
- Providing IT equipment will negate the requirement for follow up attendance by a police officer, which will also reduce inefficiencies and missed opportunities such as vehicle seizures (due inability to remotely check).
 - Special Constabulary Officers in uniform with the power of search are unable to comply with Force policy around stop and search because they do not have BWV.
 - Improved impact on police legitimacy and reduced potential for complaints.
 - Complete various forms remotely, therefore improving efficiency and visibility.
- 6.5 **ANPR (Automatic Number Plate Recognition)** – ANPR is a key tool in identifying offenders crossing into Staffordshire and also tracking them through the County. ANPR intelligence is used both by Staffordshire Police and also partner agencies such as the National Crime Agency to track offender's movements. This investment is complimentary to, and enhances the impact of, the previous investment in 2019/20 in the creation of a Roads Policing Team and also the growth in this team as a result of the uplift in the number of Officers in 2020/21. The outcomes expected are:
- Provides greater reliability with fewer maintenance requirements and less downtime.

- Newer cameras allow for continual performance testing by remotely accessing the cameras via the web interface rather than via physical roadside access
- Better overall performance levels, allowing for earlier identification and then subsequent action to intercept offenders utilising Staffordshire's road network.

6.6 Technology & Digital Capability - The Commissioner has invested significantly in the replacement of end user devices to ensure that Staffordshire Police is benefiting from the latest technologies and making best use of new assets such as Niche and Digital Intelligence. To increase the pace of this investment, and to ensure that the opportunity afforded by this significant investment is maximised, Staffordshire Police will need to maintain access to the most up to date mobile devices. The outcomes expected are:

- The capacity to operate as a technologically enabled force, using modern end user devices which promote mobility and effective working practices and harness the benefits from the underlying force IT systems.
- Greater visibility due to the promotion of mobile working practices
- More reliable access to information regardless of location
- Capitalising on the increasing power and insight brought to Staffordshire Police as a result on significant investments in underlying IT infrastructure and software

6.7 Technology Modernisation & Innovation Team – Increasingly the demands placed upon Policing and the Policing response to overall crime is being underpinned by Technology. The requirements to invest significantly into technology underpins both the current Police and Crime Plan and also the current Policing Plan. This investment will ensure that Staffordshire Police continues to both exploit the opportunities presented by technology as well as giving the organisation the ability to keep up with the hanging demands placed on Policing. The outcomes expected are:

- An increased capacity to develop new technology designs, and translate these into solutions which add value to the force's existing technology portfolio.
- To accelerate the innovation and development of technological capabilities across the force, and streamline the implementation of a completely new core infrastructure solution
- An underlying improvement in the capacity and resilience of Staffordshire Police's core infrastructure, thus improving the experience of front line Officers, PCSO's and Staff

6.8 Contact Management Systems – this is an investment in IT software that will aid with managing demand and risk within Contact Services, drawing intelligence from a range of other Force systems, allowing for the most efficient and effective use of resources across the County. The outcomes expected are:

- Decision support tool – the Force does not currently have a decision support tool solution to assist with demand management. This solution would allow

the Control Room to draw intelligence from a range of sources in order to risk assess during a call.

- Asset tracking – Operational supervision will also have the ability to view the location of their resources.
- Deployment locations – tool for Force Duty Officer's to be able to track/monitor/move their resources more effectively in Force.
- In addition to the above, the CRM solution would aid the Force in its response to issues around stalking and harassment

6.9 **Investigations and Intelligence** – to complement the increased numbers of Police Officer roles in Investigations and Intelligence as a result of both the national uplift in Office numbers as well as the Commissioners investments during 2019/20 Staffordshire Police will invest in increasing the number of specialist Police Staff roles. Whilst the recruitment of these specialist roles is undertaken, within a competitive recruitment market, Staffordshire Police will be looking to add around 12 roles across the Investigations directorate and the Intelligence service. The expected areas for investment are:

- Adult Safeguarding and Exploitation Team (ASET)
- SAFENET Team - an enhanced capability in our response to online child sex abuse
- Knowledge Hub – data gathering, processing and intelligence
- CID
- ACU
- EDIU – additional capacity to deal with cyber and digital crimes and investigations.

6.10 The commissioner will continue to hold Staffordshire Police to account for the impact on outcomes of these investments. The Commissioner will have particular interest in how the local investment into Policing complements and enhances the national investment in Police Officer numbers.

7. The Medium Term Financial Strategy

The Medium Term Financial Strategy has been updated as follows and is shown in detail in Appendix 6:

- 7.1 The MTFS is an important document in the overall financial framework of the Commissioner's and Staffordshire Police's planning. It builds on the budget proposed for 2019/20 and incorporates plans to meet changes in available financing with the need to meet current and future commitments.
- 7.2 It is a requirement that the Police and Crime Plan must cover the period until the end of the financial year of the next Commissioner election in May 2020 however it is prudent to prepare a medium term financial strategy over a longer period than this and therefore the report focusses on a four year timeline.
- 7.3 The MTFS update presented to the Police and Crime Panel in October 2019 identified a funding gap over the MTFS period. Those gaps were:
- £4.658m in 2020/21, growing to;
 - £8.419m in 2021/22, growing to;
 - £11.144m in 2022/23, growing to;
 - £14.826m in 2023/24
- 7.4 The above gaps were predicated on an annual pay award of 2.5%, a cash flat core policing grant, a 1.99% annual precept increase and an assumption that the Officer Uplift would be fully funded.
- 7.5 The latest MTFS position for the period to 2020/21 indicates that this funding gap has been resolved for the coming budget year. The main drivers of this improvement is the combination of the increased precept opportunity, increased core policing grant and additional treasury management savings. There are small future funding gaps; however given the current spending review is for one year only this gap is predicted on cost and income inflation assumptions that will be reviewed once the 2020 Spending Review has concluded. The assumptions used are in line with those used by other Commissioners and Forces.

	2020/21	2021/22	2022/23	2023/24
Previously reported position (October 2019 PFCP)	£4.658m Gap	£8.149m Gap	£11.144m Gap	£14.826m Gap
Revised Position	£1.719m For Investment	£0.510m Gap	£1.684m Gap	£3.328m Gap

- 7.6 The MTFS is based on full delivery of a number of savings relating to the Force Change Programme, as included in detail in last year's budget report. The recent internal audit on the Change Programme controls and governance arrangements provided a 'positive assurance', along with strong focus in both the Commissioner and Force senior management team to ensure timely delivery.
- 7.7 One new saving has been included for delivery from 1st April 2020. This is a saving made from Treasury management in relation to the funding of the overall capital

programme. This saving has been delivered by improved cash balances and cash management (leading to lower external borrowing and interest costs), additional capital receipts from the disposal of surplus assets and slippage within the capital programme.

7.8 Three savings in the 2019/20 MTFS have been re-profiled or removed from the 2020/21 MTFS. These relate to savings from collaboration with Staffordshire Fire and Rescue Service, fleet and control room numbers. In relation to control room numbers the Force and Commissioner have agreed to remove this saving from the 2020/21 MTFS given the demand on the service and the Commissioners commitment to public contact.

7.9 The base budget allows for the impact of the decision to terminate the current IT contract with Boeing Defence UK. This is covered under decision note number 6 on the agenda for the Police Fire and Crime Panel meeting on the 10th February 2020.

7.10 The MTFS includes a number of key assumptions covering likely funding levels, inflationary increases and expenditure items. These include the following:

- That the core policing grant would stay cash flat for the first three years of the MTFS, with additional funding for uplift officers only. By year four the MTFS assumes all officers are in post and the core policing grant will increase by inflation from this point by 2% per annum.
- That the council tax base (and therefore, the precept) grows at 1.5% per annum (based on the local position over the last five years). Previously this had been set at 1.3%
- Pay Increases are assumed at 2.5% for the life of the MTFS. In relation to risk pay increases have for the previous decade been a relatively low risk item. Increases of 2.5% are below those seen in the wider economy and as such the risk of increases above 2.5% is increasing compared to the recent historic risk level.
- Non staff inflation are based upon the rates for the Consumer Price Index (CPI), as projected by the Office for Budget Responsibility (OBR) or where known the contract or specific inflation sum. For CPI we have assumed 1.5% from 2020/21 onwards.

7.11 It is expected that there will be more clarity provided by the Home Office for the years after 2020/21 in terms of funding arrangements once a multiyear spending review has been concluded in the Autumn of 2020.

8. Assumptions

- 8.1 All assumptions in the MTFS are subject to change however they are useful in establishing the general size of the underlying pressures in the budget.
- 8.2 The updated MTFS presented in this report has been constructed using the following assumptions:

Table 4: Assumptions

Description	2020/21 Budget	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
<u>Police Officers</u>				
2019/20 Pay Award Shortfall	0.5%	0.0%	0.0%	0.0%
Pay Award	2.5%	2.5%	2.5%	2.5%
Incremental uplift	1.0%	1.0%	1.0%	1.0%
Pension Contribution	31.0%	31.0%	31.0%	31.0%
<u>Police Staff</u>				
2019/20 Pay Award Shortfall	0.5%	0.0%	0.0%	0.0%
Pay Award	2.5%	2.5%	2.5%	2.5%
Incremental uplift	1.0%	1.0%	1.0%	1.0%
Pension Contribution	15.5%	15.5%	15.5%	15.5%
<u>Non Staff Inflation</u>				
General (Including Rates)	1.5%	1.5%	1.5%	1.5%
Utilities - Gas/Electric	1.5%	1.5%	1.5%	1.5%
Fuel	1.5%	1.5%	1.5%	1.5%
Estates Contract	1.5%	1.5%	1.5%	1.5%
Insurances	1.5%	1.5%	1.5%	1.5%
<u>Funding</u>				
Government Funding	9.8%	6.2%	2.3%	2.0%
Council Tax Base Increase	1.79%	1.50%	1.50%	1.50%
Variable Income Charges	2.0%	2.0%	2.0%	2.0%
Council Tax Precept Increase	3.94%	2.99%	2.99%	2.99%
Collection Fund Surplus £000	1,511	886	886	886

- 8.3 This does not commit the Commissioner to any course of action however these assumptions must be viewed as being more likely than any others which is why they have been selected.
- 8.4 We have cross referenced our assumptions on inflation with other Policing organisation and believe they are consistent.
- 8.5 The taxbase forecasts are a prudent average of the past 5 years although the current and future level of housebuilding may make a significant impact in terms of the total council tax collected.

9. Risks and Sensitivity Analysis

- 9.1 In reflecting on where and whether investments are appropriate in 2020/21 the Commissioner will also reflect on the development of risks within the environment and respond to the monitoring of those risks.
- 9.2 Whilst the uplift in funding for Policing is welcome the Commissioner is cognisant of the ongoing pressures on other local partners and national agencies. These pressures will have an impact on the performance of local policing and crime services.

Table 5: Sensitivity Analysis on Assumptions

Cost Area	Change	£'000
Police Pay	1%	1,002
PCSO/Police Staff	1%	582
Utilities	1%	44
Vehicle costs	1%	33
Supplies & Services	1%	104
Police Pension Contribution	1%	198
Police Core Grant Funding	1%	1,177
Precept	£1	353
Council Taxbase	1%	794

10. Reserves Position

- 10.1 The MTFS includes proposals to replace and strengthen the reserves position alongside investing in service delivery. The reserves strategy is being presented alongside the MTFS.
- 10.2 If the proposals in this report are adopted then the reserves position will be as shown in **Appendix 2**

11. Capital Programme 2019/20 to 2023/24

- 11.1 The Capital Programme is set out in Table 6 below. The revenue consequences of the proposed programme have been taken into account in the development of the revenue budget and the required prudential indicators are set out in the accompanying Treasury Management Strategy.
- 11.2 The core Capital Programme was considered by both the Commissioner and the Force at the Strategic Governance Board meeting in January 2020. The Programme includes investment on operational areas of premises, IT and vehicle fleet, together with assumptions for Capital Receipts and timings of work. The Commissioner provided scrutiny and oversight given the size of the expected spend.
- 11.3 Over recent years the Force has seen significant investment through the capital programme into both Digital Technology as well as estate. The capital programme for 2020/21 to 2023/24 will continue to focus investment on the shared priority of Digital Technology, with an increased focus on maximising the opportunities for sharing estate both with Staffordshire Fire and Rescue service as well as other public sector partners to drive value for the taxpayer and allow for the prioritisation of investment in Digital Technology.
- 11.4 The capital programme will see debt as a percentage of the net revenue budget fall throughout the period of the MTFS. On this metric the affordability of the capital programme will continue to improve over the MTFS period. This strikes a fair balance between the need for investment and the burden left to future taxpayers to service these investments.
- 11.5 The Commissioner has been able to increase the capital programme compared to the programme in the 2019/20 MTFS due to a number of factors. These include; increased capital receipts, direct revenue financing of the capital programme, a stronger internal cash position as well as improving confidence in the Force's ability and approach to managing capital spend and planning. The following investments are proposed as part of the 4 year capital programme.
- 11.6 Digital Technology investment is proposed to maintain the significant improvements in capability seen due to previous investments, to improve core infrastructure and for improvements in digital capabilities to be leveraged. The main proposed investments in the four year programme are:
- £6.0m for the completion of the Forces new records management system, replacing 13 systems with one (Niche). A number of these legacy systems are over 20 years old.
 - £1.7m for improvements and upgrades to the Forces control room (an additional £1.5m is provisioned for in 2021/22). This work is required to both improve resilience as well as enable the Force to operate with the Emergency Service Network (ESN). The ESN business case is awaiting sign off by the Home Office

- £0.6m for the completion of the roll out of Samsung note 9 devices to all Officers and PCSO's. This device allows for Officers to be truly mobile, work from and access data from any location across the county, leveraging the significant investment in Niche.
 - £10m for the upgrade and replacement of systems and infrastructure across areas as broad as Forensics, Origin (ERP system) and to fund the third phase of the national enabling programme.
- 11.7 The vehicle replacement programme does not see an increase in the number of vehicles the Force operates. An investment of £1.8m will allow for the replacement of 80 vehicles, with the vehicles proposed for replacement being on average 7 years old.
- 11.8 An additional amount of £0.4m has been added to the capital programme for the costs of the uplift in Officer Numbers. This is to be funded via revenue contributions from the ring-fenced uplift grant
- 11.9 The estates programme focusses on the costs of maintaining the current estate. Whilst a joint Estates strategy is being developed with Staffordshire Fire and Rescue Service, it is envisaged that this strategy will see a number of projects within this maintenance programme not being undertaken due to Staffordshire Police taking advantage of the modern PFI facilities offered by the Fire service under this joint estates strategy. However, for prudence whilst the strategy is being developed provision has been made for these projects.
- 11.10 Alongside the ability to work and operate from modern facilities contained within the estate operated by the Fire Service is the ability to generate capital receipts and ongoing revenue savings from the disposal of surplus estate. These receipts have been reinvested back into the capital programme and the revenue savings are used to support the revenue budget. The main proposed investments in the four year programme are:
- £0.6m for the provision of the creation of a joint Fire and Police Station in Hanley. This is the site currently operated as Hanley Community Fire Station. Talks are ongoing with the Home Office with a view that this funding will not be required to be found locally and instead can be invested back into other priority areas
 - A rolling refurbishment programme on the current Police Estate including provision of £0.5m for the refurbishment of Longton Police Station in 2020/21.
 - A provision on £8.5m for a new fire arms training range, scheduled for 2021/22. This is subject to a business case to be considered by the Commissioner elected in May 2020 and is included for planning purposes only.
- 11.11 The table below details the Capital Programme Projects and spend over the MTFS period with the expected funding of the programme.

Table 6: Capital Programme Spending

Capital Investment Area	2020/21 Budget £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
IT	10,932	4,000	2,500	2,500
Estates	3,065	11,250	1,250	1,050
Vehicles	1,820	1,150	1,150	1,150
Vehicles - Uplift	400	400	400	400
Operational Equipment	150	150	150	150
OPCC	0	0	0	0
Capital Programme	16,367	16,950	5,450	5,250

Funding				
Capital Receipts	(2,667)	(3,354)	(1,020)	0
Capital Grants	(174)	(174)	(174)	(174)
Capital Specific Grants	0	0	(331)	0
Revenue Contribution to Capital	(1,673)	(1,673)	(1,673)	(1,673)
Revenue Contribution to Capital - Uplift	(400)	(400)	(400)	(400)
NPAS (deferred capital receipt)	(99)	(99)	(59)	(20)
Capital Receipts Reserve	(774)	0	0	0
Earmarked Reserves	(473)	0	(471)	0
Borrowing Requirement	(10,107)	(11,250)	(1,322)	(2,983)
Total Funding	(16,367)	(16,950)	(5,450)	(5,250)

12. Statement of the Commissioner CFO on the robustness of the Budget and adequacy of the proposed financial reserves

- 12.1 The Local Government Act 2003, Part 2, Section 25, as amended by the Police Reform and Social Responsibility Act 2013, requires the Commissioner's CFO to report on the robustness of the estimates used for the budget and the adequacy of the proposed financial reserves. The Commissioner is required to have regard to the report of the CFO and the report must be given to the Police and Crime Panel.

I conclude, therefore, that the budget for 2020/21:

- Has been prepared on a robust basis,
- Is accompanied by a Capital, Treasury Management and Reserves Strategy
- Includes the funding for the required uplift in Officer numbers

David Greensmith

Director of Finance / S151 Officer for the Staffordshire Commissioner's Office

Revenue Budget 2020/21

	Budget 2019/20	Budget Proposal 2020/21	Year on Year Change
	£'000	£'000	£'000
Pay			
Police Officer Pay Costs	94,865	100,241	5,377
Pcso Pay Costs	8,214	8,483	269
Police Staff Pay Costs	46,825	49,687	2,862
Other Employee Costs	4,986	7,300	2,315
Police Officer Pensions	5,028	5,028	0
Total Pay	159,918	170,740	10,822
Non Pay			
Repairs & Maintenance	50	51	1
Other Premises Costs	3,932	4,389	457
Vehicle Costs	2,881	3,260	379
Other Travel Costs	479	491	12
Operational Supplies & Service	6,626	6,660	34
Communications & Computers	5,382	6,426	1,044
Administration	1,990	2,256	266
Other Supplies & Services	468	1,484	1,017
Total Non Pay	21,807	25,016	3,209
Contracted			
Third Party Payments	22,527	25,857	3,330
Total Contracted	22,527	25,857	3,330
Capital Financing Cost			
Capital Financing Costs	5,837	4,590	(1,247)
Revenue Contribution to Capital	0	2,073	2,073
Total Capital Financing Cost	5,837	6,663	826
Reserve Transfers			
Reserve Transfers	1,300		(1,300)
Total Reserve Transfers	1,300	0	(1,300)
Income			
Grants & Contributions	(9,249)	(9,380)	(131)
Reimbursements	(3,325)	(4,861)	(1,536)
Sales, Fees & Charges	(1,034)	(1,034)	0
Other Income	(41)	(60)	(19)
Total Other Income	(13,648)	(15,335)	(1,686)
Unallocated Savings			
Unallocated Savings	(747)	(2,258)	(1,511)
Total Unallocated Savings	(747)	(2,258)	(1,511)
New Commissioner Precept Enabled Investments		1,719	1,719
Total Revenue Budget	196,994	212,402	15,409
Financed By:			
Home Office Funding	120,928	131,479	10,551
Council Tax Funding	76,066	80,923	4,857
Total Financing	196,994	212,402	15,408

Useable Reserves Statement

Actual 31-Mar-19 £000	Transfer Out £000	Transfer In £000	Forecast 31-Mar-20 £000
4,564 General Fund	0	1,346	5,910
<u>Earmarked Reserves</u>			
15 Reshaping the Future	0	371	386
0 Capital Reserve	0	1,582	1,582
0 Redundancy Reserve	0	150	150
202 Aris (POCA)	(171)	0	31
294 Insurance Reserve	(240)	175	229
0 Pension Reserve	0	500	500
395 Operational Budget Reserve	(35)	316	676
906 Total Earmarked Reserve	(446)	3,094	3,554
5,470 Useable Reserves	(446)	4,440	9,464

Useable Reserves Forecast

	31/03/2020 Estimate £'000	31/03/2021 Budget £'000	31/03/2022 Budget £'000	31/03/2023 Budget £'000	31/03/2024 Budget £'000
General Reserves	5,910	5,910	5,910	5,910	5,910
<u>Earmarked Reserves</u>					
Reshaping the Future	386	386	386	386	386
Aris (POCA)	31	31	31	31	31
Insurance Reserve	229	229	229	229	229
Redundancy Reserve	150	150	150	150	150
Pension Reserve	500	500	500	500	500
Crash Course	189	189	189	189	189
Early Adopter Income	14	14	14	14	14
Bikesafe	0	0	0	0	0
Seized Vehicle Fund	393	0	80	160	240
MDA Forfeiture Fund	80	80	80	80	80
ESN Reserve	486	486	486	15	15
Capital Reserve	1,096	1,096	1,096	1,096	1,096
Total Earmarked Reserve	3,554	3,161	3,241	2,850	2,930
TOTAL RESERVES	9,464	9,071	9,151	8,760	8,840

Appendix 3

Council Tax Report 2020/21

Council Tax Surplus / Deficit by Authority

	2019/20	2020/21	Variation
	£	£	£
Cannock Chase	52,589	135,088	82,499
East Staffordshire	88,361	86,675	(1,686)
Lichfield	26,190	186,700	160,510
Newcastle	231,000	(66,087)	(297,087)
South Staffordshire	107,983	214,365	106,382
Stafford		288,409	288,409
Staffordshire Moorlands	71,140	37,060	(34,080)
Tamworth	70,091	94,683	24,592
Stoke	363,034	533,728	170,694
Budget Adjustment			
Total (per budget paper)	1,010,388	1,510,621	500,233

Appendix 4

Council Tax Report 2020/21

Council Taxbase by Billing Authority

	2019/20	2020/21	Variation	%
Cannock Chase	28,874	29,243	368	1.3%
East Staffordshire	37,278	38,389	1,110	3.0%
Lichfield	38,011	39,032	1,022	2.7%
Newcastle	37,117	37,387	270	0.7%
South Staffordshire	38,090	38,356	266	0.7%
Stafford	47,492	48,261	769	1.6%
Staffordshire Moorlands	33,089	33,225	136	0.4%
Stoke	64,868	66,542	1,674	2.6%
Tamworth	21,761	22,367	606	2.8%
Total	346,580	352,801	6,220	1.79%

Appendix 5

Council Tax Report 2020/21

Council Bands for Each Band and District Precepts

Based upon a Band D Increase of 3.94%

Council Tax Band Figures

	2019/20	2020/21	Increase	Per Week
Band	£	£	£	Pence
A	144.37	150.06	5.69	10.9
B	168.44	175.07	6.63	12.8
C	192.50	200.08	7.58	14.6
D	216.56	225.09	8.53	16.4
E	264.68	275.11	10.43	20.1
F	312.81	325.13	12.32	23.7
G	360.93	375.15	14.22	27.3
H	433.12	450.18	17.06	32.8

Precept Payable

	2019/20	2020/21	Variation	
	£	£	£	%
Cannock Chase	6,253,053	6,582,194	329,141	5.26%
East Staffordshire	8,072,967	8,640,867	567,900	7.03%
Lichfield	8,231,619	8,785,780	554,162	6.73%
Newcastle	8,038,058	8,415,440	377,382	4.69%
South Staffordshire	8,248,799	8,633,530	384,731	4.66%
Stafford	10,284,768	10,863,001	578,233	5.62%
Staffordshire Moorlands	7,165,754	7,478,615	312,861	4.37%
Stoke	14,047,836	14,977,871	930,036	6.62%
Tamworth	4,712,562	5,034,588	322,026	6.83%
Total	75,055,415	79,411,887	4,356,472	5.80%

Appendix 6

MTFS Summary Financials to 2023/24

	Budget 2020/21 £'000	Budget 2021/22 £'000	Budget 2022/23 £'000	Budget 2023/24 £'000
Pay				
Police Officer Pay Costs	100,241	107,399	113,712	116,932
Pcso Pay Costs	8,483	8,798	9,118	9,443
Police Staff Pay Costs	49,687	49,907	50,352	50,866
Other Employee Costs	6,300	7,422	7,038	7,135
Police Officer Pensions	5,028	5,028	5,028	5,028
Total Pay	169,740	178,554	185,248	189,404
Non Pay				
Repairs & Maintenance	51	52	52	53
Other Premises Costs	4,389	4,448	4,509	4,571
Vehicle Costs	3,260	3,304	3,348	3,394
Other Travel Costs	491	498	506	513
Operational Supplies & Service	6,660	6,761	6,863	6,967
Communications & Computers	6,426	6,508	6,591	6,675
Administration	2,256	2,286	2,317	2,348
Other Supplies & Services	1,484	1,491	1,499	1,506
Total Non Pay	25,016	25,348	25,685	26,027
Contracted				
Third Party Payments	25,857	26,636	26,995	27,701
Total Contracted	25,957	26,636	26,995	27,701
Capital Financing Cost				
Capital Financing Costs	4,590	7,120	7,088	7,374
Revenue Contribution to Capital	2,073	2,073	2,073	3,073
Total Capital Financing Cost	4,590	7,120	7,088	7,374
Reserve Transfers				
Reserve Transfers	0	0	0	0
Total Reserve Transfers	3,073	0	0	0
Income				
Grants & Contributions	(9,380)	(9,380)	(9,380)	(9,380)
Reimbursements	(4,861)	(4,894)	(4,894)	(4,894)
Sales, Fees & Charges	(1,034)	(1,034)	(1,034)	(1,034)
Other Income	(60)	(60)	(60)	(60)
Total Other Income	(15,435)	(15,368)	(15,368)	(15,368)
Unallocated Savings				
Unallocated Savings	(2,258)	(2,431)	(2,431)	(2,431)
Total Unallocated Savings	(2,258)	(2,431)	(2,431)	(2,431)
New Commissioner Precept Enabled Investments	1,719	1,719	1,719	1,719
Budget Gap (future savings to be identified)	0	(510)	(1,684)	(3,328)
Total Revenue Budget	212,402	221,069	227,253	231,099

Financed By:				
Settlement Funding				
Home Office Police Grant (inc. Uplift Ringfenced Grant)	117,690	124,953	127,872	127,783
Police Pension Grant	1,825	1,825	1,825	1,825
Revenue Support Grant	8,423	8,423	8,423	8,423
Council Tax Freeze Grant	3,541	3,541	3,541	3,541
Total Settlement Funding	131,479	138,742	141,661	141,572
Council Tax	80,923	83,900	87,665	91,600
Total Financing	212,402	222,642	229,326	233,172



Report to the Police Fire and Crime Panel

10th February 2020

Treasury Management Strategy Report 2020/2021 (Police)

1. **Background**

- 1.1 This report will detail the treasury management strategy for Staffordshire Police and Crime Commissioner only; a separate report has been completed for the Staffordshire Commissioner Fire and Rescue Authority. Therefore, reference is made only to the **Staffordshire Police and Crime Commissioner ('the Commissioner')** as part of this report.

2. **Introduction**

- 2.1 This report outlines the Commissioner's Treasury Management Strategy for 2020/21.
- 2.2 Treasury management comprises the management of the Commissioner's cash flows, borrowings and investments, and their associated risks. The Commissioner is exposed to financial risks, including the effects on revenue from changing interest rates on borrowings and investments, and the risks of a potential loss of invested funds. Therefore, it is essential that the Commissioner successfully identifies, monitors and controls financial risk as part of prudent financial management.
- 2.3 The Commissioner conducts its treasury risk management within the framework of the Chartered Institute of Public Finance and Accountancy's (CIPFA) *Treasury Management in the Public Services Code of Practice 2017 Edition* (the CIPFA Code). The CIPFA Code requires that the Commissioner approves a treasury management strategy before the start of each financial year. In addition, this report fulfils the legal obligation to have regard to the CIPFA Code under the Local Government Act 2003.
- 2.4 The Annual Investment Strategy (AIS) for 2020/21 meets the requirements of the statutory guidance issued by the Ministry of Housing, Communities and Local Government's (MHCLG) in its *Guidance on Local Government Investments 2018 Edition*.
- 2.5 This strategy has been prepared in conjunction with the Treasury and Pensions team at Staffordshire County Council (SCC), after consultation with the Commissioner.

3. **Recommendations**

- 3.1 That the Staffordshire Police, Fire and Crime Panel to note the proposed borrowing strategy for the 2020/21 financial year comprising:
- a) to continue with the use of cash as far as practical, with the ability to raise long-term loans following consultation with the Director of Finance/S151 Officer
 - b) a forward borrowing strategy that will not be used in 2020/21; and
 - c) a loan restructuring strategy that is potentially unlimited where this rebalances risk.
- 3.2 The Panel to note, in accordance with the MHCLG's Guidance on Local Authority Investments, the adoption of the Annual Investment Strategy (AIS) 2020/21 as detailed in **Section 7** of this report and summarised in **Appendix 3**. Also, to note the policies on:
- a) reviewing the strategy;
 - b) the use of external advisors; and
 - c) training.

Matthew Ellis
Staffordshire Commissioner

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4. **Economic Background**

- 4.1 In its November 2019 Monetary Policy Report, the Bank of England confirmed UK GDP growth had slowed materially to 1% in 2019, moving further away from its long-term trend rate of about 2%. This was due to weaker global growth driven by trade protectionism, and the domestic impact of Brexit-related uncertainties. However, the Bank still expects an orderly transition to a free trade agreement between the UK and the EU, with forecasts for UK economic growth to pick up and reach 1.6% in 2020 and 1.8% in 2021.
- 4.2 The UK's progress in negotiating an exit from the European Union (EU), together with any future trading arrangements, will continue to be a major influence on the Commissioner's treasury management strategy for 2020/21.
- 4.3 Brexit has been delayed until 31 January 2020 however, with the recent Conservative victory in the General Election, it is thought that the UK-EU Withdrawal Agreement will now be approved by Parliament, providing some level of near-term certainty.
- 4.4 The Bank of England's Monetary Policy Committee (MPC) maintained Bank Rate at 0.75% in November 2019, following a 7-2 vote. Despite keeping rates on hold, MPC members indicated they would be prepared to cut interest rates if Brexit uncertainties and the slowdown in global growth continued. UK inflation remained below the Bank of England target of 2%, with Consumer Price Inflation (CPI) falling to 1.5% in October 2019. This supports the view that MPC members may be less inclined to raise interest rates even if there is a Brexit deal.
- 4.5 The global economy is entering a period of slower growth, mainly due to the trade policy stance of the US. Growth in the US economy slowed to 1.9% in Q3 2019 on the back of its ongoing trade war with China. The Federal Reserve continued to ease monetary policy and at its last meeting in October 2019, it cut rates to the range of 1.5% to 1.75%. Financial markets expect further loosening of US monetary policy in 2020.
- 4.6 Growth in Europe remains soft; Germany, its largest economy avoided recession in Q3 2019, but the outlook remains weak. Eurozone inflation was 0.7% year on year in October 2019, the lowest it had been for 3 years and well below the European Central Bank (ECB) target of 2%. In response, the ECB has recommenced quantitative easing and has maintained the policy of ultra-low interest rates; the main interest rate is at 0% and the deposit facility rate at -0.5%.

Credit outlook

- 4.7 In 2015, the Bank Recovery and Resolution Directive (BRRD) introduced a significant risk for local authorities whereby a failing bank will need to be 'bailed-in' by current investors instead of being 'bailed out' by government. The risk of loss for local authorities in a bail-in situation is much greater, as any unsecured fixed-term deposits would be ranked near the bottom of the capital structure and would be one of the first to suffer losses.
- 4.8 As the risk under bail-in regulations has increased, the Commissioner will continue to work with the Treasury and Pensions team at the County Council to monitor developments on bank credit risk.

- 4.9 Ring-fencing legislation adopted by UK financial regulators means the larger UK banks have separated their core retail banking activity (ring-fenced) from the rest of their business (non ring-fenced) i.e. investment banking. The aim is to protect retail banking activity from unrelated risks elsewhere in the banking group, as occurred during the global financial crisis. Credit rating agencies have adjusted the ratings of some of the legally separate entities with ringfenced banks generally better rated than their non-ringfenced counterparts.
- 4.10 The uncertainty caused by the protracted negotiations between the UK and EU continues to weigh on the creditworthiness for UK and European banks with substantial operations in both jurisdictions. However, with the recent Conservative victory in the General Election, some certainty may be provided if Parliament agree the UK-EU Withdrawal Agreement.

Interest rate forecast

- 4.11 In terms of treasury management activity, the Bank Rate is fundamental to the income received and may also affect expenditure on loan interest where new loans are taken out or variable rate loans are held.
- 4.12 The County Council is forecasting that Bank Rate will remain at 0.75% until the end of 2022. There are risks to this forecast due to on-going Brexit uncertainties and the continuing global economic slowdown. As such, the risks to the interest rate forecast are considered firmly to the downside.
- 4.13 The Bank of England's MPC had previously maintained a bias towards tighter monetary policy. MPC members have now stated an interest rate rise is less likely, even if a Brexit agreement is reached.
- 4.14 Gilt yields have risen recently although they remain at historically low levels. County Council projections indicate only a modest upward movement is expected from current levels; 10-year and 20-year gilt yields are forecast to rise to around 1.00% and 1.40% by 2022 respectively. However, volatility arising from both economic and political events are likely to continue.
- 4.15 Due to the risks of financial market volatility, the treasury strategy retains the low risk approach adopted in recent years, based on prioritising security, liquidity and then yield. The Commissioner's full creditworthiness approach is detailed in the Authority's Annual Investment Strategy (AIS) outlined in **Section 7**. This also sets out where cash will be invested.

5. Local Context

- 5.1 On 30 November 2019, the Commissioner held £72.8m of external borrowing and had £29.7m temporarily invested. The Commissioner's future requirements for borrowing and investments can be considered by reviewing its balance sheet forecasts.

Balance sheet

- 5.2 In terms of borrowing, the Commissioner discloses its Capital Financing Requirement (CFR) as part of its Statement of Accounts. This represents the underlying need to borrow for capital purposes i.e. the amounts that have been

financed through external and internal borrowing rather than being permanently financed.

- 5.3 If the Commissioner increases debt to fund additional capital expenditure, this will increase its Loans CFR; conversely repaying debt through the Minimum Revenue Provision (MRP) will reduce its Loans CFR. The table below shows forecasts for the Commissioner's Loans CFR and how this will be financed through external and internal borrowing:

	31.03.19 Actual £m	31.03.20 Estimate £m	31.03.21 Forecast £m	31.03.22 Forecast £m	31.03.23 Forecast £m	31.03.24 Forecast £m
Loans CFR	78.4	83.6	93.7	99.6	94.6	90.5
Less: External borrowing	(73.8)	(71.8)	(70.8)	(67.2)	(64.7)	(63.1)
Less: Capital financing from reserves	(5.1)	(4.0)	(5.9)	(5.3)	(3.7)	(1.9)
Internal/ (over) borrowing	(0.5)	7.8	17.0	27.1	26.2	25.5

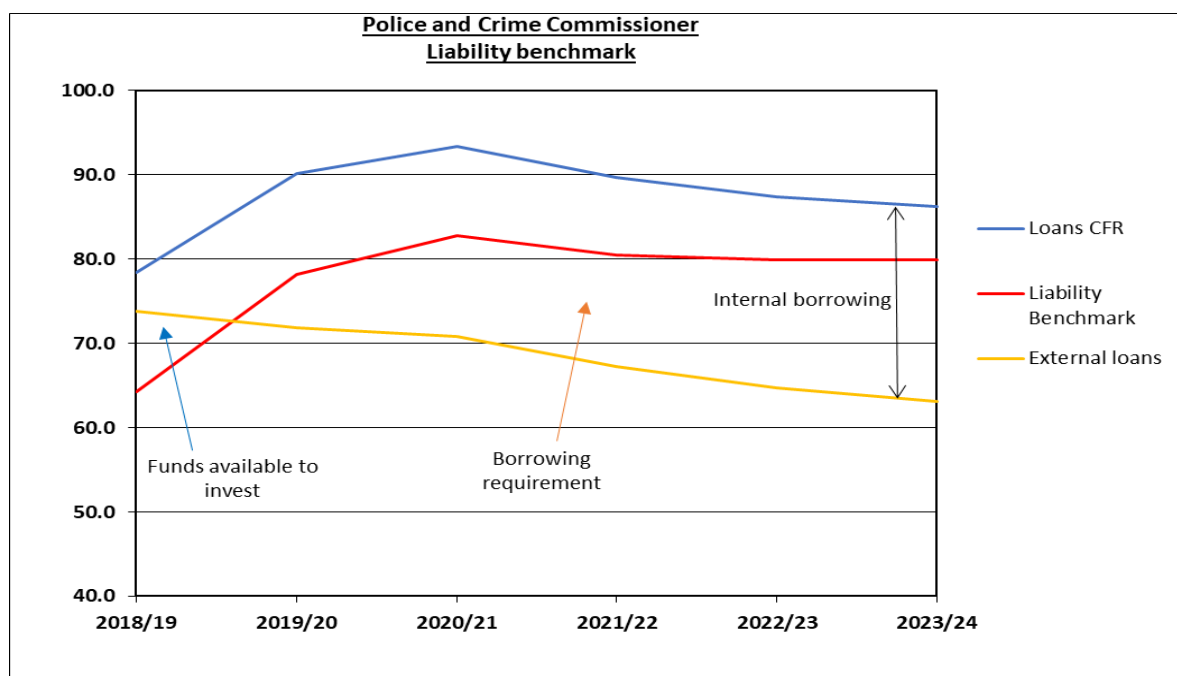
- 5.4 The table shows that the Commissioner's Loans CFR is due to increase up to 2020/21 before decreasing thereafter; primarily because of its IT capital programme during this period. The Commissioner's internal borrowing requirements will continue to increase over the years despite using reserves for some of its capital financing. This is because a significant amount of external loans will be repaid upon maturity during this period.
- 5.5 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Commissioner's total external borrowing should be lower than its highest forecast CFR over the next three years; the previous table shows the Commissioner will comply with this recommendation in this period.
- 5.6 For investments, the Commissioner's total resources available are measured by its usable reserves and working capital less any amounts that have been internally borrowed. This is shown in the following table:

	31.03.19 Actual £m	31.03.20 Estimate £m	31.03.21 Forecast £m	31.03.22 Forecast £m	31.03.23 Forecast £m	31.03.24 Forecast £m
Usable reserves	5.5	9.5	9.1	9.2	8.8	8.8
Working capital surplus	0.0	0.0	0.0	0.0	0.0	0.0
(Less Internal)/ Add Over						
Borrowing	0.5	(7.8)	(17.0)	(27.1)	(26.2)	(25.5)
Investments/ (New Borrowing)	6.0	1.7	(7.9)	(17.9)	(17.4)	(16.7)

- 5.7 This demonstrates the Commissioner's recent strategy in using internal borrowing to reduce the need for external borrowing and as a result, temporary investment levels. However, this strategy will not be sustainable as the Commissioner will not have sufficient internal resources to cover the internal borrowing requirement going forward and will need to borrow from external sources.

Liability benchmark

- 5.8 The CIPFA Prudential Code encourages local authorities to develop their own liability benchmark to manage treasury management risk. The liability benchmark represents the minimum amount of loans required to maintain cash balances at nil i.e. when all usable reserves and working capital surpluses are used to offset the amount of loans borrowed.
- 5.9 Forecasts for the liability benchmark can be used to predict when further borrowing may be required or when cash is available to invest. Forecasts for the Commissioner's liability benchmark are shown in the following chart:



- 5.10 The chart shows that the Commissioner's Loans CFR (blue line) has been financed through a combination of external borrowing (yellow line) and internal borrowing (the difference between the yellow line and the blue line).
- 5.11 The chart indicates that from 2019/20, the Commissioner's level of external loans falls below the minimum required by the liability benchmark and this gap continues to widen over the period. This is because the Commissioner's Loans CFR, and hence its liability benchmark, increases significantly up to 2020/21, driven primarily by its previously reported investment on IT. At the same time, the Commissioners level of external loans fall during this period as a number of these loans are repaid upon maturity (**see paragraph 5.4**).
- 5.12 It is highly likely that the Commissioner will need to borrow externally as it will not have sufficient usable reserves and working capital to cover the amounts required internally. Therefore, the liability benchmark will have an impact on the Commissioner's borrowing strategy for 2020/21.

6. **Borrowing strategy 2020/21**

- 6.1 As it stands, the Commissioner will hold £70.8m in external loans in 2020/21, as part of its strategy for funding previous years capital programmes. The Commissioner will need to ensure total amounts borrowed do not exceed the authorised limit of £119.7 million, as disclosed in **Appendix 1**.

Objectives

- 6.2 The primary objective for the Commissioner when considering borrowing money is to strike an appropriate balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. Although relatively low interest costs may be secured for the short term, it is more difficult to predict interest costs over the long term.

Strategy

- 6.3 Given the significant cuts to public services and to local government funding, the Commissioner continues to address the key issue of affordability without compromising the long-term stability of its debt portfolio. As short-term interest rates have been lower than long term rates, it is more cost effective to use internal resources in lieu of borrowing in the short term.
- 6.4 The balance sheet analysis at **paragraph 5.7** and the liability benchmark analysis at **paragraph 5.12** both indicate the Commissioner will not have sufficient internal resources for use in lieu of borrowing and is likely to have a need to borrow externally.
- 6.5 It is important to understand that not all of the borrowing requirement needs to be closed with loans; an important aspect of using some cash is its risk reduction effects:
- Using cash reduces security risk as investment balances are lower. Regulations emphasise the importance of minimising this risk and is discussed later in this report. This is even more important to the Commissioner with the advent of bail-in risk.
 - There is less exposure to variable interest rate changes; this exposure arises when a fixed term loan is taken out with corresponding variable rate investments. This is avoided when cash is used.
 - The low interest rate environment allows a portion of the capital programme to be funded at low cost through the use of cash and this opportunity should continue to be maximised.
- 6.6 The Commissioner will monitor the benefits of internal borrowing on a regular basis as this strategy must be balanced against the possibility that long-term borrowing costs may increase in future years, leading to additional costs incurred in deferring borrowing. The Commissioner will need to determine whether it borrows additional sums at long term fixed rates in 2020/21 with a view to keeping future interest costs low. To this end, the Commissioner will consult with the treasury team at Staffordshire County Council.
- 6.7 The strategy proposed is one that still aims to balance the liquidity needs of day to day cash management with the low risk approach that is offered by using cash. As cash balances will not be sufficient in the year, the question arises as to what loans should be raised to provide the liquidity necessary to allow the Commissioner to continue to pay its bills.

Sources of borrowing

- 6.8 The approved sources of long term and short-term borrowing are:
- Public Works Loans Board (PWLB) and any successor body
 - UK Municipal Bonds Agency Plc and any other special purpose companies created to enable local authority bond issues
 - Other UK public sector bodies

- UK public pension funds
- Approved banks or building societies authorised to operate in the UK
- Any institutions approved for investments.

Short-term loans

- 6.9 Short-term loans raised from money markets are typically under 6 months duration. These are low cost and the Commissioner can respond flexibly to liquidity pressures by raising these when needed. The disadvantage of short-term loans is one of availability and it can be difficult to raise quickly from banks and building societies.
- 6.10 The local authority lending market has progressed considerably in recent years and funds are generally available in the short to medium term. However future availability cannot be predicted as loans raised depend upon other local authorities still having cash balances and being prepared to lend it to the Commissioner.

Long-term loans

- 6.11 Long-term loans are those for a duration of more than 12 months. The Commissioner has previously raised the majority of its long-term borrowing from the PWLB, a statutory body that issues loans to local authorities. Government consent is not required hence the PWLB continues to be seen as the 'lender of first resort' because of the flexibility and ease of access. However local authorities are required by law to have regard to the Prudential Code and only borrow within relevant legislation and its borrowing powers.
- 6.12 On 9 October 2019, HM Treasury, the government department responsible for the PWLB, increased the margin over gilt yields from 80bps to 180bps, for PWLB certainty rate loans. The government reasoned that the cost of borrowing had fallen to record lows and some local authorities have substantially increased their use of PWLB borrowing. This new shift in policy was aimed to restore PWLB lending rates to 'normal' levels.
- 6.13 The new rates are substantially higher than the rates under the old policy although they are still low when compared to historical PWLB rates. Where the Commissioner has a long-term borrowing need, it will need to consider the alternative sources of borrowing highlighted in **paragraph 6.8**. Seeking lower interest costs may introduce greater administrative and resource costs as well as increased risk and this would need to be balanced against the ease of access to loans from the PWLB.
- 6.14 The exact type of loan to be raised by the Commissioner and its duration would have to be considered at the time; but with current interest rates and the maturity profile of the existing loan portfolio, loans towards the shorter end of the yield curve offer better value for money.
- 6.15 The optimum timing for borrowing cannot be foreseen and decisions often need to be taken at short notice. Because of this, it is proposed to delegate the decision to borrow long-term loans to the Director of Finance at the Commissioner, and reported retrospectively to the Staffordshire Police, Fire and Crime Panel. In addition, the outturn and half-year reports will update the position later in the year.

- 6.16 The overall strategy of maximising the use of cash in lieu of borrowing is still considered a relatively low risk strategy, although it is impossible to eliminate all treasury risk. The consequences of using cash are the possibility of increased costs in the future if interest rates rise; this must be balanced with the extra cost now if loans are raised (the cost of carry).

Loan restructuring

- 6.17 Movements in interest rates over time may provide opportunities to restructure the loan portfolio in one of two ways:
- Replace existing loans with new loans at a lower rate (known as loan rescheduling).
 - Repay loans early, without replacing the loans. As this would increase the use of cash this is no longer a viable option with the debt levels outlined earlier.
- 6.18 Currently loan restructuring would be very expensive and unappealing for the Commissioner. This is because:
- Gilt yields are still historically low. This would lead to large penalties to compensate the PWLB or its successor body if loans were repaid early; and
 - New loans are much more expensive than in the past even though gilt yields are so low. Since 2019 the Government has increased the margin on top of gilts at which it onward lends to local government via the PWLB or its successor body (the margin is now 2.00% but can be reduced by 0.20% if the PWLB Certainty Rate is applied).
- 6.19 Market conditions and regulations can change and the outcome cannot be foreseen. It is therefore proposed to allow unlimited loan restructuring with the decision being delegated to the Director of Finance at the Commissioner, and reported retrospectively to the Staffordshire Police, Fire and Crime Panel.

Policy on borrowing in advance of need

- 6.20 As the borrowing strategy proposed for 2020/21 involves maximising the use of cash until borrowing is required, the policy is not to borrow in advance this year. This will be revisited annually as part of the overall borrowing strategy.

7. Annual Investment Strategy (AIS) 2020/21

- 7.1 It is the Commissioner's borrowing strategy that determines its investment strategy. The current economic environment of relatively low interest rates also favours the use of cash instead of borrowing, hence balances available for temporary investments are likely to be less. In addition, the Commissioner does not have sufficient cash to meet its capital requirements and is expected to have a borrowing need in 2020/21 (**see paragraph 5.12**).
- 7.2 Nevertheless, the Commissioner may have significant level of funds to invest at different points of the year; this usually represents income received in advance of expenditure plus balances and reserves held. In the previous financial year, the Commissioner's investment balance ranged between £2 million and £54 million.

Brexit risks

- 7.3 In the UK's exit from the EU, there are substantial issues that remain unresolved, meaning that a number of potential outcomes still exist. One of the more critical outcomes for the UK economy would be a no-deal Brexit and the Commissioner has considered the possible repercussions of this in the context of its treasury risk management. In this respect, the Commissioner will continue to seek support from the Treasury team at the County Council.
- 7.4 Bank of England stress tests have shown the strongest UK banks can withstand a no-deal Brexit scenario. Banks used by money market funds (MMFs) for their underlying investments continue to have strong credit ratings. Meanwhile investments held with central and local government are less exposed to such credit risk. Despite these assurances, a high-risk scenario is still a possibility in which case the Commissioner proposes to use their account with central government's Debt Management Office (DMO), for any short-term investment needs.
- 7.5 The liquidity of certain funds from banks and MMFs domiciled outside the UK could be affected by unforeseen regulatory issues from a no-deal Brexit position. For this reason, the Commissioner proposes not to hold the entirety of its liquid cash outside of the UK over the Brexit period. The Commissioner is also in the process of opening a UK domiciled MMF with fund managers CCLA; this would be utilised more in a worst-case scenario (**see paragraph 7.28**).

MiFID II

- 7.6 Following the introduction of the second Markets in Financial Instruments Directive (MiFID II) regulations from January 2018, local authorities will automatically be treated as retail clients by financial services firms, unless they 'opt up' to be professional clients. As a retail client, local authorities would receive enhanced protections but this would also mean they may face restricted access to certain products including MMF's, pooled funds, treasury bills and treasury advice.
- 7.7 For 2020/21, the Commissioner is not expected to meet the criteria to opt up to be a professional client (in particular the criteria to have investment balances over £10 million) and will continue to be treated as a retail client by financial firms.

Objectives

- 7.8 The CIPFA Code requires the local authorities to invest their funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield.
- 7.9 The Commissioner's objective when investing its cash is to strike an appropriate balance between risk and return, thereby minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Strategy

- 7.10 The main characteristics which should determine an investment strategy are:
- the credit risk of the counterparties invested with;
 - the length of the investment; and
 - the type of financial instrument that is used.
- 7.11 The Commissioner has taken a low risk approach to investment and the AIS for 2020/21 will continue to do so. Short term unsecured bank investments have generally provided very low returns with the increasing risk from bail-in regulations (see **paragraph 4.7**). The Commissioner will continue to concentrate its short-term investments in more secure MMFs and government investments.
- 7.12 MHCLG Guidance on Local Government Investments specifies the types of financial instruments that local authorities can invest in and the Commissioner has divided its approved treasury investments into Standard Investments and Non-standard Investments.

Standard investments

- 7.13 The Commissioner considers Standard Investments to be those made with approved counterparties that do not require further approval from the Director of Finance at the Commissioner. These investments tend to be for a period of less than a year and are those most frequently used by the Commissioner. Standard Investments can be invested with:
- UK Government – central government or local authority, parish council or community council
 - short term MMFs
 - bank and building society investments

i) Government

- 7.14 The Commissioner invests with central government by using its Debt Management Account Deposit Facility (DMADF) account. Funds held in the DMADF account are backed by the UK Government so they are very secure; however, returns tend to be lower than those received elsewhere.
- 7.15 The Commissioner invests in term deposits with local authorities which can provide a higher return depending on the availability of, or the need for cash in the local authority lending market. Like central government investments, local government investments are not subject to bail in risk.
- 7.16 Although investments in the local authority lending market have a low risk of insolvency, they are not completely without risk. The financial risks of a few local authorities have been documented in the press; the Commissioner will continue to monitor such developments and seek information from the County Council's Treasury team where necessary.

ii) Money Market Funds (MMFs)

- 7.17 Money Market Funds have high credit quality and are pooled investment vehicles consisting of money market deposits and similar instruments. Short-term MMFs that offer same day liquidity can be used as an alternative to instant access bank accounts. The Commissioner has used same day notice MMFs for some time as they have tended to provide greater security and a higher yield than bank accounts.
- 7.18 EU regulation introduced in January 2019 has meant most same day notice MMFs have converted from a Constant Net Asset Value (CNAV) to a Low Volatility Net Asset Value (LVNAV) structure. The assets of LVNAV MMFs are marked to market, meaning the dealing NAV (unit price) may fluctuate. However, LVNAV MMFs are allowed to maintain a constant dealing NAV provided they meet strict criteria and minimum liquidity requirements. Public debt CNAV MMFs are still available where 99.5% of assets are invested in government debt instruments.
- 7.19 The Commissioner will continue to use same day notice MMFs that meet the criteria listed below. These are considered to have sufficient high credit quality to be included on the Commissioner's Approved Lending List:
- Diversified – MMFs invest across many different investments meaning they achieve more diversification than the Commissioner could achieve on its own account.
 - Short liquidity – cash can be accessed daily.
 - Ring-fenced assets – the investments are owned by investors and not the fund management company.
 - Custodian – the investments are managed by an independent bank known as a custodian, who operates at arms-length from the fund management company.
- 7.20 Like all treasury instruments, MMFs do carry an element of risk:
- The failure of one or more of an MMF's investments could lead to a run on MMFs, especially during a financial crisis; however, the new MMF regulations do limit this risk to some extent.
 - If the UK enters a recession, there is a possibility that the Bank Rate could be set to near or below zero. This could mean interest earned from MMFs could become negative after the deduction of their fee. In this instance, the Commissioner could move funds to an alternative category of investment.

iii) Bank and building society accounts

- 7.21 The Commissioner can make investments with approved banks and building societies by using call accounts or term deposits. Investments held with banks and building societies run the risk of credit loss via a bail in, if the regulator determines that the bank is failing or likely to fail.

iv) Operational bank account

- 7.22 The Commissioner's banking provider is Lloyds Bank. Cash is retained with Lloyds Bank each night earning interest at a market rate; the amount retained will be set in line with the diversification policy set out at **paragraph 7.25** onwards.
- 7.23 In respect of the Bank ring-fencing legislation referred to in **paragraph 4.9**, Lloyds Bank has a relatively small investment banking operation meaning that

97% of the bank's assets remain within the 'retail bank' ring-fence. The Commissioner's business with Lloyds Bank will take place within the 'retail bank' ring-fence (Lloyds Bank Plc) and not form part of their investment banking operations (Lloyds Bank Corporate Markets).

- 7.24 Lloyds Bank Plc has seen a credit ratings upgrade since ring-fencing legislation was introduced; should the Lloyds credit rating fall, then small balances may be retained with the bank for operational efficiency. The Commissioner will continue to seek support from the County Council's Treasury team on bank credit risk and any changes will be determined by the Director of Finance at the Commissioner.

Standard Investment diversification

- 7.25 Risks to investments, such as those discussed for MMFs in **paragraph 7.20**, point towards the fundamental need for diversification across counterparties and investment categories, where possible. Diversification can help to protect the security of investments by limiting the Commissioner's loss in the event of a counterparty default. Diversification will not protect the Commissioner from a systemic failure of the banking sector even if the risk of this has diminished following the bail-in banking regulations.
- 7.26 Diversification can be achieved by setting a maximum amount to be invested with each counterparty, to limit risk and to ensure a spread of investments.
- No limits are proposed for government investments as these may be utilised for all the Commissioner's investments in certain circumstances.
 - For MMF's a standard limit of £1.5m per MMF is in place to meet liquidity requirements.
 - For Lloyds Bank a standard limit of £0.5m is set that minimises processing costs and provides a small amount of additional liquidity.
- 7.27 During 2019/20, the Commissioner received additional balances from capital receipts. To allow short-term flexibility for investments, the Director of Finance at the Commissioner agreed to increase the standard limits to temporary limits of £4.0m for MMFs and £1.0m for Lloyds Bank. The Commissioner will continue to use the higher temporary limits in 2020/21 until the level of cash balances fall to allow reverting to using the standard limits.
- 7.28 As mentioned in **paragraph 7.5**, the Commissioner is in the process of opening a new MMF with CCLA; this will also provide greater flexibility when cash balances are relatively high. Due to the smaller size of the CCLA MMF, the Director of Finance at the Commissioner has agreed to a temporary limit of £2m but reverting to the standard limit of £1.5m when cash balances fall again.
- 7.29 Where cash balances are low then this may mean that all investments are placed with the MMFs and Lloyds Bank. However, balances will be within the limits stated above.
- 7.30 It is proposed that both the application and amendment of this policy are delegated to the Director of Finance at the Commissioner with the outcome reported in the regular treasury management reports to the Staffordshire Police, Fire and Crime Panel.

Non-Standard Investments

- 7.31 The Commissioner considers Non-Standard Investments to be all other types of approved investment counterparties that are not included as part of Standard Investments i.e. those investments that are used less frequently and may require further approval from the Director of Finance at the Commissioner.
- 7.32 The Commissioner does not currently use Non-Standard Investments due to the expectations for lower cash balances in the future and the potential for increased risk.

The Credit Management Strategy for 2020/21

- 7.33 Investments made by the Commissioner should be of 'high credit quality'. Although this can be difficult to define, credit ratings can be used as published by external credit rating agencies (the three main agencies are Moody's, Standard & Poors and Fitch). Credit ratings can be obtained from the County Council's Treasury team, where available.
- 7.34 For 2020/21, the minimum credit-rating thresholds are set at a long-term rating of 'A- 'where available. Counterparties that are rated below this level are excluded. However, credit ratings are not the only aspect of how creditworthiness is assessed.
- 7.35 The following elements are also factored in when evaluating creditworthiness:
- Potential government support.
 - Credit Default Swap prices (CDS) (i.e. the cost of insuring against counterparty default).
 - Share prices and bond yields.
 - Balance sheet structure.
 - Macro-economic factors.
 - A subjective overlay, i.e. a judgement being made about whether the counterparty should be recommended or not.
- 7.36 The Commissioner remains responsible for all its investment decisions. The County Council's Treasury team will continue to have treasury management meetings with the Commissioner on a quarterly basis where a review of the Lending List will take place.
- 7.37 Under stressed market conditions, additional meetings with County Council's Treasury team may take place at very short notice. A decision may be made to adjust the Commissioner's investment risk profile; the end result may involve moving investments to lower risk counterparties or instruments.

Non-treasury investments

- 7.38 Under the CIPFA Code and MHCLG Guidance, local authorities may invest in other financial assets and property for financial return, and also make loans and investments for service purposes.

- 7.39 Such non-treasury investments should be assessed as part of a separate investment strategy. They should set out the specific policies and arrangements for non-treasury investments and ensure the same robust procedures for the consideration of risk and return are applied to these, as for treasury investments.
- 7.40 The Commissioner does not currently hold any non-treasury investments.

Risk

- 7.41 Although guidance sets out security and liquidity as being the main treasury risks, they are not the only investment risks faced by the Commissioner. **Appendix 4** sets out a high-level risk assessment for six of the key risks which are summarised in the following table:

Risk	Assessment
Security	Low
Liquidity	Low to Medium
Interest rate	Low to Medium
Market	Low
Refinancing	Low to Medium
Regulatory and legal	Low

- 7.42 Within the Commissioner's AIS there is a balance to be struck between the security of investments and liquidity; the safest investments are not necessarily the most liquid and so a pragmatic approach must be taken.
- 7.43 The proposed AIS has been evaluated against these risks and the most significant risks have been reduced as far as possible. This is not to say that all risk has been eliminated which is not possible in treasury terms.

8. Review of strategy

- 8.1 The Commissioner will prepare a revised strategy when there are significant changes to the following factors:
- the economic environment;
 - the financial risk environment;
 - the budgetary position; or
 - the regulatory environment.
- 8.2 The responsibility for assessing these circumstances and proposing changes to the strategy is allocated to the Director of Finance at the Commissioner.

9. Policy on the use of external service providers

- 9.1 Currently the Commissioner has no contracted external treasury adviser and this is considered appropriate with the simple arrangements set out.
- 9.2 The treasury service for the Commissioner is provided by the County council's Treasury team, who use Arlingclose as their external treasury management adviser. The County Council's contract with Arlingclose was renewed in 2017 following a tender process. The Commissioner could use Arlingclose to provide consultancy advice on an ad-hoc basis should this be considered necessary.

10. Investment management training

- 10.1 Treasury management is a specialised area requiring high quality and well-trained staff with an up to date knowledge of current issues, legislation and treasury risk management techniques.
- 10.2 The County Council's treasury team who provide the treasury service are experienced and attend regular CIPFA and treasury consultant training seminars throughout the year.
- 10.3 Training needs for Commissioner staff who attend quarterly meetings with the County Council's Treasury team are assessed on an ongoing basis by local managers.

11. SCC Memorandum of Understanding

- 11.1 Staffordshire County Council provides treasury management and banking services as part of a Memorandum of Understanding (MOU) with the Commissioner. The MOU does not constitute a formal contract but is a document of good practice; it outlines the range of services provided by the County Council, and the degree of co-operation required from the Commissioner for the County Council to fulfil its role.

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Background Documents:

- 1. Treasury Management in the Public Services: Code of Practice (CIPFA) (2017)
- 2. The Prudential Code for Capital Finance in Local Authorities (CIPFA) (2017)
- 3. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
- 4. Statutory Guidance on Local Government Investments – Issued under Section 15(1) (a) of the Local Government Act 2003 (2018)
- 5. Statutory Guidance on Minimum Revenue Provision – Issued under section 21 (1A) of the Local Government Act 2003 (2018)

Police, Fire and Crime Commissioner for Staffordshire
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Treasury Management Indicators

Indicator	Estimate 2020/21	Estimate 2021/22	Estimate 2022/23
1. External debt			
a. Authorised limit	£119.7m	£115.2m	£110.1m
b. Operational boundary	£109.7m	£105.2m	£100.1m
c. External loans	£85.8m	£88.8m	£88.8m
<i>The authorised limit is the maximum level of external borrowing which should not be exceeded. It is linked to the estimated level of borrowing assumed in the capital programme.</i>			
<i>The operational boundary represents the Director of Finance's estimate of the day to day limit for treasury management activity based on the most likely i.e. prudent but not worst-case scenario.</i>			
2. Interest rate exposures			
a. Upper limit (fixed)	£92m	£91m	£91m
b. Upper limit (variable)	(£60m)	(£60m)	(£60m)
<i>Upper limits of fixed and variable borrowing and investments are required to be set. This limits exposure to both fixed and variable interest rate movements as part of the overall risk management strategy for treasury management activities. Negative figures are shown in brackets; these relate to investments at a variable rate which are not offset by variable borrowings.</i>			
3. Maturity structure of borrowing	Upper Limit	Lower Limit	
Under 12 months	10%	0%	1.4%
12 months and within 24 months	10%	0%	5.0%
24 months and within 5 years	30%	0%	7.9%
5 years and within 10 years	50%	0%	19.2%
10 years and above	100%	25%	66.5%
<i>This indicator identifies the amount of loans maturing in specified periods. The overarching principle is that steps should be taken from a risk management point of view to limit exposure to significant refinancing risk in any short period of time.</i>			
<i>As a result no more than 10% of fixed rate loans are planned to mature in any one financial year.</i>			
4. Total principal sums invested for periods longer than a year	£	£	£
<i>Any investments made for longer than a year will be in accordance with the limits on non-specified investments.</i>	nil	nil	nil

Appendix 2
Police, Fire and Crime Commissioner for Staffordshire
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Risk assessment – Borrowing strategy

Risk	Risk description	Relevance to borrowing	Key control	Assessment	Borrowing strategy
Security	A third party fails to meet its contractual obligations (i.e. counter party risk).	Unlikely there would be a failure between the agreement to borrow and sums being received. Exposure to investment risk if borrow in advance and invested until needed.	Usually borrow from the Government (PWLB or its successor body) with 2-day gap between agreement to borrow and receipt of money.	LOW	Use of cash to fund debt reduces this risk. There is insufficient cash to fully fund debt so it is likely that borrowing will be required.
Liquidity	Cash is not readily available when it is needed.	Usually borrow for capital from Government (PWLB or its successor body). Can also borrow for the short-term e.g. from other local authorities.	Prudential rules on borrowing and consideration of whether Government is secure.	LOW MEDIUM to	Use of cash to fund debt increases this risk as liquidity is reduced when borrowing is avoided. Any increase in borrowing decreases this risk.
Interest rate	Unexpected <u>reduction</u> in short term interest rates.	Depends on the mix between fixed and variable rate borrowing. Higher exposure to variable rate borrowing helps the budget.	The control is set out below.	LOW MEDIUM to	Pursuing a strategy of using cash reduces the overall net exposure to sudden interest rate falls.
Interest rate	Unexpected <u>increase</u> in short term interest rates.	Depends on the mix between fixed and variable rate borrowing. Lower exposure to variable rate borrowing helps the budget.	Limit variable rate borrowing to a relatively small proportion (e.g. 20%).	LOW MEDIUM to	20% limit provides a suitable risk control.

Appendix 2 (continued)

Risk	Risk description	Relevance to borrowing	Key control	Assessment	Borrowing strategy
Market	The market value of loans change substantially (i.e. how much is the borrowing strategy exposed to long term interest rate change).	How much risk is built into the maturity profile of the loans structure.	This is inversely linked to refinancing risk below.	MEDIUM	Use of cash will shorten the duration of the loan portfolio and reduces this risk. Without the use of cash this risk assessment would probably be high.
Refinancing risk	Maturing transactions cannot be renewed on similar terms.	To avoid a high level of borrowing over a short period with exposure to high interest rates.	The PFCC has a policy of limiting maturing loans to 10% of the loans portfolio.	MEDIUM	Using cash to fund debt potentially increases the refinancing risk. Without the use of cash this risk assessment would probably be low.
Regulatory and legal risk	Rules governing local government borrowing are changed or amended without notice, which has happened in the recent past.	Local government heavily reliant upon PWLB or its successor body. Cost and ability to reschedule / manage loans are determined by the Government. The Government could close the PWLB or its successor body and force local authorities to use market loans for all new borrowing.	Market loans will be evaluated and will be taken if they are good overall value.	MEDIUM	Use of cash means that PWLB (or its successor body) loans may not be taken. However, there is insufficient cash to fully fund debt in the medium term so it is likely that borrowing will be required. If the PWLB or its successor body was closed to new business then other loans would have to be taken.

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Lending List – December 2018	
	Time Limit
<i>Regulation Investments</i>	
UK Government DMADF account	6 months
UK Local Authority	12 months
<i>Bank</i>	
Lloyds (as banker) (£0.5m hard limit)	call only
<i>MMF's</i>	
Aberdeen Standard (£1.5m hard limit)	call only
CCLA (£1.5m hard limit)	call only
Morgan Stanley (£1.5m hard limit)	call only
State Street (£1.5m hard limit)	call only

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Risk assessment - Investments

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Risk	Risk description	Relevance to investment	Key control	Assessment	Approved Investment Strategy (AIS)
Security	A third party fails to meet its contractual obligations (i.e. counter party risk).	Crucial that money invested is returned (principal and interest).	Relies on credit management policy including; credit risk, duration of investment and amount as well as an ongoing review of the credit environment. Prudential limit on investment over 1 year.	LOW	Use of the investments identified within the AIS reduces this risk to a low level. The borrowing strategy identified will reduce cash balances and the resulting security risk. With the exception of regulation investments, counterparties also have a financial limit to ensure funds are spread amongst them. Overall this remains a low risk strategy.
Liquidity	Cash is not readily available when it is needed.	Need to plan investment to match cash requirements.	Managed through detailed cash flow forecast and investments in highly liquid funds.	LOW to MEDIUM	Same day access accounts are held with three MMF's. Balances are held with Lloyds Bank Plc overnight on account. Cash flow plans are completed annually and regularly updated.
Interest rate	Unexpected <u>reduction</u> in Interest rate.	Reduces the return on investment and reduces the level of reserves.	Can reduce risk by; A) netting off investment against borrowing to reduce net exposure B) investing for longer periods.	LOW	Investments will be mainly short term – this does not protect against an interest rate reduction. Although interest rates are expected to rise, interest rates are still at historically low levels.

Appendix 4 (continued)

Risk	Risk description	Relevance to investment	Key control	Assessment	Approved Investment Strategy (AIS)
Interest rate	Unexpected <u>increase</u> in interest rates.	To take advantage of the unexpected return, would need to keep investment short term and increase the amount of cash invested (e.g. by not using cash in lieu of borrowing).	Controlled through the overall strategy.	MEDIUM	Current policy allows upturns to be taken advantage of as investments are not fixed for long periods. Using cash to fund debt (the proposed borrowing strategy) reduces this risk as the overall exposure to short term interest rates is less.
Market	Unexpected need to liquidate market instrument quickly and accept 'price on the day'.	Only relevant if invest in market instruments (e.g. CD's, gilts).	Limit investment in market instruments or alternatively have capacity to borrow to avoid need to liquidate. Controlled by limits on non specified investments.	LOW	Market instruments are not in use.
Refinancing risk	Maturing transactions cannot be renewed on similar terms.	Reflected in the term (duration) of investments. Shorter term investments have a higher refinancing risk.	Proportion of investments maturing in the short term.	LOW to MEDIUM	The current policy is to invest in the short term. There is an increased risk with this strategy due to frequent 'refinancing' but this is only expected to be advantageous in a rising interest rate environment. Using cash to fund debt (the proposed borrowing strategy) reduces this risk as the overall exposure to short term interest rates is less.

Appendix 4 (continued)

Risk	Risk description	Relevance to investment	Key control	Assessment	Approved Investment Strategy (AIS)
Regulatory and legal risk	Rules governing local government investment powers are changed or amended without notice.	Investment powers are granted through statute and guidance.	None.	LOW	<p>The current policy of using cash in lieu of borrowing reduces the authority's dependency on interest receipts.</p> <p>The AIS is low risk and uses liquid and conservative investment instruments.</p>



**Staffordshire Police, Fire and Crime Panel
10th February 2020**

Reserves Strategy Update

Report of the Staffordshire Commissioner

Introduction

Statutory provision is made within the Local Government Finance Act 1992 that requires precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure. The Director of Finance/ S151 Officer for the Staffordshire Commissioner's Office has a duty to report on the robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003) when the authority is considering its annual budget requirement.

This paper gives due consideration to the overall level of reserves held as at 31 March 2019 and the forecast position as at 31 March 2020. The Panel are asked to note the overall impact on Reserves as incorporated within the approved Medium Term Financial Strategy (MFTS).

The Reserves Strategy was last approved in January 2019 as part of the budget setting process for the current year and has now been updated to incorporate and reflect:

- The updated MFTS for 2020/21 to 2023/24
- The actual Reserves position as per the Audited Statement of Accounts for 2018/19, and a forecast for 2019/20
- The impact of approved reserve utilisation as per the current and updated strategy

A number of different reserves are held by the Staffordshire Commissioner (both usable and unusable) in line with the CIPFA guidance, however this paper focuses on the two key areas of reserves that impact on the future financial strategy:

- **General Reserve**, to allow for unexpected / emergency events –balance as at 31 March 2020 is forecast to be £5.9m (3%) (see **Appendix 1**),
- **Earmarked Reserve** – to meet future known or predicted requirements –balance as at 31 March 2020 is forecast to be £3.5m (See **Appendix 1**)

Overall the level of Usable Reserve at 31 March 2019 is £5.4m and forecast to increase by £3.9m in year to £9.5m by 2020. The general reserve will be maintained at £5.9m while the earmarked reserves will fluctuate while being utilised efficiently and intelligently to a forecast position £2.9m by 2029.

RECOMMENDATIONS

That the Police Fire and Crime Panel note:

1. the overall reserves position for both General and Earmarked Reserves as contained within this report,
2. to consider the adequacy and proposed earmarking of the reserve that will be incorporated into the budget setting exercise for 2020/21, and utilisation of reserves as incorporated within the updated MTFS
3. the updated Reserves Strategy

Matthew Ellis
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1. Prudential Code and Capital Spend

- 1.1. CIPFA's (The Chartered Institute of Public Finance and Accountancy) Prudential Code requires chief finance officers in local authorities to have full regard to affordability when making recommendations about the local authority's future capital programme. Such consideration includes the level of long-term revenue commitments. Indeed, in considering the affordability of its capital plans, the Staffordshire Commissioner is required to consider all of the resources available, together with the totality of its capital plans and revenue forecasts for the forthcoming year and into the medium term.
- 1.2. The statutory reporting regime discussed within this paper and effective financial management underpin the need for clear, transparent reporting arrangements for reserves and CIPFA recommend that there should be clear protocol setting out the following:
 - the reason for / purpose of the reserve;
 - how and when the reserve can be used;
 - procedures for the reserve's management and control; and
 - timescale for review of the reserve to ensure continuing relevance and adequacy.
- 1.3. Whilst it is primarily the responsibility of the Staffordshire Commissioner and its S151 Officer and Treasurer to maintain a sound financial position, our external auditors Ernst & Young annually review for any material uncertainties and test to ensure that Staffordshire Police remain a going concern. Even where as part of their wider role Ernst & Young report on the organisation's financial position, it is not however, their responsibility to prescribe the optimum or minimum level of reserves for authorities in general.

2. Types of Reserve

- 2.1. When considering the Medium Term Financial Strategy and preparing annual budgets the Staffordshire Commissioner should consider the establishment and maintenance of reserves. Reserves can be held for three main purposes:
 - a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves
 - a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves
 - a means of building up specific funds, often referred to as earmarked reserves, to meet known or predicted requirements.

3. Reporting of Reserves

- 3.1. The IFRS-based Code of Practice on Local Authority Accounting in the United Kingdom (the Code) introduced the Movement in Reserves Statement to local authority financial statements in the 2010/11 financial year. This Statement presents the movement in the year of the reserves of the Authority analysed into **usable** reserves, (e.g. General and earmarked reserves) and unusable reserves.
- 3.2. The total Usable Reserves as per the statement of accounts is £5.4 million as at 31 March 2019, being the General Fund £4.5m and Earmarked Reserves £0.9m.

The Movement in Useable Reserves Statement can be found on page 34 of the Statutory Accounts for 2018/19, and is shown below:

31-Mar-18	Transfer Out	Transfer In	31-Mar-19
£000	£000	£000	£000
2,857 General Fund	0	1,707	4,564
Earmarked Reserves			
15 Reshaping the Future			15
503 Aris (POCA)	(503)	202	202
54 Insurance Reserve		240	294
189 Crash Course			189
14 Early Adopter Income			14
0 Bikesafe		23	23
219 Seized Vehicle Fund	(240)	98	77
5 MDA Forfeiture Fund		87	92
999 Total Earmarked Reserve	(743)	650	906
3,856 Useable Reserves	(743)	2,357	5,470

- 3.3. Unusable reserves arise out of the interaction of legislation and proper accounting practice either to store revaluation gains or as adjustment accounts to reconcile accounting requirements (i.e. reconciliation of reporting standards to statutory requirements)
- 3.4. Section 26 of the Local Government Act 2003 gives Ministers in England and Wales a general power to set a minimum level of reserves for local authorities. However, the Government has undertaken to apply this only to individual authorities in the circumstances where an authority does not act prudently, disregards the advice of its chief finance officer and is heading for serious financial difficulty.
- 3.5. In the instance where a particular reserve needs to be accessed that has not be previously formally been approved, approval from The Staffordshire Commissioner would be sought in advance to ensure that plans can be adequately challenged and full transparency exists within the Authority.
- 3.6. Whilst it remains the responsibility of the Director of Finance/S151 Officer for the Staffordshire Commissioner to advise on the overall level of reserves that is held; the Staffordshire Commissioner should assist by providing clear protocols for the establishment and use of reserves, as reserves should not be held without a clear purpose.
- 3.7. The Staffordshire Commissioner has indicated that the level of General reserves should not exceed 3% of the annual revenue budget. As per Section 5 of this report the Panel should note that the level of General Reserves has now been restored to 3% during the current financial year in line with the approved budget and MTFS.

4. Reserves Strategy and Future Outlook

4.1. This paper gives due consideration to the overall level of reserves held as at 31 March 2019 and the forecast position for 31 March 2020, and the panel are asked to note the overall position as scheduled in **Appendix 1**.

4.2. General Reserve

4.3. The Commissioner's policy for the General Reserve Fund is for it to hold as a minimum 3% of the net revenue budget of the combined budgets of the Commissioner and the Force. This is currently considered to be a minimal safe level which would afford two incidents of maximum exposure to loss in any one year.

4.4. The maximum exposure to loss is understood to be 1% of net budget in the light of the guidance which is issued by the Home Office relating to the Police Special Grant. This guidance establishes that in the event that a Force can prove it has proportionately policed a major incident which has created an unaffordable cost in one year, and that is reviewed by HMICFRS, the Force can claim for costs exceeding 1% of the net budget for each incident. This guidance was reissued in November 2017 and we expect it to continue to be in place during the period of the MTFS.

4.5. At the end of March 2019 the General Reserve was £4.5m and is forecast to increase in year by £1.3m with a contribution from revenue, closing the year at £5.9m. This represents around 3% of the annual revenue budget.

4.6. Earmarked Reserve

4.7. The Earmarked Reserve provision is required not only to fund future projects and investments but also to provide funding –

- to support the recurring revenue budget up to 2024 as incorporated within the medium term financial strategy
- to provide a provision for future capital investment to avoid additional long term borrowing need,
- to provide for costs that may be required to support future change and business transformation
- to provide for any funding uncertainty as discussed within this paper
- to provide for future contingent liabilities that have been identified within the statutory accounts

4.8. The Balance on this reserve as at 31 March 2019 was £0.9m and is forecast to increase in year by £2.7m to close the year at £3.5m.

5. Reserve Forecast

5.1. The following table represent the forecast Reserves as stated in the MTF5. At the 31 March 2020 the total reserves represents 3% of the annual revenue budget.

	31/03/2019	31/03/2020	31/03/2021	31/03/2022	31/03/2023	31/03/2024
	Actual	Estimate	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000	£'000	£'000
General Reserves	4,564	5,910	5,910	5,910	5,910	5,910
<u>Earmarked Reserves</u>						
Reshaping the Future	15	386	386	386	386	386
Aris (POCA)	202	31	31	31	31	31
Insurance Reserve	294	229	229	229	229	229
Redundancy Reserve	0	150	150	150	150	150
Pension Reserve	0	500	500	500	500	500
Crash Course	189	189	189	189	189	189
Early Adopter Income	14	14	14	14	14	14
Bikesafe	23	0	0	0	0	0
Seized Vehicle Fund	77	393	0	80	160	240
MDA Forfeiture Fund	92	80	80	80	80	80
ESN Reserve	0	486	486	486	15	15
Capital Reserve	0	1096	1096	1096	1096	1096
Total Earmarked Reserve	906	3,554	3,161	3,241	2,850	2,930
TOTAL RESERVES	5,470	9,464	9,071	9,151	8,760	8,840

Usable Reserves forecast 31 March 2020

Actual 31-Mar-19 £000	Transfer Out £000	Transfer In £000	Forecast 31-Mar-20 £000
4,564 General Fund	0	1,346	5,910
<u>Earmarked Reserves</u>			
15 Reshaping the Future	0	371	386
0 Capital Reserve	0	1,582	1,582
0 Redundancy Reserve	0	150	150
202 Aris (POCA)	(171)	0	31
294 Insurance Reserve	(240)	175	229
0 Pension Reserve	0	500	500
395 Operational Budget Reserve	(35)	316	676
906 Total Earmarked Reserve	(446)	3,094	3,554
5,470 Useable Reserves	(446)	4,440	9,464

Reshaping the Future - this reserve has been created to help fund the current transformation in order to achieve the required future budgets

Capital Reserve – to fund future capital projects in line with the Capital Strategy

POCA Fund – Proceeds of Crime Act 2002 determined that the Police Force can recover 50% of cash seized and assets confiscated under this Act.

Insurance Reserve – provides for the self-funding of certain uninsurable risks and also to cover the excess (£100,000) for any unknown claims before the insurance cover is applied.

Pension Employer Contribution – provision for the Ill-health retirements

Operational Budget Reserve – this includes a number of specific earmarked reserves, as follows:

Crash Course – working within the Safer Roads Partnership, the Force supports the delivery of crash course training and the proceeds are placed in this fund which is administered jointly with the other partners.

ESN Reserve – The Emergency Services Network (ESN) is the government's chosen option to replace the Airwave system, which 107 police, fire and ambulance services in England, Scotland and Wales (the emergency services) use for communications between control rooms and the field.

Early Adopter Income – this is the remains of a specific grant for early adoption of a different approach to medical assessment of those held in custody and must be retained and spend only for that purpose.

Seized Vehicle Fund – where a car is seized as a result of an infringement such as failure to insure the vehicle, the Force is entitled to the sale or scrap value of the vehicle after a period of 12 months has passed.

MDA Forfeiture Fund – the Misuse of Drugs Act 1971 allowed courts to award assets forfeited by those found guilty to whomever the court decides. The CPS can request that it is the Police Force.



Report to the Police Fire and Crime Panel

10th February 2020

**Police Capital Strategy and Capital Programme 2020/21 to 2023/24
(Incl. Minimum Revenue Provision Policy)**

Report of the Staffordshire Commissioner

INTRODUCTION

As part of the overall financial strategy for the Staffordshire Commissioner a four year Capital Programme has been prepared. This report schedules the proposed investment programme for 2020/21 to 2023/24 and presents the indicators required within the updated Prudential Code. This all forms part of the Capital Strategy for the Staffordshire Commissioner, covering the Policing requirements for the next four years.

The Prudential Code requires local authorities to determine that capital expenditure and investment decisions are affordable, prudent and sustainable, and to set limits on the amount they can afford to borrow in the context of wider capital planning. The Capital Strategy is part of the Staffordshire Commissioner's sound medium term financial planning process, ensuring there is a clear strategy supporting the next four years of capital investment.

The Capital Strategy sets out how the long-term context in which capital investment and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes in line with the current Staffordshire Policing Plan. It also demonstrates that the Staffordshire Commissioner takes capital and investment decisions in line with the objectives and properly takes account of stewardship, value for money, prudence, sustainability and importantly affordability.

This report should also be considered alongside the Treasury Management Strategy, with both reports covering the reporting requirements of CIFPA's Prudential Code and Treasury Management in the Public Sector.

This report is scheduled to be presented to the Ethics, Transparency and Audit Panel (ETAP) on 5th February 2020.

RECOMMENDATIONS

That the Police Fire and Crime Panel note:

- a) the four year Capital Programme for 2020/21 to 2023/24 as set out in Appendix 1,
- b) the Capital Strategy for 2020/21
- c) the Prudential Indicators that are set out within Appendix 2 including the Capital Financing Requirement for the four year period
- d) that the funding of capital expenditure from Reserves for the period 2020/21 to 2023/24 is in line with the updated Reserves Strategy
- e) note the Minimum Revenue Provision (MRP) policy statement incorporated within this report

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Staffordshire Commissioner

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1. Background

- 1.1 The Capital Strategy forms a key part of the Staffordshire Commissioner's overall Corporate Planning Framework. It provides a mechanism by which the Commissioner's capital investment and financing decisions can be aligned over the medium term planning horizon.
- 1.2 The Strategy sets the framework for all aspects of the Commissioner's Police capital and investment expenditure; including planning, outcomes, prioritisation, management, funding and repayment.
- 1.3 There are four main areas of spend which feature within the Capital Programme;
 - Estates and Facilities
 - Transport
 - Equipment
 - Information systems and technology

2. Objectives

- 2.1 The key aims of the Capital Strategy are to:
 - provide a clear set of objectives and a framework within statutory legislation that proposes new capital expenditure to be evaluated to ensure that all new capital investment is targeted to meet the vision, aims and priorities of the Commissioner and Staffordshire Police;
 - set out how the Commissioner and Staffordshire Police identify and prioritise capital requirements and proposals;
 - consider options available for funding capital expenditure and how resources may be maximised to generate investment in the area and to determine an affordable and sustainable funding policy framework, whilst minimising the ongoing revenue implications of any such investment;
 - identify the resources available for capital investment over the MTFS planning period;
 - ensure the strategy has an overall balance of risk on a range of investments over timespan, type of investment and rate of return;
 - establish effective arrangements for the management of capital expenditure including the assessment of project outcomes, budget profiling, deliverability, value for money and security of investment;
 - deliver projects that focus on delivering the long term benefits to the communities served within Staffordshire.

3. Governance of the Capital Programme

3.1 A governance process is clearly established within the Force and will continue to be adhered to, will follow standing orders and financial regulations to ensure that available resources are allocated optimally and deliver value for money, and that capital programme planning is determined in parallel with the revenue budget planning process within the framework of the MTFS. These include:

- The Strategic Governance Board (SGB) which is ultimately responsible for approving the Capital Strategy for investment and the Capital Programme for approving changes to the programme within financial regulations and for the approval of business case submissions.
- The Ethics, Transparency and Audit Panel (ETAP) which is responsible for scrutiny of the MTFS documents and the Capital budget monitoring reports and can make recommendations to the Strategic Governance Board (SGB).
- The Force Strategy Board (FSB) which has overall responsibility for management and monitoring of the capital programme and ensuring the impact on service delivery is well managed and ensures value for money.
- The Enabling Board which has overall responsibility for the capital funding and monitoring of the capital programme, within the financial regulations and for sign off of Outline Business Cases after legal and finance approval.

3.2 The capital monitoring report is within the monthly management accounts which is reviewed by the Finance Panel, which is a sub group of the Ethics, Transparency and Audit Panel (ETAP). The Chief Accountant regularly meets with each capital lead to discuss the capital monitoring position and to scrutinise capital spend.

4. Capital Priorities

4.1 The capital strategy must recognise that the financial resources available to meet the requirements of the current Staffordshire Policing Plan and the five key priority areas:

- Modern Policing
- Early Intervention
- Supporting Victims and Witnesses
- Managing Offenders
- Public Confidence

4.2 The bringing together of blue light services under a single governance route to the Staffordshire Commissioner provides opportunities to co-locate and share assets to the good of the community, delivering efficiencies and savings.

- 4.3 The Staffordshire Commissioner will seek to prioritise investment in order to deliver economy and efficiency within the organisation. This prioritisation will be achieved through the robust governance arrangements discussed above.

5. Funding Approach

- 5.1 The Staffordshire Commissioner for Police's capital investment falls within, and needs to comply with, the "Prudential Code for Capital Finance in Local Authorities" (The Code). Under The Code local authorities have greater discretion over the funding of capital expenditure especially with the freedom to determine, within the regulatory framework of the Code, the level of borrowing they wish to undertake to deliver their capital plans and programmes.

- 5.2 The main sources of capital funding are summarised below:

- **Central Government Funding Grants**

The Home Office provide an annual general capital grant in addition to any ring-fenced grants. This capital grant has been significantly reduced as part of the settlement for 2020/21 which has created additional upward pressure on capital financing costs.

- **The use of internal cash balances**

Interest rates on cash balances, over recent years, have remained low which has resulted in this being a more efficient use of cash to invest in the capital programme rather than taking additional external debt. The use of internal cash is an approach that has been undertaken successfully during the last few financial years.

- **The use of Earmarked Reserves**

The Staffordshire Commissioner has a Reserves Strategy which includes the Earmarking of Reserves to support the capital programme. Funding into the medium term has been identified through this approach and remains a key funding strategy.

- **The use of Capital Receipts**

Disposing of surplus assets is a good way to reinvest in the capital programme. Receipts will be targeted at the shortest life assets and then their use considered widely within any flexibility allowed by the appropriate government authority. In accordance with statutory instruments capital receipts may also be used for the repayment of debt.

- **Direct revenue funding**

Capital expenditure may be funded directly from revenue (CERA – capital expenditure charged to revenue account). In addition to specific revenue funds previously set aside, such as repairs and renewal funds, capital expenditure may be funded by specific revenue budget provision.

- **Borrowing and Leasing**

Under the Prudential Code the Staffordshire Commissioner has discretion to undertake borrowing to fund capital projects with the full cost of that borrowing being funded from the project returns or upon agreement to include in the MTFS estimates.

This discretion is subject to complying with The Code's regulatory framework which essentially requires any such borrowing to be prudent, affordable and sustainable (Local Government Act 2003). Prudential borrowing does provide an option for funding additional capital development but one which has to be funded each year from within the revenue budget or from generating additional ongoing longer term income streams.

The Staffordshire Commissioner will test the prudence of the borrowing predictions against the prudential indicators set under The Code every year as part of the MTFS process and report on progress against those indicators half yearly (see Appendix 2), in line with the Treasury Management Strategy.

This prudent approach to borrowing will continue into the medium term. However, should borrowing be required the Commissioner will continue to consider on a cautious and prudent basis as informed by a specialist team contracted from Staffordshire County Council in relation to Treasury Management who work closely with the finance team.

The organisation will utilise operational leases where possible for the purchase of minor equipment, IT and vehicles as supported by an appropriate business case.

6. Risk Management

- 6.1 Risk is the threat that an event or action will adversely affect the ability to achieve a desired outcomes or execute strategies successfully.
- 6.2 To manage risk effectively, the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored.
- 6.3 The Commissioner will require the Chief Constable to put in place a mechanism to manage risk. The Commissioner and Staffordshire Police considers its appetite to risk to be low. Risks are assessed continually from both an operational and financial perspective.
- 6.4 In carrying out due diligence, potential project risk are identified and relevant mitigation measures documented prior to approval.
- 6.5 All risks are then managed in line with the Force's Risk Management Policy which includes documenting risks on a risk register, assigning owners, regular review of risks and Red Amber Green (RAG) rating.

- 6.6 The Director of Finance will report on the deliverability, affordability and risk associated with this Capital Strategy and the associated capital programme. Where appropriate they will have access to specialised advice to enable them to reach their conclusions.
- 6.7 There are many categories of risk to be mindful of; these are detailed in **Appendix 3**:
- Credit Risk
 - Liquidity Risk
 - Interest Rate Risk
 - Exchange Rate Risk
 - Inflation Risk
 - Legal and Regulatory Risk
 - Fraud, Error and Corruption

7. Capital Programme 2020/21 to 2023/24

- 7.1 The proposed Capital Programme for 2020/21 to 2023/24 is contained within **Appendix 1** of this report. The total Capital Programme for 2020/21 has been estimated at £16.4m, for 2021/22 £16.9m, for 2022/23 £5.4m and £5.2m for 2023/24.
- 7.2 The Staffordshire Commissioner is required to set estimates, impose limits and to report and publish actuals in line with The Prudential Code. The indicators for adoption by the Authority for 2020/21, 2021/22 and 2022/23 are set out in **Appendix 2**.
- 7.3 There are four main areas of spend which feature within the capital programme; estates and facilities which includes building and infrastructure work, transport, equipment and finally information systems and technology.

The four areas are discussed in more detail below.

- **Information Systems and Technology**

Digital Technology investment is proposed to maintain the significant improvements in capability seen due to previous investments, to improve core infrastructure and for improvements in digital capabilities to be leveraged.

The main proposed investments in the four year programme are:

- £6.0m in 2020/21 for the completion of the Forces new records management system, replacing 13 systems with one (Niche). A number of these legacy systems are over 20 years old.
- £1.7m for improvements and upgrades to the Forces control room (an

additional £1.5m is provisioned for in 2021/22). This work is required to both improve resilience as well as enable the Force to operate with the Emergency Service Network (ESN). The ESN business case is awaiting sign off by the Home Office

- £0.6m for the completion of the roll out of Samsung note 9 devices to all Officers and PCSO's. This device allows for Officers to be truly mobile, work from and access data from any location across the county, leveraging the significant investment in Niche.
- £10m for the upgrade and replacement of systems and infrastructure across areas as broad as Forensics, Origin (ERP system) and to fund the third phase of the national enabling programme.

- **Property and Estates Work**

All buildings are owned by the Staffordshire Commissioner. The PCC's office retain responsibility for key decisions around the purchase and disposals of buildings, maintaining close oversight of our estates management and planning in order to fulfil this role. The day to day management of the estate is undertaken by the Constabulary's estates department, within the People and Resources Directorate.

The budget proposal for 2020/21 includes a total capital requirement of £3.1m, the detail of which is set out in the Estates Strategy.

The estates programme focusses on the costs of maintaining the current estate. Whilst a joint Estates strategy is being developed with Staffordshire Fire and Rescue Service, it is envisaged that this strategy will see a number of projects within this four year maintenance programme not being undertaken due to Staffordshire Police taking advantage of the modern PFI facilities offered by the Fire service under this joint estates strategy. However, for prudence whilst the strategy is being developed provision has been made for these projects.

- **Vehicles**

All vehicles are maintained through our Joint Transport and Engineering Service. All fleet assets are maintained and managed through a fleet management system which provides information to enables effective and optimisation of fleet usage as well as planning around replacement activity.

The budget proposal for 2020/21 includes a total capital requirement of £1.8m. The programme includes the replacement of 80 vehicles. This represents around 7% of the fleet and is in line with the fleet management replacement programme.

An additional amount of £0.4m has been added to the capital programme for the costs of the uplift in Officer Numbers. This is to be funded via revenue contributions from the ring-fenced uplift grant

- **Operational Equipment**

The budget proposal for 2020/21 includes a total capital requirement of £0.2m. Included in the programme are Conducted Energy Devices (tasers) and Personal Protective Equipment for Police staff.

8. Funding the Programme

- 8.1 **Appendix 1** also details the proposed funding strategy for the 2020/21 programme together with indications for the funding of the following three years.
- 8.2 During the four year programme a combination of Capital Receipts (previous and future), Earmarked Reserves, capital grant and the use of Internal Cash and short term borrowing requirement (see Appendix 1). This is also reviewed within the Treasury Management Strategy Report.
- 8.3 It will remain a key priority to fund as much of the programme as possible through direct revenue contribution should additional savings be available in year.

9. Minimum Revenue Provision (MRP) Policy Statement

- 9.1 The Staffordshire Commissioner for Police is required each year to set aside some of its revenues as provision for debt repayment. This MRP provision essentially allows the Authority to “pay off” an element of the Capital Financing Requirement annually through a revenue charge known as the Minimum Revenue Provision (MRP).
- 9.2 The MRP was previously defined by statute with regulations providing for MRP as a 4% charge in respect of the amount of the Capital Financing Requirement (CFR). Under current regulations, the rules have been replaced with a general duty for a local authority to make an MRP charge to revenue which it considers prudent. The new regulation does not itself define “prudent provision”. However, guidance has been issued specifying methods for MRP calculation, which the Secretary of State considers prudent thereby effectively determining prudent provision.

9.3 The Commissioner's MRP Policy is as follows:

- For capital expenditure incurred before 1st April 2008, MRP will be determined as 2% of the Capital Financing Requirement in respect of that expenditure
- For unsupported capital expenditure incurred after 31st March 2008 and before 1st April 2018, MRP will be determined by charging the expenditure over a standard 40 years
- For unsupported capital expenditure incurred after 1st April 2018, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational.

Vehicles	5 years
Equipment	10 years
IT	10 years
Estates	40 years
Freehold Land	50 years

- MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years
- For assets acquired by finance lease or the Private Finance Initiative and for the transferred debt from Staffordshire County Council, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

9.4 This MRP Policy option is supported by the Commissioners treasury management advisors, Arlingclose, as a prudent provision to repay borrowing.

9.5 Regulations require the Authority to approve an MRP Statement in advance of each year. It is recommended that the Authority continue to apply a MRP to capital expenditure funded by borrowing under the 'Asset Life Method': which calculates the MRP charge based on the estimated life of the asset for which the borrowing is undertaken.

9.6 The total level of debt for the Staffordshire Commissioner as at 31 March 2020 is forecast to be around £93.7m, and is forecast to decrease slightly to £90.5m by March 2024 based upon the capital investment requirements outlined within this paper.

Appendix 1

Staffordshire Commissioner Police

Summary Proposed Capital Programme 2020/21 to 2023/24

Capital Investment Area	2020/21 Budget £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
IT	10,932	4,000	2,500	2,500
Estates	3,065	11,250	1,250	1,050
Vehicles	1,820	1,150	1,150	1,150
Vehicles - Uplift	400	400	400	400
Operational Equipment	150	150	150	150
OPCC	0	0	0	0
Capital Programme	16,367	16,950	5,450	5,250

Funding				
Capital Receipts	(2,667)	(3,354)	(1,020)	0
Capital Grants	(174)	(174)	(174)	(174)
Capital Specific Grants	0	0	(331)	0
Revenue Contribution to Capital	(1,673)	(1,673)	(1,673)	(1,673)
Revenue Contribution to Capital - Uplift	(400)	(400)	(400)	(400)
NPAS (deferred capital receipt)	(99)	(99)	(59)	(20)
Capital Receipts Reserve	(774)	0	0	0
Earmarked Reserves	(473)	0	(471)	0
Borrowing Requirement	(10,107)	(11,250)	(1,322)	(2,983)
Total Funding	(16,367)	(16,950)	(5,450)	(5,250)

Staffordshire Commissioner for Police Prudential Indicators

1. Ratio of Financing Costs to Net Revenue Stream

Estimate 2020/21	Estimate 2021/22	Estimate 2022/23	Estimate 2023/24
%	%	%	%
3.4	4.1	4.0	4.1

This shows the capital financing costs (interest charges/receipts and repayment of loans) as a proportion of government grant (revenue) and Council Tax. This allows the Authority to track how much of its annual income is needed to pay for its capital investment plans proportionate to its day to day running costs.

2. Estimates of Capital Expenditure

Estimate 2020/21	Estimate 2021/22	Estimate 2022/23	Estimate 2023/24
£m	£m	£m	£m
16.367	16.950	5.450	5.250

Expressed in absolute terms rather than as a ratio, this shows the overall level of capital investment irrespective of how it is being funded.

3. Capital Financing Requirement / Gross Debt

Estimate 2020/21	Estimate 2021/22	Estimate 2022/23	Estimate 2023/24
£m	£m	£m	£m
93.7	99.6	94.6	90.5

This indicator effectively shows the level of the Authority's underlying need to borrow for capital purposes.

Net borrowing is not expected to exceed the total of the capital financing requirement (except in the short term)

It is a key indicator of prudence that, over the medium term, net borrowing is only for capital purposes.

B. Indicators for Treasury Management

1. Treasury Management Code of Practice

The Authority has adopted the CIPFA Code of Practice on Treasury Management

2. External Debt

	2020/21	2021/22	2022/23
	£m	£m	£m
a. Authorised Limit	119.7	115.2	110.1
b. Operational Boundary	109.7	105.2	100.1

The Authorised Limit is the maximum level of external borrowing which should not be exceeded. The limit is linked to the estimated level of borrowing assumed in the Capital Programme.

In addition an Operational Boundary is required which represents the Director of Finance's estimate of the day to day limit for the treasury management activity based on the most likely i.e. prudent but not worst-case scenario.

Appendix 3

Glossary of Risk Management Categories

Credit Risk is the risk that the organisation with which we have invested capital monies becomes insolvent and cannot complete the agreed contract. Accordingly we will ensure that robust due diligence procedures covers all external capital investment. Where possible contingency plans will be identified at the outset and enacted when appropriate.

Liquidity Risk is the risk that the timing of any cash inflows from a project will be delayed, for example if other organisations do not make their contributions when agreed. This is also the risk that the cash inflows will be less than expected, for example due to the effects of inflation, interest rates or exchange rates. The exposure to this risk will be monitored via the revenue and capital budget monitoring processes. Appropriate interventions will occur as early as possible.

Interest Rate Risk is the risk that interest rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Interest rates will be reviewed as part of the on-going monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

Exchange Rate Risk is the risk that exchange rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Where relevant, exchange rates will be reviewed as part of the ongoing monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

Inflation Risk is the risk that rates of inflation will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Rates of inflation will be reviewed as part of the ongoing monitoring arrangements to identify such adverse effects. As far as possible any exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

Legal and Regulatory Risk is the risk that changes in laws or regulation make a capital project more expensive or time consuming to complete, make it no longer cost effective or make it illegal or not advisable to complete. Before entering into capital expenditure or making capital investments, we will understand the powers under which the investment is made. Forthcoming changes to relevant laws and regulations will be kept under review and factored into any capital bidding and programme monitoring processes.

Fraud, Error and Corruption is the risk that financial losses will occur due to errors or fraudulent or corrupt activities. Officers involved in any of the processes around capital expenditure or funding are required to follow the agreed Code of Corporate Governance. This is supported by the national Code of Ethics and detailed policies such as Counter-Fraud and Corruption and Declaration of Interests.

Capital Schemes must comply with legislation, such as the Disability Discrimination Act, the General Data Protection Regulations (GDPR), building regulations etc.



ANNUAL REPORT

2019-20

DRAFT

Safer, Fairer, United Communities for Staffordshire



In 2013, the Commissioner published his strategy for policing and community safety in Staffordshire and Stoke-on-Trent. Safer, Fairer, United Communities set out his vision for how public services, working together across four key areas, can make a positive difference to local people: Early Intervention, Victims, Offenders and Public Confidence.

These priorities continued into his revised strategy, published in 2017, and he added a fifth priority – to build a modern and transformed police service that is fit for a changing future.

Fire and Rescue Plan 2019-20

On taking responsibility for the governance of Staffordshire Fire and Rescue Service, the Commissioner issued an interim strategy. This set four priorities for the service which aligned to those in Safer, Fairer, United Communities:



This report outlines what has been achieved over the last eight years.



Modernising Services

Even during the Commissioner's time in office, the landscape of community safety has changed massively. There has been a shift from acquisitive crime to what can be described as 'high harm' crimes against people.

Complex investigations into child sexual exploitation, modern slavery, human trafficking, honour-based violence and female genital mutilation have become 'business as usual' for police forces. High-profile national events have increased victims' confidence to report historical and current offences, and the proactive work of all agencies in the safeguarding arena has revealed previously hidden demand. The threat from terrorism has also increased significantly. Offending increasingly has complex cyber elements, national and international connections and links to organised crime groups. Managing this complexity has to be balanced against providing the traditional services that communities expect: being easy to contact, there when you need them, providing a reassuring presence and protecting people.

Locally, services have become increasingly stretched in dealing with complex societal problems – an ageing population and increases in domestic abuse, mental health and substance misuse alongside other factors such as climate change. These are complex challenges that cannot be addressed by individual services; they require more sophisticated responses. Our police, fire and rescue service and other agencies have had to find innovative ways of working together, focusing shrinking resources on people and places at the highest risk. Our local services also need to be able to dovetail into regional and national activities. This means they have to be easy to do business with, sharing information, skills and resources with partners to prevent and intervene early to deal with the root causes of problems before they become more complex and costly to address.

Police Transformation

The force has responded well to the twin challenges of adapting to meet new pressures and doing more with less. From the outset, the Commissioner has been clear that local policing is the bedrock of the service; it needs to be protected, highly visible and focused on prevention. Despite financial pressures, he has encouraged the force to make some difficult decisions to do things differently in order to maintain neighbourhood policing numbers, and recently invested to further expand neighbourhood teams by more than 140 officers.

Technology has had to improve to enable this to happen. When the Commissioner took office, 43 police services across the country were broadly doing their own thing. It was clear that Staffordshire Police's IT was outdated and in need of significant investment. There was a need to provide the force with digital capabilities to meet the demands of modern policing. In 2016, an **IT strategic provider**, Boeing, was chosen from more than 50 companies to help us in that endeavour. Progress has been made over the last few years, but priorities for both Boeing and policing technology have changed, as have the demands upon them. Boeing wish to refocus their work elsewhere and this has come at an opportune time with our agreement to part company on the best of terms, after delivery of the key Niche system in 2020.

The Commissioner invested in **mobile technology** for officers, PCSOs and Special Constables to enable them to spend more time out in the community rather than wasting time having to return to police stations to access IT systems. This functionality has continued to develop since then, and Staffordshire remains at the forefront of this type of technology.

He was one of the first commissioners to invest in the allocation of **body-worn video cameras** to all frontline officers. The impact has been dramatic, with footage often providing vital evidence in bringing a prosecution. Crucially, they have reinforced openness and transparency in policing by providing an extra level of independent scrutiny to make sure police officers behave appropriately when dealing with people and follow procedures properly, and that activities such as stop and searches are fair and effective.

The **Niche Records Management System** is the biggest IT programme undertaken by the force. It replaces 13 existing systems with one integrated solution to improve data quality, better support data sharing with partners, provide real-time information to officers in the field and deliver efficiencies in business processes. The entire Niche programme will be delivered over 21 months, with the first set of modules being in place this year.

The recent establishment of a police 'Knowledge Hub' has brought together data management, research, analysis and reporting in a way that supports integration with other public services. It is a sound platform for the Commissioner's '**Connected Staffordshire**' strategy, a complex and long-term programme designed to address the barriers to multi-agency data sharing and integrated working. There has been a strong start to the programme, but there remains much more to do.

New technology has also made it easier to contact the police. The **Smart Alert** app introduced by us enables people and businesses to receive updates on incidents in their area. A new force website is helping people to engage with the police and access services online.

Staffordshire's police estate included some buildings in poor condition with surplus space, so **modernising the police estate** has been a priority. The Commissioner has progressed the disposal of the former police headquarters and police stations at Stoke, Newcastle, Chasetown, Wombourne and Kinver, with the money generated being used to fund technology and other projects. New developments at Lichfield and Smithfield in Hanley have provided modern accommodation for officers and staff and enabled police functions to be co-located from disparate sites. Opportunities to co-locate police and fire colleagues are being actively pursued, with Tamworth complete and Hanley on the way.

Good **regional policing** arrangements are an essential component in keeping Staffordshire safe in the face of new threats. These include the Regional Organised Crime Unit, counter-terrorism work and the policing of motorways in Staffordshire and the West Midlands. The Commissioner currently chairs the Regional Governance Group, which brings together the PCCs and Chief Constables from Staffordshire, West Mercia, West Midlands and Warwickshire with their Chief Executive Officers to oversee and guide this work.

The complexity of the **Criminal Justice System** presents a challenge in ensuring it operates wholly in the interests of victims and witnesses and deals effectively with offenders. Partner agencies such as the Crown Prosecution Service, HM Courts and Tribunal Service and the National Probation Service operate on a regional footprint which has required our office to work closely with other PCC offices in the region to look at the process from end to end, tackling delays and inefficiencies and improving quality of service.

Fire Service Reform

From August 2018, the Commissioner took over governance of Staffordshire Fire and Rescue Service, following approval of a business case submitted to the Home Secretary. He inherited a fire service that was in a good state and well regarded nationally, which is testament to the work of the previous Stoke-on-Trent and Staffordshire Fire and Rescue Authority. In the intervening 18 months, our challenge has been to build on these foundations to ensure it is fit for a changing future and the most effective and efficient in the sector.

He has therefore been keen to make swift progress against the three pillars of the national Fire Reform agenda: Efficiency and Collaboration, Accountability and Transparency, and Workforce Reform. Some of the work that has been done is set out in other parts of this report.

The business case centred on new opportunities for the two services to collaborate more and to share some support and administrative functions, work more closely operationally and share buildings. The major benefit of the proposal was that, over time, more of the money available could be used by both services operationally, in the heart of our communities. Importantly, the professions of firefighting and policing remain distinct and separate.

By bringing a similar governance approach to that applied to policing, there is now a broader range of scrutiny arrangements that have increased accountability and transparency. The performance monitoring arrangements by us and the scrutiny of the Ethics, Transparency and Audit Panel are in place and plans are in development to expand the scope of Safer Neighbourhood Panels to hold their local fire and rescue manager to account for performance.

The fire and rescue sector firefighter workforce is not generally reflective of the communities it serves and organisational culture has been identified nationally as a major challenge in achieving the required change. It has therefore been satisfying to see the service in Staffordshire judged by Her Majesty's Inspector of Constabulary & Fire and Rescue Services (HMICFRS) as outstanding in the way it promotes its values and culture, an endorsement of many years of hard work. While in a better position than many other services, Staffordshire Fire and Rescue Service's workforce needs to better reflect the communities it serves, but they have made progress in this area too.

Police/Fire Collaboration

Staffordshire Police and Staffordshire Fire and Rescue Service have been working hard to enhance the areas of collaboration that were already in place for transport, logistics and occupational health services, and develop their approach to further collaborative working under the governance of our office. The first phase of this work went live in 2019, with joint teams now in place for delivering estates, communications, human resources, finance and procurement support. The financial savings from collaboration have been reinvested in additional specialist prevention staff.

In December 2019, Tamworth Neighbourhood Policing Team moved into Belgrave fire station. Taking police officers out of a dilapidated police station with excess space and into a modern fire station makes complete sense financially. However, the benefits of police and fire colleagues sharing information, planning, preparing and training together to keep the local community safe are invaluable. Progress is being made to share Hanley fire station and options are being actively explored to do the same at other locations across Staffordshire, where appropriate.

Protocols have been developed for Staffordshire Fire and Rescue Service to assist the police in helping to search for missing persons and gaining entry to premises, where appropriate. These are great examples of creative thinking by operational staff and hopefully the first of many more opportunities to bring skills and resources together to help people.

Protecting Staffordshire and its people

The Commissioner's role as the Fire and Rescue Authority carries with it specific legal responsibilities in the protection of life and property. The fire and rescue service delivers this through the right balance of education, advice and support, and the use of enforcement powers where necessary. This is vital to keep people safe by ensuring those responsible for buildings comply with fire safety regulations and help keep our firefighters safe in dealing with incidents. It also helps to limit the environmental damage caused by fires in public spaces.

The tragic events at Grenfell Tower have increased the emphasis on technical fire safety inspections of premises and the use of enforcement powers. Staffordshire Fire and Rescue Service is already responding positively to this challenge, but this is specialist activity which requires an uplift in capacity. The service is also adapting well to complex and challenging potential threats, such as dealing with terrorist incidents or severe weather events.

The Commissioner is pleased to have already been able to reinvest savings from the collaboration between police and fire in delivering support functions into growing our specialist **Fire Safety Teams**. Although firm proposals or requirements have not yet been made nationally, all responses to the Grenfell tragedy so far have indicated that there is an urgent need to do this. It is clearly a more effective way of using this money and is a strong start to improving our risk-based inspection programmes.

The **Community Sprinkler Project** has focused on the risks associated with high-rise building fires and specifically the levels of safety for occupants and firefighters. Funding has been allocated to this activity with match funding provided by partners, and significant progress has now been made to retro-fit sprinkler systems to high-rise buildings. All such buildings will have sprinklers fitted over the next three to five years, with technical support being provided to each project by the service's fire engineers. The service continues to work with businesses, architects, planners and partners to promote the benefits of fitting suppression systems in new buildings over five floors. The Commissioner has lobbied for changes to legislation so that such installations are mandated for new buildings of this type.

The service continues to play a lead role locally and nationally in addressing the issue of **illicit waste sites**, and the Commissioner has been happy to add to that process by engaging with politicians and officials nationally in an attempt to bring lasting change to a flawed system. He has brought together partners including the Environment Agency, county and district councils, the police and the fire and rescue service to tackle this issue. Services are now joining together to plan for emergency response, use the legislative powers of each organisation to coordinate enforcement activities, and explore options for the removal of waste at high-risk sites.

Resources

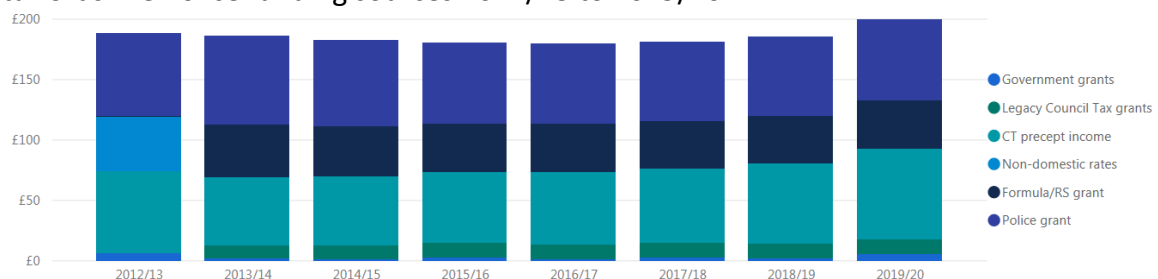
Staffordshire Police

The financial context for policing has been immensely challenging, and a reflection of the Government's drive to reform the service. For many years, central funding has gradually reduced and limits have been placed on local commissioners' ability to make up that gap through council tax increases. This created a pressure to do more with less and the force has responded positively, implementing more efficient structures and processes, collaborating more, and focusing on priorities and new ways of working supported by new technology.

The Commissioner has resisted increasing council tax while more financial reserves were being held than was necessary, as he believes public money should not be sitting in the bank when it could be spent on services.

Following public consultation, he took the early decision to protect the public from council tax increases for four successive years until he was satisfied the force had taken forward the opportunities it had identified to become more efficient and effective. More recently, he reluctantly increased council tax, but only because he felt there was no other option to provide the investment needed by the force. It funded additional neighbourhood policing officers, new specialist capabilities to address new challenges in policing, proactive work targeting prolific criminals, and boosted teams dealing with missing persons. Nevertheless, the Staffordshire precept for policing still remains one of the lowest in the country.

Staffordshire Police funding sources 2012/13 to 2019/20



At the end of his term, the force is in a strong place. It is rated as 'good' across all areas by HMICFRS, and Staffordshire is one of just four areas out of 43 where overall crime has reduced this year.

The extent to which the force is effective at keeping people safe and reducing crime is **good**.

The extent to which the force is efficient at keeping people safe and reducing crime is **good**.

The extent to which the force is legitimate at keeping people safe and reducing crime is **good**.

Burglaries down 17%

Violence down 14%

Sexual offences down 7%

Robberies down 2%

Criminal damage and arson down 11%

Public order offences down 6%

Vehicle crime down 10%

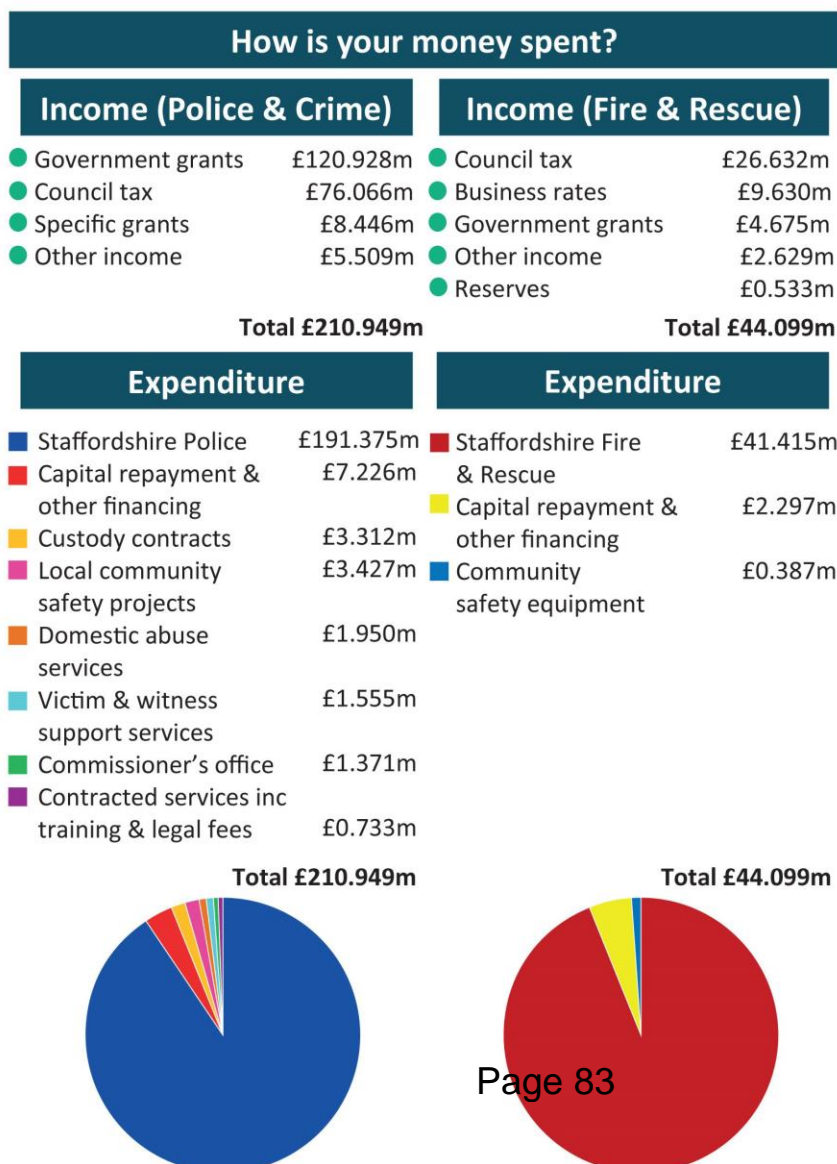
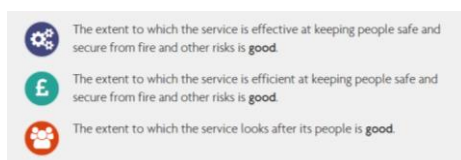
Surveys show that 78% of people in Staffordshire and Stoke-on-Trent are satisfied with the service provided by the police, 78% agree that they are value for money and 90% trust them. Over 80% of victims of crime and anti-social behaviour (ASB) are satisfied with the service they receive.

Staffordshire Fire and Rescue Service

Reductions in central government funding have placed similar pressures on the fire and rescue service and were capably addressed by the former Fire and Rescue Authority prior to governance transferring to the Commissioner in August 2018. An Efficiency Plan had been agreed to ensure affordability up to 2020, which included changes to crewing arrangements, reduced management levels and a robust approach to challenging non-pay expenditure. The service finds itself in a strong position, but there will still be difficult decisions to be made given increasing demands on the service and financial pressures.

HMICFRS recently rated it as 'good' overall and one of only four services to receive either a 'good' or 'outstanding' rating for all eleven inspection themes.

According to local surveys, 91% of people in Staffordshire and Stoke-on-Trent are satisfied with the overall service provided by the fire and rescue service, 93% agree they are value for money and 99% trust them.



Early Intervention

Evidence shows the best way of preventing crime and having a positive impact on community wellbeing, quality of life and safety is to stop problems arising in the first place. The Safer, Fairer, United Communities for Staffordshire Strategy emphasised the importance of prevention activities and intervening early to help those starting to experience problems and supporting them to address the issues they face.

Intervening early not only benefits individuals now and in the future, but also wider society and the economy. The costs associated with late intervention are well publicised. Nearly £17 billion per year – equivalent to £287 per person – is spent in England and Wales by the state on late intervention. Locally this equates to £319 million across Staffordshire and can be broken down into £237 million / £274 per person in Staffordshire and £82 million / £328 per person in Stoke-on-Trent. <http://www.eif.org.uk/publication/the-cost-of-late-intervention-eif-analysis-2016>

There are a number of root causes which leave people more vulnerable to or at risk of becoming involved in crime or ASB, such as truancy, poor educational attainment, lack of access to training and employment opportunities, lack of aspirations and opportunities, poverty, family breakdown, exposure to substance misuse or mental health issues. On taking responsibility for the governance of Staffordshire Fire and Rescue Service, it was clear the same societal factors impacted on demand for their services and it was pleasing to see that the principles of prevention and early intervention were at the heart of their work too.

Prevention and early intervention plays an important part in offering these children and their families the support they need to reach their potential, so it makes sense to focus on providing help early, addressing root causes. This can't be achieved by the police or fire service in isolation, so bringing local council, health and other services closer together has been a central part of the strategy.

Over recent years, this has become even more critical. Financial challenges have seen some organisations focus their efforts on delivering statutory duties, providing services to people with developed and complex needs. Despite this, we have worked tirelessly with partners to establish a range of successful preventative and early help initiatives.

Visible frontline services

The financial challenges most public services have faced in recent years have driven many to reduce prevention work in order to maintain the services they provide to people in crisis. In Staffordshire, we chose to invest in the number of officers providing community-based policing by working with the force to find more efficient ways of delivering emergency response and support services. This has been challenging but, with different structures, better technology and new ways of working, the force has been able to maintain the local presence that is so valued by the community and has the capacity for prevention.

The principles of prevention and early intervention are at the heart of the fire and rescues service. The service has developed a highly effective and valued approach to prevention,

which is focused on those most at risk. Savings from collaboration with police colleagues to deliver support functions have already been reinvested in additional staff dedicated to specialist fire prevention work.

The Commissioner has encouraged both services to work more closely together to deliver practical solutions which can impact positively on individuals, families and communities.

Working with young people

All children deserve the best possible start in life. Too many children face the kind of disadvantage that affects their development and threatens their future health and happiness. Early intervention can play an important part in offering these children and their families the support they need to reach their potential, so working with young people is the main focus of this priority. A range of projects have been led and developed by the Commissioner's office with this in mind.

Due to the prominence of early intervention within the strategy and the work being led by the office, Staffordshire was selected by the **Early Intervention Foundation** as a 'Pioneering Place' in 2013. Additionally, in 2015, Staffordshire was the only PCC's office in the country to form part of the Early Intervention Academy for Police Leaders. The Academy developed a Charter for Early Intervention and guidance for forces on reducing demand by tackling the causes of crime, freeing up police resources to tackle crime and protect vulnerable people by placing early intervention at the heart of policing.

Childhood experiences have a massive impact on lifelong health and opportunity. **Adverse childhood experiences (ACEs)** refer to stressful or traumatic events that children and young people can be exposed to as they are growing up. When children are exposed to adverse and stressful experiences, it can have a long-lasting impact on their ability to think, learn and interact with others. Studies have shown compared to those with no ACEs, those with four or more ACEs are more likely to have been in prison, committed violence in the last 12 months, and have health-harming behaviours (high-risk drinking, smoking or drug use), among other things. Much can be done, however, to build resilience in children, young people and adults who have experienced adversity in early life.

Understanding and helping people with this background is therefore an important element in tackling offending and supporting victims. The Commissioner's office has worked in partnership with Lancashire Foundation Healthcare Trust, national leaders in the field, and enabled the introduction of new practices to assess crime victims and perpetrators. Over 500 professionals from a range of organisations across Staffordshire and Stoke-on-Trent have attended multi-agency training on assessing the presence of ACEs, and attachment and emotion coaching has begun.

In 2017, alongside Staffordshire County and Stoke-on-Trent City Councils, we commissioned Catch 22 to deliver prevention and support services for victims and potential victims of **Child Sexual Exploitation (CSE)** and missing children. This was the first time a consistent service was available across the whole of Staffordshire and Stoke-on-Trent. Catch 22 is now fully embedded into local partnerships and has established a base in one of the Children's

Centres. To provide a snapshot, 1,062 young people positively engaged with Catch 22 in 2018-19.

We've worked with partners to develop a **CSE awareness campaign** for use in Staffordshire schools. By using new 360-degree technology, participating schools are provided with an innovative approach to promoting conversation and the development of 'safety tactics' within the school setting. The campaign includes a video, storyboard and classroom discussion pack and has now been delivered in many schools across Staffordshire and Stoke-on-Trent.

Education is an important tool in preventing and supporting children to address any issues they may face, preventing any problems from escalating and becoming more complex. To this end, we've been working with schools to develop educational resources relating to crime and personal safety. The Commissioner provided funding to enable the introduction of a nationally recognised education resource, **Values vs Violence**, to schools in Staffordshire and Stoke-on-Trent. The programme is delivered by teachers to raise awareness among children and young people and provide them with some of the necessary skills to keep themselves safe from abuse, sexual exploitation and radicalisation.

To provide another educational resource, we've worked with Staffordshire Fire and Rescue Service on the implementation of the **Safe+Sound** project, which aims to support informed and positive lifestyle choices to improve health, safety and wellbeing. The project runs a variety of interactive and practical workshops for children, young people and the over-60s, delivered by multiple partners and agencies. The Safe+Sound team uses state-of-the-art interactive mobile pods to deliver its education programmes, creating an immersive learning environment to teach topics like fire safety in the home, road safety, water safety, CSE, substance abuse, gangs and youth violence, emotional wellbeing and CPR. Various scenarios are projected onto three walls of the pod, producing a 270-degree view for students. The software allows participants to answer questions and access more information by swiping sensors on the walls. <https://youtu.be/-LhIP9dZeTI>

The **Prince's Trust** programme aims to engage young people at risk of offending, those involved in risky behaviour and victims of crime, in order to improve their health and wellbeing, lifestyles, confidence and employment prospects. The 'Fairbridge' and 'Get Started' programmes have provided intensive support to 864 young people across Staffordshire and Stoke-on-Trent with support from the Commissioner's office; around 60% achieved a positive outcome or progression on programme completion, with education and training being the most common outcome.

In a similar vein, we worked with **Stoke City Football Club Community Trust** and other partners to develop a bid to the Premier League / Professional Footballers' Association Community Fund. This provided the trust with the unique opportunity to secure a grant of £250,000 following the investment of £50,000 partnership match funding. The money has been used to develop the Rise Project, which is supporting vulnerable young people from across North Staffordshire who are at risk of exploitation and have multiple barriers to overcome.

We also commission early intervention services from Staffordshire and Stoke-on-Trent **Youth Offending Services** and provide support 'in kind' through Staffordshire police officers. We've worked to create a consistent approach no matter where you live by providing group and one-to-one support for young people at risk of offending and their families. First-time entrants have reduced from around 600 in 2010 to around 200 in 2018. A report was also commissioned to review the provision, which identified evidenced-based good practice and some recommendations for future models.

In 2017-18, the office submitted a successful bid to the Home Office Violence against Women and Girls Service Transformation Fund, which enabled the development and implementation of a new support service project to tackle **Female Genital Mutilation (FGM)**. The total award was for £250,000 over three years, together with additional investment from the Commissioner's budget. Barnardo's successfully bid for this work and has provided support to 800 people and training to 692 professionals on FGM-related issues. Some cases have involved FGM Protection Orders obtained through the Courts. In August 2018, Barnardo's and Staffordshire Police joined forces with a number of organisations – Border Force, the National Crime Agency and other police forces across the West Midlands – to implement Operation Limelight at Birmingham Airport. This joint operation was a proactive airside operation targeting inbound and outbound flights to 'countries of prevalence for FGM'.

The **Staffordshire Police Cadet Service** is all about encouraging young people aged between 13 and 17 – some from challenging backgrounds – to achieve new skills and confidence and connect with the police in a positive way through an exciting programme. Since I introduced the scheme in 2013, ten cadet groups have been established, with 950 young people continuing to attend regularly for more than a year.

The scheme is financially sustainable, thanks to donations from patrons, funding activities and the Commissioner's Corporate Social Responsibility Fund. It has been heartening to see the positive support from local businesses with a real sense of civic responsibility investing in the future of Staffordshire's young citizens. Through their passion and commitment, cadet patrons are helping to change young lives. Equally, the support provided by police officers, special constables, PCSOs, staff and volunteers, who have given their free time to support the scheme, has been a vital ingredient in its success.

Police cadets work towards nationally recognised qualifications in teamwork, citizenship and personal skills, following a detailed programme that covers every aspect of policing and how they can support the police in keeping our communities safe and reassured. They are not in training to be police officers, but are learning skills they will need in all aspects of their lives and gaining an enhanced sense of civic pride through the support they provide to many public events. Staffordshire Police Cadets have formed Honour Guards at the National Memorial Arboretum and marched on Remembrance Sunday, and help out in their local communities and at many events and functions every year.

They also play a key role in supporting police operations, such as assisting officers conducting roadside checks on vehicles as part of crackdowns on drink driving. Cadets were

on hand to give out leaflets advising motorists on the dangers of drinking while over the limit.

Cadets at all units have taken part in interactive training over a two-week period by Staffordshire Police's Prevent CSE Team. The awareness sessions looked at how to spot the signs of CSE, its effects, the law, and where to go to for help. They also included discussions about how to stay safe online and the dangers of 'sexting'.

A Junior Cadet scheme was introduced for children at primary school. Consisting of six one-hour sessions led by a PCSO during school time, the programme includes encouraging good behaviour, road safety, school security, and the impact of anti-social behaviour. There are now more than 6,600 junior cadets from primary and junior schools.

In 2015, I relaunched the **Space** scheme, an activities programme for young people to enjoy during the school summer holiday with the aim of reducing low-level crime and ASB. The programme, managed by my office, brought a new approach linking various voluntary and public organisations, including councils across Staffordshire and Stoke-on-Trent. The scheme seeks to benefit young people through confidence building and personal health and social development, providing positive activities for young people aged 8-17 years during the school summer holiday period. A minimum of 30% of Space funding is provided for targeted activities for those young people considered vulnerable, with defined referral pathways from key agencies such as the Youth Offending Service and Local Support Teams and in areas where there is evidence that young people are at risk of either committing ASB or of social exclusion.

Investing up to £180,000 annually and supported by local authority partners and other stakeholders, Space has grown year on year. In 2019, there were over 38,000 attendances by local youngsters (68,361 hours of engagement), compared to 15,000 in 2015. Levels of police-reported, youth-related ASB have reduced by 50% since 2016 (1,365 reported incidents, down to 652 in 2019).



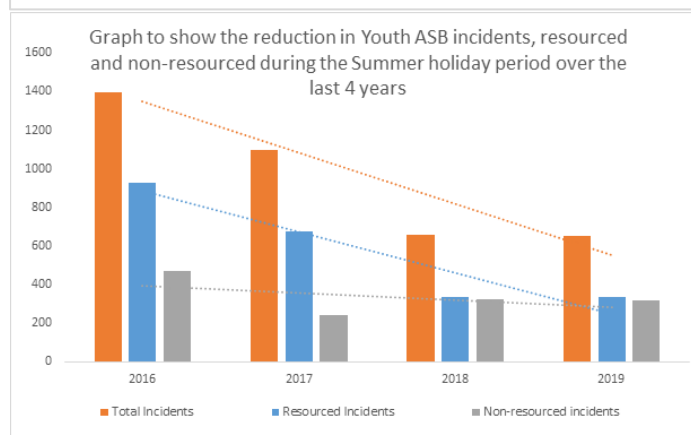
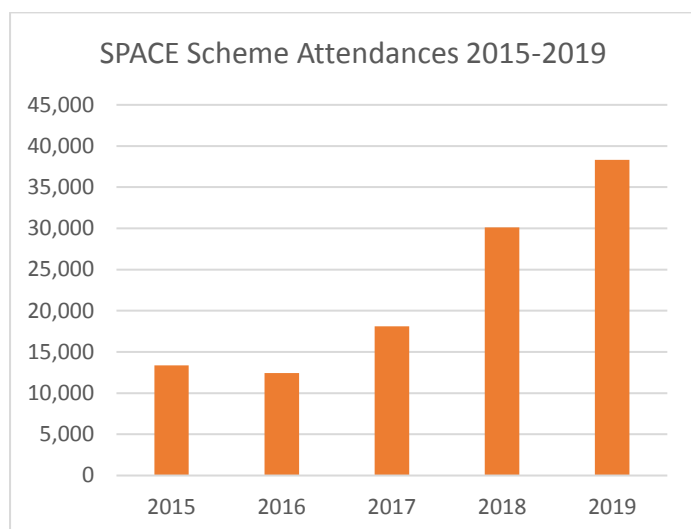
Space Champions Olivia Hopwood, Adam Yates and Lacey Dutton

"I just wanted to let you know how much we appreciate you and Phil/Rob with regards to the excellent support and positive influence you have had on K and, in turn, this has had an invaluable positive knock-on effect within our family. I also wanted to mention how the numerous different activities K has been introduced to, and enjoyed, has shown him what he is capable of doing and has

boosted his confidence, self-esteem and self-worth. If it hadn't been for the above, I think that K would be continuing on a downward spiral."

"L really enjoyed all of the activities that he went on, it gave me some peace and quiet as he can be difficult at home sometimes, it's one of the positive things that Youth Offending do."

"M's mother said she felt her son's behaviour was getting better, she was pleased that staff engaged and spoke to him on his level and fully supported him and them. She felt if there weren't places and activities like this that kept kids occupied and off the streets, there would be a lot more kids in trouble with the police."



Tackling Serious Violence

Serious violence can affect people at all stages of life. Many survive serious violence, but suffer physical, mental or emotional health problems throughout the rest of their lives. While Staffordshire does not have the same levels of serious violence as many other areas, it has increased steadily over the past five years, so it is important to take the opportunity to improve this position through early intervention and prevention. This is not purely a policing issue. It is now, rightly, being viewed as a public health problem, which requires agencies to collectively deliver sustainable reductions in serious violence and improve the health and quality of life of all people in Staffordshire and Stoke-on-Trent. To this end, we've played a pivotal role in bringing partners together to develop a multi-agency strategy and action plan and, while it is early days, we look forward to seeing this approach deliver the expected

results. The Commissioner has funded a lead officer to ensure this important work area is implemented.

Additionally, we submitted a successful bid to the Home Office **Early Intervention Youth Fund** in 2019, being allocated £392,700 to fund a multi-agency approach to prevent young people from committing violent crime. The project will seek to identify the risks they face and address them through a programme of prevention and early intervention. Schools will develop 'critical thinking skills' among their pupils, with tailored support for the most vulnerable youngsters. Professionals across various agencies will be trained in how to spot risk factors, while parents and families will also be given more support.

Preventing Cyber Crime

The internet has brought new and changing threats from crime and criminals, whether for individuals or for businesses, and the sometimes international nature of cyber crime makes it a complex area for police and other agencies to tackle.

The Deputy Commissioner spearheaded work to develop a partnership approach to cyber crime, which involved a more collaborative approach to tackling the challenges it brings. The **Cyber Safe Staffordshire** campaign was launched in 2016 to raise awareness of cyber crime and to encourage people to be more confident in taking steps to protect themselves online. The Deputy Commissioner also established the Online Fraud Forum, a partnership of local business and public sector organisations, and a scheme to train and support 'Cyber Champions in the Workplace' to act as single points of contact on cyber security within their organisations. Training is provided by Staffordshire Police and the Regional Organised Crime Unit and over 300 people have now been trained.

In 2017, we hosted the first Online Fraud Conference attended by representatives from hundreds of local businesses to raise their awareness of cyber crime and how they can protect themselves from becoming victims. We also teamed up with Trading Standards, working with the Adult Safeguarding Board to identify ways to support vulnerable people to prevent them from becoming victims of financial abuse. We also supported the appointment of a specialist digital PCSO, advising residents across Staffordshire and Stoke-on-Trent on how to stay safe from online criminals.

Managing offenders

Nationally, 50% of all crime is committed by 'career' offenders who, typically, by the age of 40 will have cost the system £500,000 each. In Staffordshire alone, the costs of offending is £250 million a year.

In 2014, the Commissioner established the Staffordshire Offender Management Commissioning and Development Board, bringing together all key partners with a responsibility or interest in the offending arena to support a coordinated, whole-system approach to reducing offending and reoffending in Staffordshire and Stoke-on-Trent.

Partners agreed an ambitious county-wide strategy to guide local action in relation to this agenda with the aim of:

- Promoting timely interventions across agencies in Staffordshire to reduce the risk of people becoming involved in offending behaviour; and
- Ensuring that where people do offend, they are brought to account for their actions while being given the appropriate support and encouragement to move on and to avoid reoffending in the future.

A comprehensive action plan was produced to support implementation of the strategy based around four key themes – Prevention, Diversion, Offender Management and Offender Rehabilitation and Resettlement – and multi-agency groups were established to oversee delivery.

Prevention

Reducing first-time offending and reoffending is at the heart of the Commissioner's Early Intervention priority and associated initiatives such as Values vs Violence, Youth Offending Prevention Teams and the Serious Violence Strategy, and actions are detailed in that section.

Diversion

Diversionary approaches allow low-level offending to be dealt with at an early stage and outside of the criminal justice system, where it is appropriate and with the victim's consent. This avoids unnecessary court proceedings, prevents problems from escalating and gives first-time offenders, in many cases young people, an opportunity to change direction.

Staffordshire was selected as a pilot area for **out-of-court disposals**, designed to improve collaboration and ensure consistent decision-making between Youth Offending Teams, police and partner agencies, when considering instances of minor offending and ASB by young people. The Commissioner supports this approach, which encourages greater use of community resolutions and conditional cautions as an alternative to prosecution, where appropriate.

We've worked with partner agencies to develop a **Looked After Children** protocol to guide multi-agency action aimed at reducing the number of young people in care coming into contact with the criminal justice system.

The Commissioner has also provided funding for a coordinator post to support multi-agency work across the county aimed at diverting young people away from **gang-related activity and youth violence**.

Mental Health and Offending

Before being elected as Staffordshire Commissioner, it wouldn't have occurred to me how mental health issues, offending and policing are quite so inextricably linked.

At an early stage, I was particularly concerned at the extent to which police cells were being used as so-called 'places of safety' for those in mental health crisis because other facilities were unavailable. In some situations, the police may well be needed initially, but once things are under control the police are not equipped, nor best placed, to take responsibility for that person for any longer than is absolutely necessary. They need healthcare support and, too often, people ended up criminalised in the justice system when they shouldn't have been.

In 2014, I commissioned a piece of work to understand the scale of the issues police faced. The 'Staffordshire Report' provided detailed analysis over an eight-week period of all police incidents involving mental health. It illustrated, case by case, the human aspect and the pressures on police officers, often in the middle of the night, dealing with individuals who have some sort of mental health condition.

The report led to the agreement of an action plan and a new shared commitment across agencies to improve how they jointly responded to incidents. This included the introduction of a new Community Triage Team in which community psychiatric nurses work with frontline officers to provide support in response to calls from individuals with mental health issues, and an increase in NHS provision for people needing a place of safety. As a result, the number of individuals ending up in custody in these circumstances reduced by over 80% in Staffordshire.

I also pushed for a change in the law in this area. The initial change, which outlawed using cells as a place of safety for under-18s and placed a time limit on their use for adults, was a step in the right direction but did not go far enough, and in Staffordshire we have continued to strive to reduce the use of cells as a place of safety for adults to zero.

Building on this work, I established a new Mental Health and Community Safety Strategic Board in 2017 to oversee improvements in health and justice services more generally to ensure that, where appropriate, support is available to divert individuals with mental health needs and other vulnerabilities who come into contact with criminal justice agencies away from the criminal justice system and into appropriate treatment and care.

I commissioned NACRO to undertake a needs analysis to get a clear picture of the level of demand for mental health diversionary services at different stages of the criminal justice

process. The findings have been used to review the adequacy of existing services and gaps in service provision and to guide the strengthening of services in key areas.

This has included work with NHS England to support the roll-out of criminal justice mental health liaison and diversion services in Staffordshire. Services are now in place to provide essential assessment and early intervention services for individuals with mental health needs and other vulnerabilities in police custody suites and magistrates courts throughout the county.

My office has also worked with partners to review and to refresh the existing Staffordshire and Stoke-on-Trent multi-agency Mental Health Crisis Care Concordat, which will provide a framework for continued joint working on the mental health and offending agenda for the next two years and beyond.

Offender Management

We've worked with key criminal justice partners – Staffordshire Police, Youth Offending Teams, the Ministry of Justice, the National Prisons and Probation Service and Staffordshire and West Midlands Community Rehabilitation Company – to further develop and strengthen local offender management arrangements to ensure that offenders subject to custodial and community sentences are effectively supervised and supported to comply with the terms of their sentence and avoid further offending, and that services are tailored to local needs.

Work also took place to review, refresh and reinvigorate the operation of **Integrated Offender Management** arrangements in the county, which are designed to ensure an effective multi-agency approach to the management of the most prolific offenders. This resulted in a number of recommendations, which will ensure the model remains fit for purpose in managing offenders in a way that protects the public, while effectively supporting their rehabilitation into society and stopping them committing further crime.

A new county-wide **Domestic Abuse Perpetrator Service**, offering a range of rehabilitative programmes, is now being provided as part of a broader set of services by New Era. So far, 330 cases have been referred to New Era where people have sought help to change their abusive behaviour.

We've worked with Ministry of Justice and National Probation Service partners to progress the local implementation of the national **Women Offenders Strategy**, resulting in a more structured whole-system approach based on what has worked elsewhere. This work is ongoing and will include provision for early intervention for first-time offenders, improved availability of gender-specific sentencing options, and better resettlement provision.

Offender Rehabilitation and Resettlement

The availability of housing, employment and training opportunities, substance misuse services and other support services is critical to offenders' successful long-term rehabilitation and reintegration into the community.

The Commissioner provides funding towards a county-wide floating **housing support service** for offenders. This scheme provides a practical tenancy support service for up to 120 offenders at any one time and has been at 100% occupancy since inception, with 60% of those supported being helped to access training or employment and over 80% being supported to comply with their statutory orders.

Addressing the link between unemployment and offending and **improving access to the labour market** is a key component of the refreshed strategy and is critical to reducing offending and reoffending. Work has been undertaken to support the establishment of a new training / employment brokerage service for offenders, aimed at offering employment opportunities in the construction sector.

The Commissioner contributed funds to support the provision of **substance misuse services** across Staffordshire and Stoke-on-Trent to ensure that more offenders – where their offending is related to substance misuse – are able to have their treatment needs met. Funding from partners for these services has become increasingly sparse, so it has become vital to ensure future resources are targeted directly on services and interventions proven to reduce offending and improve recovery outcomes. A new investment model has been agreed between partners which will strengthen local service provision in key areas – enabling the introduction of drug testing, assessment and referral services in police custody suites on a consistent, county-wide basis for the first time and providing the treatment capacity to support an increase (in appropriate cases) in the use of community orders with an alcohol or drug treatment requirement.

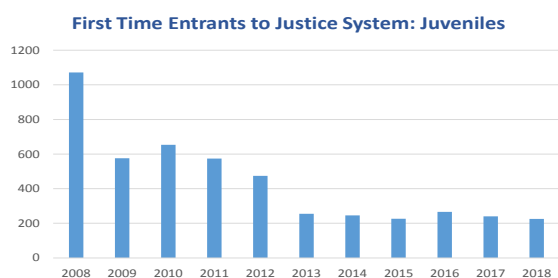
Building on work undertaken to better respond to the needs of offenders with **mental health** needs, we've contributed funds to support a two-year pilot project designed to increase the use of community orders with a mental health treatment requirement (MHTRs).

Under the pilot, which is being funded jointly with NHS England, magistrates in Staffordshire and Stoke-on-Trent will be provided with an important new sentencing option when dealing with individuals whose offending is linked to their mental health. Offenders will be directed to receive mental health treatment and support as part of their community order. The pilot, which is being supported by the Ministry of Justice national Community Sentencing Treatment Requirement (CSTR) programme team, will run from April 2020 and, if successful, it is intended that MHTRs will be made available more generally as a sentencing option across courts in Staffordshire and Stoke-on-Trent.

Outcomes

The strategy seeks to:

- Reduce first-time entrants to the youth justice system; and
- Achieve a sustained reduction in youth and adult re-offending.



Since 2010, there has been a continued downward trend in the number of young people entering the criminal justice system in Staffordshire and Stoke-on-Trent. Since this sharp reduction, the numbers of new entrants remain consistent.



Recent changes in the way reoffending rates are calculated makes direct comparison with previous years difficult, but these initial results indicate that since the strategy's launch in October 2015, in both Staffordshire and Stoke-on-Trent there has been a measurable, albeit small, reduction in youth reoffending. Adult reoffending levels have

remained fairly static. These are interim results, but provide an indication of the impact of the strategy, suggesting that work undertaken to date is on track.

While much remains to be done, given the challenging financial climate of the past 8-10 years which has had an adverse impact on the lives of many offenders and their families, with shrinking local authority budgets, the reduced availability of local services and changes to universal credit, overall performance in addressing offending has been positive.

Crime in Prisons

In 2018, I took the lead on behalf of the PCCs in the West Midlands region in examining the issue of crime in prisons. The hard-hitting six-month study involved months of research, visits to prisons and multi-agency work, and proposed straightforward solutions to tackle criminality across the prisons estate. Staffordshire itself has eight prisons – one of the highest number of prisons in a single county across the country.

I commissioned Staffordshire University's Professor James Treadwell and the University of Leicester's Dr Kate Gooch, both experts in the field, to carry out the study. They spoke to prisoners, prison governors, staff and multiple agencies throughout the West Midlands over a period of six months.

The study showed that staff were all working very hard to tackle the problem, but it became clear that no single agency could bring about effective change on their own – it needed to

be done together. Prisons must be places of law and order, where staff are confident and in control and where criminality is targeted and challenged, not allowed to thrive.

This multi-agency approach resulted in all key agencies coming together to tackle the systematic and deep-rooted problems and led to the development of a five-point plan to address them which was presented to Government.

The Government is installing body scanners in some prisons to stop drugs getting in, but the findings of the West Midlands study showed that simply sharing information better between the police and prisons can impact significantly. An information-sharing pilot at HMP Dovegate, a Category 2 prison in Staffordshire, resulted in not only identifying prison staff linked with organised crime, but also visitors who were trafficking drugs into the prison.

Proposals such as giving prisons access to the Police National Database (PND) were highlighted as an example of the simple measures that could be taken to stop organised crime in its tracks.

The work also found that vulnerable individuals were being deliberately targeted, threatened and coerced into getting themselves recalled shortly after being released, with the sole purpose of trafficking drugs and contraband, driving reoffending rates.

The study helped develop an approach which could be adopted nationally to tackle some of the cultural and organisational flaws in the system. The recommendations focused on five key areas, from ensuring crime doesn't pay by taking money off criminals, sharing information and intelligence, to ensuring vulnerable inmates are protected from those who would use them to bring drugs into prisons.

Public Confidence

The role of Commissioner is to be the voice of the people and hold services to account. This priority was about ensuring that people are better informed and involved in how policing, the fire and rescue service and community safety arrangements are delivered, hopefully increasing public confidence and, in the case of policing, reducing their fear of crime.

It is also about ensuring services are public facing, visible, capable and responsive to the diverse needs of our communities. Trust is an essential ingredient and services need to be transparent and open to examination and scrutiny to help provide reassurance and improve services.

Transparency and Accountability

Strong governance arrangements are essential to improving service delivery and accountability to ensure our intended outcomes are met and we operate in the public interest. We've developed an effective **corporate governance framework** which is supported by:

- Performance management frameworks focused on delivering the Police and Crime Plan and Fire and Rescue Plan;
- Budgeting systems that align resources with priorities;
- Good financial reporting that informs decision making;
- A commissioning framework;
- Engagement in value-for-money benchmarking;
- Rules and procedures for effective working within and between the Commissioner's office, the police and fire and rescue service;
- An independent Ethics, Transparency and Audit Panel (ETAP), charged with seeking assurance over risk, governance and internal control;
- Independent Custody Visitors scheme, Dog Welfare scheme and Safer Neighbourhood Panels;
- Risk Management Strategy;
- Appropriate statutory officers within the Commissioner's office, the police and fire and rescue service;
- Clear codes of conduct and standards of behaviour; and
- Appropriate communications to ensure transparency.

The Commissioner established the **Ethics, Transparency and Audit Panel (ETAP)** to perform a public scrutiny role. It has been recognised nationally for its work in holding policing to account across a number of areas and its remit has now been extended to cover fire and rescue. The work of ETAP covers the statutory responsibility to scrutinise the accounts and financial arrangements of our office, police force and the fire and rescue service, however the panel also conducts thematic reviews around service delivery and has helped improve services across Staffordshire. Recent reports from ETAP have included a review of whistleblowing, out of court disposals and care in custody. Reviews are all published on our

website and full ETAP meetings are open to the public. The work of ETAP can be found at www.staffordshire-pfcc.gov.uk/volunteer/ethics/

The Commissioner introduced **Safer Neighbourhood Panels** at Cannock, Staffordshire Moorlands and South Staffordshire in 2014 and expanded them across Staffordshire and Stoke-on-Trent the following year. Panels are made up of residents, local councillors and magistrates and meet regularly with their area policing commander. They shape local policing and community safety and shine the spotlight on the work done by police in their area to ensure greater transparency and help build public confidence. They examine the performance of neighbourhood policing and the impact it has on their communities. Panel members receive training to help them carry out their role, so they can be involved in innovative work such as examining body camera footage captured during stop and searches by local officers. Recommendations arising from this work prompted a force-wide review of policies and procedures relating to the retention of body-worn video footage of stop and searches, resulting in briefings being issued to operational officers. Their reports are available at <https://staffordshire-pfcc.gov.uk/get-involved/volunteer/snp/>. There are plans to extend their remit to cover fire and rescue activities.

Independent Custody Visitors (ICVs) have a statutory responsibility to visit people detained in police custody, an important way of reassuring local communities of fairness and lawful management of the custody process. Our scheme in Staffordshire has been awarded the Gold Standard in a quality assurance assessment by the national Independent Custody Visitor Association. There are now two ICV Panels for Staffordshire, one covering the Northern Area Custody Facility at Etruria, the other covering the Watling House Custody Facility at Gailey. ICVs make around 210 unannounced visits to these custody suites every year. During those visits, on average 462 detainees per year agree to be visited where ICVs ensure their rights and entitlements under the law are being extended to them. ICVs are volunteers who are selected, trained, monitored and supported by the Commissioner's office. You can find out more about the various ways to get involved with the work of our office at www.staffordshire-pfcc.gov.uk/volunteer/

The Commissioner's office also oversaw the introduction of arrangements to ensure the availability and training of **Appropriate Adults** to support vulnerable adults detained or interviewed by the police and ongoing compliance with national standards for the scheme.

Police, Fire and Crime Panel

In order to promote openness and transparency, my work is scrutinised by the Staffordshire Police, Fire and Crime Panel. The panel ensures I am delivering against my strategy and that I am effective in holding the Chief Constable and Chief Fire Officer to account and properly scrutinising the work of their organisations. The panel consists of local councillors and independent members who are interested in community safety. I am invited to attend their meetings, where they can question me on my work. They are also responsible for scrutinising key appointments, my annual budget and council tax precept decisions and dealing with any complaints made against me. Meetings of the panel are webcast live and available to view afterwards.

For the second year running, we've been awarded the **Open and Transparent Quality Mark**. This is awarded annually by CoPaCC following a rigorous assessment process designed to ensure statutory transparency requirements are fulfilled and facilitate an ongoing process to raise standards.

We've introduced a **Dog Welfare Scheme** in partnership with the Dogs Trust and Staffordshire Police to enhance public confidence surrounding those animals engaged in police work. Members of the local community observe and report upon the conditions under which police dogs are housed, trained and transported.

Investing in community projects

Supporting local community safety priorities is key to meeting the needs of local communities and businesses.

With this in mind, we've provided local authorities with strategic assessments identifying local crime and disorder-related issues, enabling local community safety plans to be put in place. Supporting their delivery, the Commissioner has provided **Locality Deal Fund** monies on an annual basis since 2014, totalling £6.1 million. This includes almost £440,000 locally for substance misuse support, almost £800,000 for young people's activities and £200,000 on supporting victims of hate crime.

Additionally, our Proceeds of Crime Fund, made available to our partners to support strategic activities through two funding rounds per year, has seen investment of over £820,000 since 2014, reaching almost 64,000 people and involving over 500 volunteers. Similarly, the Commissioner's People Power Fund, available to community groups to help support their local areas, has seen over £850,000 invested in local initiatives, involved over 48,000 people and encouraged over 2,200 volunteers.

Examples of projects funded + photos used in social media

Burton Albion Trust Knife crime awareness project	Right Stuff Project Diversionary activities for young people	Tamworth Taxi Marshalling To reduce violence and ASB	Biddulph Youth & Community Zone Projects to reduce ASB
Liberty Staffordshire CIC Community safety programme	Voice of Hope Increasing awareness of modern day slavery	Street Chaplains Volunteers patrolling night time economy	Brighter Futures Housing Association Outreach service

Recent legislation has given commissioners a greater role to increase independence and improve the way **complaints against the police** are handled. We've prepared for these changes, which are designed to simplify the complaints system so that complaints are dealt with more quickly, effectively and proportionately, and the Commissioner's office will have a direct role in conducting reviews of the way in which complaints have been managed by the force.

Our office has also managed a number of hearings of officers' appeals against gross misconduct findings by Staffordshire Police. **Police Appeals Tribunals** were designed to bring greater transparency to the process and members of the public are entitled to attend as observers. We're responsible for the appointment and training of the legally qualified chairs who conduct these proceedings.

The Commissioner launched **Staffordshire Smart Alert** in 2016. It provides real-time crime and community safety information to businesses and communities across Staffordshire and Stoke-on-Trent. Taking the form of a downloadable app and a website, users are able to select their preferred method of receiving information, advice and guidance direct from local officers. It has continued to develop with additional 'geo-fencing' functionality now in place, enabling alerts to be issued to residents (over 12 years of age) and businesses signed up to the system located within a 3km radius of an incident or issue at the time it arises. This key tool in reaching out to local people now has over 10,000 members with more sign-ups daily. To access the app, go to www.staffordshiresmartalert.uk

A wide range of **community engagement** activities and meetings with members of the public take place across Staffordshire and Stoke-on-Trent every year and the Commissioner has met with around 28,000 people at over 500 events. These events provide the opportunity for the Commissioner and his Deputy to inform local people of the work taking place and, importantly, listen to their views on crime, policing and community safety. Typical engagement activities include community groups such as youth groups, school events, rotary clubs, women's institutes, religious festivals, parish council meetings and many more. In addition to face-to-face engagement, we've established a strong online presence. Our social media accounts now have a combined following of more than 15,000 people. Members of the public can also sign up to receive electronic newsletters from the office – www.staffordshire-pfcc.gov.uk/news/updates

The Commissioner's office has also organised a number of major engagement and consultation events:

- Annual Youth Commission events – 'Big Conversation'
- Knife crime event with partners
- Online Fraud Conference
- FGM conferences
- Modern Day Slavery awareness events
- Mental Health Summit
- Violent crime debate with US criminology students and the Youth Commission
- 'In Conversation with the PCC' at Staffordshire University on Hate Crime

The **Staffordshire Youth Commission** has undertaken a significant amount of youth engagement on behalf of our office. They have engaged with thousands of young people to develop understanding and obtain evidence relating to their key priorities, which were identified through the Big Conversation in 2017.

To date, 29 interactive peer-to-peer workshops have been run on the topic of knife and gang crime with young people from Stoke-on-Trent sixth form, Burton & South Derbyshire College and Nacro, specifically targeting young people who are at risk or who have been directly affected. In addition, the Youth Commission has also undertaken workshops on mental health, hate crime, exclusion, abuse and CSE. They have also held advisory meetings with Staffordshire Police, focusing on priority areas such as hate crime and exclusion.

Commission members also attended a meeting of the Sport and Youth Justice Steering Group to help present the findings and evaluations of the Space project to partners from across the county. The Youth Commission has undertaken a great deal of engagement work across the county to determine youth awareness of the Space project, its potential impact and how it could be developed in the future.

In 2015, the Commissioner instigated an **independent review into the policing of football matches** in Staffordshire and Stoke-on-Trent. The review was conducted by a leading national academic on crowd safety, looking at the effectiveness of the arrangements for policing local football matches. It focused on Stoke City and Port Vale and included visits to policed games at both clubs' grounds. Our office had previously introduced new formal audit and appeal arrangements between local clubs and Staffordshire Police to improve the consistency and transparency of decisions made on the level and costs of policing matches. The review assessed the effectiveness and impact of policing arrangements, identified opportunities to improve based on best practice and suggested ways to strengthen relationships between Staffordshire Police and local football clubs and take a more community-policing approach to football matches.

Supporting Victims and Witnesses

On taking office, the Commissioner was struck by the complexity of the criminal justice system and found it not as effective or joined up as it could be. He therefore made it a priority to push for reform to ensure that victims, witnesses and their families are supported in a way that recognises their individual circumstances and places them at the very heart of all criminal justice processes. This has been about better understanding people's needs and providing tailored support to help them cope and recover.

There has been a wealth of reforms since the 1990s, which includes the Victims' Charter (1990), subsequently revised in 1996 and replaced in 2006 by the **Victims' Code of Practice** (VCoP) for Victims of Crime. The Victims' Code was revised in October 2013 and subsequently revised again in November 2015 to incorporate the principles of the European Union Directive (2012/29/EU). It established two priority outcomes for victims: to **cope** with the experience of becoming a victim, and to **recover** from any harm caused by the criminal conduct.

The aims of our strategy were therefore to ensure:

- Victims and witnesses were able to cope and recover; and
- Victims and witnesses would have access to prompt and appropriate support.

There is a statutory duty under the Domestic Violence, Crime and Victims Act 2004 to publish and consult on a draft amended Code. The Ministry of Justice is therefore currently seeking views on its initial proposals for change and the priority issues to focus on. A revised Code incorporating those views is planned for spring 2020.

Baroness Newlove was appointed as the Victims' Commissioner by the UK government in 2012, with the role of liaising with ministers to offer advice on aspects of the criminal justice system that affect victim and witnesses. In September 2018, Baroness Newlove visited Staffordshire to meet the Deputy Commissioner to talk about our successes and achievements. The visit also focused on the support for non-recent victims and survivors of child sexual abuse. Baroness Newlove said, "I am grateful to the survivors I met, with the PCC, in Staffordshire who shared their experiences".

In 2018, the Government produced their first **Cross Government Victim Strategy**, which builds on the good progress made over the past few years to ensure victims have the right help in the aftermath of a crime and are properly supported in the process of seeing justice delivered. In line with the Government's Victims' Strategy, PCCs received £67.85 million in 2019/20 from the Ministry of Justice to deliver or commission victim support services in their local areas. For 2020/21, PCCs will receive £69.1 million, including a commitment by the Ministry of Justice to develop a new delivery model for victim support services. Officials are considering the possibility of multi-year funding settlements and a wider review of the funding formula for distribution of the victim services grant funding to PCCs as part of the next Spending Review in 2021.

To ensure that services continue to meet victim demand, we commissioned a **Victim and Witness Needs Assessment** in 2014 and subsequently again in 2018 to provide an up-to-date picture to inform our local strategy and future commissioning priorities. The first stage of the 2018 needs assessment explored the current position in terms of crime, levels of victimisation, the criminal justice process and the broad impact of crime on victims and witnesses. The second stage focused on the detailed experiences of victims and witnesses, identified through interviews and focus groups. Staffordshire is a diverse county, and we have recognised that parts of it, such as rural communities, face different threats and need to be supported in different ways.

The **Victim and Witness Commissioning and Development Board** was established in 2017 to develop an effective, integrated structure for all victim and witness services that tackle the delays and inefficiencies in the system that can have a negative impact on victims and witnesses. This multi-agency board, chaired by the Deputy Commissioner, is now well established and works to develop and deliver the strategy to improve services for victims and witnesses in Stoke-on-Trent and Staffordshire. The board is supported by strong governance and partnership arrangements. Many projects have been commissioned to support victims and witnesses of crime. Some are shown below.

Following a Victim and Witness Needs Assessment in 2014, the **Staffordshire Victim Gateway** model was developed and introduced in 2015 to provide a 'front door' for victims of crime in Stoke-on-Trent and Staffordshire, regardless of whether the crime has been reported to the police or not. The whole-system approach covers everything from the victim reporting the crime or recognising they need support through to them receiving specialist support.



The Gateway supports the delivery of the Code's key entitlements and provides prompt, professional, victim-led support to help people cope and recover from the impact of crime and the harm they have experienced. It is delivered in a respectful, sensitive and professional manner without discrimination. The service encompasses a triage assessment, tailored advice, emotional and practical support and a managed and supported onward referral to specialist services. As such, the Gateway forms a central and essential part of the victim support system.

Last year, we worked with Triangle Consulting who design, develop and implement Outcome Stars. Outcome Stars are an evidence-based tool which measure and support change when working with people who require one-to-one support. Triangle has recently designed a new 'Victim of Crime' Star, which has been piloted by Thames Valley Police and Staffordshire Victim Gateway. The Star will support change with regard to emotional wellbeing, money and practicalities, close relationships, safety at home and navigating the legal process.

The Gateway has successfully supported a number of victims from high-profile cases, including the Manchester Arena bombing and the West Midlands breast surgeon case.

Since it was established, there have been **219,092** victim referrals into the Victim Gateway, with **8,286** victims referred to specialist support agencies.

More information on the Gateway service is available at www.staffsvictimgateway.org.uk

"I used to be a shadow of my former self, but now I am back working and living my life again. I only have my support worker to thank for that. She has been fantastic with me, she picked me up when I was at my worst and supported me right through to the end. I can't thank her enough."

"Thank you very much for your support. Your help was invaluable and you were there when I most needed support. You were kind and human, but professional at the same time. It would have been so much harder going through everything on my own and more traumatic for me. Massive thank you to you."

As part of the Government's commitment to improve services to victims and witnesses, the Victims' Code stipulates that every victim should receive information about **restorative justice (RJ)** and how they can take part. In 2016, as part of our commitment to the Code, we commissioned the creation of a centralised multi-agency RJ Hub. The Hub, staffed by a core team of skilled practitioners, provides coordination and support for the delivery of victim-led interventions before, during and for an appropriate time after any investigation or criminal proceedings. Since its inception, the Hub has provided victims with the opportunity to have a say in the resolution of offences committed against them and offered an opportunity to come face-to-face with their offender as part of a resolution. For victims, when used appropriately, this is often more effective than a criminal justice process.

Since it was established, there have been 707 referrals into the RJ Hub. More information on the Restorative Justice Service is available at <https://staffsvictimsgateway.org.uk/help-for-victims-2/restorative-justice/>

The Commissioner's strategy has also focused on **business crime**. Successful businesses are the lifeblood of thriving communities and crime plays a significant role in their development; it can cause high costs and damage to companies.

In 2015, the Commissioner established the Business Crime Advisor project, delivered by Staffordshire Chambers of Commerce to provide specialist support for victims of business crime. Its focus is on ensuring practical advice, guidance and support is provided, in a timely manner, to ensure business continuity following a crime. The Business Crime Advisor is located within Staffordshire Police's control room, which enables them to make contact with victims of business crime within one day of a report being made. This allows them to provide advice and guidance on how to deal with the crime in a timely manner. All victims of business crime are entitled to receive one hour of free confidential specialist support, which can include areas such as ICT, security or insurance.

Since it was established, there have been 15,854 businesses identified by the Business Crime Advisor as being eligible for support.

“The service was really efficient, and the advice was fantastic. It was tailored to what we needed and we were also able to query what was happening with our crime.”

“It was just good to speak to someone and for us to run ideas past people. The list of businesses was also useful as we were able to get some expert opinions with no pressure.”

To take our work with businesses further, we’ve recently commissioned Staffordshire University to conduct research to assess the scope, scale and impact of business crime in Staffordshire and the support available to businesses nationally, regionally and locally. The University has engaged with businesses to understand their experiences and perspectives on business crime, their awareness of the support available and its effectiveness, and to seek their views on how services could be improved.

In 2017, the Commissioner provided funding to establish a **video link** facility in Burton to support our most vulnerable victims. The video link provides a positive experience for victims and enables vulnerable and/or intimidated victims to give their best evidence without having to sit in the court room in front of the alleged offender. Professional staff and a witness service volunteer are available to meet users of the facility, and there is a separate waiting area and kitchen for family and carers who accompany victims to the facility.

Victims of cyber crime in Staffordshire are now signposted by the national Action Fraud Service to the Victim Gateway and its staff have received training to ensure they are providing the right support. The Chambers of Commerce have also been commissioned to support businesses which fall victim to cyber crime. Our office has commissioned research to better understand the extent of the problem and inform the response across Staffordshire.

Modern slavery presents a great number of overlapping issues and crimes, which require a strong, coherent partnership approach. It is essential that all of us recognise that protecting people from slavery is everyone’s business. We have worked with partners to develop a modern slavery training framework, to enable organisations to prioritise their staff for training and to identify what type of training is required. This coincides with a recent funding award which has enabled the office to co-ordinate the delivery of ‘train the trainer’ training across the county.

We’ve recently commissioned a modern slavery support service, delivered by Voice of Hope, after identifying a gap in service provision for adult victims of modern slavery. The service provides effective, consistent, coherent and coordinated advice, guidance and support

across Staffordshire and Stoke-on-Trent, bridging a gap until the Ministry of Justice's national modern slavery service is established in September 2020.

Sexual Abuse

In 2018, NHS England published their 'Strategic Direction for Sexual Assault and Abuse Services – lifelong care for victims and survivors: 2018 – 2023'. This strategy outlines how services for victims and survivors of sexual assault and abuse, across all settings of the health and care system, need to evolve between now and 2023. We continue to work with NHS England, who have provided us with funding to host a local sexual abuse strategy lead, whose role is to deliver the national strategy at a local level.

In addition, NHS England have also funded a pilot Sexual Assault and Abuse Family Support Service, which covers Stoke-on-Trent, Stafford and Cannock. The focus of the pilot is on supporting family members and significant others, where one or multiple members of the family has been a victim of sexual abuse, either historic or current. The service encompasses a whole family approach and is tailored towards their needs, so that the family unit is able to cope and recover.

So far, since June 2019, the service has received 83 referrals from family members and significant others.

We continue to work closely with NHS England to shape the local direction of our adult and child sexual abuse services provided by SARC (sexual assault referral centre). Grange Park SARC is located in the north of Stoke-on-Trent. It is a free, confidential service providing co-ordinated forensic examination, health assessment, SARC counselling sessions and referral into local services for support and follow-up care to men, women and children who have experienced rape or sexual assault, either recently or not. Adults can access the service 24 hours a day, seven days a week. Staffordshire has a 'hub and spoke' model for children. Children who are identified as 'acute' are seen at the 'hub' in Walsall 24 hours a day, seven days a week, while all non-acute children cases are seen at Grange Park – the 'spoke'.

Annual **Victim Grant funding** from the Ministry Of Justice enables the Commissioner to allocate resources accordingly in order to enable victims to receive the support they need from victim support services. The Victim Grant has supported a number of projects/services during the Commissioner's time in office:

- BRAKE – a UK road safety charity and a well-established provider of support services to people who have been bereaved or seriously injured in a road crash, as well as their family, friends and professionals supporting them;
- Challenge North Staffs – a service for victims of hate crime in the north of the county;
- Therapeutic support for children who have been sexually abused; and
- Support for adults who have been sexually abused.

We commissioned research on **rural crime** in Staffordshire to understand its extent and impact. This research takes us beyond perceptions and gives us hard facts, which the Commissioner's office and Staffordshire Police are taking forward to get real results in tackling rural crime.

Rural areas typically tend to be safer, but the impact of crime is often disproportionately greater on victims in the countryside. Due to the often remote and isolated nature of the locations, it can heighten feelings of vulnerability and levels of concern. Many crimes are common to both rural and urban areas such as domestic abuse, cyber crime and serious sexual offences, but the challenge of preventing and solving these crimes is often exacerbated by remoteness and isolation. Other crimes are specific to rural areas, for example livestock rustling, poaching and hare coursing.

The Deputy Commissioner has worked with Staffordshire Police to ensure research informs their approach, as well as key stakeholders, to ensure rural communities are aware of the support available and ensure that services commissioned take into account the special characteristics of rural communities. Further information can be found at www.staffordshire-pfcc.gov.uk/rural-crime-strategy

Domestic Abuse



Historically, funding for domestic abuse (DA) services was provided in an inconsistent manner, with both commissioned and grant arrangements through a range of providers resulting in a postcode lottery of services. While initially I provided top up-funding in an attempt to mitigate demand and manage waiting lists, clearly this approach was not sustainable.

We established strategic leadership for DA in Staffordshire through the DA Commissioning and Development Board (DACDB). This group includes representation from my office, local authorities, providers, health, CPS, courts and other key stakeholders, and the Board owns the first ever pan-Staffordshire Domestic Abuse Strategy (2017-2020). The strategy is delivered through the multi-agency DA Action Plan, supported by three themed DA working groups.

My office negotiated a collaborative commissioning approach with Staffordshire County and Stoke-on-Trent City Councils to meet the locally identified needs and provide a consistent service offer.

In October 2018, this resulted in the pan-Staffordshire New Era DA service, providing support for victims, families, communities and businesses. The victim service comprises

prevention and early intervention which aims to stop the generational cycle of abuse while also supporting high-risk victims through targeted and acute support.

The perpetrator service provides a range of programmes aimed at rehabilitative support for those wanting to change their abusive behaviour.

New Era has received almost **6,000** enquiries / referrals to the victim service and seen over **330** perpetrators access rehabilitative support during its first 12 months.

New Era has ensured a consistent service provision across the whole geography, with clear referral routes for partners and the public. Synergy between victim and perpetrator services has been achieved for the first time across the whole area.

Victim comments to Independent Domestic Violence Advocate (IDVA):

"You helped to build me back up and get my life back in order, keeping both myself and my daughter protected and safe in the process."

DA victim accessing the New Era children and young people's service:

"The safety plan your Children and Young People worker did with my child saved both of our lives that day."

DA perpetrator seeking rehabilitative support from the perpetrator programme:

"I thought it was just physical violence, which I have never been, however now I realise it covers a range of behaviours – shouting, arguing, controlling behaviour, verbal and emotional abuse."

"I now understand the ways it can affect my children, my partner, ex-partner or future partners and the mental impact it can have, the physical effect and that it can ruin people's lives."

Intensive training aimed at increasing awareness of DA is taking place with professionals, businesses and in local communities consistently across Staffordshire and Stoke-on-Trent.

The service also provides the DA in the Workplace programme, extended to cover both victim and perpetrator behaviour and building on the earlier successful work undertaken in Staffordshire and led by the Deputy Commissioner. My office has commissioned Staffordshire Chambers of Commerce to provide additional business support for this element of the DA agenda.

"The training has given me a much better understanding of situations that you can come up against – whether you're dealing with colleagues, customers or members of the public, or even family and friends. It's brought a lot to light and makes you realise the importance of supporting anyone affected by domestic abuse – whether they're a victim or a perpetrator."

The approach taken locally was fully supported by national DA victim charity SafeLives and aligns with the national Violence Against Women and Girls Strategy.

We also commissioned the provision of **personal safety devices**. These electronic devices and associated services are highly effective in providing additional support for the small number of people at the highest risk of harm or who are considered to be at the highest level of vulnerability. They are considered as part of a package of support available for officers to use when dealing with vulnerable individuals.

