



Staffordshire Police, Fire and Crime Panel

14:00 Monday 31 January 2022
Council Chamber, County Buildings, Stafford

John Tradewell
Secretary to the Panel
Friday 21 January 2022

NB. The meeting will be webcast live which can be viewed here -
<https://staffordshire.public-i.tv/core/portal/home>

A G E N D A

1. **Apologies**
2. **Declarations of interest**
3. **Minutes of the meeting held on 7 December 2021** (Pages 1 - 4)
4. **Questions to the PFCC from Members of the Public**

Questions to the Commissioner are invited from members of the public who live or work in Staffordshire. Notice of questions must be received by no later than three clear working days before the Panel meeting. More information on where and how to submit a question can be found at <https://bit.ly/34arVDw>

5. **Proposed Police Budget and Precept 2022/23** (Pages 5 - 102)
 - a) Budget Report 2022/23 including MTFS
 - b) Treasury Management Strategy 2022/23
 - c) Reserves strategy update
 - d) Capital Strategy and Capital Programme
6. **Decisions published by the Police, Fire and Crime Commissioner (PFCC)**

Fire and Rescue Service

Aerial Ladder Platform Vehicles 003 [SCF-D-202122-003.pdf](https://staffordshire-pfcc.gov.uk/SCF-D-202122-003.pdf) (staffordshire-pfcc.gov.uk)

Police and Crime

PSHE Co-ordinator 004 [SCP-D-202122-004.pdf](https://staffordshire-pfcc.gov.uk/SCP-D-202122-004.pdf) (staffordshire-pfcc.gov.uk)

School Parking and Child School Road Safety 005 [SCP-D-202122-005.pdf](https://staffordshire-pfcc.gov.uk/SCP-D-202122-005.pdf) (staffordshire-pfcc.gov.uk)

Hate crime service and anti social behaviour and mediation service 006 [SCP-D-202122-006-V2.pdf](https://staffordshire-pfcc.gov.uk/SCP-D-202122-006-V2.pdf) (staffordshire-pfcc.gov.uk)

Body worn video and digital interview recording contract

7. OPFCC Chief Executive appointment

Verbal update of the Staffordshire Commissioner for Police, Fire & Rescue and Crime.

8. Questions to the PFCC by Panel Members

9. Dates of Future Meetings and Work Programme (Pages 103 - 106)

| Membership | |
|-----------------------------|---------------------------------------|
| Lesley Adams | Stoke-on-Trent City Council |
| Adrian Bowen | Co-optee |
| Richard Cox (Vice-Chairman) | Lichfield District Council |
| Stephen Doyle | Tamworth Borough Council |
| Ann Edgeller | Stafford Borough Council |
| Gill Heesom | Newcastle-under-Lyme District Council |
| Tony Holmes | Staffs Moorlands District Council |
| Philip Hudson | East Staffordshire Borough Council |
| Bryan Jones | Cannock Chase District Council |
| Roger Lees | South Staffordshire District Council |
| Bernard Peters (Chairman) | Staffordshire County Council |
| Keith Walker | Co-optee |

Note for Members of the Press and Public

Filming of Meetings

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Recording by Press and Public

Recording (including by the use of social media) by the Press and Public is permitted from the public seating area provided it does not, in the opinion of the chairman, disrupt the meeting.

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**Minutes of the Staffordshire Police, Fire and Crime Panel Meeting
held on 7 December 2021**

Present:

| | |
|---|--------------|
| Lesley Adams | Gill Heesom |
| Adrian Bowen | Tony Holmes |
| Richard Cox (Vice-Chairman in Chair) | Bryan Jones |
| Ann Edgeller | Keith Walker |

Also in attendance: Ben Adams, Helen Fisher, Glynn Dixon, David Greensmith and Emma Christmas (ETAP).

Apologies: Stephen Doyle, Philip Hudson, Roger Lees and Bernard Peters

PART ONE

38. Declarations of interest

No declarations of interest were made at the meeting.

39. Minutes of the meeting held on 25 October 2021

RESOLVED – That the minutes of the meeting held on the 25 October 2021 be confirmed as a correct record and signed by the Chairman.

40. Questions to the PFCC from Members of the Public

No questions were raised by the public prior to the meeting.

41. Decisions published by the Police, Fire and Crime Commissioner (PFCC)

The Panel considered the following decisions which had been published on the Commissioners website since the last meeting:

- Immediate Detriment Framework Adoption by Fire and Rescue
- Children and Young Peoples Sexual Assault Referral Service

No questions were asked.

RESOLVED: That the decisions be noted.

42. Medium Term Financial Strategy (MTFS) - Police Service

The report updated the Panel on the current MTFS for the Police Force. It set out the current year's budget; updated MTFS assumptions; an analysis of key financial items; and an update on capital programme. The report also outlined the budget process and provided uplift numbers for members information.

The Commissioner explained that the budget would be constructed differently this year and this may result in some challenging discussions with the new Chief Constable. Budget challenge sessions would be held and the results would be shared with the Panel in the full budget report in January 2022 when the panel consider the Commissioners proposed precept level.

The Panel expressed concern over inflation costs, as this was viewed as the biggest risk factor. It was also felt that increased National Insurance costs from both employees and employers' way prove challenging.

It was reported that there had been no delay or problems in the recruitment of the additional 120 police officers during this financial year.

The recently announced National Government Drug strategy was discussed and the implications for mental health services and treatment programmes. The Commissioner explained the early intervention strategies currently employed which included stopping production and sales, and the need for timely treatment and rehabilitation programmes.

The Panel thanked the Commissioner for the update ahead of the precept meeting in January.

RESOLVED: The Panel noted the contents of the report.

43. Medium Term Financial Strategy (MTFS) - Fire and Rescue Service

The report updated the Panel on the current MTFS. It set out the current years budget; updated MTFS assumptions; the impact of Covid on financial performance; analysis of key financial items; and an update on the capital programme.

The Panel were informed that the end of year budget figures were showing a slight underspend.

Again, the panel was informed that more information would be available at the Fire and Rescue precept meeting in February 2022. It was felt that the position was positive at the moment, but this was prior to the impact of winter pressures and rising prices.

Following a question on the increase in pay costs, it was explained that this was due to the increase in additional shifts to cover sickness.

RESOLVED: The Panel noted the contents of the report.

44. Police and Crime and Fire and Rescue Plan consultation outcomes

The Commissioner explained the consultation process for both the Police and Crime and the Fire and Rescue Plans, the feedback received and how the plans had been amended to reflect the comments/concerns of reciprocates. The Plans had been published on the Commissioners website and would be considered in detail at a future meeting of the Panel.

The response to the consultation had been at a similar level to that expected but was reduced from the previous consultation. This was explained as due to GDPR, database contacts had been removed and the Citizens panel no longer exists.

There was a general discussion on the priorities in the plans and the need for detailed action plans to address some of the specific issues that were being experienced in the communities. These issues included:

- Consultation on planning applications so that new housing estates could be accessed if emergencies occurred.
- Visits to elderly in their homes – with more prevention information and a wider range of services.
- Quicker response rates in some rural communities.
- Visibility of police officers and use of staff resources to reassure the public.
- The use of volunteers.
- More communication with those people who don't normally respond to consultation exercises.

RESOLVED: The Panel noted the contents of the report.

45. Annual Conference for PFCP report

The Panel received a report from its member representatives at the AGM of the National Conference for Police, Fire and Crime Panels, held on 2 November 2021 at Warwick University.

Workshops attended as part of the National Conference had included discussions on 'Scrutinising the Commissioners Performance Framework' Funding and future direction' and 'Complaints handling'.

RESOLVED – That the report be noted.

46. Questions to the PFCC by Panel Members

No further questions were asked.

47. Dates of Future Meetings and Work Programme

RESOLVED – That the dates for future meetings be noted.

Chairman



Item No. 5a on Agenda

Report to the Police Fire and Crime Panel – 31st January 2022

Police and Crime Budget Report for 2022/23

(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 proposal for the Police and Crime element of the Staffordshire Commissioner's portfolio for 2022/23. This is the Commissioners first budget in office and delivers one of his key responsibilities under the Police Reform and Social Responsibility Act 2011.

The report sets out the following:

- Net police and crime budget requirement for 2022/23
- Proposed precept for the police and crime element of the council tax 2022/23
- 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 2022/23 net revenue budget requirement of £233.072m (**Appendix 1**), including
 - A council tax requirement for 2022/23 of £88.267m before the collection fund surplus is considered (**see Appendix 5**)
- Support the proposal to increase the 2022/23 precept for the policing element of the council tax bill by 4.19% (£10.00 per annum) which is equivalent to 19p per week, increasing the council tax to £248.57 for a Band D Property (**see Appendix 5**).

- Note that the Council Tax base has increased to 355,100 band D equivalent properties, equivalent to an increase of 1.83% (**see Appendix 4**). The Council Tax collection fund has also been finalised delivering a surplus of £0.879m after government support (**see Appendix 3**).
- Note that the Budget and MTFS fully support and include the investment required to deliver the Officer Uplift of 120 by 31 March 2023 in line with the Ring-Fenced Grant of £2.035m. This takes officer numbers to 1,942.5fte.
- Note the use of £1.262m of revenue reserves to support the capital programme in 2022/23 and a net use of reserves over the four year planning period to support the revenue budget totalling £2.611m.
- Note the MTFS summary financials (**Appendix 6**) and MTFS assumptions (**see paragraph 8.2**)
- Note an overall balanced budget position for 2022/23 is presented and that the MTFS is balanced over each year of the 4-year planning period.
- Support the delegation to the Director of Finance for the Staffordshire Commissioners Office and the Chief Finance Officer of Staffordshire Police to make any necessary adjustments to the budget as a result of late changes to central government funding (including changes due to the final funding settlement being announced) via an appropriation to or from the general fund reserve
- Support the proposed four year Capital Investment Programme (**see section 12**) totalling £63.254m and the Capital Strategy and Capital Programme Paper
- Note the outcome of The Staffordshire Commissioner's budget consultation within the Commissioners foreword which included a survey regarding the proposed level of precept for 2022/23 (see Appendix 9).

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Commissioners Foreword



This is my first budget and council tax precept proposal as Staffordshire Police, Fire & Crime Commissioner. Since my election in May 2021, I have been hugely impressed by the professionalism and commitment of our police officers and staff. I would like to thank them for this and particularly for the extra effort they have made to keep us safe during the Covid19 pandemic.

Due to careful financial planning and central government support Staffordshire Police has not seen an impact on its core funding due to Covid19, but the financial impact of the pandemic on public services, business and taxpayers, will be felt for years to come. This 2022/23 budget and Medium-Term Financial Strategy (MTFS) is set against this

backdrop.

I have worked with Staffordshire Police to address future years' budget gaps, present a four-year budget and to find the financial headroom to invest in emerging areas of public concern, which this year have included:

- An increase of 15 staff into call handling, to improve the response time to public contact via 999 and 101.
- An increase in IT staff, to ensure that Staffordshire police continue to keep pace in this fast-moving environment.
- An increase of 5 staff into crime recording, so victims of crime receive a faster referral into specialist support services.

Crucially this MTFS will allow us to take full advantage of the continuing investment in additional police officers which will see the number of Staffordshire police officers climb by 375 from 1,567 in March 2019, to 1,942 by March 2023.

In December 2021 I published my local Police & Crime Plan which sets out priorities and service expectations on behalf of Staffordshire residents. These include improved contact centre performance, quicker response to emergency and urgent incidents, safer roads, more effective criminal justice and reduced anti-social behaviour.

The MTFS will ensure that the Chief Constable has the resources needed to deliver on the local plan and national government priorities. With this, and inflation and wage pressures in mind, I have concluded that the 2022/23 police & crime council tax precept should increase by 4.19%, equivalent to £10 per year or 19p per week for a band D property.

The proposed increase in the police & crime council tax precept over the four year period of this MTFS is lower than the forecast cumulative rate of inflation and wage growth. I will always aim to keep council tax as low as possible without compromising safety.

I am acutely aware that household budgets are tight, so I expect every pound of taxpayer's money invested in policing to be spent wisely and for Staffordshire Police to continually seek efficiencies. To balance this MTFS, without using reserves, a further £2.148m of additional savings will be required by 2026. This will be challenging but given a good record of making savings, smarter use of technology and plans to share more buildings and back-office costs with Staffordshire Fire & Rescue Service, I believe this is achievable.

We have seen crime levels drop in Staffordshire over a number of successive years. Staffordshire Police have performed well compared to other forces. With your support and the continued investment set out in this MTFS it is my expectation that our new Chief Constable, Chris Noble, will deliver a more local and responsive service and continue to keep us safe.

[Police and Crime Plan 2021-24 - Staffordshire Commissioner \(staffordshire-pfcc.gov.uk\)](https://staffordshire-pfcc.gov.uk)

1. Executive Summary

- 1.1 This report, and the Council Tax precept proposal within it considers public and stakeholder consultation, demand for Policing services as well as 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 budget considers 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 Staffordshire Police continues to deliver Value for Money. In the latest HMICFRS Value for Money profiles Staffordshire Police is the 6th lowest funded Force in England and Wales on a per head of population basis but continues to be one of the safest places to live, work and visit in the United Kingdom.
- 1.5 This low funding position, relative to other areas, means that the scope for efficiencies is arguably lower than in other areas without impacting on the Policing model.
- 1.6 The current Covid-19 pandemic, whilst rightfully seen as public health emergency, is having a significant economic impact. The financial impact of the pandemic will likely set the scene for the decade to come in relation to public spending, with an impact already being seen on the financial position of Policing within Staffordshire.
- 1.7 The impact of the Covid-19 pandemic was strongly evidenced in the 2021/22 budget via a reduction in the tax base (driven by an increase in the means tested benefit Local Council Tax Support schemes) and a deficit on the collection fund. We have seen a return to growth in the council tax base for 2022/23, however the degradation on the base seen due to the pandemic has not been fully recovered, reducing the ongoing base to what was forecast pre-pandemic.
- 1.8 The MTFS contains £2.948m of identified savings, of which £2.692m are required to be delivered in 2022/23. In addition to this compared to the 2020/21 MTFS there is a reduction of £0.691m in the revenue costs of capital financing for the 2022/23 MTFS. This is the main driver behind the closure of the budget gap precepted to panel in the MTFS update report.

| | 2022/23 £m | 2023/24 £m | 2024/25 £m | 2025/26 £m |
|--|---------------|---------------|---------------|---------------|
| October 21 position - gap/(surplus) | 1.8 | 4.2 | 4.9 | 4.9 |
| <i>Movement</i> | <i>(3.1)</i> | <i>3.9</i> | <i>3.4</i> | <i>2.8</i> |
| <i>Revised Position - gap/(surplus)</i> | <i>(1.3)</i> | <i>0.3</i> | <i>1.5</i> | <i>2.1</i> |
| <i>Reserve Movements</i> | <i>1.3</i> | <i>(0.3)</i> | <i>(1.5)</i> | <i>(2.1)</i> |
| MTFS Position - gap/(surplus) | 0 | 0 | 0 | 0 |

- 1.9 The Commissioner has considered the adequacy and level of reserves and the impacting of future financial challenges and opportunities in the MTFs. The MTFs assumes a net drawn on reserves of £2.611m to support the MTFs revenue budget over the four years and an additional net drawn on reserve of £2.805m to support the capital programme. This paper is accompanied by a revised Reserves Strategy.
- 1.10 2021/22 represented the second full year of Central Governments uplift programme which will see an additional 20,000 Police officers recruited by the end of 2022/23.
- The first year of this programme has seen Staffordshire receive an additional 90 officers – this is a net growth of 90 once accounting for retirees and leavers (meaning actual recruitment was in excess of 200 officers). The national recruitment target was 6,000 for 2020/21
 - The 2020/21 spending review announced that the programme would now be funded to deliver 6,000 new officers in year 2 (2021/22). This is down from the 8,000 previously announced (with the 8,000 now being delivered in the final year 2022/23). The revised numbers will see Staffordshire having to recruit an additional 89 officers again as part of this programme in 2021/22 (and c.120 in the final year)
- 1.11 The spending review presented to Parliament on the 27th October 2021 covered a three-year period. A spending review sets out allocations to government departments as opposed to allocations to local public bodies. It is welcome after a number of one-year spending reviews to see a multiyear spending review.
- 1.12 This spending review is front loaded, that is to say the cash increase available to the Home Office predominantly comes in year one (2022/23). The years 2023/24 and 2024/25 see a real terms reduction in funding for the Home Office.
- 1.13 The draft policing settlement was published on 16th December 2021. The Home Office has provided a one-year local settlement only, despite receiving a three-year settlement itself. This pattern is in line with the one-year local settlements received by strategic partners in Fire and Councils.
- 1.14 The MTFs makes assumptions about the level of Home Office funding for years 2 to 4 based on the cash increases between years in the Home Office settlement. This means that years 2 to 4 of the MTFs see a real terms reduction in government funding in line with the Spending Review settlement for the Home Office.
- 1.15 After consideration of all of these aspects the Commissioner is proposing a precept increase of 19 pence per week from April 2022. The proposed precept enables the Commissioner to provide an increase in funding raised from the precept of £3.487m in 2022/23 (excluding the collection fund positions and council tax base changes) in order to; maintain and safeguard policing and community safety services across Staffordshire and Stoke on Trent, to make targeted additional investment in his Police and Crime Plan as well provide some degree of medium-term financial stability in light of uncertainty around Central Government support from 2023/24.
- 1.16 The Commissioner and Chief Constable will make the following headline investments into Policing and Crime over the course of the MTFs, above and beyond those provided for by Central Government in:

- Increasing control room numbers by 15fte, equivalent to a rise of 9% in staffing numbers. Compared to a pre-pandemic level 999 calls are currently 7% higher (approved by the commissioner in 2021/22).
- Increasing transformation capability to deliver change across the organisation as well as deliver future efficiencies,
- A significant investment, via the capital programme, in Police IT,
- A modern and fit for purpose Policing Estate,
- A modern fit for purpose Police fleet

Further detail is contained in section 6.

1.17 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. This paper is accompanied by a Capital Strategy and Treasury Management Strategy which explain how this investment will be afforded. Further detail on the proposed capital investment is contained in section 11.

1.18 The Commissioner is in the process of reviewing the costs of his office and has already delivered a base budget saving of around £0.2m from the office costs which is reflected within the budget and MTFS.

1.19 The budget for the Commissioner's Office includes £8.3m of Commissioned Services of which £3.1m is funded from government grants, partnership income and carry-forward reserves. A net cost of c.£6.4m for Commissioned Services is included per year within the MTFS (excluding the impact of inflation). Commissioned Services support, for example, victims of crime, those impacted by domestic, or sexual abuse, those that are vulnerable and others, working alongside police officers, social workers and other professionals to mitigate and manage harm. These services account for around 80% of the total budget for the Staffordshire Commissioner shown below.

1.20 If the proposals in this document are supported then the Staffordshire Commissioner will have the following funding available in 2022/23:

Table 1 Net Budget Requirement Comparison 2021/22 to 2022/23

| | 2021/22 | 2022/23 | Change |
|---------------------------------|----------------|----------------|---------------|
| Funding | £'000 | £'000 | £'000 |
| Home Office Police Grant | 122,417 | 129,410 | 6,993 |
| Police Pension Grant | 1,825 | 1,825 | 0 |
| Uplift Ringfenced Grant | 1,507 | 2,035 | 528 |
| Revenue Support Grant | 8,423 | 8,423 | 0 |
| Council Tax Freeze Grant | 3,541 | 3,541 | 0 |
| Precept | 83,197 | 88,267 | 5,070 |
| Local Council Tax Support Grant | 1,365 | 0 | (1,365) |
| Reserves | 0 | (1,308) | (1,308) |

| | | | |
|------------------------------------|----------------|----------------|---------------|
| Council Tax Fund Surplus/(Deficit) | (200) | 879 | 1,079 |
| Total Funding | 222,075 | 233,072 | 10,997 |

| Funding | £'000 | £'000 | £'000 |
|---|----------------|----------------|---------------|
| Staffordshire Commissioner | 8,195 | 8,078 | (117) |
| Staffordshire Police | 203,959 | 216,514 | 12,555 |
| Capital Financing & Revenue Contribution to Capital | 9,921* | 8,480 | (1,441) |
| Total Spend | 222,075 | 233,072 | 10,997 |

*takes account on one off uplift, precept investment revenue contributions to capital and match funding.

The detailed budgets are shown in Appendix 1

2. The Budget Process

- 2.1 The 2022/23 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.
- 2.2 Underpinning the budget and MTFs process are the principles of setting a good and balanced budget. Whilst setting a balanced budget is a legal requirement, significant focus is spent on ensuring it is a 'good budget'

A **Balanced Budget** means that:

- Income equals expenditure
- Cost reduction targets and investment proposals are credible and achievable, and:
- Key assumptions are 'stress tested'



A **Good Budget** means that:

- It has a medium term focus, supporting the Policing Plan
- Resources are focused on our priority outcomes
- It is not driven by short term fixes
- It demonstrates how we have listened to our communities through consultation
- It is transparent and well scrutinised
- It is integrated with the capital programme; and
- It maintains financial stability

- 2.3 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.
- 2.4 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.
- 2.5 The latest MTFs and, in particular, the 2022/23 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.
- 2.6 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 2022/23. 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.

- 2.7 The Commissioner and his management team have held regular discussions with the Chief Constable and his Chief Officers throughout the year on the MTFs. The Force has presented an initial efficiency plan to the Commissioner. Whilst savings from this are not included in this MTFs (excluding savings in relation to capital financing costs), areas of further exploration have been agreed upon with the expectation this will allow for further reinvestment in years 2 to 4 of the MTFs.
- 2.8 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.
- 2.9 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 18th 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.
- 2.10 The approach taken to the MTFs is one where we continually seek to be a well-run organisation, scrutinising areas of spend as well as containing pressures. The overall approach to the MTFs process, in the order below, is:

1. Well run

- Containment of pressures,
- Identifying and achieving savings which involve no change to the operating model or incurring redundancy costs,
- Spending every £ wisely

2. Commercially astute

- Income generation
- Asset sales
- Balance sheet management
- Procurement and purchasing efficiencies

3. Transformation

- Changing the way we do things
- Leveraging capital investment to support changes to our staffing model
- Right sourcing of services and support

3. Precept Strategy and 2022/23 Proposal

- 3.1 The 2022/23 proposed precept increase is 4.19%. This is below the forecast rate of inflation for 2022/23 of 5% and wage growth of 4.6%. The table below benchmarks the precept proposals in the 4-year MTFs against the forecasts from HM Treasury and the Office of Budgetary Responsibility.

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | Cumulative |
|-------------------|---------|---------|---------|---------|---------------|
| RPI Inflation | 5.0% | 3.4% | 2.8% | 2.8% | 14.0% |
| Wage Growth | 4.6% | 3.7% | 2.2% | 3.0% | 13.5% |
| Precept Estimates | 4.19% | 2.99% | 2.99% | 2.99% | 13.16% |

- 3.2 The increases locally since Police and Crime Commissioners first took office have been the third lowest nationally, based on publicly available information.
- 3.3 The Council Tax Referendum Principles for 2022/23 state that PCCs can increase the policing element of Council Tax before a referendum by £10 per annum.
- 3.4 The Commissioner has engaged with local residents and stakeholders on a wide range of matters. In relation to the precept, the recent consultation showed that 68% of all respondents support an increase in the police and crime precept.
- 3.5 The Commissioner has listened to this feedback and outlined his intention to increase funding in the coming year by £3.487m in 2022/23 (excluding the collection fund positions and council tax base changes) from the precept, which will provide some additional investment to Policing as well as ensuring that material cost pressures are met for the budget year 2022/23. Importantly this increase provides additional protection to services into the medium term.
- 3.6 The Covid-19 pandemic has seen a significant change in the assumptions on the council tax base as well as the Commissioners share of any surplus or deficit on collection funds. The 2020/21 MTFS assumed an ongoing increase in the council tax base of 1.5% per annum as well as surpluses on the collection fund. These assumptions were revised for the 2021/22 MTFS in light of the pandemic but showed a significant impact and loss of income compared to the 2020/21 MTFS.
- 3.7 We have seen a return to growth in the tax base for the 2022/23 MTFS. This growth has not, and is not, forecast to catch up with the pre-pandemic position. The ongoing impact on the council tax base is 9,360 band D equivalents, equating to an annual loss compared to a pre-pandemic position of £2.326m.
- 3.8 The table below illustrates the financial impact of the precept changes on the Council Band D rate and increase in funding for Police and Crime in Staffordshire.

| Council Tax (Police & Crime Element) | 2021/22 | 2022/23 |
|--------------------------------------|-------------|-------------|
| Band D Council Tax Proposed | £238.57 | £248.57 |
| Increase on Prior Year | £13.48 | £10.00 |
| Percentage increase on Prior Year | 5.99% | 4.19% |
| Council Tax Increase* | £3,784,456 | £5,068,658 |
| Total Precept Levied | £83,197,213 | £88,265,871 |
| Weekly Increase | £0.26 | £0.19 |

*This includes changes in the tax base as well as precept rate changes

3.9 The increase in Council Tax funding also takes into account the actual tax base increase for 2022/23 (1.83%) for Staffordshire and Stoke on Trent when calculating the financial impact of the precept flexibility. The proposed Council Tax increase by banding is shown in **Appendix 5**

4. National Picture, Grant Settlement and Officer Uplift

4.1 On the 16th December 2021, the Government laid before parliament the provisional 2022/23 Police Finance Settlement. At the time of publicising this report the final settlement has yet to be received.

4.2 In relation to the Police funding formula, there has been no change to this, however the Home Office has launched a programme to review the funding formula during 2022/23. It is currently unknown if Staffordshire would have any net gain or loss from this potential 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 £550m. Staffordshire's share is £7.3m (a 5.3% increase) however this has to cover the ongoing cost of the additional uplift officers recruited in 2021/22 and excluding the cost of these officers represents, at best, an inflationary uplift.

4.4 As of 2022/23, funding for 'Special Branch' functions in local policing bodies is being transferred out of the Police Main Grant to the Counter-Terrorism Policing Grant. In total, £43.9m is being transferred out of the Police Main Grant, with costs met via the Counter-Terrorism Policing Grant. Each policing body has seen their Police Main Grant reduced by the amount they budgeted on their 'Special Branch' function in 2021/22. This adjustment, and the force level breakdown of 2021/22 budget, is not being made public for security reasons.

4.5 In addition to the above core policing grant a ring-fenced grant for Officer Uplift has been introduced. Nationally this is £135m, of which Staffordshire share is £2.035m. 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 120 Officers by the 31st March 2023).

4.6 The above grant is insufficient on its own to pay for the uplifted Officer numbers. However, the uplift in the non-ring-fenced core policing grant is anticipated to provide the additional funding required to deliver the 120 alongside local decisions on savings and precept. This is welcome given the additional flexibility of non-ring-fenced grant compared to ring-fenced grant.

4.7 The Police Pensions grant received in 2021/22 has been confirmed again for 2022/23, 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, resulting in a real terms reduction in this funding stream.

- 4.8 The capital grant paid to Commissioners has been ended resulting in a pressure into the capital programme. The MTFS fully funds this loss of grant of £0.184m via a revenue contribution to the capital programme.
- 4.9 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).
- 4.10 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, resulting in a real term cut.
- 4.11 National reallocations (top slicing) have increased from the 2021/22 reallocations total of £1.033bn to £1.374bn. Whilst these national reallocations reduce the allocations to Police and Crime Commissioners from the overall Home Office settlement, Commissioners are supportive overall of these services being provided at a national level.
- 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 Technology Programme has a budget for 2022/23 of £607m, which is a £122m increase on the 2021/22 funding.
 - Police Technology Programmes include ESN, existing Airwave System, Home Office Biometrics and the National Law Enforcement Database.
 - Arms-Length Bodies including Her Majesty's Inspectorate (HMI), Gangmasters and the Independent Office for Police Conduct.
 - Central Home Office programmes such as Uplift, Forensics and Fraud.
- 4.13 Whilst the total value of the national reallocations for 2022/23 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.
- 4.14 In addition to these national top slices additional pressures have been incorporated into the budget for national recharges. These have increased year on year, and remain an area of concern for Forces nationally. Home Office IT recharges are not yet known and any variation to budget will be managed through the IT reserve.

5. Officer Uplift

5.1 The announced uplift in Police Officer numbers is welcomed by the Commissioner and Chief Constable. For Staffordshire this uplift in 2022/23 is 120 Officers.

5.2 For the purposes of reconciliation between budget reports the Force indicated it would aim to recruit 30 of the above 120 officers early in 2021/22.

5.3 The allocation methodology used by the Home Office is based on the share of core policing grant. For 2022/23 the methodology has stayed the same; however, a 'top slice' of the national figures has been made for Regional Organised Crime Units.

5.4 The following table reconciles uplift numbers:

| | National | Staffordshire |
|-----------------------------------|----------|---------------|
| Formula Allocation | 8,000 | 120 |
| Minus: ROCU | 425 | 6 |
| Total uplift to individual forces | 7,575 | 114 |

N.B. ROCU Officers are employed by each local Force within the West Midlands. As such the actual growth of Officer numbers in Staffordshire is 120

5.5 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 Office Baseline and will need to be sustained to access the uplift funding.

5.6 The government has been clear that the amount provided via the settlement for each new uplift officer will reduce between 2021/22 and 2022/23. The additional funding in 2021/22 covered elements of capital spend which has been removed as part of the CSR. The Commissioner holds an uplift reserve to cover off the capital requirement in 2022/23.

5.7 The Force is currently reviewing its operating model as a result of the appointment of Chief Constable Noble. The additional impact of uplift numbers will support the implementation of the new model over the coming years.

5.8 The table below shows the year end full time equivalent officer numbers and forecast to the end of the uplift programme.

| Year End (31st March) | Operating Model/Budget | Actual | Variance | Change – Year on Year |
|-----------------------|------------------------|---------|----------|-----------------------|
| 2018/19 | 1,585.5 | 1,567 | (18.5) | |
| 2019/20 | 1,660.5 | 1,672 | 11.5 | 105 |
| 2020/21 | 1,729.5 | 1,759 | 29.5 | 87 |
| 2021/22 (planned) | 1,820.5 | 1,841.3 | 20.8 | 82.3 |
| 2022/23 (planned) | 1,940.5 | 1942.5 | 2 | 101.2 |

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 forecast rate of inflation. The increase coupled with the identified savings allows for investments that the Commissioner would not be in a position to make without this increase in precept.
- 6.4 Whilst there is a strong rationale for further investment and enhanced medium term stability that an increase up to the maximum under legislation allows for over the life of the MTFs, the Commissioner is minded to balance these needs against the ability of the local taxpayer to afford increases in precept. The precept proposals over the life of the MTFs are lower than both the cumulative forecast Retail Prices Inflation rate as well as forecast average earnings growth compared to the estimates included in the October 2021 budget and Comprehensive Spending Review.
- 6.5 The MTFs contain the following investments across the revenue and capital programme. The substantial capital programme that this report describes in section 11 will require a significant increased commitment from the revenue budget over the medium-term and the Commissioner will ensure that a prudent approach is taken to prioritise this. All investment decisions for 2022/23 will be subject to further detailed review by the Commissioner before the start of the financial year:
- **Technology & Digital Capability** – the investment in technology and digital capability covers investment in both infrastructure, software and devices. This builds on the commissioner's desire for Staffordshire Police being the most technologically enabled Force and build on the benefits of bringing Technology Services in house during 2020/21. The outcomes expected are:
- A more stable network, including for remote working
 - Continual upgrading in devices including mobile technology
 - Upgrading software
 - National Technology Programmes
 - The Emergency Services Network

➤ **Modern and fit for purpose Estate** – The Commissioner is committed to investing in Estate to ensure the Force has access to modern, fit for purpose Estate that meets the needs of a 21st Century Police Force. Whilst a significant element of this commitment will be delivered via sharing estate with Staffordshire Fire and Rescue Service the Commissioner is committed to also invest in the estate that will be retained. The outcomes expected are:

- Modern fit for purpose neighbourhood and response bases,
- A programme of investment in communal areas and energy efficient heating
- An operations hub and firearms range to meet the evolving needs of the Force, in light of the changing nature of policing
- The creation of shared modern estates with Staffordshire Fire and Rescue Service to generate significant revenue savings.

➤ **Modern and fit for purpose fleet** – the Commissioner is committed to ensuring the fleet requirements of Staffordshire Police are met through a rolling replacement programme. The outcomes expected are:

- A modern fit for purpose fleet. The average age of vehicles being replaced are 7 years old
- New vehicles reduce revenue running costs and time spent off the road
- Newer vehicles typically have lower emissions. The Force is currently in the process of adding a number of electric vehicles to its fleet

➤ **Contact Services** – an increase of 15 call handlers are being recruited to meet current demand. The outcomes expected are:

- Reduced 999 wait times
- Reduced 101 wait times
- Increased staff wellbeing and resilience

➤ **IT Capacity** – the increasing IT capital programme requires additional maintenance support from staffing as the Force continues to increase its digital footprint. The outcomes expected are:

- Increased front line support via the service desk
- Increasing throughput and speeding up software upgrades
- Eliminating single points of failure

➤ **Change and Transformation** – over the coming years there will need to be further investment in change capacity to both address future funding gaps as well as deliver on the change programme. The expected areas for investment are:

- Increased pace in delivery of change programmes
- Reductions in future financial gaps and deliver financial headroom to reinvest back into policing
- Reductions in interim spend on change and transformation capacity

6.6 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 for 2021/22 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 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 2021 identified a funding gap over the MTFS period. Those gaps were:
- £1.8m in 2022/23, growing to;
 - £4.2m in 2023/24, growing to;
 - £4.9m in 2025/25,
- 7.4 The above gaps were predicated on an annual pay award of 2.5%, a cash flat core policing grant, a 2.99% annual precept increase and an assumption that the Officer Uplift would be fully funded. They also took account of the impact, based on information from billing authorities during October 2021, on council tax base and collection rates.
- 7.5 The latest MTFS position for the period to 2022/23 indicates that this funding gap has been resolved for the coming budget year. The main drivers of this improvement are the increased precept opportunity, new savings identified and treasury management savings. There has been a partially offsetting increase to this from additional pay and non-pay inflation growth. There are small future funding gaps representing less than 1% of the net revenue budget; the commissioner expects this gap to be closed via new efficiencies however for the purposes of planning these are closed via the use of the budget support reserve. The assumptions used are in line with those used by other Commissioners and Forces.
- 7.6 The MTFS is based on full delivery of a number of savings relating to the Force Efficiency and Change Programme, as included in **appendix 7**. 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 As part of the 2021/22 MTFS review savings in the current MTFS have been reviewed. This has resulted in certain savings being re-profiled or removed from the 2022/23 MTFS. The revised savings programme is set out in **appendix 7**
- 7.8 New savings proposals from Staffordshire Police totalling £2.948m have been included and are in addition to the savings already assumed in the MTFS. These include savings that arise from the Commissioner's strategic plans e.g. Estates,

have been presented to the Commissioner and have been 'stress tested' for deliverability. The revised savings programme is set out in **appendix 7**

- 7.9 Additional savings from Treasury management, compared to the October PFCP paper, are now included. 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 a detailed review of the capital programme. The revenue budget savings compared to the 2021/22 MTFS for the 2022/23 budget year are £0.691m.
- 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 beyond 2022/23 rises in line with the overall Home Office CSR allocations in percentage terms. No local settlement has been received beyond 2022/23 despite departments having a three year settlement.
 - That the council tax base grows at 1.25% per annum in 2023/24 and 1.5% thereafter. Previously before the pandemic this had been set at 1.5%. Growth in the base recovers over the period based upon an assessment of the economic recovery from the pandemic but does not recover the degradation in base seen during the pandemic.
 - A pay award of 4% in 2022/23, 2.5% in 2023/24 and 2% thereafter in line with Consumer Prices Index (CPI) inflation rates. Pay awards run from September in each year, thus only 7/12ths of this is awarded in a financial year.
 - Non-staff inflation is based upon known contract or specific inflation where known (e.g. business rates). Where inflation is unknown the rate of inflation included is 4% in 2022/23, 2.5% in 2023/24 and 2% thereafter in line with Consumer Prices Index (CPI) inflation rates. Inflation remains a significant risk over the short and medium term to financial planning but can be managed through reserves in the short term.

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 MTFS presented has been constructed using the following assumptions:

Table 4: Assumptions

| Description | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|------------------------------|---------|----------|----------|----------|
| | Budget | Estimate | Estimate | Estimate |
| <u>Police Officers</u> | | | | |
| Pay Award | 4.0% | 2.5% | 2.0% | 2.0% |
| Incremental uplift | 0.0% | 1.0% | 1.0% | 1.0% |
| Pension Contribution | 31.0% | 31.0% | 31.0% | 31.0% |
| <u>Police Staff</u> | | | | |
| Pay Award | 4.0% | 2.5% | 2.0% | 2.0% |
| Incremental uplift | 0.0% | 1.0% | 1.0% | 1.0% |
| Pension Contribution | 15.5% | 15.5% | 15.5% | 15.5% |
| <u>Non Staff Inflation</u> | | | | |
| General (Including Rates) | 4.0% | 2.5% | 2.0% | 2.0% |
| Utilities - Gas/Electric | 10.0% | 2.5% | 2.0% | 2.0% |
| Fuel | 10.0% | 2.5% | 2.0% | 2.0% |
| Insurances | 30.0% | 2.5% | 2.0% | 2.0% |
| <u>Funding</u> | | | | |
| Government Funding | 5.5% | 3.0% | 1.5% | 2.2% |
| Council Tax Base Increase | 1.83% | 1.25% | 1.50% | 1.50% |
| Variable Income Charges | 2.0% | 2.0% | 2.0% | 2.0% |
| Council Tax Precept Increase | 4.19% | 2.99% | 2.99% | 2.99% |

- 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 Assumptions on inflation have been cross-referenced with other Policing and local public sector organisations and believe they are consistent. Panel should note however that in relation to inflation this is significantly more difficult to forecast than in future years.
- 8.5 The tax base forecasts are based upon economic growth forecasts from the Office for Budgetary Responsibility (OBR) blended with local insight and knowledge from billing authorities. However, whilst the tax base has seen growth in 2021/22 at a level experienced pre-pandemic the degradation seen due to the pandemic has not been recovered.
- 8.6 Police Officer pension costs remain a significant risk over the medium term, in particular in light of the McCloud judgement on pension's age discrimination. To offset this risk the Commissioner has established a pensions reserve, however the impact of this could amount to a significant multi million-pound annual cost.

9. Risks and Sensitivity Analysis

- 9.1 In reflecting on where and whether investments are appropriate in 2022/23 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% | 1,119 |
| PCSO/Police Staff | 1% | 683 |
| Utilities | 1% | 47 |
| Vehicle costs | 1% | 36 |
| Supplies & Services | 1% | 99 |
| Police Pension Contribution | 1% | 1,119 |
| Police Core Grant Funding | 1% | 1,294 |
| Precept | £1 | 88 |
| Council Taxbase | 1% | 883 |

- 9.3 Inflationary pressures remain a significant concern both over the short and medium term and are more likely than not, in the short term, to present a significant challenge around non-pay spend.

10. Reserves Position

- 10.1 The MTFs for both 2019/20 and 2020/21 included proposals to replace and strengthen the reserves position alongside investing in service delivery. This work has been fully completed with reserves now in line with the reserves policy.
- 10.2 The Commissioners reserve strategy sets this out the minimum general fund reserve to be 3% of the net revenue budget, with the general fund reserve currently at 3.2%
- 10.3 A number of earmarked reserves are included within the overall reserves position. A number of these reserves exist to cover increased risks in the external environment such as pensions and Covid-19.
- 10.4 Overall one revenue reserve is being drawn on in setting the 2022/23 budget. This is for £1.262m to support capital investment in lieu of borrowing, providing savings in borrowing costs to the taxpayer.
- 10.5 If the proposals in this report are adopted then the reserves position will be as shown in **Appendix 2**. These reserves are from the audited accounts reserves for the year ending 2020/21.

11. Capital Programme 2022/23 to 2025/26

- 11.1 The Capital Programme is set out at 11.12 (Table 6 below). The revenue consequences of the proposed programme have been considered 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 2022. 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 Digital Technology. The capital programme for 2022/23 to 2025/26 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 repayment costs as a percentage of the net revenue budget increase throughout the period of the MTFS, however net debt will rise until 2024/25 before falling thereafter. On this metric the affordability of the capital programme will continue to consume a greater percentage of revenue spend over the MTFS period. However, compared to other organisations locally the relative size and crucially the repayment cost as a percentage of overall income remains low.
- 11.5 The Commissioner has been able to increase the capital programme investment compared to the programme previously proposed due to a number of factors. These include; increased capital receipts, direct revenue financing of the capital programme, a stronger internal cash position.
- 11.6 As part of his 2022/23 budget proposals the commissioner set a revenue contribution to capital spend of £2.257m. This continues throughout the MTFS period and supports both capital investments, but crucially lowers the capital financing requirement (accumulated debt) compared to not including this. By contributing revenue to capital, the commissioner is supporting longer term financial sustainability thus allowing for more funding for service provision over the medium term as opposed to funding being required for debt repayment. This strikes a fair balance between the need for investment and the burden left to future taxpayers to service these investments.
- 11.7 Digital Technology investment is proposed to maintain the improvements in capability seen due to previous investments, to improve core infrastructure, build on the benefits from insourcing Technology Services and for improvements in digital

capabilities to be leveraged. The main proposed investments in the four year programme are:

- £1.610m on network infrastructure to improve network resilience and support increased off site working,
- £3.000m for an upgrade and replacement of the current ERP solution driving everything from finance, payroll, HR and shift resourcing,
- £5.000m for device refresh including mobile technology over the life of the MTFS
- £8.390m for the assumed local costs of the Emergency Services Network within the capital programme. Whilst work is ongoing to ensure the costs passed to Forces and Commissioners is minimised this is included as a planning assumption based on the latest Home Office ESN funding model.
- £3.200m for upgrade to the Force's control room and command and control capabilities

11.8 The vehicle replacement programme does not see an increase in the number of vehicles the Force operates outside of the uplift programme. An investment of £2.065m will allow for the replacement of c.80 vehicles, with the vehicles proposed for replacement being on average 7 years old.

11.9 The estates programme focusses on the costs of maintaining the current estate. Whilst a joint Estates strategy is being developed by the Commissioner with Staffordshire Police and 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 estate's strategy. However, for prudence whilst the strategy is being developed at a site by site basis 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 is:

- A rolling refurbishment programme on the current Police Estate on a county wide basis. This also includes provision to accommodate nationally mandated changes (an increase) in Officer Personal Safety Training (OPST).
- A provision of £18m for a firearms training range, included for planning purposes only and subject to a future business case.
- A programme of mechanical, electrical, fire and security upgrades. This will also include investment in modern energy efficient and environmentally friendly heating.

11.11 Additional capital spend in year to support the uplift programme will be required and will be 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 and is not yet shown in the capital programme.

11.12 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

| Department | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|--------------------------|---------------|---------------|---------------|--------------|
| | Budget | Estimate | Estimate | Estimate |
| | £'000 | £'000 | £'000 | £'000 |
| IT | 11,990 | 7,070 | 6,890 | 1,250 |
| Estates and Facilities | 5,856 | 8,263 | 12,100 | 600 |
| Transport | 2,065 | 2,000 | 2,050 | 2,100 |
| Operational Equipment | 210 | 150 | 340 | 320 |
| OPCC | 0 | 0 | 0 | 0 |
| Capital Programme | 20,121 | 17,483 | 21,380 | 4,270 |

| | | | | |
|---------------------------------|-----------------|-----------------|-----------------|----------------|
| Funding | | | | |
| Capital Receipts | (2,230) | (350) | 0 | 0 |
| Deferred Capital Receipt | (59) | (20) | 0 | 0 |
| Capital Grants | 0 | 0 | 0 | 0 |
| Capital Specific Grants | 0 | 0 | (331) | 0 |
| Revenue Contribution to Capital | (2,257) | (2,257) | (2,257) | (2,257) |
| Earmarked Reserves | (1,262) | 0 | (1,543) | 0 |
| Borrowing Requirement | (14,313) | (14,856) | (17,249) | (2,013) |
| Total Funding | (20,121) | (17,483) | (21,380) | (4,270) |

11.13 The impact of capital investment at a level detailed in the table above on the revenue budget is significant, creating additional financial pressures into the medium-term, because of financing costs, or because revenue funding is used directly to meet capital costs. The Chief Constable's plans in this area, will continue to be scrutinised and subject to the approval of the Commissioner.

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.
- 12.2 It is noted that the budget years 2022/23 onwards are planned with more certainty than has been the case in recent years, in relation to the impact of Covid-19 on both Central government finances as well as locally raised taxation.

I conclude, therefore, that the budget for 2022/23:

- 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

Appendix 1

Revenue Budget 2022/23

| | Budget 2021/22 £'000 | Budget 2022/23 £'000 | Year on Year Change £'000 |
|-------------------------------------|----------------------------|----------------------------|---------------------------------|
| Pay | | | |
| Police Officer Pay Costs | 104,792 | 111,864 | 7,072 |
| Pcso Pay Costs | 8,324 | 8,739 | 415 |
| Police Staff Pay Costs | 55,845 | 59,579 | 3,735 |
| Other Employee Costs | 5,662 | 5,632 | (30) |
| Police Officer Pensions | 5,583 | 5,433 | (150) |
| Total Pay | 180,205 | 191,247 | 11,041 |
| Non Pay | | | |
| Repairs & Maintenance | 30 | 30 | 0 |
| Other Premises Costs | 4,284 | 4,663 | 379 |
| Vehicle Costs | 3,365 | 3,566 | 201 |
| Other Travel Costs | 489 | 452 | (38) |
| Operational Supplies & Service | 6,344 | 6,349 | 5 |
| Communications & Computers | 7,484 | 13,974 | 6,490 |
| Administration | 1,882 | 3,103 | 1,221 |
| Other Supplies & Services | 548 | 469 | (79) |
| Total Non Pay | 24,427 | 32,606 | 8,179 |
| Contracted | | | |
| Third Party Payments | 24,344 | 13,544 | (10,800) |
| Total Contracted | 24,344 | 13,544 | (10,800) |
| Capital Financing Cost | | | |
| Capital Financing Costs | 8,098 | 6,223 | (1,875) |
| Revenue Contribution to Capital | 2,073 | 2,257 | 184 |
| Total Capital Financing Cost | 10,171 | 8,480 | (1,691) |
| Reserve Transfers | | | |
| Reserve Transfers | 0 | (385) | (385) |
| Total Reserve Transfers | 0 | (385) | (385) |
| Income | | | |
| Grants & Contributions | (10,176) | (6,642) | 3,534 |
| Reimbursements | (5,256) | (4,747) | 509 |
| Sales, Fees & Charges | (982) | (976) | 6 |
| Other Income | (70) | (55) | 16 |
| Total Other Income | (16,484) | (12,420) | 4,065 |
| Unallocated Savings | | | |
| Unallocated Savings | (588) | 0 | 588 |
| Total Unallocated Savings | (588) | 0 | 588 |
| Transformation Support | 0 | 0 | 0 |
| Total Revenue Budget | 222,075 | 233,072 | 10,997 |
| Financed By: | | | |
| Home Office Funding | 137,713 | 145,234 | 7,521 |
| Movements in Reserves | 0 | (1,307) | (1,307) |
| LCTS Grant | 1,365 | 0 | (1,365) |
| Council Tax Funding | 82,997 | 89,145 | 6,148 |
| Total Financing | 222,075 | 233,072 | 10,997 |

Appendix 2

Useable Reserves Statement

| Balance at 31 March 2020 £'000 | | Balance at 31 March 2021 £'000 |
|---|-------------------------------------|---|
| 6,350 | General Fund | 7,162 |
| 3,150 | Capital receipt reserve | 0 |
| 331 | Capital grants unapplied | 331 |
| 1,011 | Reshaping the Future | 2,264 |
| 2,205 | IT Transformation Reserve | 2,618 |
| 348 | Insurance Reserve | 1,201 |
| 1,314 | Pension Reserve | 2,562 |
| 250 | Collaboration Reserve | 705 |
| 1,286 | Capital Reserve | 1,574 |
| 617 | ESN Reserve | 780 |
| 478 | Covid-19 | 2,197 |
| 2,636 | Operational Reserves | 6,712 |
| | Total Earmarked Reserves | 20,613 |
| 10,145 | Total Usable Reserves | 28,106 |

Useable Reserves Forecast

| | 2022/23 £000's | 2023/24 £000's | 2024/25 £000's | 2025/26 £000's |
|---------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| General Fund | 7,162 | 7,162 | 7,162 | 7,162 |
| Capital receipt reserve | 0 | 0 | 0 | 0 |
| Capital grants unapplied | 331 | 331 | 0 | 0 |
| Reshaping the Future | 2,185 | 2,185 | 2,185 | 2,185 |
| IT Transformation Reserve | 2,417 | 2,417 | 2,417 | 2,417 |
| Insurance Reserve | 2,001 | 2,001 | 2,001 | 2,001 |
| Pension Reserve | 3,589 | 3,589 | 3,589 | 3,589 |
| Collaboration Reserve | 783 | 783 | 783 | 783 |
| Capital Reserve | 136 | 136 | 136 | 136 |
| ESN Reserve | 1,543 | 1,543 | 0 | 0 |
| Uplift Reserve | 3,964 | 3,964 | 3,964 | 3,964 |
| Budget Support | 3,918 | 3,620 | 2,148 | 0 |
| Operational Reserves | 4,489 | 4,489 | 4,489 | 4,489 |
| Total Earmarked Reserves | 25,025 | 24,727 | 21,712 | 19,564 |
| Total Usable Reserves | 32,518 | 32,220 | 28,874 | 26,726 |

Appendix 3

Council Tax Report 2022/23

Council Tax Surplus / (Deficit) by Billing Authority

| | 2021/22 | 2022/23 | Change |
|-------------------------|--------------|------------|--------------|
| | £000's | £000's* | £000's |
| Cannock Chase | (34) | 341 | 375 |
| East Staffordshire | 36 | 147 | 111 |
| Lichfield | (37) | (43) | (6) |
| Newcastle | (54) | 36 | 90 |
| South Staffordshire | (44) | 161 | 205 |
| Stafford | (52) | 68 | 120 |
| Staffordshire Moorlands | (79) | 69 | 148 |
| Tamworth | 75 | 96 | 21 |
| Stoke City Council | (11) | 4 | 15 |
| Total | (200) | 879 | 1,079 |

*Note these figures are after the application of the 75% Treasury contribution towards Covid-19 deficits and after the 3 year spreading of the locally funded 25% deficit. Confirmation of how the support grant is to be paid and its exact amount are awaited from HM Treasury, thus potentially may change these figures.

Appendix 4

Council Tax Report 2022/23

Council Tax base by Billing Authority

| | 2021/22 (Band D Equivalent) | 2022/23 (Band D Equivalent) | Change (Band D Equivalent) |
|-------------------------|--|--|---|
| Cannock Chase | 29,137 | 29,458 | 321 |
| East Staffordshire | 37,875 | 39,059 | 1,184 |
| Lichfield | 38,891 | 39,695 | 804 |
| Newcastle | 37,087 | 37,668 | 581 |
| South Staffordshire | 38,664 | 39,066 | 402 |
| Stafford | 47,994 | 48,490 | 496 |
| Staffordshire Moorlands | 33,260 | 33,510 | 250 |
| Tamworth | 22,366 | 22,968 | 602 |
| Stoke City Council | 63,459 | 65,185 | 1,726 |
| Total | 348,733 | 355,100 | 6,367 |

**n.b. figures are rounded to the nearest whole Band D equivalent*

Appendix 5

Council Tax Report 2022/23

Council Bands for Each Band and Billing Authority Precepts

Based upon a Band D Increase of 4.19%

| Band | 2021/22 £ | 2022/23 £ | Annual Increase £ | Increase per week £ |
|-------------|----------------------|----------------------|----------------------------------|------------------------------------|
| A | 159.05 | 165.71 | 6.67 | 0.13 |
| B | 185.55 | 193.33 | 7.78 | 0.15 |
| C | 212.06 | 220.95 | 8.89 | 0.17 |
| D | 238.57 | 248.57 | 10.00 | 0.19 |
| E | 291.59 | 303.81 | 12.22 | 0.24 |
| F | 344.6 | 359.05 | 14.44 | 0.28 |
| G | 397.62 | 414.28 | 16.67 | 0.32 |
| H | 477.14 | 497.14 | 20.00 | 0.38 |

| | 2021/22 £ | 2022/23 £ | Change £ |
|-------------------------|----------------------|----------------------|---------------------|
| Cannock Chase | 6,951,171 | 7,322,412 | 371,241 |
| East Staffordshire | 9,035,839 | 9,708,945 | 673,107 |
| Lichfield | 9,278,226 | 9,867,011 | 588,785 |
| Newcastle | 8,847,846 | 9,363,135 | 515,289 |
| South Staffordshire | 9,224,142 | 9,710,680 | 486,538 |
| Stafford | 11,449,952 | 12,053,256 | 603,304 |
| Staffordshire Moorlands | 7,934,838 | 8,329,581 | 394,742 |
| Tamworth | 5,335,857 | 5,709,156 | 373,299 |
| Stoke City Council | 15,139,342 | 16,203,085 | 1,063,743 |
| Total | 83,197,213 | 88,267,262 | 5,070,049 |

Appendix 6

MTFS Summary Financials to 2025/26

| | Budget 2022/23 £'000 | Budget 2023/24 £'000 | Budget 2024/25 £'000 | Budget 2025/26 £'000 |
|--------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Pay | | | | |
| Police Officer Pay Costs | 111,864 | 115,731 | 119,062 | 122,492 |
| PCSO Pay Costs | 8,739 | 9,046 | 9,318 | 9,598 |
| Police Staff Pay Costs | 59,579 | 61,679 | 63,548 | 65,472 |
| Other Employee Costs | 5,632 | 5,776 | 5,855 | 5,936 |
| Police Officer Pensions | 5,433 | 5,433 | 5,433 | 5,433 |
| Total Pay | 191,247 | 197,664 | 203,215 | 208,931 |
| Non Pay | | | | |
| Repairs & Maintenance | 30 | 31 | 31 | 32 |
| Other Premises Costs | 4,663 | 4,638 | 4,613 | 4,988 |
| Vehicle Costs | 3,566 | 3,673 | 3,761 | 3,851 |
| Other Travel Costs | 452 | 466 | 477 | 488 |
| Operational Supplies & Service | 6,349 | 6,512 | 6,646 | 6,783 |
| Communications & Computers | 13,974 | 15,363 | 15,868 | 16,373 |
| Administration | 3,103 | 3,289 | 3,468 | 3,681 |
| Other Supplies & Services | 469 | 499 | 523 | 547 |
| Total Non Pay | 32,606 | 34,471 | 35,388 | 36,744 |
| Contracted | | | | |
| Third Party Payments | 13,544 | 13,680 | 13,792 | 13,905 |
| Total Contracted | 13,544 | 13,680 | 13,792 | 13,905 |
| Capital Financing Cost | | | | |
| Capital Financing Costs | 6,223 | 6,471 | 7,764 | 9,082 |
| Revenue Contribution to Capital | 2,257 | 2,257 | 2,257 | 2,257 |
| Total Capital Financing Cost | 8,480 | 8,728 | 10,021 | 11,339 |
| Reserve Transfers | | | | |
| Reserve Transfers | (385) | (385) | (385) | (385) |
| Total Reserve Transfers | (385) | (385) | (385) | (385) |
| Income | | | | |
| Grants & Contributions | (6,642) | (6,642) | (6,642) | (6,642) |
| Reimbursements | (4,747) | (4,775) | (4,775) | (4,775) |
| Sales, Fees & Charges | (976) | (931) | (977) | (1,040) |
| Other Income | (55) | (55) | (55) | (55) |
| Total Other Income | (12,420) | (12,403) | (12,448) | (12,511) |
| Unallocated Savings | | | | |
| Unallocated Savings | 0 | (46) | (46) | (46) |
| Total Unallocated Savings | 0 | (46) | (46) | (46) |
| Transformation Support/(Requirement) | 0 | 0 | 0 | 0 |
| Total Revenue Budget | 233,072 | 241,709 | 249,537 | 257,977 |

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Financed By: | | | | |
| Settlement Funding | | | | |
| Home Office Police Grant (inc. Uplift Ringfenced Grant) | 131,444 | 135,791 | 138,060 | 141,461 |
| 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 | 145,234 | 149,581 | 151,850 | 155,250 |
| LCTS Grant | 0 | 90 | 0 | 0 |
| Council Tax | 89,145 | 91,740 | 96,215 | 100,578 |
| Use of Reserves | (1,307) | 298 | 1,472 | 2,148 |
| Total Financing | 233,072 | 241,709 | 249,537 | 257,977 |

Appendix 7 – Saving & Efficiencies

| Savings Theme - Estates | Description | Directorate | 2022/23 £000's | 2023/24 £000's | 2024/25 £000's | 2025/26 £000's | Total £000's |
|-------------------------|--|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| Estates | Self-generation of energy - the capital programme £250k for investment in 3 sites identified for self-generation of electricity. This is the reduction in grid bought electricity rather than feed in tariff payments | Enabling Services | 0 | (25) | (25) | (25) | (75) |
| Estates | Business Rates Valuations - Work has been undertaken to reduce the business rates liabilities during 2021/22. | Enabling Services | (50) | 0 | 0 | 0 | (50) |
| Estates | Catering Contract - Savings have been made as a result of the decommissioning of vending machines at Headquarters and the replacement with a new offer for staff working outside core office hours | Enabling Services | (3) | 0 | 0 | 0 | (3) |
| Estates | Postal Charges - Long term trend reduction in postal charges as methods of communication become increasingly electronic based | Enabling Services | (16) | 0 | 0 | 0 | (16) |
| Estates | Disposals - Budgeted reduction in headline estates costs due to the ongoing collaboration with SFRS around shared estates | Enabling Services | (312) | 0 | 0 | 0 | (312) |
| Estates | Additional Income - Income generated from recovering costs associated with hosting third parties on our estate | Enabling Services | (50) | 0 | 0 | 0 | (50) |
| Total - Estates | | | (431) | (25) | (25) | (25) | (506) |

| Savings Theme - Income Generation | Description | Directorate | 2022/23 £000's | 2023/24 £000's | 2024/25 £000's | 2025/26 £000's | Total £000's |
|-----------------------------------|--|----------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| Income Generation | Enabling Services - Additional cost recovery from third parties for services provided by Enabling Services | Central & Associated | (66) | 0 | 0 | 0 | (66) |
| Income Generation | Cyber Crime funding - Funding received to support cybercrime activity within Staffordshire Police. This baselines into the budget this funding stream | Central & Associated | (93) | 0 | 0 | 0 | (93) |
| Income Generation | Alarm Monitoring - The force control room has secured additional income for the monitoring of third-party alarm systems | Contact and Response | (15) | 0 | 0 | 0 | (15) |
| Income Generation | Fees for reports - Anticipated increase in paid for requests for reports based on increase in the trajectory of requests into the central disclosure unit | DCC | (30) | 0 | 0 | 0 | (30) |
| Income Generation | Sub-contracting Income - The additional income generation from the current PEQF arrangements with Staffordshire University with the work being absorbed from within existing resource | Enabling Services | (100) | (28) | 0 | 0 | (128) |
| Income Generation | National Fees & Charges Inflation - Anticipated increases in income caused by inflation on nationally prescribed fees and charges | Various | (72) | (22) | (22) | (22) | (138) |
| Total - Income Generation | | | (377) | (50) | (22) | (22) | (470) |

| Savings Theme - General Efficiency, Funding & Procurement | Description | Directorate | 2022/23 £000's | 2023/24 £000's | 2024/25 £000's | 2025/26 £000's | Total £000's |
|---|--|---------------------------|----------------|----------------|----------------|----------------|--------------|
| General Efficiency, Funding & Procurement | LGPS Deficit Repair - By paying the LGPS deficit repair in advance (through holding sufficient cash balances), additional investment returns are generated thus reducing the headline deficit repair sum required | Central & Associated | (152) | 0 | 0 | 0 | (152) |
| General Efficiency, Funding & Procurement | Pensions Costs - Savings on centrally held historic service pension costs | Central & Associated | (150) | 0 | 0 | 0 | (150) |
| General Efficiency, Funding & Procurement | ESN - The force held a central budget for ESN revenue costs. Due to slippage in the national programme coupled with the establishment of an ESN revenue reserve this budget can be removed | Contact and Response | (241) | 0 | 0 | 0 | (241) |
| General Efficiency, Funding & Procurement | Hospitality - A review has been undertaken on hospitality spend for corporately held events | DCC | (5) | 0 | 0 | 0 | (5) |
| General Efficiency, Funding & Procurement | Paper - Savings on paper spend due to a reduction in printing as a result of new IT devices being rolled out | DCC & Operational Support | (16) | 0 | 0 | 0 | (16) |
| General Efficiency, Funding & Procurement | Subscriptions - a review of subscriptions has been undertaken within corporate communications and a small saving made on an ongoing basis | Enabling Services | (3) | 0 | 0 | 0 | (3) |
| General Efficiency, Funding & Procurement | Collaboration - Savings made on budgets held within Finance and Commercial services to fund collaboration projects | Enabling Services | (50) | 0 | 0 | 0 | (50) |
| General Efficiency, Funding & Procurement | Damages & Compensation Insurance Claims - A reduction in budget based on recent and forecast claims experience | Enabling Services | (7) | 0 | 0 | 0 | (7) |
| General Efficiency, Funding & Procurement | Historic Pensions Costs - A reduction in charges from historic 'Added Years' pension charges as the number of individuals receiving payment decreases | Enabling Services | (3) | 0 | 0 | 0 | (3) |
| General Efficiency, Funding & Procurement | Stationery - review of stationary spend and continual controls on stock levels within Finance and Commercial Services | Enabling Services | (1) | 0 | 0 | 0 | (1) |
| General Efficiency, Funding & Procurement | Subscriptions - a review of subscriptions has been undertaken within Finance and Commercial Services and a small saving made on an ongoing basis | Enabling Services | (11) | 0 | 0 | 0 | (11) |
| General Efficiency, Funding & Procurement | Vehicle hire - A reduction in the use of hire vehicles | Enabling Services | (11) | 0 | 0 | 0 | (11) |
| General Efficiency, Funding & Procurement | People & OD - Non-pay efficiencies across People and OD | Enabling Services | (16) | 0 | 0 | 0 | (16) |
| General Efficiency, Funding & Procurement | IT - Commercial Services have reviewed a number of IT contracts and identified areas for contractual efficiencies | Enabling Services | (81) | 0 | 0 | 0 | (81) |

| | | | | | | | |
|--|---|--------------------------------|----------------|--------------|----------|----------|----------------|
| General Efficiency, Funding & Procurement | IT - A reduction in the cost of running the Core Network Upgrade Programme based on capital investment in 2021/22 | Enabling Services | (81) | 0 | 0 | 0 | (81) |
| General Efficiency, Funding & Procurement | IT - In line with the capital programme item of relocating the secondary data centre savings are anticipated in Data Centre Charges as a result of this | Enabling Services | 0 | (100) | 0 | 0 | (100) |
| General Efficiency, Funding & Procurement | IT - IT and Commercial service have identified a legacy system that can be decommissioned, in part due to the upgrade to Windows 10 as part of the National Enabling Programme (NEP) | Enabling Services | (65) | 0 | 0 | 0 | (65) |
| General Efficiency, Funding & Procurement | MFD Usage - Savings on printing 'click charges' spend due to a reduction in printing as a result of new IT devices being rolled out | Enabling Services | (5) | 0 | 0 | 0 | (5) |
| General Efficiency, Funding & Procurement | Evidence Based Practice - Budget reduction based on trend spend analysis | Neighbourhood and Partnerships | (5) | 0 | 0 | 0 | (5) |
| General Efficiency, Funding & Procurement | Archives - Reduction in budget held for external off premise archiving | Operational Support | (10) | 0 | 0 | 0 | (10) |
| General Efficiency, Funding & Procurement | Budget adjustments - Removal of a budget line within operational support no longer required due to partnership arrangements | Operational Support | (85) | 0 | 0 | 0 | (85) |
| General Efficiency, Funding & Procurement | Dog Kennelling - A reduction in usage of external dog kennelling in relation to seized animals | Operational Support | (10) | 0 | 0 | 0 | (10) |
| General Efficiency, Funding & Procurement | Subscriptions - A reduction in subscriptions within Operational support relating to Elter | Operational Support | (58) | 0 | 0 | 0 | (58) |
| General Efficiency, Funding & Procurement | Forensic Vehicle Recovery - A reduction in identified budgetary requirement | Operational Support | (10) | 0 | 0 | 0 | (10) |
| General Efficiency, Funding & Procurement | Mobile Crash - A reduction in cost of the Mobile Crash system | Operational Support | (11) | 0 | 0 | 0 | (11) |
| General Efficiency, Funding & Procurement | Stationery - review of stationary spend and continual controls on stock levels | Operational Support | (4) | 0 | 0 | 0 | (4) |
| General Efficiency, Funding & Procurement | Testing equipment and vehicle recovery - A reduction in forecast spend, partially achieved by capital investment in 2021/22 and 2022/23 in new equipment reducing ongoing maintenance spend | Operational Support | (49) | 0 | 0 | 0 | (49) |
| General Efficiency, Funding & Procurement | Reduction in travel - As a result of the roll out of new IT platforms and learning from the pandemic a targeted reduction of c.30% in budgeted spend on travel claims through payroll will be sought | Various | (100) | 0 | 0 | 0 | (100) |
| Total - General Efficiency, Funding & Procurement | | | (1,240) | (100) | 0 | 0 | (1,340) |

| Savings Theme - Staffing | Description | Directorate | 2022/23 £000's | 2023/24 £000's | 2024/25 £000's | 2025/26 £000's | Total £000's |
|--------------------------|---|--------------------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| Staffing | Vacancy Management - The vacancy factor on Police Staff roles will be increased by 1%. This does not apply to public contact or PCSO roles where no vacancy factor is set | Various | (495) | 0 | 0 | 0 | (495) |
| Staffing | Contact Services - Removal of Switchboard posts to create a Quality Assurance post in light of the uplift in numbers by 15fte of contact handlers | Contact and Response | (10) | 0 | 0 | 0 | (10) |
| Staffing | Senior Management Review - The removal of a vacant senior management post was undertaken in 2021/22 with workload apportioned across the remainder of the team | Operational Support | (67) | 0 | 0 | 0 | (67) |
| Staffing | Special Expenses - a budget review has been undertaken to align the budget amount with current turnover and recruitment rates. There is no impact on service delivery or recruitment plans | Neighbourhood and Partnerships | (50) | 12 | 0 | 0 | (38) |
| Staffing | MASH Principal Officers - a review of senior officers within the MASH was undertaken across the MASH partnership resulting in savings of which this is the share due to Staffordshire Police as a result of that restructure | Neighbourhood and Partnerships | (22) | 0 | 0 | 0 | (22) |
| Total - Staffing | | | (644) | 12 | 0 | 0 | (632) |

| | | | | | | |
|---|--|----------------|--------------|-------------|-------------|----------------|
| TOTAL STAFFORDSHIRE POLICE SAVINGS | | (2,692) | (163) | (47) | (47) | (2,948) |
|---|--|----------------|--------------|-------------|-------------|----------------|

Appendix 8 – Capital Programme

Estates Capital Programme

| Investment Area | Business Benefit & Narrative | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|------------------------|---|---------------|---------------|---------------|---------------|
| Major Projects | | £000's | £000's | £000's | £000's |
| Burslem Police Station | Major overhaul and refurbishment of site, works are in addition to BAU upgrades and assumes that no viable co-location opportunities exist under the joint estate (i.e. Burslem and Sandyford Community Fire stations). | 350 | 0 | 0 | |
| Burton Police Station | Phase Two refurbishment to areas of the site not addressed under Phase One works which focussed on Response hub needs. Will also enable better use of available space on site, i.e. L&D etc. | 150 | 0 | 0 | |
| Cannock Police Station | Internal and Externals Fabrication improvements | 100 | 0 | 0 | |
| HQ Blocks 8&9 | Major investment into both blocks to address backlog issues over environment, degradation of internal finishes, limitation of under floor power systems and to re-desk/improve work environments to support additional technology and business culture investments. | 775 | 0 | 0 | |
| HQ Block 1 | Improvements to office and work environments maximise and make efficient use of space, includes furniture replacements, space planning and redesign | 300 | 0 | 0 | |
| HQ Block 5 | Replacement of windows and security enhancements | 150 | 0 | 0 | |
| HQ Block 6 | Major investment to address backlog issues over environment, degradation of internal finishes and to re-desk/improve work environments to support additional technology and business culture investment. | 50 | 450 | 0 | |
| HQ External Areas | Improvements to perimeter security, lighting security systems and upgrades to security gates and barrier systems to improve site access and alternative access arrangements | 200 | 0 | 0 | |
| Leek Police Station | Major investment to address backlog issues over environment, degradation of internal finishes and to re-desk/improve work environments to support additional technology and business culture investment. | 0 | 350 | 0 | |
| Longton Police Station | Major investment to address backlog issues over environment, degradation of internal finishes and to re-desk/improve work environments to support additional technology and business culture investment. | 500 | 0 | 0 | |

| | | | | | |
|------------------------------------|--|--------------|--------------|---------------|----------|
| NACF | Investment (on a rolling programme) to ensure custody environments continue to meet operational needs - both detention and as a workplace. Also, external security upgrades. | 615 | 0 | 0 | |
| Watling CF | Investment (on a rolling programme) to ensure custody environments continue to meet operational needs - both detention and as a workplace. Also, external security upgrades. | 276 | 63 | 0 | |
| Range* | New indoor range facility to replaced existing leased outdoor range | 150 | 6,350 | 11,500 | |
| Stafford Police Station | Capital investment needed to support either site relocation or site redevelopment | 50 | 450 | 0 | |
| Learning and Development Provision | Provision of new and permanently located Learning and development team | 500 | 0 | 0 | |
| Sustainability initiatives | Provision to support self-generation of electricity. This links into the savings option around self-generation of electricity | 250 | 0 | 0 | |
| Total Major Projects | | 4,416 | 7,663 | 11,500 | - |

| Minor Projects | | £000's | £000's | £000's | £000's |
|-----------------------------|--|------------|----------|----------|----------|
| Lindum House | Improvements to communal areas and to improve the ground floor working environments and replace generator | 30 | | | |
| Uttoxeter | Investment needed to adapt a Community fire station as a joint location | 80 | | | |
| Rugeley | Investment needed to adapt a Community fire station as a joint location | 80 | | | |
| Kidsgrove | Investment needed to adapt a Community fire station as a joint location | 80 | | | |
| Stone | Investment needed to adapt a Community fire station as a joint location | 80 | | | |
| Burton Police Station | Replace generator, heating system, Ventilation system and cooling replacement and Renew automatic doors & External doors | 260 | | | |
| Longton | Rear carpark resurfacing works and line marking | 40 | | | |
| Total Minor Projects | | 650 | - | - | - |

| Business as usual | | £000's | £000's | £000's | £000's |
|---|--|--------|--------|--------|--------|
| Refreshments and rest area replacements programme | Rolling programme force wide to ensure all refs/rest areas meet required standards | 100 | 100 | 100 | 100 |
| Heating and Ventilation replacement programme | Boiler upgrades/AC improvements based upon PPM regimes | 180 | 180 | 180 | 180 |
| Security Upgrades | Door access control systems and physical security and general improvements | 100 | 100 | 100 | 100 |

| | | | | | |
|--|---|------------|------------|------------|------------|
| Fixed Plant - mechanical equipment, M&E services | Modernisation and plant and equipment replacements across the estate. | 60 | 60 | 60 | 60 |
| CCTV upgrade various sites | Various sites – CCTV upgrade works (Stafford, Longton, Burton, Burslem, Cheadle) | 50 | 0 | 0 | 0 |
| Internal and External Building Fabric Improvements | Includes new roofs, window replacements, works to redecorate and replace building finishes and to raise standard of condition | 100 | 100 | 100 | 100 |
| Fire Detection and Fire Safety | Essential upgrades to FD and FS systems based upon rolling PPM outcomes and inspections | 200 | 60 | 60 | 60 |
| Total Business as Usual | | 790 | 600 | 600 | 600 |

| | | | | | |
|--------------------------------|--|--------------|--------------|---------------|------------|
| Total Estates Programme | | 5,856 | 8,263 | 12,100 | 600 |
|--------------------------------|--|--------------|--------------|---------------|------------|

IT and Digital Capital Programme

| Investment Area | Business Benefit & Narrative | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|--------------------------------------|---|---------------|---------------|---------------|---------------|
| Network Infrastructure | | £000's | £000's | £000's | £000's |
| Active system monitoring | To provide real-time server and infrastructure monitoring of core systems, allowing improved response or pro-active intervention to reduce outages | 80 | | | |
| Core network upgrade | Replace core network switches, to prevent recurring failures by removing end of life equipment | 20 | | | |
| SDWAN Policy/PoC | Proof of concept work needed to implement new network solution and policy, prior to new network architecture | 50 | | | |
| WiFi Implementation | Deployment of new WP080 hardware across estate, offering improved connectivity | 235 | | | |
| SDWAN Implementation | Implementation of new WP080 network hardware across estate with new circuits where required, to improve resilience and readiness for M365 and collaboration with partners | 310 | | | |
| Azure Express Route | Improved connectivity to cloud hosted environments within Azure | 220 | | | |
| ISE Certificate Based authentication | Improvements to agile working capability, maintaining security whilst offering onsite connectivity without VPN | 65 | | | |
| Total Network Infrastructure | | 980 | - | - | - |

| Storage & Hosting | | £000's | £000's | £000's | £000's |
|--------------------------------------|---|------------|----------|----------|----------|
| Application Streaming (AVD solution) | Implement a replacement for Citrix Apps to allow migration away from end of life HyperV, and ensure ongoing availability of streamed applications (such as Niche) | 150 | | | |
| Secondary DC relocation | Transfer secondary datacentre to a more cost-effective solution/location, benefiting from increased resilience and failover capability | 380 | | | |
| Migrate Oracle DBs to Oracle 19c | Transfer of force databases into new improved environment | 100 | | | |
| Total Storage & Hosting | | 630 | - | - | - |

| Business Systems | | £000's | £000's | £000's | £000's |
|-------------------------------|--|--------------|------------|----------|----------|
| ERP replacement | Essential software upgrade, needed to maintain support contract for a critical business system | 2,500 | 500 | | |
| Niche 2021 Drop | Continued development of new RMS system | 100 | | | |
| Niche 2022 Drop | Continued development of new RMS system | 50 | | | |
| Fleet Management System | New system, which will allow a more comprehensive approach to managing the fleet | 150 | | | |
| Total Business Systems | | 2,800 | 500 | - | - |

| Operational Systems | | £000's | £000's | £000's | £000's |
|--|---|--------|--------|--------|--------|
| Compass | To assess an either upgrade or alternative mapping solution | 80 | | | |
| Gazetteer & XC mapping | Part of approved Control Room upgrade, to support underlying mapping solution in data accuracy | 120 | | | |
| Digital Interview Recording | To allow recording of interviews in digital format, compatible with courtroom evidence. Current equipment is now failing | 380 | | | |
| Digital Asset Management | To meet the demand to effectively track our digital resources | 125 | 125 | | |
| Asset tracking Armed Policing - Airbox | Increased awareness of available armed resources beyond existing force boundaries, whilst also addressing current barriers preventing control rooms from tracking and monitoring visiting Armed Response Vehicles (ARV's) in their own force areas. | 150 | | | |
| Digital Forensics (Infrastructure) | Overall solution needed for digital forensics, but needs vision and scope developing in more detail first | 700 | | | |
| Digital Forensics Case Management | Overall solution needed for digital forensics, to manage cases more effectively | 50 | | | |
| Vehicle Telematics | The ability to trace vehicle movements in real-time and report on performance data | 45 | 45 | | |

| | | | | | |
|----------------------------------|--|--------------|------------|----------|----------|
| Dashcams | The ability to record and upload video content from response vehicles, alongside BWV | 300 | 300 | | |
| Total Operational Systems | | 1,950 | 470 | - | - |

| Device Replacement | | £000's | £000's | £000's | £000's |
|---------------------------------|--|--------------|--------------|------------|------------|
| Mobile device refresh | Essential investment into end of life user devices capable of supporting current OS and applications | 250 | 500 | 500 | 500 |
| End user device replacement | Essential investment into end of life user devices capable of supporting current OS and applications | 1,755 | 250 | 250 | 250 |
| NEP Intune Mobile Devices | Essential for NEP implementation, following rollout later in 2021 | 122 | | | |
| Extension mobility | To allow port mobility across telephones, allowing hot desk culture and reduction in estate | 68 | | | |
| Body Worn Video | Replacement of body worn video on a personal issue basis to officers | 300 | 320 | 0 | 0 |
| Total Device Replacement | | 2,495 | 1,070 | 750 | 750 |

| Data Driven Policing | | £000's | £000's | £000's | £000's |
|-----------------------------------|--|--------------|-----------|-----------|----------|
| Data warehousing platform | Underlying infrastructure to offer a Data Visualisation platform that will allow improved decision making and access to force data | 354 | | | |
| CRM Call Assist | Improved call management within Control Room based on a relationship management solution, to provide improved public experience | 241 | | | |
| Tasking & Briefing | Improved decision making and access to data | 400 | | | |
| Business Intelligence (Power BI) | A rich data-driven user experience, with accessible data across numerous devices | 140 | 40 | 40 | |
| Total Data Driven Policing | | 1,135 | 40 | 40 | - |

| National Systems & Projects | | £000's | £000's | £000's | £000's |
|--|---|--------------|--------------|--------------|------------|
| ESN Programme | Current national airwave system is due to be decommissioned, and this is a mandatory change to adopt the new Emergency Services Network | 300 | 2,490 | 5,600 | |
| Control Room upgrade | Requisite local technology upgrades, in particular within the control room, to accept ESN technology - 'ESN Readiness' | 1,200 | 2,000 | | |
| Operational Contingency | Budget allowance to capture all national programmes not yet approved or national funding to be allocated | 500 | 500 | 500 | 500 |
| Total National Systems & Projects | | 2,000 | 4,990 | 6,100 | 500 |

| | | | | | |
|--------------------------------|--|---------------|--------------|--------------|--------------|
| Total Digital Programme | | 11,990 | 7,070 | 6,890 | 1,250 |
|--------------------------------|--|---------------|--------------|--------------|--------------|

Fleet Capital Programme

| Investment Area | Business Benefit & Narrative | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|----------------------------------|--|---------------|---------------|---------------|---------------|
| Fleet Refresh Programme | | £000's | £000's | £000's | £000's |
| Replacement Programme | The replacement of vehicles selected through a process of evaluation, considering the age, mileage and condition of every vehicle. These have been identified as critical for replacement due to either excessive mileage, age or being no longer operationally fit. | 1,950 | 2,000 | 2,050 | 2,100 |
| Welfare Van | New welfare van - the current welfare van is over 10 years old and does not have sanitation facilities. The worth of the van has been demonstrated for use at major sporting events, scenes of crime and protest events in providing an area for officers to take breaks and receive refreshments. | 90 | 0 | 0 | 0 |
| Smart Key Cabinet | Smart key cabinets are great tools for improving security, reducing administration, and enabling visibility of the possession of keys and assets. Real time ability to audit who is, or has been, in possession of a vehicle can help better allocate and track organisational assets by date and time | 25 | 0 | 0 | 0 |
| Total Transport Programme | | 2,065 | 2,000 | 2,050 | 2,100 |

Equipment Capital Programme

| Investment Area | Business Benefit & Narrative | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|--|---|---------------|---------------|---------------|---------------|
| Equipment Refresh Programme | | £000's | £000's | £000's | £000's |
| Replacement Programme | Ensuring that Staffordshire Police has a modern and fit for purpose equipment provision. This provision includes tactical body armour, ANPR replacement as well as specialist forensics and investigative equipment | 150 | 150 | 150 | 150 |
| ANPR Vehicle Programme | Ensuring that Staffordshire Police has a modern and fit for purpose Vehicle ANPR replacement programme. | 60 | 0 | 190 | 0 |
| ANPR Static Programme | Ensuring that Staffordshire Police has a modern and fit for purpose ANPR static replacement programme. | 0 | 0 | 0 | 170 |
| Total Equipment Refresh Programme | | 210 | 150 | 340 | 320 |

TOTAL STAFFORDSHIRE POLICE CAPITAL PROGRAMME

| | | | |
|---------------|---------------|---------------|--------------|
| 20,121 | 17,483 | 21,380 | 4,270 |
|---------------|---------------|---------------|--------------|

Appendix 9

Precept consultation outcomes

Purpose of report

This report is a summary of the results obtained from the public and stakeholder consultation undertaken to seek views on the amount of council tax the people of Staffordshire are willing to pay towards their police and fire & rescue services.

Background

Funding for police and fire & rescue services is made up of a mix of central government grants, combined with the 'precept' – the contribution residents make as part of their annual council tax.

The Staffordshire Commissioner is responsible for setting the budget for Staffordshire Police, and Staffordshire Fire & Rescue Service, including the amount of council tax used for both services.

It is the Commissioner's responsibility to ensure policing, fire & rescue and community safety is properly funded in 2022/23 to provide the services expected by those who live, work and visit Staffordshire.

A formal consultation took place between 14 December and 11 January. A range of methods were used to encourage participation, resulting in responses from 964 people from Staffordshire and Stoke-on-Trent.

The views from this consultation will help the Commissioner arrive at his proposals for the setting of the 2022/23 budgets. This will happen at the end of January 2022 for policing and mid-way through February 2022 for fire & rescue services.

How we did it

We used a range of methods to promote the consultation including:

- **Social media** – Multiple social media posts were issued from the Staffordshire Commissioner's Office (SCO), Staffordshire Police, Staffordshire Fire & Rescue and partners
- **Media** – A press release issued to inform local media of the importance of the consultation
- **Stakeholders** – Emails sent from the Commissioner requesting key partners' involvement
- **Smart Alert** – Multiple messages issued to over 13,000 people via Staffordshire Smart Alert
- **Internal** – Multiple internal messages sent to police and fire staff to encourage participation
- **SCO Newsletter Subscribers** – Multiple messages issued via the SCO newsletter subscriber list of 1,214 people
- **Nextdoor app** – The Nextdoor app is a hyperlocal social networking service for neighbourhoods. Unlike other social media platforms, when joining the site, you are automatically connected to your entire network. The Staffordshire network currently has over 126,000 people registered. We utilised this platform to share messages promoting the consultation to everyone in the Staffordshire network.

Consultation foreword

My role as Staffordshire Commissioner is to oversee the work of the Police and Fire & Rescue services across Staffordshire and Stoke-on-Trent and commission services to support victims and prevent crime and anti-social behaviour. I do this by setting out a strategic direction in the local plans for [Staffordshire Police](#) and [Staffordshire Fire & Rescue](#).

Funding for the police and fire & rescue services is made up of a mix of central government grants combined with the contribution that residents make as part of their annual council tax. I am responsible for setting the budgets for both services and the level of this council tax precept.

Budgeting for the coming year is challenging because of uncertainty related to Covid-19, inflation and the likelihood of pay increases. Officers and staff have worked throughout the pandemic and pay rises are deserved and to be expected. The Government issued a provisional three-year settlement in December 2021, which helps financial planning in these difficult times.

As part of setting the budget I require the services, and my office, to consider where they can make savings and I will consider all options, such as making better use of technology or sharing buildings.

I will always try to keep your council tax low and I will only ask for more if I believe it is necessary to maintain or improve the services we receive. This coming year, I believe some additional investment is required to protect our services in these uncertain times and a little more will help our new Chief Constable and Chief Fire Officer to implement the local plans sooner and keep us safe.

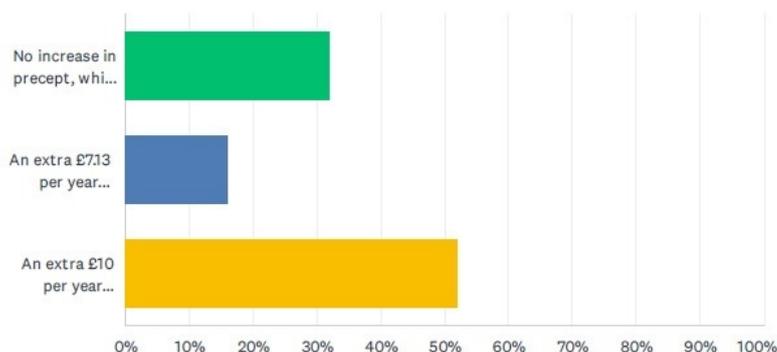
I would therefore welcome your thoughts on the following options.

Ben Adams
Police, Fire & Rescue and Crime Commissioner for Staffordshire

The results

Q1 The following options are based on a Band D property currently paying £238.57 each year for Police services. How much more would you be prepared to pay per year for your Police services?

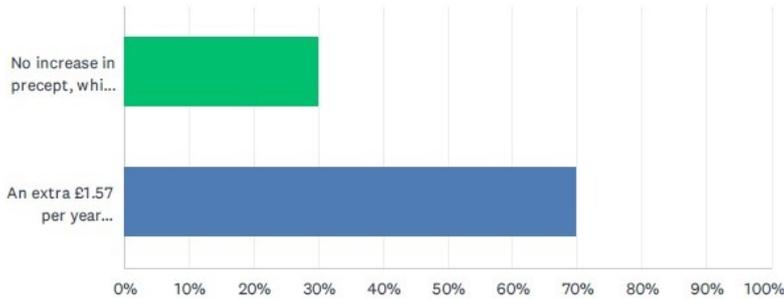
Answered: 944 Skipped: 20



| ANSWER CHOICES | RESPONSES |
|---|------------|
| No increase in precept, which would lead to a reduction in policing services | 31.99% 302 |
| An extra £7.13 per year (2.99%), which would offer some protection for existing services | 16.00% 151 |
| An extra £10 per year (4.19%), which would protect existing services and help to fund improvements. | 52.01% 491 |
| TOTAL | 944 |

Q2 The following options are based on a Band D property currently paying £78.78 each year for Fire services. How much more would you be prepared to pay per year for your Fire & Rescue services?

Answered: 940 Skipped: 24



| ANSWER CHOICES | RESPONSES | |
|--|-----------|-----|
| No increase in precept, which would lead to reductions in fire and rescue services | 30.11% | 283 |
| An extra £1.57 per year (1.99%), which would help protect existing services | 69.89% | 657 |
| TOTAL | | 940 |

Common themes from the precept consultation

523 respondents provided comments in the question 3 free text box which asked 'If you have any additional comments, please include these in the box below'. The following sections include key themes from the responses.

ask believe S around inflation roads make mean level ensure local police officers
 officers don t feel offer government required even provide also increase precept
 police service current now live cuts look reduced receive already
 know rising protect tax staff years reduction go increase council tax
 council tax keep people way funding put need
 improve police streets increase budget
 services crime pay stop will really money given
 see community much amount better extra used willing pay think
 None police fire service However area enough public improvements
 work Staffordshire less savings us pensions support police fire cost pay extra
 spent value money want additional fire service seems higher come time village say
 top take help

Police and Crime

A number of comments were focused on the lack of visible policing with 'no bobbies on the beat'. The specific areas mentioned included Biddulph, Tamworth, Codsall, Audley, Lichfield, Penkridge, Uttoxeter, Wombourne, Cannock and Gnosall. Respondents also criticised the number of high-paid officers/executive when their salary could be spent on officers.

'We don't see any police now so it could not get worse than what it is now.'

'How sacking expensive senior officers (pen pushers) and employing more officers to deal with the 'low level' crime that affects the most number of people such as burglary, car crime and anti-social behaviour; crime that Staffordshire Police Service doesn't appear to be interested in!'

'We are so sad not to see Police on the beat like we used to, and the closure of local stations is dreadful.'

'I think it is shocking that the police service was reduced a few years ago. Crime is increasing and officer numbers need to increase to reflect this. Also to reduce pressure on the current workforce.'

'Importance of getting more police or PCSO into community to combat antisocial behaviour, drug dealing and other criminal activities.'

Fire and Rescue

Minimal feedback was received about the Staffordshire Fire & Rescue service but included questions around reduced staffing levels but also the perception that fire fighters have 'more capacity'.

'Fire & rescue services are already stretched too thin. With the projected growth in housing and population for the moorlands, we need more fire cover, not less.'

'Why should we keep paying more money to the Fire service when they have cut staffing levels year on year to a dangerously low level so much so they have been unable to sustain their current response model for a number of years now. Where has those previous years funding been spent?? Oh yes spent propping up a failing retained section.'

'There is so much more capacity with firefighters that could be utilised. Or I think more on call arrangements during night time hours should be considered for those areas with the lowest demand. The fact they often get 3-4 hours' sleep on a night shift is not the best use of money.'

'Fire service already don't do very much in way of fire related activities so in my mind should be reduced dramatically. They have shown they have surplus staff by administering vaccines to people.'

Supporting an increase

A number of comments explained the reasons why they would support an increase in council tax as long as the money went to frontline services.

'Both police and fire service are seriously underfunded and I am more than happy to see council tax go up if it means better protection for communities. Thank you for all the hard work our emergency services do.'

'Would gladly pay more if Mr Adams would make Staffordshire a drug free county. Introduce severe penalties for dealers and users. Illegal drugs are the cause of most of the anti-social behaviour, within the county. This policy of soft on drugs and make drugs legal doesn't wash with most of the population. Get the drugs off the streets, send the dealers to prison for a very long time and cease their assets.'

'I have no issues paying extra for our under funded emergency services, as long as that is where the increases go.'

'We need to pay for a property funded police and fire service in Staffordshire. We can't keep expecting the same levels of provision without paying for it. I am in favour of the largest rises being considered as long as the money goes to frontline services and value for money and the further eradication of waste is a priority.'

'These are vital services that need the full support of the people and should be funded appropriately. I'm happy to pay more council tax.'

'I think to help ensure that we have a police and fire service able to deal with expected and unexpected situations we need to invest in them.'

'A small rise in taxation is fair to improve the services we receive. But I would like this to be open and honest. I would like to see exactly where this rise goes to. And also exactly where the previous taxation goes to. I believe if this information is shared freely and openly then people would be willing to pay even more. My belief and I think most working people at the moment believe that money just gets swallowed up by more levels of management rather than frontline services where the money should go.'

Not supporting an increase

The majority of additional comments were against an increase in council tax with rising energy and other bills being a factor. A significant amount of responses alluded to the respondent being a pensioner and unable to afford the increase.

'I fully sympathise with your problem but as pensioners we are limited to a 3.1% rise and to be honest with energy price rises and all the other planned rises anything above 3% will cause possible problems I know this is for central government to solve but hope you will take it into account when setting your budget.'

'In the current economic climate and all utility bills rising paying any extra would cripple families even further ...to be honest I would rather put food on the table and have a warm house.'

'As a senior citizen I value these services but as with all other bills, they increase every year but our pensions do not increase in line with all these increases.'

'People at this moment cannot afford increases on top of everything else that's rising. Government has to realise that pensioners etc are on the breadline.'

'I am 86. My pension increases a little over £4 in April. Police precept last year increased 6%. How much more do you think I can afford?'

'At a time when everyone is feeling the pinch in respect of fuel prices, energy etc there is no way that I would be willing to pay more when the wasteful manner in which our taxpayer money is spent is so evident.'

'As this year is bringing additional household expenditure with rising Gas & Electric prices together with higher petrol prices I think the increase should this year be minimal to help families meet these increases.'

'The current cost of my council tax is already too much for me to afford so any increase would mean us doing without heating and or food.'

'The rise to maintain current existing services for both organisations is higher than my annual pay increase this year, however I am expected to maintain my personal domestic existing services on this lesser percentage increase amount.'

Commissioner's Office

A number of responses specifically mentioned the cost of the Commissioner and his office, feeling the money of salaries was better spent on frontline officers.

'There should not be a commissioner. It adds an extra layer of admin that sucks money from the system. The money should be spent on extra police and firefighters, not penpushers.'

'We pay more than enough for little or no service on crime. Money could be saved by abolishing Police and Crime Commissioners and all their associated office costs.'

'I personally do not agree with a Police and Fire commissioner. We should return to a Police committee, which is non-political, and leave the running of the Police Force to a Chief Constable!'

Evidence

An importance was put upon the publication of results of the public's investment.

'The improvements promised would have to be evident to justify additional payments.'

'It would be good to see a breakdown of what our money is spent on.'

Consultation questions

Negative feedback was received about the questions being leading and lacking in detail about how services would be lost if additional funding was not received.

'Great to have consultation but questions you've asked are too vague to be meaningful – what services would be lost/protected/gained?'

'I think the question's a little misleading, as I think a correct use of management, and independent scrutiny of priorities would ensure correct a correct level of policing/fire services with no additional levy.'

'The challenge with these questions is that they fail to offer any information about what would be reduced should no increase be selected. There is no option to address reductions in unnecessary activities or to refocus resources.'

Additional comments

'Increasing income isn't the only solution. You should also be looking to reduce excess unnecessary expenses, wastage and excessively high costs.'

'We urgently require higher police numbers out and about on the streets of our towns and cities, and the fire service needs to be fully manned and trained to cope with all types of emergency.'

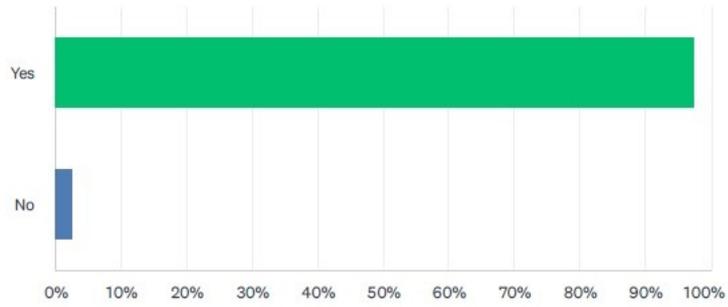
'Savings need to be done without frontline services being cut, reduce overheads including high salary staff, cuts need to be fair and proportionate.'

'I'm sure you will, but please take into account that not all of us are receiving pay rises at the moment so any increases in existing bills hurts a lot.'

Demographic – Precept consultation

Q4 Are you responsible for paying council tax?

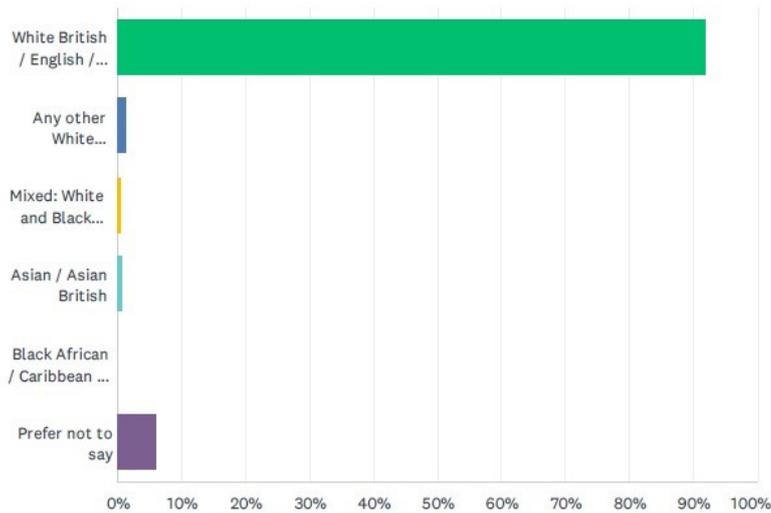
Answered: 934 Skipped: 30



| ANSWER CHOICES | RESPONSES | |
|----------------|-----------|-----|
| Yes | 97.43% | 910 |
| No | 2.57% | 24 |
| TOTAL | | 934 |

Q6 What is your ethnic origin?

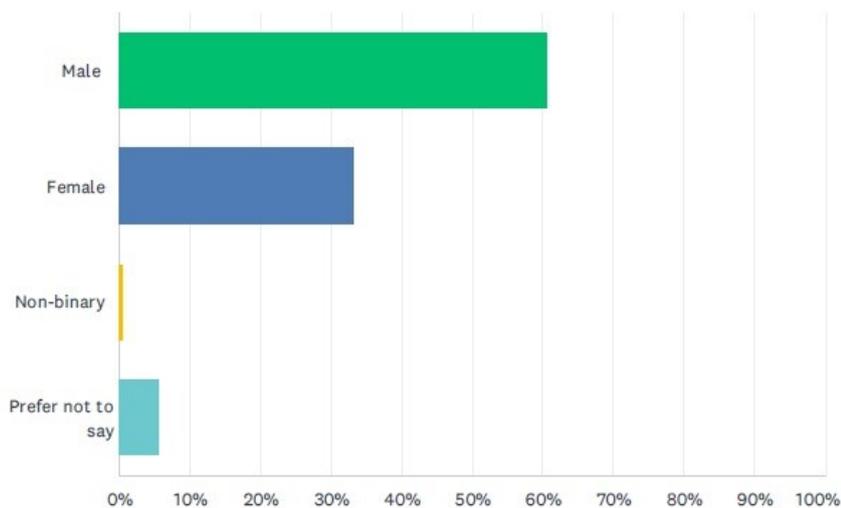
Answered: 920 Skipped: 44



| ANSWER CHOICES | RESPONSES | |
|---|-----------|------------|
| White British / English / Welsh / Scottish / Northern Irish / Irish | 91.96% | 846 |
| Any other White background | 1.20% | 11 |
| Mixed: White and Black Caribbean / African / Asian | 0.33% | 3 |
| Asian / Asian British | 0.54% | 5 |
| Black African / Caribbean / Black British | 0.00% | 0 |
| Prefer not to say | 5.98% | 55 |
| TOTAL | | 920 |

Q7 Which gender identity do you identify as?

Answered: 931 Skipped: 33

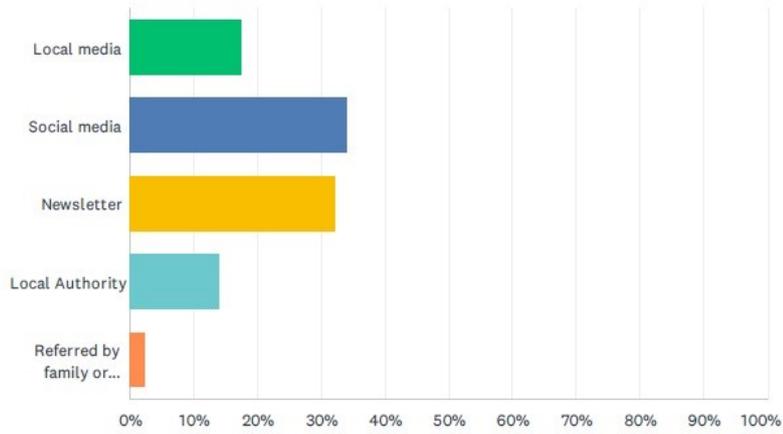


| ANSWER CHOICES | RESPONSES | |
|-------------------|-----------|------------|
| Male | 60.79% | 566 |
| Female | 33.30% | 310 |
| Non-binary | 0.32% | 3 |
| Prefer not to say | 5.59% | 52 |
| TOTAL | | 931 |

| | | |
|-------------------|--------|------------|
| 75 or older | 14.93% | 140 |
| Prefer not to say | 2.88% | 27 |
| TOTAL | | 938 |

Q8 Where did you hear about this consultation?

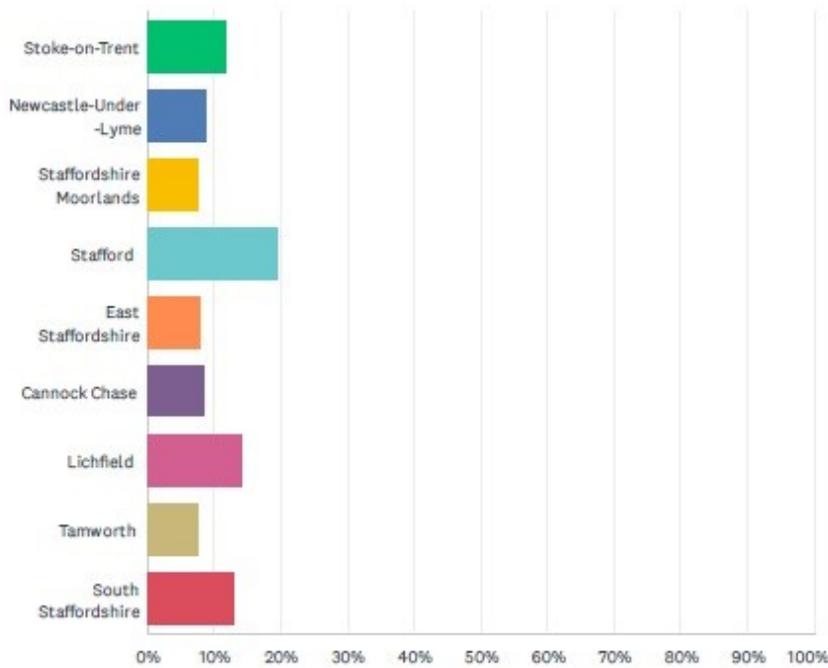
Answered: 750 Skipped: 214



| ANSWER CHOICES | RESPONSES | |
|------------------------------|-----------|------------|
| Local media | 17.47% | 131 |
| Social media | 34.13% | 256 |
| Newsletter | 32.13% | 241 |
| Local Authority | 14.00% | 105 |
| Referred by family or friend | 2.27% | 17 |
| TOTAL | | 750 |

Q9 Which area of Staffordshire or Stoke-on-Trent do you live in?

Answered: 938 Skipped: 26



| ANSWER CHOICES | RESPONSES | |
|-------------------------|-----------|------------|
| Stoke-on-Trent | 11.94% | 112 |
| Newcastle-Under-Lyme | 8.85% | 83 |
| Staffordshire Moorlands | 7.78% | 73 |
| Stafford | 19.72% | 185 |
| East Staffordshire | 8.00% | 75 |
| Cannock Chase | 8.64% | 81 |
| Lichfield | 14.29% | 134 |
| Tamworth | 7.78% | 73 |
| South Staffordshire | 13.01% | 122 |
| TOTAL | | 938 |

Q10 If you would like to receive updates about the work of the Commissioner, please enter your name and email address below:

Answered: 330 Skipped: 634

| ANSWER CHOICES | RESPONSES | |
|----------------|-----------|-----|
| Name | 99.70% | 329 |
| Email address | 99.09% | 327 |



Police Fire and Crime Panel

31 January 2022

TREASURY MANAGEMENT STRATEGY REPORT 2022/2023

Report of the Staffordshire Commissioner

1. Background

- 1.1 In addition to the existing role overseeing Staffordshire Police, the Staffordshire Commissioner became responsible for the governance of the Staffordshire Fire and Rescue Service from August 2018. However, both remain separate organisations, with separate budgets and governance processes.
- 1.2 This report will detail the Treasury Management Strategy for Staffordshire Police only; a separate report has been completed for the Staffordshire Fire and Rescue Service. 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 2022/23.
- 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. CIPFA have released an updated Code of Practice

at the end of 2021 for adoption which will supersede current practice and will be implemented during 2022/23.

- 2.4 The Annual Investment Strategy (AIS) for 2022/23 meets the requirements of the statutory guidance issued by the Ministry of Housing, Communities and Local Government's (now referred to as Department for Levelling up, Communities and Local Government - DLUHC) 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 Staffordshire Commissioner's Office and Police Finance Team

3. Summary

- 3.1 The Police Fire and Crime Panel note the proposed borrowing strategy for the 2022/23 financial year. The main features are:
 - 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 for the Commissioner; and
 - a loan restructuring strategy that is potentially unlimited where this rebalances risk.
- 3.2 The Police Fire and Crime Panel note, in accordance with the MHCLG's Guidance on Local Authority Investments, the adoption of the Annual Investment Strategy (AIS) 2022/23 as detailed in **Section 7** of this report and summarised in **Appendix 4**. Also, to note the policies on:
 - reviewing the strategy;
 - use of external advisors; and
 - training.

4. External Context

Economic background

- 4.1 The continuing impact on the UK from coronavirus, future trading arrangements with the EU and global inflationary pressures will remain a major influence on the Commissioner's Treasury Management Strategy for 2022/23.
- 4.2 The Bank of England (BoE) raised Bank Rate by 0.15% in December 2021 and held its Quantitative Easing programme at £895 billion. The Monetary Policy Committee (MPC) increased the rate and discussed further tightening of monetary policy in an effort to curb inflation.
- 4.3 UK Consumer Price Inflation (CPI) for September 2021 registered 3.1%, this increased to 5.1% in November and is expected to rise as high as 6% in April with the next round of capped gas prices forecast to rise. The MPC see this level of inflation as transitory as it is mainly being driven by gas prices, demand and supply chain issues. The Labour Force Survey unemployment rate fell to 4.2% in November, whilst Her Majesty's Revenue and Customs payroll data has continued to rise strongly. Despite the end of the furlough scheme there are few signs of

increased redundancies, and the stock of vacancies has continued to grow leading to staff shortages in some areas with the unemployment rate projected to fall to 4% in January 2022.

- 4.4 Gross Domestic Product (GDP) growth in the UK has been rapid since the ending of coronavirus restrictions in the summer but the economy is still 1.5% below its pre-pandemic size. It is hoped that the UK economy will reach its pre-pandemic size in Q2 2022. Although recent Bank of England projections on GDP Growth have ended up lower than initially forecast due to the drag in the economy caused by global demand for goods and supply bottlenecks.
- 4.5 Across the EU the slow roll out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery is nearly complete although countries dependent on tourism are lagging. Recent sharp increases in gas and electricity prices have increased overall inflationary pressures but the ECB is seen as reluctant to raise rates currently.
- 4.6 In the US Shortages of goods like semi-conductors, are fuelling increases in prices and reducing economic growth. It appears that there has been a sustained drop in the labour force suggesting the pandemic has had a longer-term scarring effect in reducing GDP. Economic growth may be reduced to between 2% and 3% in 2022 and 2023 while inflation is likely to remain around 3% in both years instead of declining back to the 2% central target.

Credit outlook

- 4.7 Although bank CDS prices, (market indicators of credit risk) spiked upwards at the end of March / early April 2020 due to the initial impact of the pandemic, the heightened market uncertainty and the ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances.
- 4.8 The credit ratings for many UK institutions were downgraded on the back of downgrades to the UK sovereign rating in October 2020. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.
- 4.9 Looking forward, the potential for bank losses to be greater than expected, when government and central bank support starts to be removed, remains a risk suggesting a cautious approach to bank deposits in 2022/23 remains advisable.

Interest rate forecast

- 4.10 The County Council's treasury management adviser, Link, is forecasting a steady rise in the Bank of England Base Rate over the next few years, reaching 1.25% by March 2025. As with all projections there are major risks to this model such as the performance of the economy versus expectations, labour and supply shortages, virus mutations, trade agreements and the geopolitical climate.
- 4.11 Gilt yields are expected to rise steadily over the period of this report in part but there is likely to be short-term volatility, due to economic and political uncertainty

and events such as potential increases in coronavirus measures which may once again see a flight to safety by investors.

- 4.12 Due to the ongoing risks associated with coronavirus, the treasury strategy retains the low-risk approach adopted in recent years, based on prioritising security, liquidity and then yield.

5. Local Context

- 5.1 On 30 November 2021, the Commissioner held £70.550m of external borrowing and had £52.302m 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. The figures in the table include additional borrowing of £18 million estimated to be taken out in 2024/25:

| | 31.03.21 Actual £m | 31.03.22 Estimate £m | 31.03.23 Forecast £m | 31.03.24 Forecast £m | 31.03.25 Forecast £m |
|---------------------------------------|--------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Loans CFR | 85.9 | 83.2 | 93.7 | 101.1 | 114.7 |
| Less: External borrowing | (70.8) | (67.2) | (64.7) | (63.1) | (79.5) |
| Less: Capital financing from reserves | (9.4) | (5.6) | (5.8) | (2.6) | (4.1) |
| Internal / (over) borrowing | 5.7 | 10.4 | 23.2 | 35.4 | 31.1 |

- 5.4 The table above shows that the Commissioner's Loans CFR is due to increase over the period of the TMSS due to the level of the capital programme, in particular the firing range in 2024/25. This will mean that despite using reserves for some of its capital financing, the Commissioner's internal borrowing requirements will increase to unsustainable levels, and further external borrowing will be required. A number of existing external loans also mature during the period, further increasing the internal borrowing requirement.
- 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.

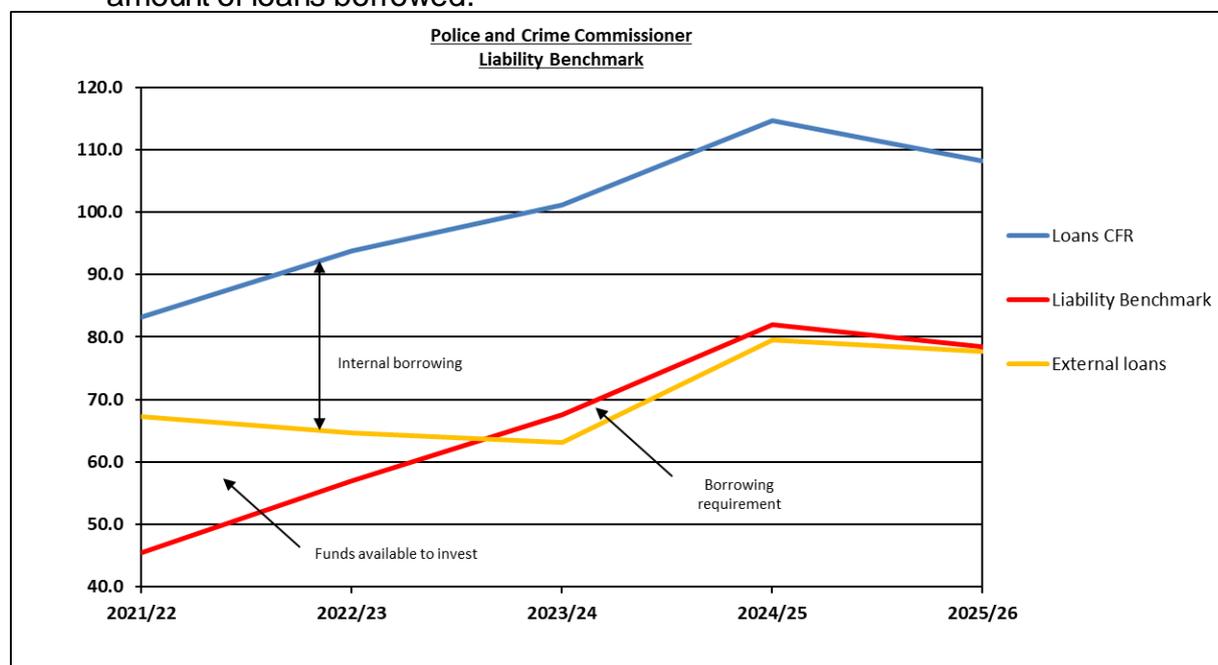
5.6 For investments, the Commissioner’s total resources available are measured by its usable reserves and working capital less any amounts that have been internally borrowed. This is shown in the following table:

| | 31.03.21 Actual £m | 31.03.22 Estimate £m | 31.03.23 Forecast £m | 31.03.24 Forecast £m | 31.03.25 Forecast £m |
|---|--------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Usable reserves | 27.8 | 32.1 | 31.0 | 31.0 | 29.5 |
| Working capital surplus | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| (Less Internal) / Add Over Borrowing | 5.7 | 10.4 | 23.2 | 35.4 | 31.1 |
| Investments/ (New borrowing) | 22.1 | 21.7 | 7.8 | (4.4) | (1.6) |

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. The figures in the table include additional borrowing of £18 million estimated to be taken out in 2024/25.

Liability benchmark

5.8 The CIPFA Prudential Code requires 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 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).

- 5.10 The chart indicates that from 2022/23, the Commissioner's level of external loans falls below the minimum required by the liability benchmark and gap continues to widen over the period. This is due to the Commissioner's Loans CFR, and hence its liability benchmark, increasing throughout the period covered by the TMSS, driven by its capital investment. At the same time, the Commissioners level of external loans fall during this period as several loans are repaid upon maturity. The figures in the graph include additional borrowing of £18 million estimated to be taken out in 2024/25.
- 5.11 Given these forecasts, 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 2022/23.

6. **Borrowing strategy 2022/23**

- 6.1 As at the 30 November 2021 the Commissioner holds £70.550m in external loans. There is a redemption of £3.350m to be paid by 31 March 2022 leaving a balance of £67.200 at the beginning of 2022/23 if no other loans are taken as part of the strategy for funding previous years capital programmes. The Commissioner will need to ensure total amounts borrowed do not exceed the authorised limit of £92.9 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 5.4** and the liability benchmark analysis at **paragraph 5.8** both indicate the Commissioners cash balances will be lower at year end and consideration may be given 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 action minimises bail-in risk, where certain investors, such as the Commissioner (as it is classed as a local authority under legislation) will suffer the financial burden of a failing bank rather than the Government, should there be issues in the future.

- 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 2022/23 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 be lower at year end, the question arises as to whether the Commissioner needs to consider external borrowing to replace cash used for internal borrowing.

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 most 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 Where the Commissioner has a long-term borrowing need, it can consider the alternative sources of borrowing other than the PWLB 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.
- 6.13 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.
- 6.14 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 treasury management outturn and half-year reports will update the position later in the year.
- 6.15 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

- 6.16 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.

Currently loan restructuring would be very expensive and unappealing for the Commissioner. This is because Gilt yields are very low. This would lead to large penalties to compensate the PWLB or its successor body if loans were repaid early.

- 6.17 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 for the Commissioner and reported retrospectively to the Police Fire and Crime Panel.

Policy on borrowing in advance of need

- 6.18 As the borrowing strategy proposed for 2022/23 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) 2022/23

- 7.1 It is the Commissioner's borrowing strategy that determines its investment strategy. The current economic environment of low rates favours the use of cash instead of borrowing, hence balances available for temporary investments are likely to be less.
- 7.2 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 £6.4m and £64.9m.

MiFID II

- 7.3 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.
- 7.4 During 2021/22, the commissioner met the criteria to opt up to be a professional client and has done so to expand the availability of financial instruments available to the Authority as approved in the 2019/20 outturn report.

Objectives

- 7.5 The CIPFA Code requires that local authorities 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.
- 7.6 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

- 7.7 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.
- 7.8 The Commissioner has taken a low-risk approach to investment and the AIS for 2022/23 will continue to do so. Short term unsecured bank investments have generally provided very low returns with the increasing risk from bail-in regulations. The Commissioner will continue to concentrate its short-term investments in more secure MMFs and government investments together with a low-risk pooled fund.

- 7.9 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

- 7.10 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

- 7.11 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.

- 7.12 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.

- 7.13 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 who have issued Section 114 notices 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)

- 7.14 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.

- 7.15 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.

- 7.16 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.
- 7.17 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 at 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

- 7.18 The Commissioner can make investments with banks and building societies that meet the minimum threshold (**see paragraph 7.31**) by using call accounts or term deposits, but these Investments will run the risk of credit loss via a bail in, if the regulator determines that the bank is failing or likely to fail. Due to this issue and a general cautious approach to bank and building society investments, currently the only bank or building society in use by the Commissioner is its banking provider, Lloyds Bank (see section below). Use of any further banks or building societies is delegated to the Director of Finance with the outcome reported in the regular treasury management reports to the Strategic Governance Board.

iv) Operational bank account

- 7.19 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 7.22** onwards.
- 7.20 In respect of the Bank ring-fencing legislation 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).
- 7.21 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.

- 7.22 Risks to investments, such as those discussed for MMFs in **paragraph 7.17**, 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.
- 7.23 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.
- 7.24 During 2021/22, the Commissioner held additional balances throughout the year. To allow flexibility for investments, the Director of Finance for the Commissioner agreed to increase the standard limits to temporary limits of £5.0m for MMFs and £1.0m for Lloyds Bank. The Commissioner will continue to use the higher temporary limits in 2022/23 until the level of cash balances fall to allow reverting to using the standard limits.
- 7.25 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.
- 7.26 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 Strategic Governance Board.

Non-Standard Investments

- 7.27 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.
- 7.28 Collective Investment Schemes are Non-Standard Investments that range from enhanced MMF's to property and equity funds. These all have varying risk and return profiles. The Commissioner approved a decision to use this category of investment in 2021/22 by committing to the Royal London Fund, a AAA rated enhanced Cash Plus MMF with a 3-day liquidity notice period.
- 7.29 The financial limit for the Royal London Cash Plus MMF has been set at £1.5m.

The Credit Management Strategy for 2022/23

- 7.30 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.

- 7.31 For 2022/23, 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.
- 7.32 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.
- 7.33 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.
- 7.34 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

- 7.35 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.
- 7.36 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.
- 7.37 In the absence of any legal powers to do so the Commissioner does not currently hold any non-treasury investments and, therefore, no additional commercial strategy is required.

Risk

- 7.38 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 |

7.39 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.

7.40 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 advisor 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 Link as their external treasury management adviser. The County Council's contract with Link started in 2021 following a tender process. The Commissioner could use Link 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 qualified. The officers attend regular CIPFA and treasury consultant training seminars throughout the year as well as speaking to brokers and fund managers to further understand the market.

- 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 Service Level Agreement with the Commissioner. The SLA 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. 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)
6. Localism Act 2011 – Guidance on the General Power of Competence in sections 1 to 6.

Police Fire and Crime Panel
31 January 2022

Treasury Management Indicators

| Indicator | Estimate 2022/23 | Estimate 2023/24 | Estimate 2024/25 |
|---|---------------------|---------------------|---------------------|
| 1. External debt | | | |
| a. Authorised limit | £92.9m | £103.5m | £115.6m |
| b. Operational boundary | £87.9m | £98.5m | £110.6m |
| c. External loans | £67.2m | £64.7m | £76.1m |
| <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 | £101m | £115m |
| 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% | 3.72% |
| 12 months and within 24 months | 10% | 0% | 2.38% |
| 24 months and within 5 years | 30% | 0% | 7.51% |
| 5 years and within 10 years | 50% | 0% | 20.54% |
| 10 years and above | 100% | 25% | 65.85% |
| <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 |

**Police Fire and Crime Panel
31 January 2022**

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 to MEDIUM | 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 to MEDIUM | 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 | Limit variable rate borrowing to a relatively small proportion (e.g., 20%). | LOW to MEDIUM | 20% limit provides a suitable risk control. |

| | | | | | |
|--|--|---------|--|--|--|
| | | budget. | | | |
|--|--|---------|--|--|--|

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. |

**Police Fire and Crime Panel
31 January 2022**

| Lending List – January 2022 | |
|--|-------------------|
| | Time Limit |
| <i>Regulation Investments</i> | |
| UK Government DMADF account | 6 months |
| UK Local Authority | 12 months |
| <i>Banks and building societies</i> | |
| Lloyds (as banker) (£0.5m hard limit) | overnight |
| <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 |
| <i>Enhanced MMF</i> | |
| <i>Royal London Cash Plus</i> | 3-day notice |

**Police Fire and Crime Panel
31 January 2022**

Risk assessment - Investments

| 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 | The current policy of using cash in lieu of borrowing reduces the authority's dependency on interest receipts. The AIS is low risk and uses liquid and conservative investment instruments. |



Item No 5c on Agenda

Staffordshire Police, Fire and Crime Panel 31st January 2022

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 2021 and the forecast position as at 31 March 2022. 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 February 2021 as part of the budget setting process for the current year and has now been updated to incorporate and reflect:

- The updated MFTS for 2022/23 to 2025/26
- The actual Reserves position as per the Statement of Accounts for 2020/21, and a forecast for 2021/22
- 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 2022 is forecast to be £7.162m (3.2%) (see **Appendix 1**),
- **Earmarked Reserves** – to meet future known or predicted requirements – balance as at 31 March 2022 is forecast to be £24.980m (See **Appendix 1**)

Overall the level of Usable Reserves at 31 March 2021 is £27.775m (with an additional capital grants unapplied on £0.331m) and forecast to increase by £4.367m in year to £32.142m by March 2022. The general reserve will be maintained at £7.162m across the MTFS period while the earmarked reserves (including capital reserves) are forecast at £26.726m by March 2026. These reserves are in line with sector standards.

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 2022/23, and utilisation of reserves as incorporated within the updated MTFS
3. the updated Reserves Strategy

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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.
 - A capital receipts reserve generated from the sale of surplus assets, which in line with legislation can only be re-invested back into capital goods (or whilst specific legislation allows transformation spend).

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 £16.5 million as at 31 March 2020, being the General Fund £6.4m and Earmarked Reserves £10.1m.

The Movement in Useable Reserves Statement can be found within the Statutory Accounts for 2020/21, and is shown below:

| Balance at 31 March 2020 | | Balance at 31 March 2021 |
|-------------------------------------|---------------------------------|-------------------------------------|
| £'000 | | £'000 |
| 6,350 | General Fund | 7,162 |
| 3,150 | Capital receipt reserve | 0 |
| 331 | Capital grants unapplied | 331 |
| 1,011 | Reshaping the Future | 2,264 |
| 2,205 | IT Transformation Reserve | 2,618 |
| 348 | Insurance Reserve | 1,201 |
| 1,314 | Pension Reserve | 2,562 |
| 250 | Collaboration Reserve | 705 |
| 1,286 | Capital Reserve | 1,574 |
| 617 | ESN Reserve | 780 |
| 478 | Covid-19 | 2,197 |
| 2,636 | Operational Reserves | 6,712 |
| | Total Earmarked | |
| 10,145 | Reserves | 20,613 |
| 19,976 | Total Usable Reserves | 28,106 |

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. 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 are 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.

3.6. The Staffordshire Commissioner has indicated that the level of General reserves be set at a minimum level of 3% of the annual revenue budget. As per Section 5 of this report the Panel should note that the level of General Reserves is forecast to be 3.2% of the annual net revenue budget 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 2021 and the forecast position for 31 March 2022, 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 a balance of 3% of the net revenue budget of the combined budgets of the Commissioner and Staffordshire Police. 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 for a particular event 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 2021, the General Reserve was £7.162m and it is forecasted to maintain the reserve level in year. This represents 3.2% of the annual revenue budget for 2021/22.

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 cover specific risk items that are excluded from the MTFS but may present as financial pressures over the life of the MTFS such as the current age discrimination changes to public sector pensions
- To cover areas of the budget subject to fluctuations in spend based on risk such as self-insured Insurance claims
- Reserves earmarked to support transformation. Whilst current legislation allows for the use of capital receipts to fund transformation this means these receipts would be used on revenue spend as opposed to re-investing back into assets (which would increase long term debt). The Commissioner is re-investing all receipts back into the acquisition of new assets.
- To provide for future contingent liabilities that have been identified within the statutory accounts,
- A reserve established to provide budgetary support. This reserve is earmarked to support the budget on a one off basis whilst efficiency savings are phased in with a view to implementing these savings in the most sustainable manner possible.
- Reserves held for specific operational requirements. The response to Covid from Staffordshire Police has been funded from such an earmarked reserve

4.8. The Balance on this reserve as at 31 March 2021 was £20.163m and is forecast to increase in year by £4.367m to close the year at £32.142m. This increase in the main is driven by the upfront funding for the Uplift programme received in 2021/22 and the creation of the budget support reserve.

5. Reserve Forecast

5.1. The following table represent the forecast Reserves as stated in the MTF5. At the 31 March 2021 the total reserves represents 3% of the annual revenue budget.

| | 2022/23 £000's | 2023/24 £000's | 2024/25 £000's | 2025/26 £000's |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| General Fund | 7,162 | 7,162 | 7,162 | 7,162 |
| Capital receipt reserve | 0 | 0 | 0 | 0 |
| Capital grants unapplied | 331 | 331 | 0 | 0 |
| Reshaping the Future | 2,185 | 2,185 | 2,185 | 2,185 |
| IT Transformation Reserve | 2,417 | 2,417 | 2,417 | 2,417 |
| Insurance Reserve | 2,001 | 2,001 | 2,001 | 2,001 |
| Pension Reserve | 3,589 | 3,589 | 3,589 | 3,589 |
| Collaboration Reserve | 783 | 783 | 783 | 783 |
| Capital Reserve | 136 | 136 | 136 | 136 |
| ESN Reserve | 1,543 | 1,543 | 0 | 0 |
| Uplift Reserve | 3,964 | 3,964 | 3,964 | 3,964 |
| Budget Support | 3,918 | 3,620 | 2,148 | 0 |
| Operational Reserves | 4,489 | 4,489 | 4,489 | 4,489 |
| Total Earmarked Reserves | 25,025 | 24,727 | 21,712 | 19,564 |
| Total Usable Reserves | 32,518 | 32,220 | 28,874 | 26,726 |

Usable Reserves forecast 31 March 2022

| Actual 31-Mar- 21 £'000 | | Transfer In £'000 | Transfer Out £'000 | Forecast 31-Mar-22 £'000 |
|----------------------------------|---------------------------------|-------------------------|--------------------------|--------------------------------|
| 7,162 | General Fund | 0 | 0 | 7,162 |
| | <u>Earmarked Reserves</u> | | | |
| 2,264 | Reshaping the Future | 700 | (779) | 2,185 |
| 2,618 | IT Transformation Reserve | 0 | (201) | 2,417 |
| 1,201 | Insurance Reserve | 800 | 0 | 2,001 |
| 2,562 | Pension Reserve | 1,027 | 0 | 3,589 |
| 705 | Collaboration Reserve | 78 | 0 | 783 |
| 1,574 | Capital Reserve | 0 | (176) | 1,398 |
| 780 | ESN Reserve | 763 | 0 | 1,543 |
| 2,197 | Covid-19 | 250 | (1,014) | 1,433 |
| 2,572 | Uplift Reserve | 1,690 | (298) | 3,964 |
| 0 | Budget Support Reserve | 1,539 | (98) | 1,441 |
| 4,140 | Operational Reserves | 861 | (775) | 4,226 |
| 20,613 | Total Earmarked Reserves | 7,708 | (3,341) | 24,980 |
| 0 | Capital Receipt Reserve | 1449 | (1,449) | 0 |
| 331 | Unapplied Grants | 0 | 0 | 331 |
| 28,106 | Total Reserves | 9,157 | (4,790) | 32,473 |

The following earmarked reserves have been established (or aggregated as shown above) for the following purposes:

Transformation – These reserves are held to support transformation activity, and are divided between a general transformation reserve and an IT/Digital specific transformation reserve

Capital Reserve – to fund future capital projects on assets with a short asset life, as well as to support any urgent H&S works of a capital nature

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 Reserve – Provides provision around future unknown costs relating to the public sector pensions age discrimination case (McCloud) as well as for flexibility in the payment of ill health pension payments to the pension fund

Collaboration Reserve – to support the one off costs associated with local public sector collaboration. This reserve is used to either support projects aimed at generating a financial return on the one off investment or improving partnership working and outcomes

Uplift reserve – to support the recruitment of c.300 additional officers into Staffordshire over a three year period, as part of the Governments 20,000 uplift programme. Funding for this programme has been front loaded into the initial years of the programme leading to the establishment of a reserve to equal out programme expenditure

Operational Budget Reserve – this includes a number of specific earmarked reserves.



Item No. 5d on Agenda

Report to the Police Fire and Crime Panel

31st January 2022

**Police Capital Strategy and Capital Programme 2022/23 to 2025/26
(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 2022/23 to 2025/26 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 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 ClFPA's Prudential Code and Treasury Management in the Public Sector. The commissioner reports internally within the guidelines set out within the prudential code.

RECOMMENDATIONS

That the Police Fire and Crime Panel note:

- a) the four year Capital Programme for 2022/23 to 2025/26 as set out in Appendix 1,
- b) the Capital Strategy for 2022/23
- 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 2022/23 to 2025/26 is in line with the updated Reserves Strategy
- e) note the Minimum Revenue Provision (MRP) policy statement incorporated within this report

Ben Adams

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 included 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 approach 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 remained the same from previous years which has created additional upward pressure on capital financing costs especially funding for the national projects.

- **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 though 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 within 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 consider utilising 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 2022/23 to 2025/26

7.1 The proposed Capital Programme for 2022/23 to 2025/26 is contained within **Appendix 1** of this report. The total Capital Programme for 2022/23 has been estimated at £20.1m, for 2022/23, £17.5m for 2023/24, £21.4m for 2024/25 and £4.3m for 2025/26.

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 2022/23 to 2025/26 are set out in **Appendix 2**.

7.3 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 Appendix 2 and also the accompanying Treasury Management Strategy.

7.4 The core Capital Programme was considered by both the Commissioner and the Force at the Strategic Governance Board meeting on the 18th January 2022. 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.

7.5 Over recent years the Force has seen significant investment through the capital programme into digital technology. The capital programme for 2022/23 to 2025/26 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.

7.6 The capital programme will see debt repayments, as a percentage of the net revenue budget, increase throughout the period of the MTFS. On this metric the affordability of the capital programme will continue to consume a greater percentage of revenue spend over the MTFS period. However, compared to other local public sector bodies these repayments remain low. The Commissioner is committed to maintaining revenue contributions to the capital programme, in particular for purchasing short life assets. This strikes a fair

balance between the need for investment and the burden left to future taxpayers to service these investments.

- 7.7 The Commissioner has been able to increase the capital programme investment compared to the programme previously proposed 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.
- 7.8 Digital Technology investment is proposed to maintain the improvements in capability seen due to previous investments, to improve core infrastructure, build on the benefits from insourcing Technology Services and for improvements in digital capabilities to be leveraged. The main proposed investments in the four year programme are:
- £1.610m on network infrastructure to improve network resilience and support increased off site working,
 - £3.000m for an upgrade and replacement of the current ERP solution driving everything from finance, payroll, HR and shift resourcing,
 - £5.000m for device refresh including mobile technology over the life of the MTFS
 - £8.390m for the assumed local costs of the Emergency Services Network within the capital programme. Whilst work is ongoing to ensure the costs passed to Forces and Commissioners is minimised this is included as a planning assumption based on the latest Home Office ESN funding model.
 - £3.200m for upgrade to the Force's control room and command and control capabilities
- 7.9 The vehicle replacement programme does not see an increase in the number of vehicles the Force operates outside of the uplift programme. An investment of £2.065m will allow for the replacement of c.80 vehicles, with the vehicles proposed for replacement being on average 7 years old.
- 7.10 The estates programme focusses on the costs of maintaining the current estate. Whilst a joint Estates strategy is being developed by the Commissioner with Staffordshire Police and 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 estate's strategy. However, for prudence whilst the strategy is being developed at a site by site basis provision has been made for these projects.
- 7.11 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 is:

- A rolling refurbishment programme on the current Police Estate on a county wide basis. This also includes provision to accommodate nationally mandated changes (an increase) in Officer Personal Safety Training (OPST).
- A provision on £18m for a fire arms training range and is included for planning purposes only. Work is ongoing to refine this complex business case
- A programme of mechanical, electrical, fire and security upgrades. This will also include investment in modern energy efficient and environmentally friendly heating.

7.12 Additional capital spend in year to support the uplift programme will be required and will be 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 and is not yet shown in the capital programme.

8. Funding the Programme

8.1 **Appendix 1** also details the proposed funding strategy for the 2022/23 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, direct funding of capital expenditure from revenue, 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, with funding of short life assets the key priority to reduce future MRP requirements.

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 charges over 20 years
- For assets acquired by finance lease or the Private Finance Initiative, 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, 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 2022 is forecast to be around £83.2m, and is forecast to increase to £114.7m by March 2025 before falling to £108.3m by March 2026 based upon the capital investment requirements outlined within this paper.

Appendix 1

Staffordshire Commissioner Police

Summary Proposed Capital Programme 2022/23 to 2025/26

Capital Programme

| Department | 2022/23 Budget £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 | 2025/26 Estimate £'000 |
|--------------------------|----------------------------|------------------------------|------------------------------|------------------------------|
| IT | 11,990 | 7,070 | 6,890 | 1,250 |
| Estates and Facilities | 5,856 | 8,263 | 12,100 | 600 |
| Transport | 2,065 | 2,000 | 2,050 | 2,100 |
| Operational Equipment | 210 | 150 | 340 | 320 |
| Capital Programme | 20,121 | 17,483 | 21,380 | 4,270 |

Capital Funding

| | | | | |
|---------------------------------|-----------------|-----------------|-----------------|----------------|
| Funding | | | | |
| Capital Receipts | (2,230) | (350) | 0 | 0 |
| Deferred Capital Receipt | (59) | (20) | 0 | 0 |
| Capital Grants | 0 | 0 | 0 | 0 |
| Capital Specific Grants | 0 | 0 | (331) | 0 |
| Revenue Contribution to Capital | (2,407) | (2,257) | (2,257) | (2,257) |
| Earmarked Reserves | (1,112) | 0 | (1,543) | 0 |
| Borrowing Requirement | (14,313) | (14,856) | (17,249) | (2,013) |
| Total Funding | (20,121) | (17,483) | (21,380) | (4,270) |

Note : See Budget / MTFs report for further detail on the four year investment programme

**Staffordshire Commissioner
Prudential Indicators (Policing)**

A. Indicators for Affordability, Prudence and Capital Expenditure

1. Ratio of Financing Costs to Net Revenue Stream

| Estimate 2022/23 | Estimate 2023/24 | Estimate 2024/25 | Estimate 2025/26 |
|---------------------|---------------------|---------------------|---------------------|
| % | % | % | % |
| 2.67% | 2.68% | 3.11% | 3.52% |

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 2022/23 | Estimate 2023/24 | Estimate 2024/25 | Estimate 2025/26 |
|---------------------|---------------------|---------------------|---------------------|
| £m | £m | £m | £m |
| 20.1 | 17.5 | 21.4 | 4.3 |

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 2022/23 | Estimate 2023/24 | Estimate 2024/25 | Estimate 2025/26 |
|---------------------|---------------------|---------------------|---------------------|
| £m | £m | £m | £m |
| 93.7 | 101.1 | 114.7 | 118.3 |

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

| | Estimate 2022/23 £m | Estimate 2023/24 £m | Estimate 2024/25 £m | Estimate 2025/26 £m |
|----------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Authorised Limit | 92.9 | 103.5 | 115.6 | 115.6 |
| Operational Boundary | 87.9 | 98.5 | 110.6 | 110.6 |

This indicator identifies two limits in relation to external debt, and excludes PFI.

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 Treasurer'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.

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.

STAFFORDSHIRE POLICE, FIRE AND CRIME PANEL

31 January 2022

WORK PROGRAMME PLANNING 2021-22

Report of the Secretary

Recommendation

That the Panel note the dates of future meetings and considers the contents of its future Work Programme.

Background

By Regulation this Panel is required to meet on a *minimum* of 4 occasions each year with the facility to convene additional meetings as and when required.

There are a number of reports/matters which the Panel is required to consider:

Police and Crime Matters: the proposed Policing and Crime Precept each year, the Police and Crime Plan, The Commissioners Annual Report on the delivery of the Plan, Confirmation Hearings for a number of key posts and Reports on the Handling of Complaints.

Fire and Rescue Service Matters: The proposed Fire and Rescue Service Precept each year, the draft Fire and Rescue Plan/Corporate Safety Plan (incorporating the Integrated Risk Management Plan), the Annual Statement of Assurance and Confirmation Hearings for key posts in the Service.

| | Agenda Items |
|--|---|
| <p>Monday 21 June 2021(pm) (Summer 2021 meeting date brought forward to meet the newly elected Commissioner)</p> | <ul style="list-style-type: none"> • Appointment of Chairman • Appointment of Vice-Chairman • Meet the new Commissioner • Appointment of Independent Co-Opted Member • Questions from the public • Annual Report on the Management of Complaints and Conduct Matters against the Police, Fire and Crime Commissioner and Deputy Police, Fire and Crime Commissioner • Home Officer Grant 2020/21 • Confirmation Hearing – Deputy PFCC • Confirmation Hearing – Interim Chief Constable |

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|---|--|
| Member only training 14 September - Informal virtual meeting | <ul style="list-style-type: none"> Complaints handling |
| 23 September (10am) | <ul style="list-style-type: none"> Police and Crime Plan / Fire and Rescue Plan Update Police Performance Update (to include recruitment and retention numbers) Fire and Rescue Performance Update Progress report on appointment of Chief Fire Officer and Chief Constable (Verbal update) |
| 12 October (10am) – confirmation Hearing | <ul style="list-style-type: none"> Confirmation Hearing - Chief Fire Officer Confirmation Hearing – Chief Constable |
| Monday 25 October 2021(2 pm) | <ul style="list-style-type: none"> Results of inquiry into Usman Khan – Force performance – (Invite Chair of Safeguarding Scrutiny Committee to avoid duplication). Police Misconduct and Complaint Regulations 2020 – annual report Police and Crime Plan (Draft) Fire and Rescue Plan (Draft) Questions from the public |
| Tuesday 7 December 2021 10am | <ul style="list-style-type: none"> MTFS/Budget Update – Policing Service MTFS/Budget Update - Fire and Rescue Service Police and Crime and Fire and Rescue Plan consultation update Annual Conference for PFCP report |
| Monday 31 January 2022 (2 pm) | <ul style="list-style-type: none"> PFCC's proposed Police Budget and Precept 2022/23. <ul style="list-style-type: none"> a. Budget Report 2021/22 including MTFS b. Treasury Management Strategy 2021/22 c. Reserves Strategy Update d. Capital Strategy and Capital Programme Verbal update – OPFCC Chief Executive appointment |

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|---|--|
| Monday 14 February 2022 (2. pm) | <ul style="list-style-type: none"> • Consideration of the PFCCs proposed Fire and Rescue Budget and Precept 2022/23 <ul style="list-style-type: none"> a. Budget Report 2021/22 including MTFS b. Treasury Management Strategy 2021/22 c. Reserves Strategy Update d. Capital Strategy and Capital Programme • Fire and Rescue Service Safety Plan 2020-2024 Update Report |
| Tuesday 22 February 2022 (2.pm) <i>(Reserved date if needed)</i> | <ul style="list-style-type: none"> • If required, Further consideration of proposed Police and/or Fire and Rescue Budget and Precept 2022/23. |
| Monday 25 April 2022 (10am) | <ul style="list-style-type: none"> • Police and Crime Plan • Fire and Rescue Plan <ul style="list-style-type: none"> ❖ To consider the above plans and decide how the panel want to scrutinise the priorities as set out in the plans. |
| Monday 27 June 2022 (2.pm) | <ul style="list-style-type: none"> • Appointment of Chairman • Appointment of Vice-Chairman • Annual Report on the Management of Complaints and Conduct Matters against the Police, Fire and Crime Commissioner and Deputy Police, Fire and Crime Commissioner • Home Officer Grant 2021/22 • Consideration of the Commissioners Annual Report 2022/23 |
| Monday 26 September 2022 (10 am) | <ul style="list-style-type: none"> • TBA |
| Monday 24 October 2022 (2.pm) | <ul style="list-style-type: none"> • MTFS/Budget Update – Policing Service • MTFS/Budget Update - Fire and Rescue Service |
| 6 February 2023 (2.pm) | <ul style="list-style-type: none"> • PFCC’s proposed Police Budget and Precept 2023/24 |
| 13 February 2023 (2.pm) | <ul style="list-style-type: none"> • Consideration of the PFCCs proposed Fire and Rescue Budget and Precept 2023/24 |
| 21 February 2023 (10am) <i>(Reserved date if needed)</i> | <ul style="list-style-type: none"> • If required, Further consideration of proposed Police and/or Fire and Rescue Budget and Precept 2023/24 |

| | |
|---|-----------------------------------|
| Monday 24 April 2023 (2.pm) | • TBA |
| Items to be scheduled when appropriate | |
| Proposed Operation Hub / Firearms Range | Raised at 1 February 2021 meeting |
| Annual Report | |
| Neighbourhood policing - review | Raised at 23 September meeting |
| Police and Crime and Fire and Rescue Plans | Requested at 25 October meeting |

J Tradewell (Secretary to the Panel)

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