



## Staffordshire Police, Fire and Crime Panel

14:00 Monday 6 February 2023  
Council Chamber, County Buildings, Stafford

John Tradewell  
Secretary to the Panel  
Friday 27 January 2023

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

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### A G E N D A

1. **Apologies**
2. **Declarations of interest**
3. **Minutes of the meeting held on 24 October 2022** (Pages 1 - 8)
4. **Questions to the PFCC from Members of the Public** (Pages 9 - 12)  

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. **Decisions published by the Police, Fire and Crime Commissioner (PFCC)**
6. **Proposed Police Budget and Precept 2023/24** (Pages 13 - 104)
  - a) Budget Report 2023/24 including MTFS
  - b) Capital Strategy and Capital Programme
  - c) Reserves Strategy update
  - d) Treasury Management Strategy 2023/24
7. **National Conference for Police, Fire and Crime Panels (PFCCP) and NAPFCP AGM - 11 November 2022** (Pages 105 - 106)
8. **Questions to the PFCC by Panel Members**
9. **Dates of Future Meetings and Work Programme** (Pages 107 - 110)

<b>Membership</b>	
Jackie Barnes	Stoke City Council
Adrian Bowen	Co-optee
Richard Cox (Vice-Chair)	Lichfield District 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 (Chair)	Staffordshire County Council
Martin Summers	Tamworth Borough Council
Keith Walker	Co-optee

### **Note for Members of the Press and Public**

#### **Filming of Meetings**

The Open (public) section of this meeting may be filmed for live or later broadcasting or other use, and, if you are at the meeting, you may be filmed, and are deemed to have agreed to being filmed and to the use of the recording for broadcast and/or other purposes.

#### **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.

**Contact Officer:** Mandy Pattinson,  
**Email:** [mandy.pattinson@staffordshire.gov.uk](mailto:mandy.pattinson@staffordshire.gov.uk)

**Minutes of the Staffordshire Police, Fire and Crime Panel Meeting held on 24 October 2022**

Present:

Jackie Barnes	Tony Holmes
Adrian Bowen	Philip Hudson
Richard Cox (Vice-Chair)	Bryan Jones
Ann Edgeller	Roger Lees
Gill Heesom	Keith Walker
Dan Maycock (substitute for Martin Summers)	
Ray Sutherland (Substitute for Ann Edgeller)	

**Also in attendance:** Ben Adams, Helen Fisher, Louise Clayton and David Greensmith.

**Apologies:** Ann Edgeller, Bernard Peters and Martin Summers

**PART ONE**

**20. Declarations of interest**

None were made at the meeting.

**21. Minutes of the meeting held on 26 September 2022**

Resolved – That the minutes of the Panel meeting held on 26 September 2022 be approved and signed by the Chairman.

**22. Questions to the PFCC from Members of the Public**

The Panel considered the questions ask by a member of the public and the Panels and Commissioners response.

**Question 1**

**In total how many Police Fire and Crime Panel (PFCP) and Ethical Transparency and Audit Panel (ETAP) meetings have there been?**

Over the last 4 years (since 2019)

Panel response: 23 Panel meetings.

ETAP response: 22 ETAP meetings

**Question 2 Out of these meetings how many times has a member of the public turned up or put forward a question?**

Panel Response: the number of public attending Panel meetings to watch the proceedings is not recorded. The number of people asking questions at panel meetings is:

Year	meetings	Questions	People attended the meeting to ask questions in person
2019	6	3	1
2020	3	0	0
2021	8	3	0
2022	6	5	3

ETAP response:

Year	Meetings (Cover both Police and Fire)	Questions	People attended the meeting to ask questions in person
2019	6	0	1
2020	5	0	0
2021	5	0	0
2022	6	0	0

Resolved: That the questions asked, and the response received be noted.

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

No decisions had been posted on the Commissioners website since the last meeting.

**24. Medium Term Financial Strategy - update - Police**

The Medium-Term Financial Strategy (MTFS) update report for the Police services was presented by the Commissioner and his Director of Finance.

The report set out:

- The current position of the 2022/23 budget
- An update on future years MTFS assumptions
- Sensitivity analysis around key financial items
- An update on the capital programme.

It was reported that since setting the budget in January 2022, the financial assumptions had changed dramatically. It was felt that the current level of uncertainty in the economy with rising levels of inflation; pay award uncertainty; unpredictable investment returns; and pension increases, made budget predictions very challenging.

The table in the report at paragraph 1.9 showed the key movements in the MTFS position since January 2022. Despite in-year pressures, the current

position for 2022/23 was a forecast underspend of £0.9m. However, there was a change in predicted funding gap from £2.1m to £6.3m in 2025/26.

As a result of the Commissioners presentation and questions from the Panel, the following information was shared with the Panel. This was in addition to that provided in the written report:

- Since the MTFS was set, the HMICFRS inspection report had resulted in the need to invest in the policing model. Examples of investment were given as included technology improvements, vehicles etc. The Panel would receive a full update on these investments and their impact, at the February 2023 panel meeting.
- For planning purposes, the increase in precept had been planned at 2.99% for the years 2023/24 onwards. It was noted that currently, the government's spending review had awarded the flexibility on the precept of £10 per annum, which would be an increase of approximately 4.09% for Staffordshire.
- Following a question on how the expected gap in funding would be covered, the Commissioner explained that if the funding didn't come from government, an increase in precept may have to be considered and/or efficiencies would be explored, particularly through the use of technology. The use of reserves could be considered if necessary.
- Projections of inflation rates in future years was more challenging than in previous years. Assumptions had been estimated for future years, but this may need readjusting.
- Savings and income generating could be gained through: additional grants; Regional organised crime unit; secondments etc. The panel was informed that other forces were having conversations with partners such as the NHS to be compensated for work undertaken, which it was felt should be covered by other teams, for example mental health. However, similar financial pressures were faced by all the partners.
- The prudent approach and the estimated saving of £0.9m in this financial year was acknowledged.

Resolved: That the update report be noted.

## **25. Medium Term Financial Strategy - update - Fire and Rescue Service**

The Medium-Term Financial Strategy update report for the Fire and Rescue services was presented by the Commissioner and his Director of Finance.

The report set out:

- The current position of the 2022/23 budget
- An update on future years MTFS assumptions
- Sensitivity analysis around key financial items

- Transformation update
- An update on the capital programme.

Similar financial assumptions had been made to that in the earlier Police MTFS report.

There was extra uncertainty with the pay negotiations for the Fire service which was currently estimated at 5%, as opposed to the anticipated 2%.

It was acknowledge that currently the increased service costs had been offset by cost savings. This was despite the unitary charge for some of the transformational programme PFI fire stations being variable and was now 8.3% which was a significant increase. This was expected to increase in future years.

It was noted that fuel costs were estimated at a 5% increase for fire and rescue, whilst for Police this was set at 2%. It was explained that officers predictions were different but fuel contracts were procured in the same way for both police and fire and rescue services.

Resolved: That the update report be noted.

## **26. Fire and Rescue - Annual Assurance Statement 2021/22**

The Panel considered the draft Fire and Rescue Statement of Assurance for 2021/22. It was reported that the statement would be considered at the Commissioners next ETAP (fire) meeting with the final version being sent to the Panel for information.

Resolved: That the report be noted.

## **27. Questions to the PFCC by Panel Members**

The Panel asked questions and received the following responses:

a, When would the Travellers strategy be ready and distributed to Local Authorities/partners?

*In response, the Panel was informed that the Policy was being reviewed and considered by the Community Safety Forum. It would then be distributed to all partners so that a consistent approach could be used throughout Staffordshire.*

b, Was the new policing operating model having an impact on public reassurance?

*In response, all officer ranks were out meeting residents and informing of issues in the local areas. The Commissioner expected the new approach, to have a positive impact.*

c, How would the monitoring of Police performance, particularly relating to the HMICFRS inspection report and the impact on residents be communicated?

*The performance meetings with the Chief Constable would continue and the Panel would receive regular updates on the Commissioners strategic plan and how the force was meeting his strategic priorities. Communication with both partners and the public was important to highlight improvement.*

## **28. Dates of Future Meetings and Work Programme**

Resolved: That the Panels Work Programme be noted.

**Chairman**



## STAFFORDSHIRE POLICE FIRE AND CRIME PANEL

### ACTIONS ARISING FROM PREVIOUS MEETINGS

**NOTE: The following action or information was requested at a previous meeting(s). When an item has been completed it will be taken off the list.**

Meeting / Agenda Item	Action Required	By Whom	Information requested/action taken	Completed or Target date
<b>25 Sept. Police and Crime Plan update</b> Page 7	a) That the Commissioner be invited to a further meeting of the Panel to discuss the recent HMICFRS Inspection report. b) That the Safeguarding Overview and Scrutiny Committee be invited to take part in the meeting.	Panel/ Commissioner	Meeting arranged for 21 February 2023. Safeguarding Chairman from both County Council and City Council (Crime and Disorder responsibilities) invited.	21/01/23



**STAFFORDSHIRE POLICE, FIRE AND CRIME PANEL – 6  
FEBRUARY 2023**

**QUESTIONS FROM THE PUBLIC TO THE POLICE, FIRE AND  
CRIME COMMISSIONER**

**Report of the Secretary**

The Panel's Constitution provides for questions to the Commissioner from members of the public. Questioners can choose to either attend the meeting and ask the question themselves or have the question dealt with in written form and the reply forwarded to them.

The following question has been received (questions are listed in order of receipt):

**Deborah Mallender – Q 1.November 2022 Q2. January 2023**

- 1. Given the public concern about rogue companies committing serious Environmental Crime in Staffordshire. Why do we have a Chief Constable in Christopher Noble who is National Lead for Protest Policing and not the National Lead for Environmental Crime Policing - What was the thinking behind that appointment please?*
- 2. Are Staffordshire Police Impartial?*

The Commissioner has been asked to provide a written reply to the questions which is attached to the report.

A copy of the reply will be forwarded to any questioner not in attendance at the meeting.

J Tradewell  
Secretary to the Panel

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**Police, Fire & Crime Panel – Public Question**

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**Questions Posed:**

- 1) Given the public concern about rogue companies committing serious Environmental Crime in Staffordshire. Why do we have a Chief Constable in Christopher Noble who is National Lead for Protest Policing and not the National Lead for Environmental Crime Policing - What was the thinking behind that appointment please

**Panel Member:** Public Question

**Question Date:** 10/11/22

**Follow-up Question**

**Received:** 25/01/2023

- 2) Are Staffordshire Police Impartial
- 

**Commissioner Response:**

**1) Given the public concern about rogue companies committing serious Environmental Crime in Staffordshire. Why do we have a Chief Constable in Christopher Noble who is National Lead for Protest Policing and not the National Lead for Environmental Crime Policing - What was the thinking behind that appointment please?**

Chris Noble was chosen to be Chief Constable of Staffordshire by Commissioner, Ben Adams, following a rigorous recruitment process which included police and partner interviews in which he demonstrated a wide variety of experience and an insightful understanding of the challenges faced by Staffordshire Police.

He was the Commissioner's preferred candidate and his appointment was approved following a Confirmation Hearing with the Police, Fire & Crime Panel on 12<sup>th</sup> October 2021.

Chris Noble applied for and was appointed by the National Police Chiefs' Council as the national lead for protest, prior to joining Staffordshire Police as Chief Constable.

The Commissioner's view is. 'The National Police Chiefs' Council, the country, and Staffordshire benefit greatly from Chris Noble acting as their lead for protest but I have no doubt that if he was to be asked to lead on any other area of police focus, including environmental crime, then he would bring the same balanced and informed oversight to that too. Our Chief Constable maintains a day to day focus on the needs of Staffordshire residents while contributing nationally which benefits everyone'.

**2) Are Staffordshire Police Impartial?**

All police forces are subject to the Policing Protocol Order of 2011, as set out in the Police Reform and Social Responsibility Act 2011:

Section 30 states: The operational independence of the police is a fundamental principle of British policing. It is expected by the Home Secretary that the professional discretion of the police service and oath of office give surety to the public that this shall not be compromised.

All police officers swear the oath of office on joining the service, which includes impartiality:

*“I do solemnly and sincerely declare and affirm that I will well and truly service the King in the office of constable, with fairness, integrity, diligence and impartiality, upholding fundamental human rights and according equal respect to all people; and that I will, to the best of my power, cause the peace to be kept and preserved and prevent all offences against people and property; and that while I continue to hold the said office I will to the best of my skill and knowledge discharge all the duties thereof faithfully according to law.”*

**Contact Officer:**

<b>Author:</b>	<b>Louise Clayton</b>
<b>Position:</b>	<b>Chief Executive</b>
<b>Date:</b>	<b>25/01/2023</b>



Item No. on Agenda

**Report to the Police Fire and Crime Panel – 6<sup>th</sup> February 2023**

**Police and Crime Budget Report for 2023/24**

**(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 2023/24. This is the Commissioner's second 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 2023/24
- Proposed precept for the police and crime element of the council tax 2023/24
- 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 2023/24 net revenue budget requirement of £242.902m (**see Appendix 1**), including
  - A council tax requirement for 2023/24 of £93.883m before the collection fund surplus is considered (**see Appendix 5**)
- Support and note that the budget includes the investment required to deliver a further growth of 60 FTE police officers in 2023/24, taking police officer headcount to 2,000.

- Support the proposal to increase the 2023/24 precept for the policing element of the council tax bill by 4.83% (£12.00 per annum) which is equivalent to £1 per month, increasing the council tax to £260.57 for a band D property (**Appendix 5**).
- Note that the council tax base has increased to 360,299 band D equivalent properties, equivalent to an increase of 1.46% (**see Appendix 4**). The council tax collection fund has also been finalised delivering a surplus of £1.270m (**see Appendix 3**).
- Note the use of £0.361m of revenue reserves to balance the 2023/24 budget (this is in addition to use of other earmarked reserves to support identified purposes).
- Note the MTFS summary financials (**Appendix 6**) and MTFS assumptions (**see paragraph 5.5**)
- Support the delegation to the Director of Finance for the Staffordshire Commissioners Office and the Director of Resources 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 budget support reserve
- Support the proposed four-year Capital Investment Programme (**see Section 8**) totalling £48.264m and the Capital Strategy and Capital Programme paper.
- Note the outcome of the Staffordshire Commissioner’s budget consultation within the Commissioner’s foreword which included a survey regarding the proposed level of precept for 2023/24 (**see Appendix 9**).

**Contact Officers:**

David Greensmith

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

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John Bloomer

Director of Resources / S151 Officer for Staffordshire Police

Telephone: 07974 204774

## Commissioner's Foreword



This is my second budget and council tax precept proposal as Commissioner for Staffordshire Police, Fire & Rescue and Crime. Since my election in May 2021, I continue to be hugely impressed by the professionalism and commitment of our police officers and staff.

Since the last budget was set we have seen the invasion of Ukraine by Russian forces leading to a significant increase in energy costs with inflation running at over 10% in recent months placing significant pressure on household as well as policing budgets. Challenges exist within policing locally that require investment to meet the needs of residents across Staffordshire and Stoke on Trent. This 2023/24 budget and Medium-Term Financial Strategy

(MTFS) is set against this backdrop.

I am pleased to be in a relatively unique position compared to other Commissioners in being able to invest in a significant further increase in police officer numbers by 60, moving to 2,000 by March 2024. This is while keeping the increase in precept below inflation, below the increase in average wage growth and pension increases, and below the amount allowed by government.

This delivers on two of my commitments on being elected in May 2020. Firstly, to increase police officer numbers by 250 taking them from 1,749 as the end of March 2020, to 2,000 at the end of March 2024. Secondly, keeping council tax precept increases as low as possible during my term. Precept levels for policing in Staffordshire are the 14<sup>th</sup> lowest in England and Wales.

In addition, police support service costs in Staffordshire are now the fifth lowest in England and Wales on a per head of population basis allowing for greater investment into front line policing.

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

I am pleased to see the early impact of the change in the force's local policing model to more local arrangements starting to pay dividends both in terms of crucial response times but also in terms of public satisfaction with having a more locally based and more visible service. To augment this more local policing model I am pleased 2023 will see the on-call fire stations in Chase Terrace and Burntwood become combined police and fire facilities for a small number of police officers and PCSOs to use during their working day.

The MTFS will support the Chief Constable to deliver on the local plan and national government priorities as well as moving the force out of its 'Engaged' phase of monitoring from the inspectorate (HMICFRS). With this, and inflation and wage

pressures in mind, I have concluded that the 2023/24 police & crime council tax precept should increase by 4.83%, equivalent to £1 per month 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.

To balance this MTFS a further £5.5m of additional savings will be required by 2027, however crucially given the need to have a strong focus on operational improvement in the near term for the next 2 years a balanced position has been set without the need for additional savings beyond those identified to date. Utilising reserves has also allowed me to keep precept increases lower than would have been the case and has been made possible by the strong financial management we have seen over the last 2 years.

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 and indeed my own office to continually seek efficiencies. 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.

Staffordshire and Stoke on Trent have some of the lowest crime levels in the country with reducing levels of anti-social behaviour. With your support and the investment set out in this MTFS, it is my expectation that our Chief Constable, Chris Noble, will build on the improvements seen since the delivery in June 2022 of a more local and responsive service and continue to keep us safe.

# 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 and the most recent inspection from His Majesty's Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS).
- 1.4 Staffordshire Police continues to deliver Value for Money. In the latest HMICFRS Value for Money profiles, Staffordshire Police is the 6<sup>th</sup> 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 panel will note the proposed further increase of 60 police officers. Whilst this will further strengthen over the medium term the capability of Staffordshire Police, this is building from a position of having the 4<sup>th</sup> lowest officer headcount in England and Wales, albeit a position that is in line with the relatively low overall funding position.
- 1.7 The investment in additional officers will not have an instantaneous impact given the need to recruit and train as well as for these new officers to gain valuable operational experience. This very much is an investment being made now to deliver medium- and long-term benefits.
- 1.8 Pay and inflationary pressures were higher in 2022/23 than forecast in the MTFs with the average pay award (following a pay freeze the previous year) of 5% being announced. Energy prices remain the largest single driver of inflation, however over the medium term it is anticipated inflation and wage growth will fall back to the Bank of England target inflation rate of 2%.
- 1.9 These inflationary increases, against a backdrop of tighter public and personal finances, have made setting the 2023/24 MTFs more challenging than it has been recent years. The current external environment, seen through inflationary pressures, is more volatile than previous increasing the likelihood of budget assumptions being materially challenged in year.

- 1.10 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 2023/24, 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. In addition to this, the recent significant increases in inflation could well have an impact on the council tax base in future years should the rate of inflation not return to the Bank of England target over the medium term.
- 1.11 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 £3.914m to support the MTFS revenue budget over the four years and an additional net drawn on reserve of £2.786m to support PCC commissioned services, uplift and policing the King's Coronation. This paper is accompanied by a revised Reserves Strategy.
- 1.12 2022/23 represented the final year of central government's uplift programme which will see an additional 20,000 Police officers recruited. This has resulted in 300 additional police officers in Staffordshire, however the impact of this has yet to be fully realised operationally as these officers progress through their training.
- 1.13 The draft policing settlement was published on 14th December 2022. The Home Office has provided a one-year local settlement only, making longer term planning challenging. 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 based on a share of £150m growth in Home Office funding for policing between 2023/24 and 2024/25. For future years a 2% growth (in line with Bank of England target inflation rates) has been assumed.
- 1.15 Panel should note the budget assumes that the ring-fenced uplift funding of £4.1m is continued throughout the life of the MTFS. This is a risk item, however given the commitment of the government to maintain the uplift numbers it is felt an appropriate risk.
- 1.16 After consideration of all of these aspects, the Commissioner is proposing a precept increase of £1 per month from April 2023. The proposed precept enables the Commissioner to provide an increase in funding raised from the precept of £5.616m in 2023/24 (excluding the collection fund positions).
- 1.17 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 Police officer numbers by 60, taking headcount to 2,000,
  - Renewing and increasing the coverage of Automatic Number Plate Recognition (ANPR) cameras across Staffordshire,
  - Investing in support services targeted at the victims of domestic abuse,
  - The creation of a dedicated Officer Personal Safety Training facility.

Further detail is contained in section 4.

- 1.18 The Commissioner will continue to support the Chief Constable’s 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 8.
- 1.19 The Commissioner has reviewed the cost of his office and the cost of the office falls in real terms over the life of the MTFs.
- 1.20 The budget for the Commissioner’s Office includes £12m of Commissioned Services of which £4m is funded from government grants, partnership income and ring-fenced reserves. A net cost of c.£7m for Commissioned Services is included per year within the MTFs. 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 90% of the total budget for the Staffordshire Commissioner shown below.
- 1.21 If the proposals in this document are supported then the Staffordshire Commissioner will have the following funding available in 2023/24:

Table 1 Net Budget Requirement Comparison 2022/23 to 2023/24

	2022/23	2023/24	Change
<b>Funding</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Home Office Police Grant	129,410	129,860	450
Police Pension Grant	1,825	1,825	0
Uplift Ringfenced Grant	2,035	4,100	2,065
Revenue Support Grant	8,423	8,423	0
Council Tax Freeze Grant	3,541	3,541	0
Precept	88,267	93,883	5,616
Council Tax Fund Surplus/(Deficit)	879	1,270	391
<b>Total Funding</b>	<b>234,380</b>	<b>242,902</b>	<b>8,522</b>

	2022/23	2023/24	Change
<b>Spend</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Staffordshire Commissioner	8,078	7,653	(425)
Staffordshire Police	217,822	227,231	9,409
Capital Financing & Revenue Contribution to Capital*	8,480	8,018	(462)
<b>Total Spend</b>	<b>234,380</b>	<b>242,902</b>	<b>8,522</b>

The detailed budgets are shown in **Appendix 1**.

## 2. The Budget Process

- 2.1 The 2023/24 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 Commissioner's 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 His Majesty's Inspectorate of Constabulary, Fire and Rescue Service). This has been used to inform resourcing strategies at both command and departmental level.
- 2.5 The latest MTFS and, in particular, the 2023/24 budget contained within this report aligns financial resources to areas of greatest risk and therefore is fundamental to the performance management of Staffordshire Police and the Staffordshire Commissioner's Office.
- 2.6 Both Section 151 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 2023/24. 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. These discussions have culminated in a number of full and robust discussions of the budget requirement, the right sizing and funding of the capital programme, national and local operational and financial challenges, the precept options available to the Commissioner and a review of the MTFS and associated risks.
- 2.8 Furthermore, there has been a significant degree of scrutiny and challenge undertaken by the Commissioner and his team, prior to, during and post the January Strategic Governance Board, 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.

2.9 The approach taken to the MTFFS 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 MTFFS 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 2023/24 Proposal

3.1 The 2023/24 proposed precept increase is 4.83%. This is below the current rate of inflation of 10.5% and wage growth of 6.4%. The table below benchmarks the precept proposals in the MTFs against the forecasts from HM Treasury and the Office of Budgetary Responsibility.

	2021	2022	2023	Cumulative
CPI Inflation	3.1%	9.1%	7.4%	19.6%
Wage Growth	4.3%	6.4%	5.0%	15.7%
Pensions Growth	2.5%	3.1%	10.1%	15.7%
Precept Estimates	5.99%	4.19%	4.83%	15.01%

3.2 The Council Tax Referendum Principles for 2023/24 state that PCCs can increase the policing element of council tax by £15 per annum before triggering a referendum.

3.3 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 58.5% of all respondents support an increase in the police and crime precept.

3.4 The Commissioner has listened to this feedback and his intention to increase funding in the coming year by £5.6m (excluding the collection fund positions) from the precept, which will provide additional investment to policing as well as ensuring that material cost pressures are met for the budget year 2023/24. Importantly this increase provides additional protection to services in the medium term.

3.5 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 2023/24, 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.

3.6 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.

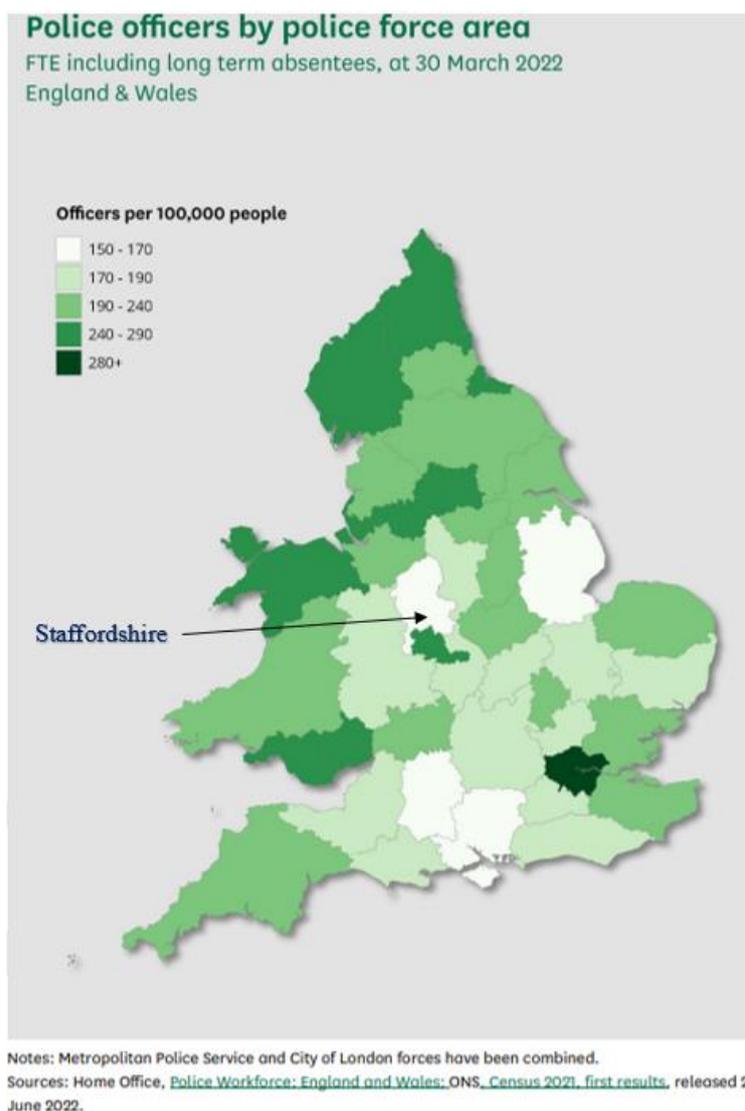
Council Tax (Police & Crime Element)	2022/23	2023/24
Band D Council Tax Proposed	£248.57	£260.57
Increase on Prior Year	£10.00	£12.00
Percentage increase on Prior Year	4.19%	4.83%
Council Tax Increase*	£5,070,049	£5,615,875
Total Precept Levied	£88,267,262	£93,883,136
Weekly Increase	£0.19	£0.23

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

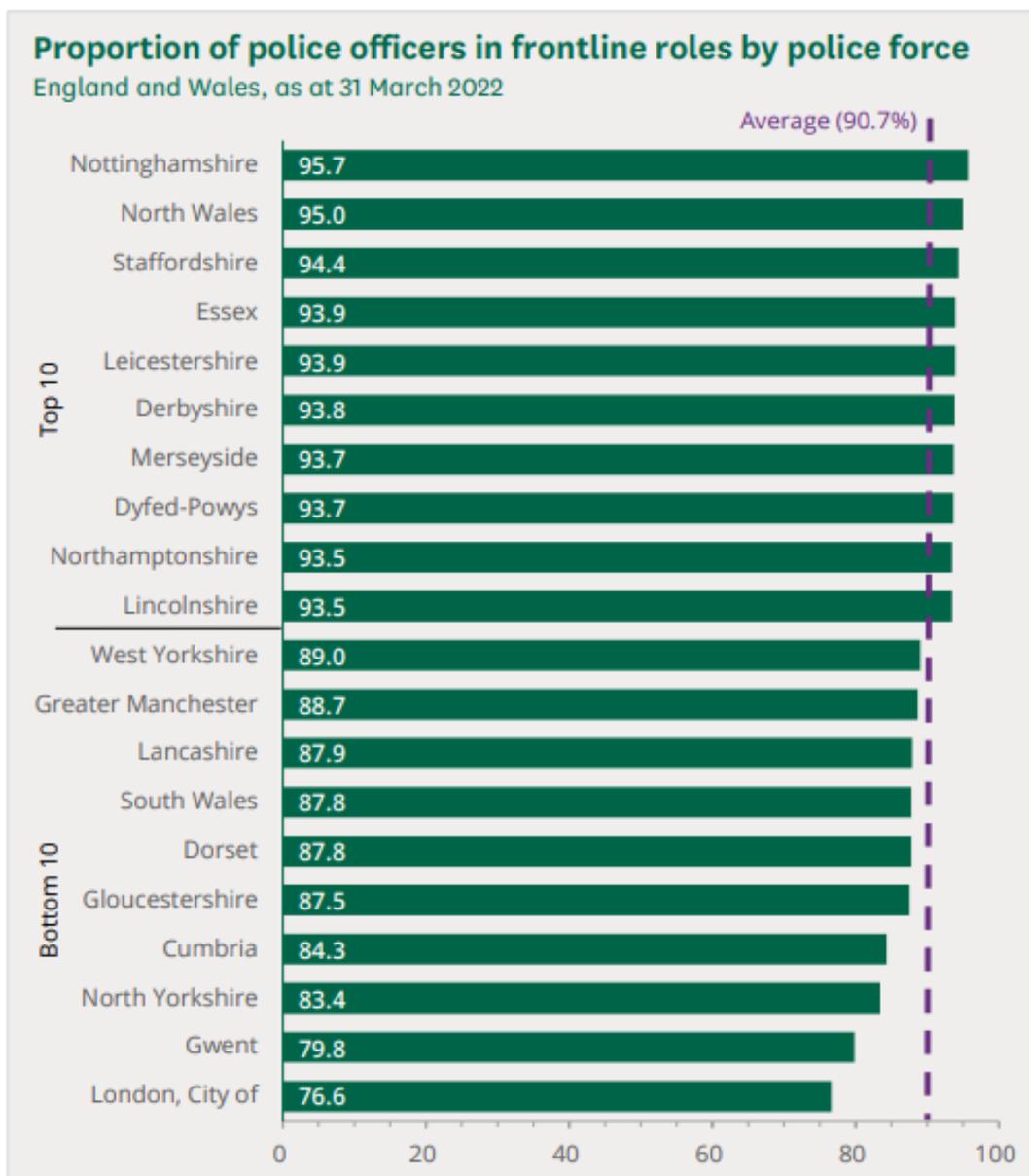
3.7 The increase in council tax funding also takes in to account the actual tax base increase for 2023/24 (1.46%) when calculating the financial impact of the precept flexibility. The proposed council tax increase by banding is shown in **Appendix 5**.

## 4. Commissioner Investments in Policing

- 4.1 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.
- 4.2 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.
- 4.3 The schematic below shows Staffordshire relative position on police officer headcount compared to other forces. This is headcount is proportionate to being one of the lowest funded forces in the country.



4.4 Whilst total numbers are important, what is also important is what these officers are doing. Officers should be doing a job that requires warranted powers and not in a role that can be more effectively and efficiently done by others simply to increase the relative headcount without seeing the impact of this on the public's priorities. The number of Staffordshire officers in 'front line' roles is the third highest in the UK based on the same Home Office data set.



Source: Home Office, [Police Workforce, England and Wales: 31 March 2022](#), Table F5

4.5 Combining the two data sets gives me confidence that taxpayers money is being used wisely in Staffordshire and supports the investment funded through the precept increase and savings in increasing police officer numbers.

4.6 These additional officers are planned to be invested in the following areas, albeit as referenced before this is an investment in the long term given the need to train and develop these officers:

- **Prevention** (20 officers) – A police officer based on each Local Policing Team that is specifically trained to a high level in problem solving methodology (with potentially academic accreditation) and acts as tactical adviser to Local Policing Teams leading on the development of bespoke problem-solving plans on a local level. Their focus will be predominately volume crimes, anti-social behaviour and be ‘super users’ for policing preventative powers such as closure orders

In addition to these specialist officers a further officer will be added to each Local Policing Team.

- **Pursue** (21 officers) –to increase our proactivity in going after criminals, enhancing local policing teams when issues emerge in local areas that require swift and robust action by providing a surge capacity.
- **Protect** (19 officers) – investing in protecting our most vulnerable residents including those at risk of Child Criminal Exploitation (CCE), investigating and bringing offenders to justice

- 4.7 The current number of PCSOs in role is currently 196 FTE (as at December 2022). It is proposed to set a budgetary operating baseline of 195 FTE, with recruitments of 8 FTE in January 2023 having taken place and an intake of 9 FTE in September 2023 planned. Based on recent trends as we increase police officer recruitment we see higher turnover in PCSO numbers as they apply for and become police officers in Staffordshire, retaining their skills in Staffordshire.
- 4.8 To augment the above proactive capability under ‘Pursue’ there will be an investment into more ANPR technology to intervene where criminals are using the road network to go about their business.
- 4.9 There has been a significant increase in referrals and individuals seeking support from domestic abuse support services, funded in part by the Commissioner’s Office. To maintain levels of service and provide an appropriate level of service an investment to align £1m over three year into this service is being made.
- 4.10 The investment into IT since this service was brought back in house has paid significant dividends. This includes reducing the number of outages from 53 in the previous reporting period to 1 in 2022. This alongside new technology has resulted in significant productivity gains within policing.
- 4.11 Investment into IT, estate and fleet continue over the life of the MTFS. In light of the current higher interest rate environment the capital programme has been reprioritised with a view to reducing long term borrowing costs and increasing interest receivable to support the revenue budget and keep precept low. This includes the reduction in the forecast budget for the firearms range by c.£4m.

## 5. The Medium-Term Financial Strategy

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

- 5.1 The MTFs is an important document in the overall financial framework of the group's planning. It builds on the budget for 2022/23 and incorporates plans to meet changes in available financing with the need to meet current and future commitments.
- 5.2 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.
- 5.3 The MTFs is based on full delivery of a number of savings arising through Resource Allocation Challenge panels as included in **Appendix 8**.
- 5.4 Additional savings from treasury management and capital financing are also included. These are discussed in section 8.
- 5.5 The MTFs includes a number of key assumptions covering likely funding levels, inflationary increases and expenditure items. A summary of the main MTFs assumptions are shown below for consideration:

Table 4: Assumptions

Description	2023/24 Budget	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
<b><u>Police Officers</u></b>				
Pay Award	3.0%	2.0%	2.0%	2.0%
Incremental uplift	1.0%	1.0%	1.0%	1.0%
Pension Contribution	31.0%	31.0%	31.0%	31.0%
<b><u>Police Staff</u></b>				
Pay Award	3.0%	2.0%	2.0%	2.0%
Incremental uplift	1.0%	1.0%	1.0%	1.0%
Pension Contribution	21.5%	21.5%	21.5%	21.5%
<b><u>Non-Pay Inflation</u></b>				
General	4.0%	2.0%	2.0%	2.0%
Utilities & Fuel*	54%	2.0%	2.0%	2.0%
<b><u>Funding &amp; Income</u></b>				
Government Funding	1.91%	1.54%	2.0%	2.0%
Council Tax Base Increase	1.46%	1.5%	1.5%	1.5%
Variable Income Charges	2.0%	2.0%	2.0%	2.0%
Council Tax Precept Increase	4.83%	2.99%	2.99%	2.99%

\* % increase stated is an average across budgets

- 5.6 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.
- 5.7 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.
- 5.8 In relation to pay inflations assumptions we have undertaken a survey of other forces. This has shown that relative to the sector our assumption is prudent and is the most commonly used assumption in the sector. The results of this are below:

Pay award assumption percentage	Number of Forces
2.0%	10
2.5%	4
2.75%	1
3.0%	14
4.0%	2

- 5.9 Panel should note that given the increases in pension and benefit rates seen in April 2023 of 10.1% this may set a level of expectation that would prove unaffordable in both the short and long term for policing in the UK.
- 5.10 Based on forecast energy usage and the proposed energy price cap for 2023/24 it is anticipated the pressure included in the MTFs will be sufficient. However, current gas prices have reduced significantly in recent weeks and if sustained at that rate there is the potential of a reduced pressure in 2024/25.
- 5.11 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 2022/23 at a level experienced pre-pandemic the degradation seen due to the pandemic has not been recovered.
- 5.12 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.

## 6. Risks and Sensitivity Analysis

- 6.1 In reflecting on where and whether investments are appropriate in 2023/24, the Commissioner will also reflect on the development of risks within the environment and respond to the monitoring of those risks.
- 6.2 The table below sets out a sensitivity analysis on key assumptions within the 2023/24 budget.

Table 5: Sensitivity Analysis on Assumptions

Cost Area	Change	£'000
Police Pay	1%	1,171
PCSO/Police Staff	1%	748
Utilities	1%	28
Vehicle Costs	1%	41
Supplies & Services	1%	97
Police Pension Contribution	1%	780
Police Core Grant Funding	1%	1,299
Precept	£1	94
Council Tax Base	1%	939

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

## 7. Reserves Position

- 7.1 The Commissioner's 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 3.65% of the 2022/23 net revenue budget.
- 7.2 A number of earmarked reserves are included within the overall reserves position; these reserves exist to cover increased risks in the external environment such as pension changes.
- 7.3 The 2023/24 MTFs includes the unwinding of the budget support reserve of £3.914m; £0.361m in 2023/24, £3.44m in 2024/25 and £0.109m in 2025/26. The use of £0.361m is used to balance the underlying net budget requirement in 2023/24.
- 7.4 In 2023/24, in addition to the unwinding of the budget support reserve, there is also planned use of the Major Events Policing reserve to support the policing of the King's Coronation (£0.200m), Uplift reserve (£0.140m) and PCC ring-fenced reserves to support commissioned schemes (£0.659m).
- 7.5 Should a pay award be higher than budgeted (as was the case in 2022/23), this may necessitate the use of the budget support reserve, which is currently allocated to be used in 2024/25.
- 7.6 If the proposals in this report are adopted then the reserves position will be as shown in **Appendix 2**. These reserves are from the unaudited accounts reserves for the year ending 2021/22.
- 7.7 The panel should note that in the forecast reserves position, the forecast underspend for 2022/23 as at period 9 is included within the general fund. Consideration may be given to transferring this to the budget support reserve at the end of the financial year.

## 8. Capital Programme 2023/24 to 2026/27

- 8.1 The Capital Programme and Capital Strategy for 2023/24 to 2026/27 has been developed and is reviewed within the Capital Strategy. The Capital Programme has been developed by the operational budget holders in discussion with the Chief Accountant and the Director of Resources.
- 8.2 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.
- 8.3 Over recent years the force has seen significant investment through the capital programme into digital technology. The impact of this has been a significant improvement in the force's digital capacity and capability.

8.4 There has been a comprehensive review of the capital programme for the 2023/24 MTFS which has delivered significant savings across the period:

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
<b>Capital Financing Costs MTFS 2023</b>	6,018	6,991	7,157	7,323
<b>Capital Financing Costs MTFS 2022</b>	6,471	7,764	9,082	9,191
<b>(Reduction)</b>	(453)	(773)	(1,925)	(1,868)

8.5 The above includes the reduction in the proposed cost of the new firearms range. The Commissioner took a gateway decision on this in 2022 to progress work to a 'pre planning application' point. An update on the back of the completion of this next phase of work is due in quarter 1 of the 2023/24 financial year.

8.6 The table below details the Capital Programme projects and spend over the MTFS period with the expected funding of the programme. The detailed programme for 2023/24 is shown within Appendix 7 – Capital Programme.

**Table 6: Capital Programme Spending**

<b>Capital Investment Area</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>
IT	7,911	1,860	2,220	3,420
Estates and Facilities	5,353	7,450	9,050	1,100
Transport	2,000	2,050	2,100	2,100
Operational Equipment	100	610	270	670
<b>Capital Programme</b>	<b>15,364</b>	<b>11,970</b>	<b>13,640</b>	<b>7,290</b>
<b>Funding</b>				
Capital Receipts	(430)	(380)	0	0
Deferred Capital Receipt	(20)	0	0	0
Capital Specific Grants	0	0	0	(331)
Revenue Contribution to Capital	(2,000)	(2,257)	(2,257)	(2,257)
Earmarked Reserves	(1,453)	0	0	(1,784)
Borrowing Requirement	(11,461)	(9,333)	(11,383)	(2,918)
<b>Total Funding</b>	<b>(15,364)</b>	<b>(11,970)</b>	<b>(13,640)</b>	<b>(7,290)</b>

## **9. Statement of the Commissioner CFO on the robustness of the Budget and adequacy of the proposed financial reserves**

- 9.1 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.
- 9.2 The current year 2022/23 has seen a significant level of uncertainty due to the impact of pay and inflationary pressures and this uncertainty does provide a challenging backdrop when setting the budget for 2023/24 and into the medium term.
- 9.3 Whilst the budget proposals contained within this report provide a solid foundation for the Commissioner and Chief Constable, including some additional investment in police officer numbers, the financial position and future assumptions must remain under robust scrutiny and subject to regular review. Plans to address the funding gap identified in 2025/26 and 2026/27 must also be developed.

I conclude that the budget for 2023/24:

- Has been prepared on a robust basis,
- Is accompanied by a Capital, Treasury Management and Reserves Strategy

**David Greensmith**

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

## Appendix 1

### Revenue Budget 2023/24

	Budget 2022/23 £'000	Budget 2023/24 £'000	Year on Year Change £'000
<b>Pay</b>			
Police Officer Pay Costs	111,984	117,054	5,070
PCSO Pay Costs	8,738	8,662	(75)
Police Staff Pay Costs	59,818	66,137	6,318
Other Employee Costs	5,918	3,849	(2,068)
Police Officer Pensions	5,433	4,733	(700)
<b>Total Pay</b>	<b>191,891</b>	<b>200,435</b>	<b>8,544</b>
<b>Non Pay</b>			
Repairs & Maintenance	30	31	1
Other Premises Costs	4,831	6,736	1,905
Vehicle Costs	3,716	4,057	341
Other Travel Costs	461	557	96
Operational Supplies & Service	6,343	6,556	214
Communications & Computers	13,786	14,461	676
Administration	2,227	2,263	36
Other Supplies & Services	853	849	(4)
<b>Total Non Pay</b>	<b>32,247</b>	<b>35,511</b>	<b>3,264</b>
<b>Contracted</b>			
Third Party Payments	13,396	16,165	2,769
<b>Total Contracted</b>	<b>13,396</b>	<b>16,165</b>	<b>2,769</b>
<b>Capital Financing Cost</b>			
Capital Financing Costs	6,223	6,018	(205)
Revenue Contribution to Capital	2,257	2,000	(257)
<b>Total Capital Financing Cost</b>	<b>8,480</b>	<b>8,018</b>	<b>(462)</b>
<b>Income</b>			
Grants & Contributions	(6,683)	(8,355)	(1,671)
Reimbursements	(4,882)	(5,447)	(565)
Sales, Fees & Charges	(926)	(842)	84
Other Income	(64)	(1,048)	(985)
<b>Total Other Income</b>	<b>(12,555)</b>	<b>(15,691)</b>	<b>(3,136)</b>
<b>Unallocated Savings</b>			
Unallocated Savings	0	(176)	(176)
<b>Total Unallocated Savings</b>	<b>0</b>	<b>(176)</b>	<b>(176)</b>
<b>Total Revenue Budget before Reserves</b>	<b>233,459</b>	<b>244,262</b>	<b>10,804</b>
Transfers to/(from) Reserves	922	(1,360)	(2,280)
<b>Total Revenue Budget</b>	<b>234,380</b>	<b>242,902</b>	<b>8,523</b>
<b>Financed By:</b>			
Home Office Funding	145,233	147,749	2,516
Council Tax Funding	89,146	95,153	6,007
<b>Total Financing</b>	<b>234,380</b>	<b>242,902</b>	<b>8,523</b>

## Appendix 2

### Useable Reserves Statement

	Balance at 31 March 2021 £'000	Balance at 31 March 2022 £'000
<b>General Fund</b>	7,214	8,509
<b>Capital receipt reserve</b>	0	1,449
<b>Capital grants unapplied</b>	331	514
Reshaping the Future	2,264	2,332
IT Transformation Reserve	2,618	2,580
Insurance Reserve	1,201	981
Pension Reserve	2,562	4,499
Collaboration Reserve	705	292
Capital Reserve	1,574	2,216
ESN Reserve	780	1,784
Covid-19	2,197	923
Operational Reserves	6,712	12,076
<b>Total Earmarked Reserves</b>	20,613	27,683
<b>Total Usable Reserves</b>	<b>28,158</b>	<b>38,155</b>

### Useable Reserves Forecast

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
<b>General Fund</b>	<b>9,703</b>	<b>9,703</b>	<b>9,703</b>	<b>9,703</b>
<b>Capital Receipts Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital Grants Unapplied</b>	<b>331</b>	<b>331</b>	<b>331</b>	<b>0</b>
Budget Support Reserve	3,553	109	0	0
Capital Reserve	420	420	420	420
Collaboration Reserve	70	70	70	70
ESN Reserve	1,784	1,784	1,784	0
Insurance Reserve	1,285	1,285	1,285	1,285
IT Transformation Reserve	2,412	2,412	2,412	2,412
Major Events Policing Reserve	418	418	418	418
Operational Reserves	4,828	3,992	3,041	3,041
Pension Reserve	5,207	5,207	5,207	5,207
Reshaping the Future Reserve	1,623	1,623	1,623	1,623
Uplift Reserve	5,315	5,315	5,315	5,315
<b>Total Earmarked Reserves</b>	<b>26,915</b>	<b>22,635</b>	<b>21,575</b>	<b>19,791</b>
<b>Total Usable Reserves</b>	<b>36,949</b>	<b>32,669</b>	<b>31,609</b>	<b>29,494</b>

## Appendix 3

### Council Tax Report 2023/24

#### Council Tax Surplus / (Deficit) by Billing Authority

	2022/23 £000	2023/24 £000	Change £000
Cannock Chase	341	(144)	(485)
East Staffordshire	147	231	84
Lichfield	(43)	65	108
Newcastle	36	70	34
South Staffordshire	161	219	58
Stafford	68	342	274
Staffordshire Moorlands	69	117	48
Tamworth	96	79	(17)
Stoke City Council	4	291	287
<b>Total</b>	<b>879</b>	<b>1,270</b>	<b>391</b>

\*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.

## Appendix 4

#### Council Tax base by Billing Authority

	2022/23 (Band D Equivalent)	2023/24 (Band D Equivalent)	Change (Band D Equivalent)
Cannock Chase	29,458	29,851	393
East Staffordshire	39,059	40,060	1,001
Lichfield	39,695	40,534	839
Newcastle	37,668	38,099	431
South Staffordshire	39,066	39,609	543
Stafford	48,490	48,864	373
Staffordshire Moorlands	33,510	33,374	(136)
Tamworth	22,968	23,376	408
Stoke City Council	65,185	66,532	1,347
<b>Total</b>	<b>355,100</b>	<b>360,299</b>	<b>5,199</b>

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

## Appendix 5

### Council Tax Report 2023/24

#### Council Bands for Each Band and Billing Authority Precepts

Based upon a Band D increase of 4.83%

Band	2022/23 £	2023/24 £	Annual Increase £	Increase per week £
A	165.71	173.71	8.00	0.15
B	193.33	202.66	9.33	0.18
C	220.95	231.62	10.67	0.21
<b>D</b>	<b>248.57</b>	<b>260.57</b>	<b>12.00</b>	<b>0.23</b>
E	303.81	318.48	14.67	0.28
F	359.05	376.38	17.33	0.33
G	414.28	434.28	20.00	0.38
H	497.14	521.14	24.00	0.46

	2022/23 £	2023/24 £	Change £
Cannock Chase	7,322,412	7,778,288	455,876
East Staffordshire	9,708,945	10,438,434	729,489
Lichfield	9,867,011	10,562,049	695,038
Newcastle	9,363,135	9,927,456	564,322
South Staffordshire	9,710,680	10,320,917	610,237
Stafford	12,053,256	12,732,375	679,119
Staffordshire Moorlands	8,329,581	8,696,263	366,682
Tamworth	5,709,156	6,091,084	381,929
Stoke City Council	16,203,085	17,336,269	1,133,184
<b>Total</b>	<b>88,267,262</b>	<b>93,883,136</b>	<b>5,615,875</b>

## Appendix 6

### MTFS Summary Financials to 2026/27

	Budget 2023/24 £'000	Budget 2024/25 £'000	Budget 2025/26 £'000	Budget 2026/27 £'000
<b>Pay</b>				
Police Officer Pay Costs	117,054	121,390	125,231	129,112
PCSO Pay Costs	8,662	9,154	9,452	9,749
Police Staff Pay Costs	66,137	67,739	69,668	71,729
Other Employee Costs	3,849	3,844	3,889	3,935
Police Officer Pensions	4,733	4,733	4,733	4,733
<b>Total Pay</b>	<b>200,435</b>	<b>206,860</b>	<b>212,973</b>	<b>219,259</b>
<b>Non Pay</b>				
Repairs & Maintenance	31	32	33	33
Other Premises Costs	6,736	6,746	7,209	7,725
Vehicle Costs	4,057	4,114	4,172	4,232
Other Travel Costs	557	568	580	592
Operational Supplies & Service	6,556	6,613	6,724	6,837
Communications & Computers	14,461	14,891	15,199	15,524
Administration	2,263	2,430	2,582	2,759
Other Supplies & Services	849	855	860	866
<b>Total Non Pay</b>	<b>35,511</b>	<b>36,249</b>	<b>37,358</b>	<b>38,567</b>
<b>Contracted</b>				
Third Party Payments	16,165	15,971	15,431	15,761
<b>Total Contracted</b>	<b>16,165</b>	<b>15,971</b>	<b>15,431</b>	<b>15,761</b>
<b>Capital Financing Cost</b>				
Capital Financing Costs	6,018	6,991	7,157	7,323
Revenue Contribution to Capital	2,000	2,257	2,257	2,257
<b>Total Capital Financing Cost</b>	<b>8,018</b>	<b>9,248</b>	<b>9,414</b>	<b>9,580</b>
<b>Income</b>				
Grants & Contributions	(8,355)	(7,902)	(6,917)	(6,917)
Reimbursements	(5,447)	(5,451)	(5,456)	(5,456)
Sales, Fees & Charges	(842)	(888)	(950)	(1,013)
Other Income	(1,048)	(794)	(309)	(144)
<b>Total Other Income</b>	<b>(15,691)</b>	<b>(15,035)</b>	<b>(13,633)</b>	<b>(13,531)</b>
<b>Unallocated Savings</b>				
Unallocated Savings	(176)	(206)	(206)	(206)
<b>Total Unallocated Savings</b>	<b>(176)</b>	<b>(206)</b>	<b>(206)</b>	<b>(206)</b>
<b>Total Revenue before Reserves</b>	<b>244,262</b>	<b>253,089</b>	<b>261,338</b>	<b>269,431</b>
Net use of Reserves	(1,360)	(4,280)	(1,061)	0
Transformation Requirement			(4,377)	(5,511)
<b>Total Revenue Budget</b>	<b>242,902</b>	<b>248,809</b>	<b>255,900</b>	<b>263,920</b>

<b>Financed By:</b>				
<b>Settlement Funding</b>				
Home Office Police Grant (inc. Uplift Ringfenced Grant)	133,960	136,229	138,871	142,241
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
<b>Total Settlement Funding</b>	<b>147,749</b>	<b>150,018</b>	<b>152,661</b>	<b>156,030</b>
Council Tax	95,153	98,790	103,239	107,890
<b>Total Financing</b>	<b>242,902</b>	<b>248,809</b>	<b>255,900</b>	<b>263,920</b>

# Appendix 7 – Capital Programme

## Estates Capital Programme

Investment Area	Business Benefit & Narrative	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
7 Hearn Court	Internal and Externals Fabrication improvements	46	0	0	0
Baden Hall	Internal and Externals Fabrication improvements	172	0	0	0
Burton Police Station	Investment to ensure environments continue to meet operational needs - as a workplace. Also, external security upgrades and Internal and Externals Fabrication improvements.	599	0	0	0
Cannock Police Station	Externals Fabrication improvements. Also new interview room.	157	0	0	0
Weston Road HQ	Improvements to perimeter security, lighting security systems and upgrades to security gates and barrier systems to improve site access and alternative access arrangements. Degradation of internal finishes and to re-desk/improve work environments to support additional technology and business culture investment.	171	0	0	0
Learning and Development & Agile work environment	Provision of new and permanently located Learning and development team and agile working environment.	595	0	0	0
Armed Training Facility	New indoor 50m range facility to replaced existing leased outdoor range	350	6,350	7,950	0
Watling Police Custody	Investment (on a rolling programme) to ensure custody environments continue to meet operational needs - both detention and as a workplace. Also, external security upgrades.	328	0	0	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.	1,500	0	0	0
Northern Area Custody Facility	Investment to ensure custody environments continue to meet operational needs - both detention and as a workplace. Also, external security upgrades.	700	700	700	700
Sustainability initiatives	Provision to support self-generation of electricity. This links into the savings option around self-generation of electricity	140	0	0	0
<b>Business as usual</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Refreshments and rest area replacements programme	Rolling programme force wide to ensure all refs/rest areas meet required standards	80	80	80	80
Heating and Ventilation replacement programme	Boiler upgrades/AC improvements based upon PPM regimes	80	80	80	80
Security Upgrades	Door access control systems and physical security and general improvements	80	80	80	80

Fixed Plant - mechanical equipment, M&E services	Modernisation and plant and equipment replacements across the estate.	40	40	40	40
Internal and External Building Fabric Improvements	Includes new roofs, window replacements, works to redecorate and replace building finishes and to raise standard of condition	80	80	80	80
Fire Detection and Fire Safety	Essential upgrades to FD and FS systems based upon rolling PPM outcomes and inspections	90	40	40	40
UPS Batteries replacement	Plant and equipment replacements across the estate.	145	0	0	0
<b>Total Estates Programme</b>		<b>5,353</b>	<b>7,450</b>	<b>9,050</b>	<b>1,100</b>

## IT and Digital Capital Programme

Investment Area	Business Benefit & Narrative	2023/24	2024/25	2025/26	2026/27
<b>Network Infrastructure</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Core network upgrade	Replace core network switches, to prevent recurring failures by removing end of life equipment	85	0	0	0
WiFi Implementation	Deployment of new WP080 hardware across estate, offering improved connectivity	118	0	0	0
<b>Total Network Infrastructure</b>		<b>203</b>	<b>0</b>	<b>0</b>	<b>0</b>

Storage & Hosting		£000	£000	£000	£000
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	0	0	0
<b>Total Storage &amp; Hosting</b>		<b>150</b>	<b>0</b>	<b>0</b>	<b>0</b>

Business Systems		£'000	£'000	£'000	£'000
ERP replacement	Essential software upgrade, needed to maintain support contract for a critical business system	1,200	0	0	0
<b>Total Business Systems</b>		<b>1,200</b>	<b>0</b>	<b>0</b>	<b>0</b>

Operational Systems		£000	£000	£000	£000
Netcall	Part of approved Control Room upgrade, to provide functionality for multimedia queues (channel shift)	34	0	0	0
Compass	To assess an either upgrade or alternative mapping solution	80	0	0	0
Gazetteer & XC mapping	Part of approved Control Room upgrade, to support underlying mapping solution in data accuracy	120	0	0	0

Smartstorm	Part of approved Control Room upgrade, needed for ESN and a move to latest technologies for a critical force system	90	0	0	0
Digital Asset Management	To meet the demand to effectively track our digital resources	250	0	0	0
Digital Forensics (Infrastructure)	Overall solution needed for digital forensics, but needs vision and scope developing in more detail first	1,200	0	0	0
Digital Forensics Case Management	Overall solution needed for digital forensics, to manage cases more effectively	55	0	0	0
Vehicle Telematics	The ability to trace vehicle movements in real-time and report on performance data	90	0	0	0
Dashcams	The ability to record and upload video content from response vehicles, alongside BWV	589	0	0	0
NEP	Full integration of NEP involves three elements - National Management Centre, Identity Access Management and Productivity Services. Office 365 under the Productivity Services element is a key enabler of Trust Driven Policing and the cultural aspects of People First.	500	0	0	0
<b>Total Operational Systems</b>		<b>3,008</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Device Replacement</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Mobile device refresh	Essential investment into end of life user devices capable of supporting current OS and applications	800	500	500	500
End user device replacement	Essential investment into end of life user devices capable of supporting current OS and applications	250	500	500	500
IT Infrastructure	Essential investment into end of life IT infrastructure	120	120	120	120
Extension mobility	To allow port mobility across telephones, allowing hot desk culture and reduction in estate	68	0	0	0
Body Worn Video	Replacement of body worn video on a personal issue basis to officers	800	50	50	50
Training Rooms (L&D)	Investment into L&D screen and IT devices to support and deliver a new and permanently located Learning and development team.	250	0	0	0
Airwave Device Replacement	Replacement of Airwave Vehicle devices due to delays of ESN delivery	82	0	0	0
<b>Total Device Replacement</b>		<b>2,370</b>	<b>1,170</b>	<b>1,170</b>	<b>1,170</b>

<b>Data Driven Policing</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>'000</b>
Tasking & Briefing	Improved decision making and access to data	400	0	0	0
Business Intelligence (Power BI)	A rich data-driven user experience, with accessible data across numerous devices	180	40	0	0
<b>Total Data Driven Policing</b>		<b>580</b>	<b>40</b>	<b>0</b>	<b>0</b>

<b>National Systems &amp; Projects</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
ESN Programme	Current national airwave system is due to be decommissioned, and this is a mandatory change to adopt the new Emergency Services Network	150	400	800	2,000
Operational Contingency	Budget allowance to capture all national programmes not yet approved or national funding to be allocated	250	250	250	250
<b>Total National Systems &amp; Projects</b>		<b>400</b>	<b>650</b>	<b>1,050</b>	<b>2,250</b>

<b>Total IT and Digital Programme</b>		<b>7,911</b>	<b>1,860</b>	<b>2,220</b>	<b>3,420</b>
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### Fleet Capital Programme

<b>Investment Area</b>	<b>Business Benefit &amp; Narrative</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
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.	2,000	2,050	2,100	2,100
<b>Total Fleet Programme</b>		<b>2,000</b>	<b>2,050</b>	<b>2,100</b>	<b>2,100</b>

### Operational Equipment Capital Programme

<b>Investment Area</b>	<b>Business Benefit &amp; Narrative</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
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	100	100	100	100
Tasers	Investment and replacement of devices	0	320	0	570
ANPR Vehicle Programme	Ensuring that Staffordshire Police has a modern and fit for purpose Vehicle ANPR replacement programme.	0	190	0	0
ANPR Static Programme	Ensuring that Staffordshire Police has a modern and fit for purpose ANPR static replacement programme.	0	0	170	0
<b>Total Operational Equipment Programme</b>		<b>100</b>	<b>610</b>	<b>270</b>	<b>670</b>
<b>Total Capital Programme</b>		<b>15,364</b>	<b>11,970</b>	<b>13,640</b>	<b>7,290</b>

## Appendix 8

Savings Theme - Income Generation	Description	Command	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
Income Generation	<b>Enabling Services</b> - the additional cost recovery from third parties for services provided by Enabling Services	Enabling Services	(309)	0	0	0	<b>(309)</b>
Income Generation	<b>Legal fees recovered</b> - anticipated increase in legal fees recovered	DCC	(100)	0	0	0	<b>(100)</b>
Income Generation	<b>Mutual aid</b> - the additional cost recovery from other bodies for policing mutual aid requests	Force Contact & Operations	(100)	0	0	0	<b>(100)</b>
Income Generation	<b>Income on events</b> -the additional cost recovery from providing Specialist Police Services at events	Local Policing	(10)	0	0	0	<b>(10)</b>
Income Generation	<b>Self-generation of energy</b> - the capital programme investment in sites identified for self-generation of electricity. This is the reduction in grid bought electricity rather than feed in tariff payments	Enabling Services	(25)	(25)	(25)	(25)	<b>(100)</b>
Income Generation	<b>Funded posts</b> - review of income receivable for funded posts	Various	(143)	0	0	0	<b>(143)</b>
Income Generation	<b>Sub-contracting Income</b> - the additional income generation from the current PEQF arrangements with Staffordshire University	Enabling Services	(28)	0	0	0	<b>(28)</b>
Income Generation	<b>National Fees &amp; Charges Inflation</b> - anticipated increases in income caused by inflation on nationally prescribed fees and charges	Various	(22)	(22)	(22)	(22)	<b>(88)</b>
<b>Total Savings - Income Generation</b>			<b>(737)</b>	<b>(47)</b>	<b>(47)</b>	<b>(47)</b>	<b>(878)</b>

Savings Theme - General Efficiency, Funding & Procurement	Description	Command	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
General Efficiency, Funding & Procurement	<b>Damages &amp; Compensation Insurance Claims</b> - a reduction in budget based on recent and forecast claims experience	Enabling Services	(8)	0	0	0	(8)
General Efficiency, Funding & Procurement	<b>Corporate Communications</b> - review of various non-pay budgets and savings from contracts	DCC	(57)	0	0	0	(57)
General Efficiency, Funding & Procurement	<b>Dog Kennelling</b> - reduction in usage of external dog kennelling in relation to seized animals	Force Contact & Operations	(20)	0	0	0	(20)
General Efficiency, Funding & Procurement	<b>Archive</b> - reduction in budget held for external off-premise archiving	Force Contact & Operations	(18)	0	0	0	(18)

General Efficiency, Funding & Procurement	<b>Vehicle Recovery</b> - reduction in identified budgetary requirement	Force Contact & Operations	(25)	0	0	0	(25)
General Efficiency, Funding & Procurement	<b>Administration</b> - savings from review of various miscellaneous admin budgets	Force Contact & Operations	(3)	0	0	0	(3)
General Efficiency, Funding & Procurement	<b>Rates Review</b> - reflects savings from rateable value reviews	Enabling Services	(495)	0	0	0	(495)
General Efficiency, Funding & Procurement	<b>Estates Rationalisation</b> - savings from rationalisation of the estate	Enabling Services	(216)	(100)	(50)	0	(366)
General Efficiency, Funding & Procurement	<b>Administration</b> - savings from review of various miscellaneous admin budgets	Enabling Services	(11)	0	0	0	(11)
General Efficiency, Funding & Procurement	<b>Administration</b> - savings from review of various miscellaneous admin budgets	DCC	(41)	0	0	0	(41)
General Efficiency, Funding & Procurement	<b>Insurance</b> - review of budget requirement (pressure for 2022/23 not as high as originally estimated)	Enabling Services	(162)	0	0	0	(162)
General Efficiency, Funding & Procurement	<b>Historic Pensions Costs</b> - a reduction in charges from historic 'Added Years' pension charges as the number of individuals receiving payment decreases	Enabling Services	(8)	0	0	0	(8)
General Efficiency, Funding & Procurement	<b>Collaboration</b> - Savings made on budgets held within Finance and Commercial services to fund collaboration projects	Enabling Services	(20)	0	0	0	(20)
General Efficiency, Funding & Procurement	<b>IT</b> - review of IT contracts; includes contract review savings and decommissioning of services no longer required	Enabling Services	(452)	(300)	0	0	(752)
General Efficiency, Funding & Procurement	<b>IT</b> - savings on peripherals budget due to replacement of kit	Enabling Services	(110)	0	0	0	(110)
General Efficiency, Funding & Procurement	<b>Operational support</b> - savings from review of various miscellaneous budgets	Specialist Crime Command	(50)	0	0	0	(50)
General Efficiency, Funding & Procurement	<b>Pensions Costs</b> - Savings on centrally held historic service pension costs	Central & Associated	(700)	0	0	0	(700)
General Efficiency, Funding & Procurement	<b>Agency</b> - review of the central agency budget	Central & Associated	(200)	0	0	0	(200)
General Efficiency, Funding & Procurement	<b>Efficiency Review</b> - projected savings from the SCO's Productivity and Efficiency Plan	Staffordshire Commissioner's Office	(130)	(30)	0	0	(160)
<b>Total - General Efficiency, Funding &amp; Procurement Savings</b>			<b>(2,726)</b>	<b>(430)</b>	<b>(50)</b>	<b>0</b>	<b>(3,206)</b>

Savings Theme - Staffing	Description	Command	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
Staffing	<b>Vacancy Management</b> – currently a vacancy factor of 3% is set on all non-protected police staff roles (e.g. excludes contact services). In the current employment environment, it is increasingly difficult to recruit and a revised vacancy factor has been set of 4% with some areas having a specific factor based on turnover and recruitment plans. A number of these specific factors are forecast to unwind in 2024/25, however a target of a 5% generic vacancy factor is then set in 2024/25	Various	(1,720)	586			(1,134)
Staffing	<b>PCSOs</b> – Establishment of the PCSO baseline at 195 fte. There is an investment of 20fte officers into the same neighbourhood policing teams	Local Policing	0	(762)	0	0	(762)
Staffing	<b>Senior Management Review</b> - the removal of a vacant senior management post was undertaken in 2022/23	Force Contact & Operations	(81)	0	0	0	(81)
Staffing	<b>Corporate Communications Structure</b> - saving arising from review of structure	DCC	(7)	0	0	0	(7)
Staffing	<b>Forensics Structure</b> - saving arising from review of structure	Specialist Crime Command	(8)	0	0	0	(8)
Staffing	<b>Staffing Review</b> - reviews of workloads and vacant posts resulting in savings	Enabling Services	(30)	(21)	0	0	(51)
Staffing	<b>Business Support Review</b> - delayed delivery of previously identified saving	DCC	(46)	0	0	0	(46)
Staffing	<b>Special Expenses</b> - 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	Local Policing	(16)	0	0	0	(16)
Staffing	<b>Overtime Review</b> - resulting saving of an operational review of overtime across the force	Various	(200)	0	0	0	(200)
<b>Total Savings - Staffing</b>			<b>(2,108)</b>	<b>(197)</b>	<b>0</b>	<b>0</b>	<b>(2,305)</b>

Savings Theme - Capital Financing & Treasury	Description	Command	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
Capital Financing & Treasury Management	<b>Investment income</b> - additional interest receivable due to higher interest rates	Capital Financing	(977)	254	485	165	(73)
Capital Financing & Treasury Management	<b>Capital Financing</b> - reduction in capital financing costs following a review of the capital programme <b>*compared to 2022/23 MTFs*</b>	Capital Financing	(453)	(320)	(1,152)	57	(1,868)
<b>Capital Financing &amp; Treasury Total</b>			<b>(1,430)</b>	<b>(66)</b>	<b>(667)</b>	<b>222</b>	<b>(1,941)</b>

Total Savings			(7,001)	(741)	(764)	175	(8,330)
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## 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 2023/24 to provide the services expected by those who live, work and visit Staffordshire.

A formal consultation took place between 15 December and 16 January. A range of methods were used to encourage participation, resulting in responses from **1948** 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 2023/24 budgets.

#### 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. Paid adverts also ran on facebook targeting residents of Staffordshire and Stoke-on-Trent.

- **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 including local Councillors, volunteers, business owners the voluntary sector.
- **Smart Alert** – Multiple messages issued to over 16,000 people via Staffordshire Smart Alert
- **Internal** – Internal message sent to police and fire staff to encourage participation
- **SCO Newsletter Subscribers** – Multiple messages issued via the SCO newsletter subscriber list of 1,336 people

### **Consultation foreword**

As your [Police, Fire & Crime Commissioner](#), I am elected to oversee the work of the Police and Fire & Rescue services for Staffordshire and Stoke-on-Trent, and to commission services to support victims and prevent crime and anti-social behaviour (ASB).

I do this by setting out a strategic direction in Local Plans for [Staffordshire Police](#) and [Staffordshire Fire & Rescue](#). I am responsible for setting the budgets for both services and the contribution you make as part of your annual council tax precept.

We are making significant progress towards delivering the ambitions within the Local Plans – including recruiting more Police officers, improving 999 and 101 contact, supporting victims and witnesses, reducing crime and ASB and making our region's roads, homes and business premises safer.

Funding for your 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 will always try to keep your council tax precept low, and will only ask for more if I believe it is necessary to maintain or improve your Police and Fire & Rescue Service.

Both services have faced significant uncertainties over recent years relating to the pandemic, inflation and additional unexpected costs linked to pay and pensions. Good progress has been made on making efficiencies, however, this year has exposed the volatility of global economies and our emergency services are not protected from that.

Locally, both the Police and Fire & Rescue Service face further challenges including rising pay and potential industrial action within the Fire & Rescue Service, which will increase the level of savings required.

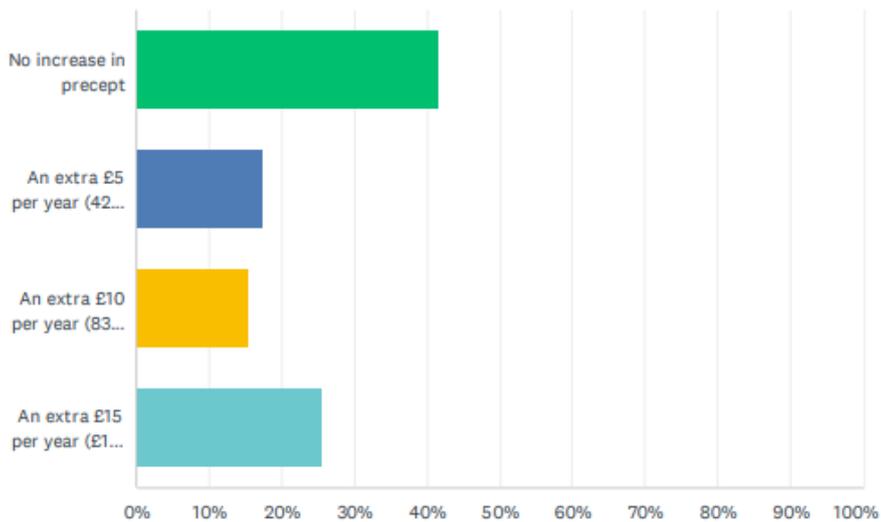
In the current uncertain financial climate, the options are all below headline inflation rates but in all cases your council tax contribution will assist in protecting and improving your services. I made the decision to keep precept below the trigger for a local referendum as this would prove expensive and delay budget setting decisions.

I would therefore welcome your thoughts on what you think is a fair contribution.

The results

Q2 The following options are based on a Band D property currently paying £248.57 each year for Police services. How much more would you be prepared to pay per year for your Police services?

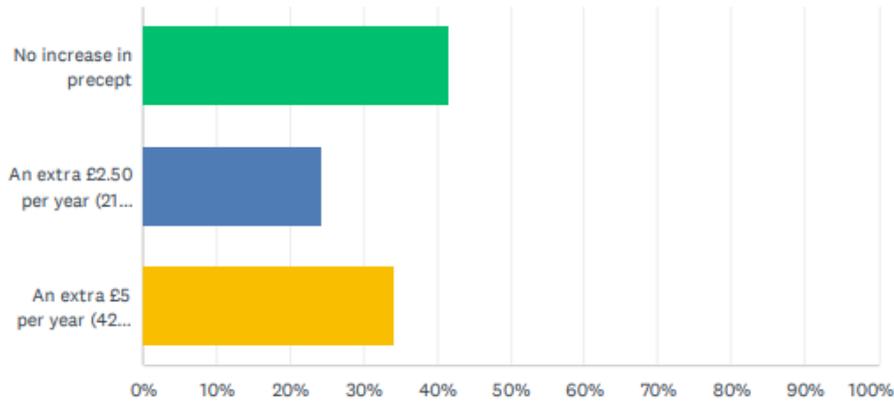
Answered: 1,925 Skipped: 20



ANSWER CHOICES	RESPONSES	
No increase in precept	41.51%	799
An extra £5 per year (42p extra a month) This is a 2.1% increase	17.56%	338
An extra £10 per year (83p extra a month) This is a 4.02% increase	15.43%	297
An extra £15 per year (£1.25 extra a month) This is a 6.03% increase	25.51%	491
<b>TOTAL</b>		<b>1,925</b>

**Q3 The following options are based on a Band D property currently paying £80.35 each year for Fire services. How much more would you be prepared to pay per year for your Fire & Rescue services?**

Answered: 1,922 Skipped: 23



ANSWER CHOICES	RESPONSES	
No increase in precept	41.68%	801
An extra £2.50 per year (21p extra a month) This is a 3.11% increase	24.30%	467
An extra £5 per year (42p extra a month) This is a 6.22% increase	34.03%	654
<b>TOTAL</b>		<b>1,922</b>

**Common themes from the precept consultation**

924 respondents provided comments in the question 4 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.

**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 Loggerheads, Perton, Newcastle, Lichfield, Stoke-on-Trent, Kidsgrove, Stafford, Burton. Respondents also criticised the number of high-paid officers/executive when their salary could be spent on officers.

*‘It goes up year after year but the service gets worse probably due to funds going elsewhere. It's time we got real police back on the streets. Enough is enough.’*

*'why should we pay more for an appalling service which stems from poor communication from first point of contact, even though you have made large investments in to communication and changes within your central control areas according to your press releases'*

*'Staffs Police are woefully inadequate. They have wasted public money yet fallen into special measures.'*

*'The police service is poor as recognised by watchdog. Impossible to contact; officers in cars mainly 2 at a time when Chief complains about insufficient staff; only PCSOs visible on foot. Time to rethink and SERVE the community not expect more and more income'*

*'Why should I pay more for a service that I don't receive, your communication via 101 is diabolical, if you had staff that's actually new the county they worked in would be a step in the right direction.'*

*'Staffordshire police are inadequate as judged by the hm inspector of constabulary. Until such time improvements are made no increase should be charged. Local policing is poor we never see the police on the beat.'*

*'Don't mind paying extra for police services, if the police cut back on the current woke culture and got back to old fashioned policing values.'*

*'Don't trust the police and I don't think they do a good job. My recent experience with them was not good. There seems to be a poor attitude and sense of urgency. You don't see a local policeman walking our street.'*

*'We have had a succession of precept and council tax increases over the last 2-3 yrs. I have not seen an increase in police presence. Communities were promised more police on our streets and on our roads, but I have not seen them.'*

*'The police do an underrated and excellent job. We need to pay them to do what they need to do'*

## **Fire and Rescue**

**Minimal feedback was received about the Staffordshire Fire & Rescue service but included questions around reduced demand and staffing levels.**

*'I cannot understand why funding for Fire and Rescue increases every year when their demand decreases every year'*

*'We never see the fire brigade checking fire hydrants which are potentially crucial in rural areas'*

*'The fire brigade represents excellent value for money in my opinion.'*

*'In the current climate the fire service should make savings like all other public sector groups'*

*'Why should we pay more for the Fire Service when they have even less operational staff then ever before. Crews are turning out / riding with 4! This is massively dangerous to both FF and Public safety. The fire service throws money down the drain proping up a failing on call system and their new crewing*

*policy for on call staff is set to cost over 1 million more. This is a complete waste of taxpayers money on a failing money pit system'*

*'Consideration for Fire to start supporting police workload, such as forcing doors on behalf of ambulance, help at minor road collisions etc As per "cops like us", local fireman just want to whinge about police not doing the dishes instead of earning their pay'*

### **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.**

*'I don't mind paying a little more as long as the service improves.'*

*'We would encourage you to do all you can to safeguard the service provided by our police staff and colleagues. In doing so we believe you will ensure there are sufficient numbers of skilled people in Staffordshire Police to keep the public and communities safe.'*

*'As long as this increase goes directly to the Police and Fire and is not diverted I don't mind paying the increase'*

*'These key public services' need investment and support by the communities who benefit from them.'*

*'Unfortunately, to give the excellent service we wish to, we need to increase our precept, year on year by whatever is necessary'*

*'We need these services and they should be properly funded. The Police especially as they cannot do all they asked to do at present.'*

*'I am happy to pay as long as service levels improve.'*

*'Police and fire services are high on my list of must haves from our council tax and should not suffer any cutbacks'*

*'We cannot manage without emergency services. All costs are increasing and by paying a little more I would hope to see more coverage and better support for all.'*

*'If we want a decent service, we need to pay for it. The fuel bills and heating bills on their own would warrant increases in funding, let alone increase in calls for service and higher expectations'*

### **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.**

*'Difficult to justify any increase when Staffordshire Police is in special measures.'*

'If we were getting a proper service now I would be willing to pay more but given the service is so poor in our area I do not have the confidence that more money at present would help'

'Can't afford to live as it is.'

'People cannot afford any rises with mortgages, energy bills, food prices and lack of pay rises.'

'We are pensioners and CANNOT AFFORD these rises ..insult to us struggling 😞'

'When I see that previous precept increases have resulted in an improved service I will be happy to reconsider my "no increase" option. As I see it now, we are just throwing money in the pot for no return on the investment.'

'Times are tough and money is short. I'm a pensioner and find it difficult to manage financially. Paying more is not an option especially as I've lost confidence in the police.'

'I am a pensioner and can't even afford to heat my house properly. I cannot sustain any further increases.'  
'Our Police/Fire service has not been what it should be for many years now. You cannot keep expecting people to lose money on their households to services. Its completely unfair and unjust.'

'In a cost of living crisis where people are having to use food banks and get to warm hubs to simply keep warm, it is immoral to ask for increase in tax to subsidize such services. Savings should be made elsewhere.'

### **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.**

*'Get rid of police commissioner and save money no more fat cat payments .need more front line police to have a successful service'*

*'More money for policing and fire and less spent on the commissioners office'*

*'Close your department to pay for increase'*

*'I'm happy that you and your colleagues are doing their level best to make the most of scarce resources to look after us and efficiently use all funding available'*

*'Instead of increasing the precept , remove the totally unnecessary commissioner and his dept and save money'*

*'Save over £3m by doing away with Commissioners Office. How much do you think a state pensioner can afford???'*

*'Disband The Office of Police-Fire Commissioner and spend the £million or more saved on frontline services.'*

*'Save money by reducing the number of top management why have a police chief and a fire chief if the PCC exists.'*

**Additional comments**

*'You need to show results before you ask to increase for poor performance?'*

*'I'd like to know what savings have been made in the last year and particularly the savings made by doing things differently.'*

*'Are these services improving after being placed in special measures?'*

*'Just as important as an increase is an assurance that all money is spent wisely'*

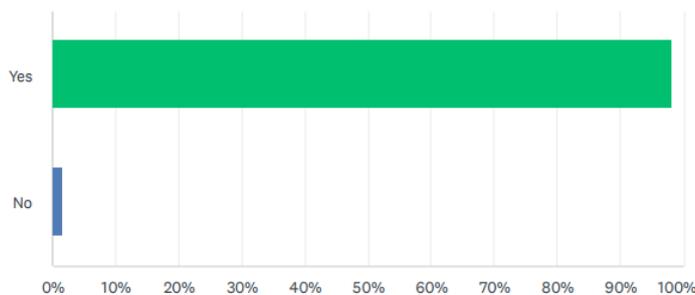
*'If we increase the council tax, will this extra funding, help get Staffordshire Police out of special measures?'*

*'I would ask that any WOKE policies be reversed and no budget spent on them just focus on law and order'*

**Demographic – Precept consultation**

**Q1 Are you responsible for paying council tax?**

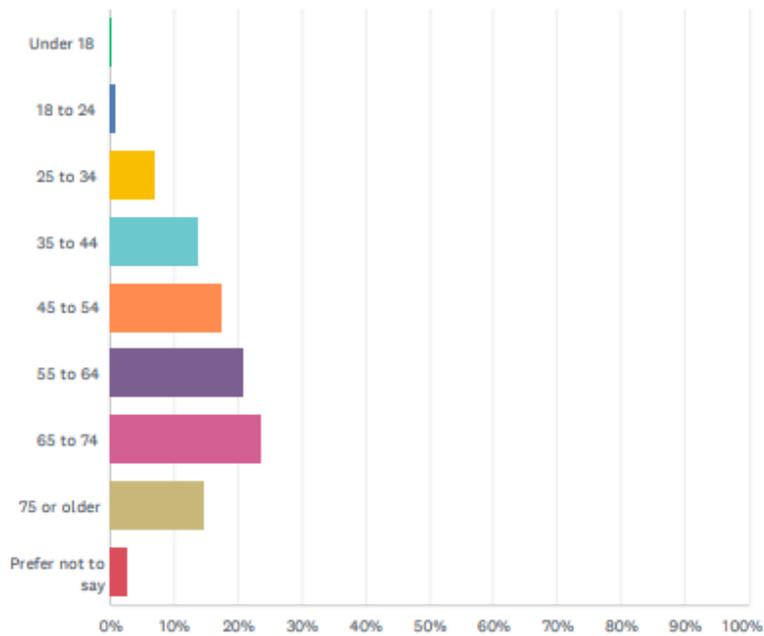
Answered: 1,900 Skipped: 45



ANSWER CHOICES	RESPONSES
Yes	98.32% 1,868
No	1.68% 32
TOTAL	1,900

## Q5 What is your age?

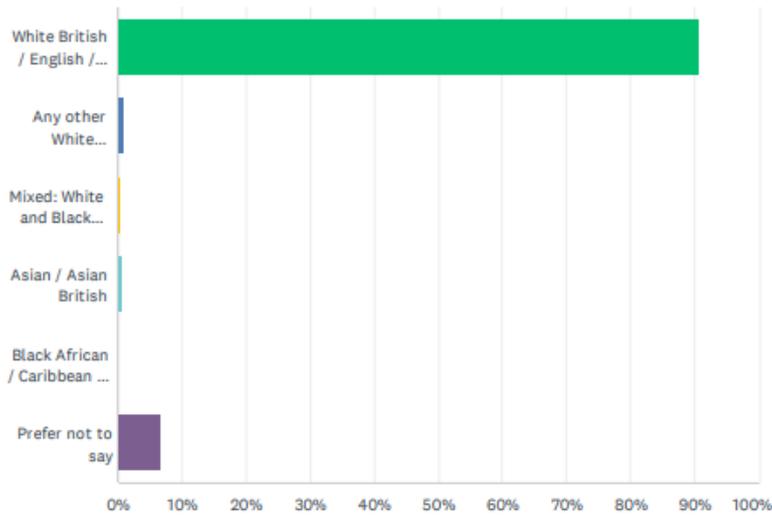
Answered: 1,768 Skipped: 177



ANSWER CHOICES	RESPONSES
Under 18	0.17% 3
18 to 24	0.68% 12
25 to 34	6.73% 119
35 to 44	13.63% 241
45 to 54	17.53% 310
55 to 64	20.70% 366
65 to 74	23.42% 414
75 or older	14.48% 256
Prefer not to say	2.66% 47
<b>TOTAL</b>	<b>1,768</b>

## Q6 What is your ethnic origin?

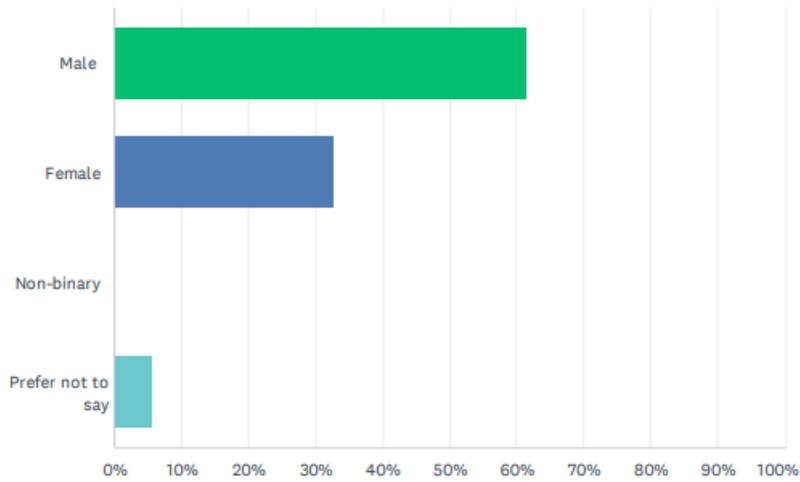
Answered: 1,747 Skipped: 198



ANSWER CHOICES	RESPONSES
White British / English / Welsh / Scottish / Northern Irish / Irish	90.90% 1,588
Any other White background	1.09% 19
Mixed: White and Black Caribbean / African / Asian	0.46% 8
Asian / Asian British	0.74% 13
Black African / Caribbean / Black British	0.29% 5
Prefer not to say	6.53% 114
<b>TOTAL</b>	<b>1,747</b>

## Q7 Are you?

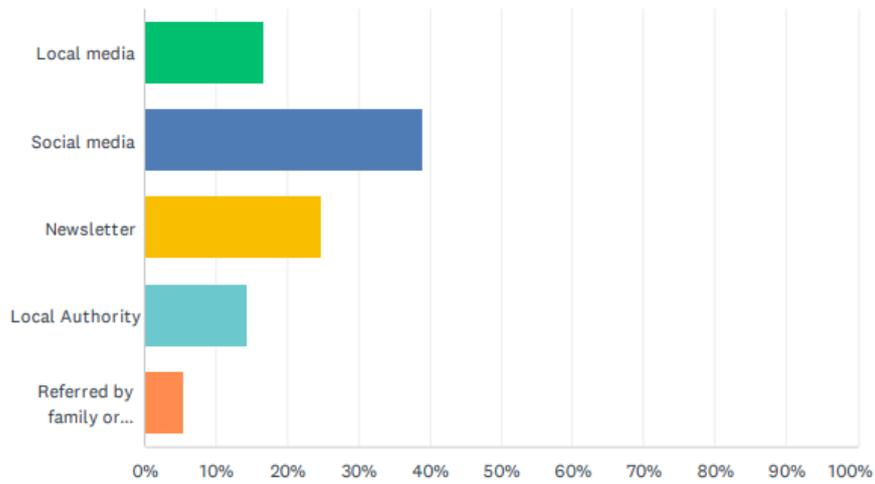
Answered: 1,758 Skipped: 187



ANSWER CHOICES	RESPONSES	
Male	61.43%	1,080
Female	32.82%	577
Non-binary	0.28%	5
Prefer not to say	5.46%	96
TOTAL		1,758

## Q8 Where did you hear about this consultation?

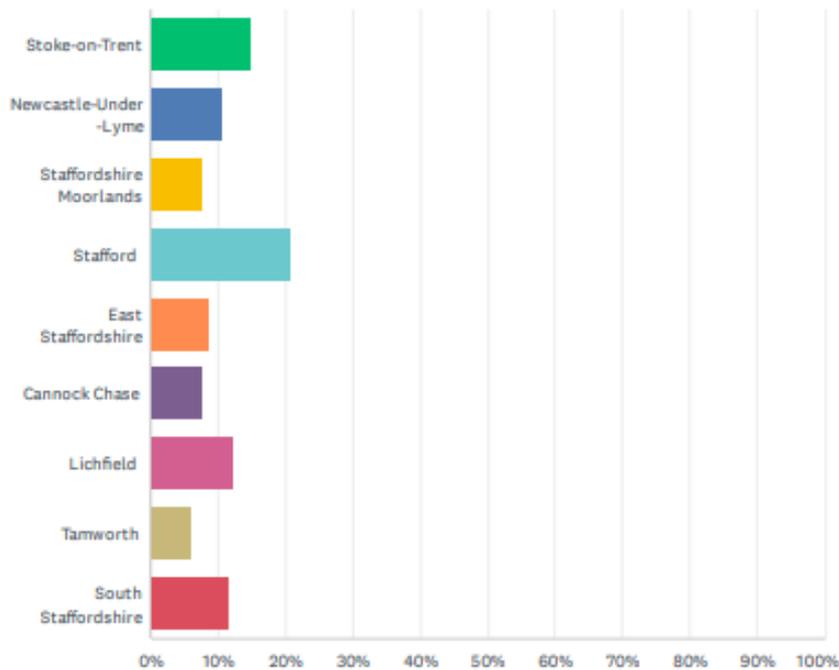
Answered: 1,494 Skipped: 451



ANSWER CHOICES	RESPONSES	
Local media	16.67%	249
Social media	38.96%	582
Newsletter	24.83%	371
Local Authority	14.26%	213
Referred by family or friend	5.29%	79
<b>TOTAL</b>		<b>1,494</b>

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

Answered: 1,767 Skipped: 178



ANSWER CHOICES	RESPONSES	
Stoke-on-Trent	14.94%	264
Newcastle-Under-Lyme	10.64%	188
Staffordshire Moorlands	7.64%	135
Stafford	20.71%	366
East Staffordshire	8.49%	150
Cannock Chase	7.70%	136
Lichfield	12.28%	217
Tamworth	5.94%	105
South Staffordshire	11.66%	206
<b>TOTAL</b>		<b>1,767</b>

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

Answered: 490 Skipped: 1,455

ANSWER CHOICES	RESPONSES	
Name	99.39%	487
Email address	98.16%	481



**Item No.      on Agenda**

**Report to the Police Fire and Crime Panel – 6<sup>th</sup> February 2023**

**Police Capital Strategy and Capital Programme 2023/24 to 2026/27  
(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 2023/24 to 2026/27 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 CIPFA'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 2023/24 to 2026/27 as set out in **Appendix 1**,
- b) the Capital Strategy for 2023/24
- 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 2023/24 to 2026/27 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**

### **Contact Officers:**

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John Bloomer

Director of Resources / S151 Officer for Staffordshire Police

Telephone: 07974 204774

## **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
  - Operational 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 following standing orders and financial regulations to ensure that available resources are allocated optimally and deliver value for money. 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 Capital Investment Gateway Review Board which has responsibility for ensuring a realistic, affordable and deliverable capital programme is prepared and included within the MTFs; monitoring of the capital programme; and for sign off of outline business cases within delegated limits after legal and finance approval.
- 3.2 The capital monitoring update 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 its four key pillars.
- 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:

- **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.

## **6. Risk Management**

- 6.1 Risk is the threat that an event or action will adversely affect the ability to achieve a desired outcome 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 risks 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 2023/24 to 2026/27**

- 7.1 The proposed capital programme for 2023/24 to 2026/27 is contained within **Appendix 1** of this report. The total capital programme for 2023/24 has been estimated at £15.4m, £12m for 2024/5, £13.6m for 2025/26 and £7.3m for 2026/27.

- 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 2023/24 to 2026/27 are set out in **Appendix 2**.
- 7.3 The revenue consequences of the proposed programme have been taken in to 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 Over recent years the force has seen significant investment through the capital programme into digital technology. The capital programme for 2023/24 to 2026/27 will continue to focus investment on the shared priority of digital technology, as well as support the delivery of the key priorities for the joint estate.
- 7.5 The capital programme will see debt repayments, as a percentage of the net revenue budget, increase in the years up to 2025/26, falling in 2026/27. 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.
- 7.6 The Commissioner has undertaken an extensive review of the capital programme for the 2023/24 MTFS, which results in a considerable saving across the period compared to the 2022/23 MTFS as shown in the table below:

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
<b>Capital Financing Costs MTFS 2023</b>	6,018	6,991	7,157	7,323
<b>Capital Financing Costs MTFS 2022</b>	6,471	7,764	9,082	9,191
<b>(Reduction)</b>	(453)	(773)	(1,925)	(1,868)

- 7.7 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:
- £0.350m on network infrastructure to improve network resilience and support increased off site working,

- £3.630m investment into operational systems which will help drive efficiency savings and enhance capabilities to support the objectives of the Policing Plan.
  - £1.200m for an upgrade and replacement of the current ERP solution driving everything from finance, payroll, HR and shift resourcing
  - £6.880m for device refresh including mobile technology, Body Worn Video over the life of the MTFS
  - £3.350m 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. The ESN reserve will be unwound in 2026/27 to part-fund the costs of the project.
- 7.8 The vehicle replacement programme investment of £2.000m will allow for the replacement of c.81 vehicles, with the vehicles proposed for replacement being on average 7 years old.
- 7.9 The estates programme focusses on the costs of maintaining the current estate as well as delivering major projects. The main proposed investments in the four year programme is:
- £3.400m rolling refurbishment programme on the current police estate on a county wide basis. This is developed through a process of practical asset management using both detailed stock condition data, reactive repair data and service/asset performance a defined set of investment requirements has been established for the MTFS period.
  - £0.600m for a new Learning and Development facility to support the uplift programme as well as continuous development for existing officers and staff.
  - £1.500m provision for refurbishment of Longton Police station to provide suitable environment and ensuring it meets the conditions of a modernised police station.
  - £2.800m provision for refurbishment of Northern area Police Custody is included for planning purposes only. Work is ongoing to refine this complex business case. It's to ensure the custody is fit for purpose and meets industry standards.
  - A budget of £14.8m for a fire arms training range. Work is ongoing with Commercial Services on the next stage of the business case.

## **8. Funding the Programme**

- 8.1 **Appendix 1** also details the proposed funding strategy for the 2023/24 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. 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 1<sup>st</sup> April 2008, MRP will be determined as 2% of the Capital Financing Requirement in respect of that expenditure
  - For unsupported capital expenditure incurred after 31<sup>st</sup> March 2008 and before 1<sup>st</sup> April 2018, MRP will be determined by charging the expenditure over a standard 40 years
  - For unsupported capital expenditure incurred after 1<sup>st</sup> 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 Commissioner's 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 2023 is forecast to be around £85.2m, and is forecast to increase to £98.4m by March 2027 based upon the capital investment requirements outlined within this paper.

## Staffordshire Commissioner Police

## Summary Proposed Capital Programme 2023/24 to 2026/27

**Capital Programme**

Department	2023/24 Budget £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
IT	7,911	1,860	2,220	3,420
Estates and Facilities	5,353	7,450	9,050	1,100
Transport	2,000	2,050	2,100	2,100
Operational Equipment	100	610	270	670
<b>Capital Programme</b>	<b>15,364</b>	<b>11,970</b>	<b>13,640</b>	<b>7,290</b>

**Capital Funding**

Capital Receipts	(430)	(380)	0	0
Deferred Capital Receipts	(20)	0	0	0
Capital Grants	0	0	0	(331)
Revenue Contribution to Capital	(2,000)	(2,257)	(2,257)	(2,257)
Earmarked Reserves	(1,453)	0	0	(1,784)
Borrowing Requirement	(11,461)	(9,333)	(11,383)	(2,918)
<b>Total Funding</b>	<b>(15,364)</b>	<b>(11,970)</b>	<b>(13,640)</b>	<b>(7,290)</b>

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 2023/24 %	Estimate 2024/25 %	Estimate 2025/26 %	Estimate 2026/27 %
2.48%	2.81%	2.80%	2.77%

*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 2023/24 £m	Estimate 2024/25 £m	Estimate 2025/26 £m	Estimate 2026/27 £m
15.4	12.0	13.6	7.3

*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 2023/24 £m	Estimate 2024/25 £m	Estimate 2025/26 £m	Estimate 2026/27 £m
89.4	92.6	98.5	98.4

*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 2023/24	Estimate 2024/25	Estimate 2025/26	Estimate 2026/27
	£m	£m	£m	£m
Authorised Limit	90.3	94.9	101.3	101.3
Operational Boundary	85.3	89.9	96.3	96.3

*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**  
**6<sup>th</sup> February 2023**

**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 2022 and the forecast position as at 31 March 2023. The Panel are asked to note the overall impact on Reserves as incorporated within the approved Medium-Term Financial Strategy (MFTS).

The Reserves Strategy was last approved in January 2022 as part of the budget setting process for the current year and has now been updated to incorporate and reflect:

- The updated MFTS for 2023/24 to 2026/27
- The actual Reserves position as per the unaudited Statement of Accounts for 2021/22, and a forecast for 2022/23
- 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 2023 is forecast to be £9.703m (see **Appendix 1**),
- **Earmarked Reserves** – to meet future known or predicted requirements – balance as at 31 March 2023 is forecast to be £29.846m (See **Appendix 1**)

Overall the level of Usable Reserves at 31 March 2022 was £37.641m (with an additional capital grants unapplied on £0.541m, total £38.155m) and forecast to increase by £1.908m in year to £39.549m by March 2023 (£39.880 incl capital grants). The general reserve will be maintained at £9.709m (assumes that the current forecast underspend from 2022/23 is transferred here) across the MTFS period while the earmarked reserves (including capital reserves) are forecast at £29.494m by March 2027. 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 2023/24, and utilisation of reserves as incorporated within the updated MTFS.
3. the updated Reserves Strategy

**Ben Adams**  
**Staffordshire Commissioner**

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## 1. Prudential Code and Capital Spend

- 1.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) 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 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. A separate Going Concern report is submitted annually to the external auditor and is also reviewed by the Ethics Transparency and Audit panel.

## 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 these 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; and
  - 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 unaudited statement of accounts is £38.115m as at 31 March 2022, being the general fund £8.509m, earmarked reserves £27.683m, capital receipts reserve £1.449m and capital grants unapplied £0.514m.

The Movement in Useable Reserves Statement can be found within the statutory accounts for 2021/22, and is shown below:

	Balance at 31 March 2021 £'000	Balance at 31 March 2022 £'000
<b>General Fund</b>	7,214	8,509
<b>Capital receipt reserve</b>	0	1,449
<b>Capital grants unapplied</b>	331	514
Reshaping the Future	2,264	2,332
IT Transformation Reserve	2,618	2,580
Insurance Reserve	1,201	981
Pension Reserve	2,562	4,499
Collaboration Reserve	705	292
Capital Reserve	1,574	2,216
ESN Reserve	780	1,784
Covid-19	2,197	923
Operational Reserves	6,712	12,076
<b>Total Earmarked Reserves</b>	<b>20,613</b>	<b>27,683</b>
<b>Total Usable Reserves</b>	<b>28,158</b>	<b>38,155</b>

- 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 currently £8.509m or 3.65% of the 2022/23 net revenue budget. The reserves forecast currently shows the forecast underspend for the financial year as going to the general fund. It should be noted that consideration will be given to transferring the underspend at the end of the financial year to the budget support reserve.

## 4. Reserves Strategy and Future Outlook

4.1. This paper gives due consideration to the overall level of reserves held as at 31 March 2022 and the forecast position for 31 March 2023, 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 independently reviewed by HMICFRS, the force can claim for costs exceeding 1% of the net budget for each incident. This guidance was updated in May 2021 and we expect it to continue to be in place during the period of the MTFS.

4.5. At the end of March 2022, the General Reserve was £8.509m and it is forecast to maintain the reserve level in year. This represents 3.65% of the annual revenue budget for 2022/23.

### 4.6. Earmarked reserves

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.

4.8. The balance on these reserves as at 31 March 2022 was £27.683m and is forecast to increase in year by £2.161m to close the year at £29.846m. This increase in the main is driven by the addition to the Uplift reserve and the transfer to the budget support reserve created in the 2022/23 MTFS.

## 5. Reserve Forecast

5.1. The following table represent the forecast reserves as stated in the MTFS.

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
<b>General Fund</b>	<b>9,703</b>	<b>9,703</b>	<b>9,703</b>	<b>9,703</b>
<b>Capital Receipts Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital Grants Unapplied</b>	<b>331</b>	<b>331</b>	<b>331</b>	<b>0</b>
Budget Support Reserve	3,553	109	0	0
Capital Reserve	420	420	420	420
Collaboration Reserve	70	70	70	70
ESN Reserve	1,784	1,784	1,784	0
Insurance Reserve	1,285	1,285	1,285	1,285
IT Transformation Reserve	2,412	2,412	2,412	2,412
Major Events Policing Reserve	418	418	418	418
Operational Reserves	4,828	3,992	3,041	3,041
Pension Reserve	5,207	5,207	5,207	5,207
Reshaping the Future Reserve	1,623	1,623	1,623	1,623
Uplift Reserve	5,315	5,315	5,315	5,315
<b>Total Earmarked Reserves</b>	<b>26,915</b>	<b>22,635</b>	<b>21,575</b>	<b>19,791</b>
<b>Total Usable Reserves</b>	<b>36,949</b>	<b>32,669</b>	<b>31,609</b>	<b>29,494</b>

5.2. The levels of reserves held is under constant review in order to ensure that any identified risks and issues are adequately provided for. It may be necessary to transfer monies between reserves in future periods in order to meet need, or where it is no longer felt necessary to hold a reserve for the originally intended purpose.

Usable Reserves Forecast 31 March 2023

Actual 31/03/2022 £000		Transfer In £000	Transfer Out £000	Forecast 31/03/2023 £000
8,509	<b>General Fund</b>	1,194	0	9,703
1,449	<b>Capital Receipts Reserve</b>	0	(1,449)	0
514	<b>Capital Grants Unapplied</b>	0	(183)	331
1,757	Budget Support Reserve	2,157	0	3,914
2,216	Capital Reserve	12	(730)	1,498
293	Collaboration Reserve	113	(276)	130
1,784	ESN Reserve	0	0	1,784
981	Insurance Reserve	1,394	(1,090)	1,285
2,581	IT Transformation Reserve	0	(169)	2,412
923	Major Events Policing Reserve	0	(305)	618
6,251	Operational Reserves	721	(1,469)	5,503
4,499	Pension Reserve	782	(74)	5,207
2,332	Reshaping the Future Reserve	0	(527)	1,805
4,066	Uplift Reserve	300	1,322	5,690
<b>27,683</b>	<b>Total Earmarked Reserves</b>	<b>5,479</b>	<b>(3,318)</b>	<b>29,846</b>
<b>38,155</b>	<b>Total Usable Reserves</b>	<b>6,673</b>	<b>(4,950)</b>	<b>39,880</b>

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

**Budget Support Reserve** – this reserve was included within the previous MTFs and additional balances have been transferred during the year. This use of this reserve has been included within the updated MTFs and will be fully exhausted by March 2025.

**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.

**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.

**Emergency Services Network (ESN) Reserve** – the ESN programme will see the current Airwave based communications system replaced with a new 4G based service. Funding will be required for the replacement of devices.

**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.

**Major Events Policing Reserve** – this reserve holds funds to contribute towards the costs of policing major events should the need arise. This has been repurposed and was previously the Covid-19 reserve.

**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.

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

**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 Reserves** – this includes a number of specific earmarked reserves.

**Report to the Police Fire and Crime Panel – 6th February 2023**

**TREASURY MANAGEMENT STRATEGY REPORT 2023/2024**

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 2023/24.
- 2.2 Treasury management comprises the management of the Commissioner's cash flows, borrowings and investments, and their associated risks. The Commissioner has borrowed and invested large sums of money and is therefore 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 cash. It is important 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 2021

Edition (the CIPFA Code). The CIPFA Code requires that the Commissioner approves a treasury management strategy before the start of each financial year. In addition, this report fulfils the legal obligation to have regard to the CIPFA Code under the Local Government Act 2003.

- 2.4 The Annual Investment Strategy (AIS) for 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 2023/24 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 DLUHC's Guidance on Local Authority Investments, the adoption of the Annual Investment Strategy (AIS) 2023/24 as detailed in **Section 7** of this report and summarised in **Appendix 3**. Also note policies on:
- reviewing the Treasury Management Strategy;
  - use of external advisors; and
  - investment management training.
- 3.3 All of the above will operate within the prudential limits set out in **Appendix 1** and will be reported to the Director of Finance at the Commissioner's Office, and reported retrospectively to the Staffordshire Police, Fire and Crime Panel, in respect of decisions made for raising new long-term loans, early loan repayments and loan rescheduling.

### **4. External Context**

#### Economic Background

- 4.1 Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine,

and a range of different UK Government policies; UK interest rates were volatile for most of 2022.

- 4.2 2022/23 has seen large increases in the bank base rate by the Bank of England, the Federal Reserve in the US and the European Central Bank (ECB). UK base rates rose from 0.75% in March 2021 to 3.50% in December 2022. It is expected that UK interest rates may peak at 4.5% in June 2023, as forecast by Link the County Council's independent treasury adviser, and reduce in 2024, after the Bank of England has brought inflation under control.
- 4.3 UK Consumer Price Inflation (CPI) for October registered +11.1%, this decreased to +10.7% in November 2022 and is forecast to reduce further in 2023 as the peak is considered to have passed. The Monetary Policy Committee (MPC) of the Bank of England saw this level of inflation as transitory, as it was principally being driven by gas prices and demand and supply chain issues, although it has lasted longer than initially forecast.
- 4.4 The UK unemployment rate fell to a 48-year low of 3.6% during 2022, and this was despite a net migration increase of circa 500,000. With an increase in people registered as long-term sick, the UK labour force shrunk by circa 500,000 in the year to June 2022, making it more difficult for the UK economy to grow.
- 4.5 Gross Domestic Product (GDP) - Q2 of 2022 saw UK GDP revised upwards to +0.2% quarter on quarter, but this was quickly reversed in Q3, with some of the fall in GDP attributed to the extra bank holiday for the late Queen's funeral. In the Bank of England's November projection, which was based on the elevated path of market interest rates, GDP is projected to continue to fall throughout 2023 and the first half of 2024, as high energy prices and tighter financial conditions weigh on spending. GDP growth is then forecast to increase by around 0.75% towards the end of 2024. Although there is judged to be a significant margin of excess demand currently, continued weakness in spending is forecast to lead to an increasing amount of economic slack emerging from the first half of next year.
- 4.6 Globally all the major economies are expected to struggle in the near term. The Purchasing Manager Indices for the US, EZ and China all point to at least one if not more quarters of GDP contraction.
- 4.7 GBP Sterling strengthened towards the end of 2022, recovering from a record low of \$1.035 versus the US Dollar following the Truss government's "fiscal event" in September 2022, to \$1.22. Notwithstanding the GBP's better performance in the latter part of the year, 2023 is likely to see a housing correction as some fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

### Credit Outlook

- 4.8 Although bank Credit Default Swap (CDS) prices, (market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government, 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. Link (County Council's Treasury advisors) monitor CDS prices as part of their creditworthiness service which the Council has access to via an online portal.
- 4.9 Significant levels of downgrades to short and long-term credit ratings have not materialised from credit agencies, since the on-set of the Covid-19 crisis in March 2020. In the main, where they have changed, alterations have been limited to outlooks. However, more recently the UK sovereign debt rating has been placed on negative outlook by the three major rating agencies in the wake of the Truss/Kwarteng unfunded tax-cuts policy. Although the Sunak/Hunt government has calmed markets, the outcome of the rating agency reviews is unknown at present, but it is possible the UK sovereign debt rating will be downgraded. When setting minimum sovereign debt ratings, the Commissioner will not set a minimum rating for the UK due to the unavoidable exposure.
- 4.10 Looking forward, potential for bank losses remains a risk and a cautious approach to bank deposits in 2023/24 is still advisable. The Commissioner is exposed to bail-in risk, as government will no longer support banks if they fail but rather it will be the investors who primarily bear the financial burden of rescuing the bank.

### Interest Rate Forecast

- 4.11 The Council's treasury management adviser, Link, is forecasting the Bank of England Base Rate to rise to 4.50% by June 2023 and remain at that level until the end of the year. It is then expected that rates will fall away incrementally from March 2024 and settle around 2.50% by December 2025. As with all projections there are major risks to this forecast, such as the performance of the economy versus expectations, labour and supply shortages, trade agreements and the geopolitical climate.
- 4.12 Gilt yields have become less volatile under the Sunak/Hunt government. PWLB 5 to 50 years Certainty Rates are currently in the range of 3.75% to 4.50% and the medium to longer part of the yield curve is inverted to a small degree (yields are lower at the longer end of the yield curve compared to the short to medium end). Link, the Council's treasury advisors, see the markets as having already built in nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook. Markets are, however,

volatile and further movement of gilt yields across the whole spectrum of the curve is possible.

- 4.13 Due to the ongoing risks outlined above, 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 2022, the Commissioner held £66.950m of external borrowing and had £45.419m temporarily invested. The Commissioner's future requirements for borrowing and investments can be considered in the context of its balance sheet forecasts described in the following paragraphs.

### Balance Sheet

- 5.2 In terms of borrowing, the Commissioner discloses its Capital Financing Requirement (CFR) as part of its Statement of Accounts. This represents the underlying need to borrow for capital purposes i.e., the amounts that have been financed through external and internal borrowing rather than being permanently financed.
- 5.3 If the Commissioner increases debt to fund additional capital expenditure, this will increase its Loans CFR; conversely repaying debt through the Minimum Revenue Provision (MRP) will reduce its Loans CFR. The table below shows forecasts for the Commissioner's Loans CFR and how this will be financed through external and internal borrowing.

	31.03.22 Actual £m	31.03.23 Estimate £m	31.03.24 Forecast £m	31.03.25 Forecast £m	31.03.26 Forecast £m
Loans CFR	77.6	85.2	89.2	92.6	98.5
Less: External borrowing	(67.2)	(64.7)	(63.1)	(61.5)	(59.7)
Less: Capital financing from reserves	(4.9)	(7.4)	(3.9)	(2.6)	(2.2)
<b>Internal / (over) borrowing</b>	<b>5.5</b>	<b>13.1</b>	<b>22.2</b>	<b>28.4</b>	<b>36.6</b>

- 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. 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 in future years. 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 2023/24 and going forward.

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:

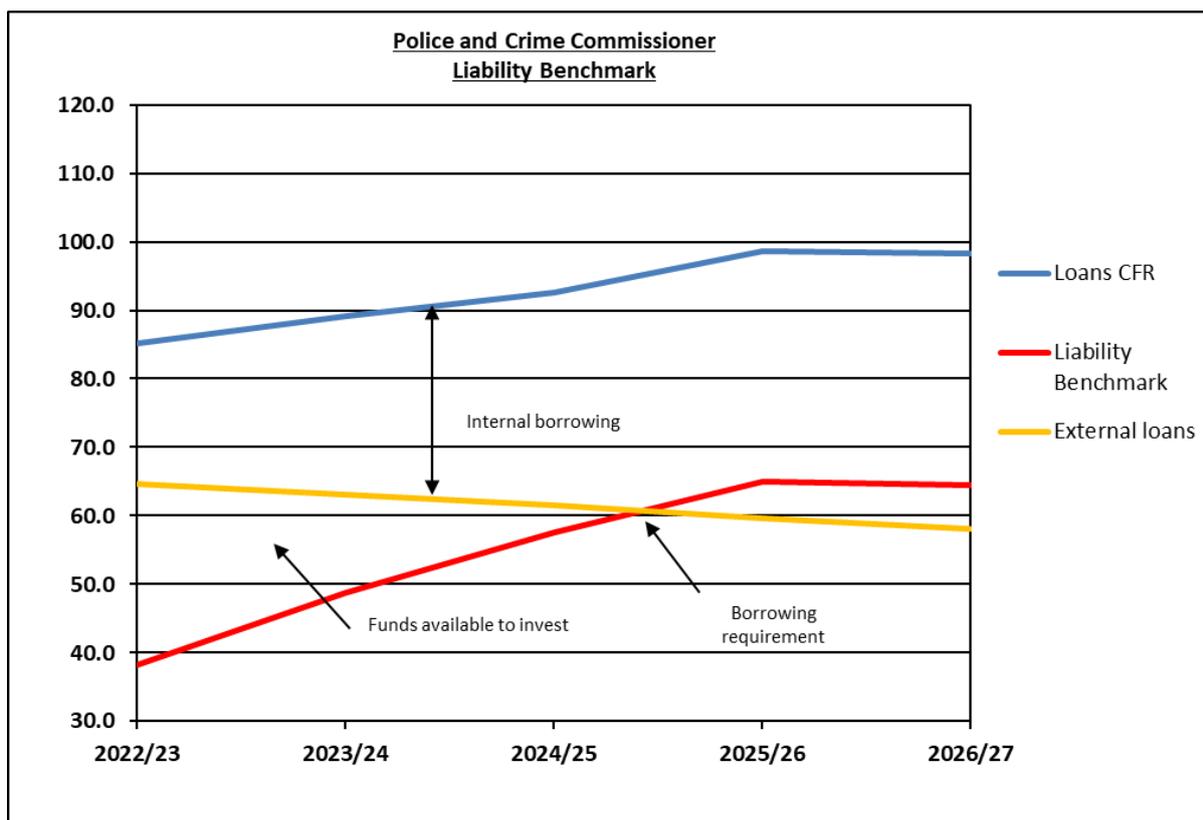
	31.03.22 Actual £m	31.03.23 Estimate £m	31.03.24 Forecast £m	31.03.25 Forecast £m	31.03.26 Forecast £m
Usable reserves	36.2	39.9	36.9	32.7	31.6
Working capital surplus	0.0	0.0	0.0	0.0	0.0
(Less Internal) / Add Over Borrowing	5.5	13.1	22.2	28.4	36.6
<b>Investments/ (New borrowing)</b>	<b>30.7</b>	<b>26.7</b>	<b>14.7</b>	<b>4.2</b>	<b>(5.0)</b>

5.7 This demonstrates the Commissioner's recent strategy in using internal borrowing to reduce the need for external borrowing and as a result, reduce temporary investment levels. It also indicates that the Commissioner will have sufficient internal resources to cover the internal borrowing requirement in 2023/24 and will not need to borrow from external sources during the year. However, this strategy will not be sustainable longer term as the Commissioner will not have sufficient internal resources to cover the internal borrowing requirement going forward and will need to borrow from external sources.

#### Liability Benchmark

5.8 The CIPFA Prudential Code 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.

	31.03.22 Actual £m	31.03.23 Estimate £m	31.03.24 Forecast £m	31.03.25 Forecast £m	31.03.26 Forecast £m
<b>External loans</b>	67.2	64.7	63.1	61.5	59.7
(Less Investments) / Add New borrowing	(30.7)	(26.7)	(14.7)	(4.2)	5.0
<b>Liability benchmark</b>	<b>36.5</b>	<b>38.0</b>	<b>48.5</b>	<b>57.3</b>	<b>64.7</b>



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 2024/25, 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 Commissioner’s level of external loans fall during this period as several loans are repaid upon maturity.

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 2023/24.

## **6. Borrowing strategy 2023/24**

6.1 As at the 30 November 2022, the Commissioner holds £66.95m in external loans. There is a redemption of £2.250m to be paid by 31 March 2023 leaving a balance of £64.70m at the beginning of 2023/24 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 £90.3m, as disclosed in **Appendix 1**.

### Objectives

- 6.2 The primary objective for the Commissioner when considering the need to borrow 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 ongoing pressures 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 It is important to understand that not all of the borrowing requirement needs to be closed with loans, the current economic environment still continues to favour using cash in lieu of borrowing where balances are sufficient as:
- there is a normal yield curve up to around 25 years, so it is cheaper to use cash than to borrow;
  - due to bail-in legislation it is important to minimise investment risk, as using cash in lieu of borrowing reduces investment balances;
  - using cash in lieu of borrowing within practical cash management limits would meet key parts of the current government guidance on local government investments, i.e., managing the security and liquidity risks for investments;
  - interest rate forecasts show the Bank Rate is expected to remain above the average debt rate for the next year and beyond. Continuing to use cash in lieu of borrowing would meet the objective of bringing down the average rate of interest for borrowing and provide an opportunity to fund the capital programme at low cost.
- 6.5 In the past, cash balances have been sufficient to allow the strategy of using cash without the need to raise further external loans. The balance sheet analysis at **paragraph 5.6** and the liability benchmark analysis at **paragraph 5.8** both indicate the Commissioners cash balances will be lower in the coming years and consideration may be given to borrow externally.
- 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. Given the increase in rates during the past year it is not currently an opportune time to take out long-term borrowing unless

there is an urgent requirement, although rates are not forecast to reduce considerably for some years. The Commissioner will continue to monitor its requirements for borrowing in future years 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.

#### Sources of borrowing

- 6.8 The approved sources of long term and short-term borrowing are:
- Public Works Loans Board (PWLB);
  - 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 ordinarily 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 HM Treasury have also put measures in place to prevent public bodies using PWLB funding to finance any commercial investments and there are

mechanisms in place to recall such funding if this is found to be the case. In addition, the latest Prudential Code explicitly prevents Local Authorities borrowing to fund commercial ventures.

- 6.13 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.
- 6.14 The exact type of loan to be raised by the Commissioner and its duration would have to be considered at the time; but with current interest rates and the maturity profile of the existing loan portfolio, loans towards the shorter end of the yield curve offer better value for money.
- 6.15 The optimum timing for borrowing cannot be foreseen and decisions often need to be taken at short notice. Because of this, it is proposed to delegate the decision to borrow long-term loans to the Director of Finance at the Commissioner, and reported retrospectively to the Staffordshire Police, Fire and Crime Panel. In addition, the treasury management outturn and half-year reports will update the position later in the year.
- 6.16 The overall strategy of maximising the use of cash in lieu of borrowing is still considered a relatively low risk strategy, although it is impossible to eliminate all treasury risk. The consequences of using cash are the possibility of increased costs in the future if interest rates rise further; this must be balanced with the extra cost now if loans are raised (the cost of carry).

#### Loan restructuring

- 6.17 Movements in interest rates over time may provide opportunities to restructure the loan portfolio in one of two ways:
- Replace existing loans with new loans at a lower rate (known as loan rescheduling).
  - Repay loans early, without replacing the loans, although this would increase the use of cash which may not be possible given the levels of reserves available.
- 6.18 Market conditions have shifted in the last 12 months, and whilst Gilt yields are still comparatively low, they have risen from the historic lows seen over the last 3 years. This rise in Gilt yields means that there is a possibility that PWLB premiums may be lower than the last year and could be offset by interest savings on extinguished loans. The County Council's treasury team shall continue to monitor the market and identify possible savings arising during 2023/24 and report this to the Director of Finance for the Commissioner. Given

the level of balances forecast it is likely any loans repaid would need to be replaced.

- 6.19 The Commissioner's ability to adjust its loan portfolio through restructuring is only possible if:
- the Government allow it; PWLB rules have been changed in the past with no notice; or
  - market conditions allow economically beneficial repayment.
- 6.20 Market conditions and regulations are not constant and do change and loan restructuring can only be carried out when conditions are favourable. The decision as to when to undertake loan restructuring will be delegated to the Director of Finance for the Commissioner and reported retrospectively to the Police Fire and Crime Panel.

#### Policy on borrowing in advanced of need

- 6.21 As the borrowing strategy proposed for 2023/24 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) 2023/24**

- 7.1 It is the Commissioner's borrowing strategy that determines its investment strategy. In the current economic environment, where short term investment rates are lower than borrowing rates, this still favours the use of cash instead of external 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 year, the Commissioner's investment balance ranged between £18.7m and £63.65m.

#### 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 meet the criteria and 'opt up' to be professional clients. As a retail client, the Commissioner would receive enhanced protections, but this would also mean they may face increased costs and restricted access to certain products including money market funds, pooled funds, treasury bills and treasury advice.

- 7.4 The commissioner meets the criteria set out under MiFID II and having chosen to 'opt-up', will continue to be treated as a professional client by regulated financial services firms in 2023/24.

### Objectives

- 7.5 The CIPFA Code requires local authorities to invest their cash 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 2023/24 will continue to do so. The Commissioner will continue to concentrate its short-term investments in secure money market funds and government investments, together with a low-risk pooled fund in 2023/24.
- 7.9 DLUHC 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 for 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 money market funds (MMFs); and
  - bank and building society investments.

### UK 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 may be lower than those received from elsewhere.

- 7.12 The Commissioner can invest 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. However, the 'locals' market has reduced since the pandemic due to a lack of local authority borrowers.
- 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 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.

#### 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. Same day notice MMFs have been used by the Commissioner 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, 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 MMFs are a key tool to manage credit and liquidity risk and 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: and
  - 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, such as the failure of one or more of an MMF's investments could lead to a run on MMFs,

especially during a financial crisis, although the new MMF regulations do limit this risk to some extent.

#### 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 (Police).

#### 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 Should the Lloyds credit rating fall below the Commissioner's minimum threshold, then minimum balances will be retained with the bank for operational efficiency. The Commissioner will continue to seek support from the County Council's Treasury team on bank credit risk and any changes will be determined by the Director of Finance at the Commissioner.

#### Standard Investment diversification

- 7.22 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 £2.5m 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 and 2022/23, 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 2023/24 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 (Police).

#### 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 for 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 began to use this category of investment in 2022/23 by investing £5m 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 had been set at £1.5m, but temporarily increased to £5m due to the current increased levels of cash balances, in line with the MMF funds as above, following approval by the Director of Finance at the Commissioner in January 2023.

## The Credit Management Strategy for 2023/24

- 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 2023/24, 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:
- watches" and "outlooks" from credit rating agencies
  - 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. This may result in moving investments to lower risk counterparties or instruments.

### Non- treasury investments

- 7.35 Under the CIPFA Code and DLUHC 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 commercial 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 investment 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:

<b>Risk</b>	<b>Assessment</b>
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 that have 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 senior qualified finance professionals. Treasury practitioners also attend regular CIPFA and treasury advisor training seminars throughout the year and have any training needs identified during the Council's staff review process. The function is also subject to regular audit and independent checks.
- 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) (2021)
2. Prudential Code for Capital Finance in Local Authorities (CIPFA) (2021)
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.

## Appendix 1

### Police Fire and Crime Panel 6 February 2023 Treasury Management Indicators

Indicator	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
<b>1. External debt</b>			
a. Authorised limit	£90.3m	£94.9m	£101.3m
b. Operational boundary	£85.3m	£89.9m	£96.3m
c. External loans	£64.7m	£63.1m	£61.5m
<p><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></p> <p><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></p>			
<b>2. Interest rate exposures</b>			
a. Upper limit (fixed)	£89m	£93m	£99m
b. Upper limit (variable)	(£65m)	(£65m)	(£65m)
<p><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></p>			
<b>3. Maturity structure of borrowing</b>	Upper Limit	Lower Limit	
Under 12 months	10%	0%	3.7%
12 months and within 24 months	10%	0%	2.4%
24 months and within 5 years	30%	0%	7.5%
5 years and within 10 years	50%	0%	20.5%
10 years and above	100%	25%	65.8%
<p><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></p> <p><i>As a result no more than 10% of fixed rate loans are planned to mature in any one financial year.</i></p>			
<b>4. Total principal sums invested for periods longer than a year</b>	£	£	£
<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  
6 February 2023  
Risk assessment – Borrowing strategy**

<b>Risk</b>	<b>Risk description</b>	<b>Relevance to borrowing</b>	<b>Key control</b>	<b>Assessment</b>	<b>Borrowing strategy</b>
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.	<b>LOW</b>	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.	<b>LOW to MEDIUM</b>	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.	<b>LOW to MEDIUM</b>	Pursuing a strategy of using cash reduces the overall net exposure to sudden interest rate falls.
Interest rate	Unexpected <u>increase</u> in short term interest rates.	Depends on the mix between fixed and variable rate borrowing. Lower exposure to variable rate borrowing helps the budget.	Limit variable rate borrowing to a relatively small proportion (e.g., 20%).	<b>LOW to MEDIUM</b>	20% limit provides a suitable risk control.

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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.	<b>MEDIUM</b>	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.	<b>MEDIUM</b>	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.	<b>MEDIUM</b>	Use of cash means that PWLB (or its successor body) loans may not be taken. However, there is insufficient cash to fully fund debt in the medium term so it is likely that borrowing will be required.  If the PWLB or its successor body was closed to new business, then other loans would have to be taken.

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**Police Fire and Crime Panel  
6 February 2023**

<b>Lending List – January 2023</b>	
	<b>Time Limit</b>
<b><i>Regulation Investments</i></b>	
UK Government DMADF account	6 months
UK Local Authority	12 months
<b><i>Banks and building societies</i></b>	
Lloyds (as banker) (£1m limit)	overnight
<b><i>MMF's</i></b>	
Aberdeen Standard (£5m limit)	call only
CCLA (£5m limit)	call only
Morgan Stanley (£5m limit)	call only
State Street (£5m limit)	call only
<b><i>Enhanced MMF</i></b>	
Royal London Cash Plus (£5m limit)	3-day notice

Police Fire and Crime Panel  
6 February 2023

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.	<b>LOW</b>	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.	<b>LOW to MEDIUM</b>	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.	<b>LOW</b>	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.

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.	<b>MEDIUM</b>	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.	<b>LOW</b>	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.	<b>LOW to MEDIUM</b>	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)**

<b>Risk</b>	<b>Risk description</b>	<b>Relevance to investment</b>	<b>Key control</b>	<b>Assessment</b>	<b>Approved Investment Strategy (AIS)</b>
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.	<b>LOW</b>	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.

**STAFFORDSHIRE POLICE FIRE AND CRIME PANEL – 6  
February 2023**

**NATIONAL CONFERENCE FOR POLICE, FIRE AND CRIME  
PANELS and NATIONAL ASSOCIATION OF POLICE FIRE AND  
CRIME PANELS ANNUAL GENERAL MEETING - 11 NOVEMBER  
2022**

**1. Report of the Secretary**

Your Chairman, Councillor Peters, Vice-Chairman, Councillor Cox and Support Officer Mandy Pattinson, attended the National Conference for Police, Fire and Crime Panels hosted by Warwick University on 11 November 2022.

Councillor Cox attended in person and Councillor Peters and Mandy Pattinson attended online. This was the 11th National Conference organised by Frontline Consulting. Representatives of most Panels in England and Wales attend this event as it is recognised as a valuable opportunity to update on the national picture for Panels.

**2. National Conference – 11 November 2022.**

The event had a number of keynote speakers and a question and answer session during the morning and a selection of themed workshops during the afternoon.

**Morning session - Changing Culture. Moving things forward**

Chaired by Vicky Newbury, Chair, Derbyshire Police and Crime Panel

**3.1 Keynote Speech's from:**

- a) Dr Sarah Charman, Professor of Criminology at University of Portsmouth and Editor-in-Chief, International Journal of Law, Crime and Justice.

Dr Charmans research has centred on Police identity and identification formation both individual and group identity.

[Sarah Charman – Research outputs — University of Portsmouth](#)

- b) Chris Excell, exChair, Black Police Association at Metropolitan Police (2021-2022) & Police Inspector at Metropolitan Police.

Mr Excells experiences as a police officer particularly culture and change.

- c) Sal Naseem, Regional Director for London, Independent Office for Police Conduct (IOPC).

Mr Naseems experiences in the IOPC and views on changing attitudes.

### **PM - Workshops attended**

1. Being a critical friend. Joining the dots.

Facilitated by Jim Haylett, Chief Executive, Cambridgeshire and Peterborough OPCC

Mr Hayletts experience of heading a Commissioners Office and support staff was discussed. Suggestions on a clear distinction between operational issues and the role of the Panel and how to ask questions on the Commissioners scrutiny of the Chief Constable, which could provide the panel with valuable information.

2. Measuring Panel Performance Facilitated by Colin Copus, Emeritus Professor of Local Politics, De Montfort University

Very general discussion on what individual panels considered and some of the stumbling blocks e.g. Councillors being appointed for a 1 year term, attendance, training, the line between operational issues and holding the Commissioner to account.

Councillors B Peters and R Cox and Mandy Pattinson

**STAFFORDSHIRE POLICE, FIRE AND CRIME PANEL**

**6 February 2022**

**WORK PROGRAMME PLANNING 2022-23**

**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.

Panel Meeting date	Agenda Items
Monday 27 June 2022 (2.pm)	<ul style="list-style-type: none"> <li>• Appointment of Chairman</li> <li>• Appointment of Vice-Chairman</li> <li>• Annual Report on the Management of Complaints and Conduct Matters against the Police, Fire and Crime Commissioner and Deputy Police, Fire and Crime Commissioner</li> <li>• Home Officer Grant 2021/22</li> <li>• Consideration of the Commissioners Annual Report 2022/23</li> <li>• Questions from members of the public</li> </ul>
Monday 26 September 2022 (10 am)	<ul style="list-style-type: none"> <li>• Police and Crime Plan / Fire and Rescue Plan Update</li> <li>• Road Safety Partnership Update – Deputy Commissioner</li> <li>• Questions from members of the public</li> </ul>

Monday 24 October 2022 (2.pm)	<ul style="list-style-type: none"> <li>• MTFB/Budget Update – Policing Service</li> <li>• MTFB/Budget Update - Fire and Rescue Service (To include transformation plan update as requested 140222)</li> <li>• Fire and Rescue Annual Assurance Statement</li> <li>• Questions from members of the public</li> </ul>
<del>Monday 19 December 2022 (2.30pm) – special meeting moved to 21 February 2023</del>	<ul style="list-style-type: none"> <li><del>• PEEL Inspection report</del></li> <li><del>• Questions from members of the public</del></li> </ul>
6 February 2023 (2.pm)	<ul style="list-style-type: none"> <li>• PFCC’s proposed <b>Police</b> Budget and Precept 2023/24</li> <li><del>• Police Misconduct and Complaint Regulations 2020 – annual report moved to 21 February.</del></li> <li>• Questions from members of the public</li> <li>• Annual Conference for PFCP report</li> </ul>
13 February 2023 (2.pm)	<ul style="list-style-type: none"> <li>• Consideration of the PFCCs proposed <b>Fire and Rescue</b> Budget and Precept 2023/24</li> <li>• Fire and Rescue Service Safety Plan 2020-2024 Update Report</li> </ul>
21 February 2023 (2pm)	<ul style="list-style-type: none"> <li>• PEEL Inspection report</li> <li>• Police Misconduct and Complaint Regulations 2020 – annual report</li> <li>• If required, further consideration of proposed Police and/or Fire and Rescue Budget and Precept 2023/24</li> </ul>
Monday 24 April 2023 (2.pm)	<ul style="list-style-type: none"> <li>• TBA</li> </ul>
26 June 2023 10am	<ul style="list-style-type: none"> <li>• Appointment of Chairman</li> <li>• Appointment of Vice-Chairman</li> <li>• Annual Report on the Management of Complaints and Conduct Matters against the Police, Fire and Crime Commissioner and Deputy Police, Fire and Crime Commissioner</li> <li>• Home Officer Grant 2022/23</li> <li>• Consideration of the Commissioners Annual Report 2023/24</li> </ul>
25 September 2023 10am	<ul style="list-style-type: none"> <li>• Police and Crime Plan / Fire and Rescue Plan Update</li> </ul>
13 November 2023 10am	<ul style="list-style-type: none"> <li>• MTFB/Budget Update – Policing Service</li> <li>• MTFB/Budget Update - Fire and Rescue Service</li> <li>• Fire and Rescue Annual Assurance Statement</li> </ul>
5 February 2024 10am	<ul style="list-style-type: none"> <li>• PFCC’s proposed <b>Police</b> Budget and Precept 2025/25</li> <li>• Police Misconduct and Complaint Regulations 2020 – annual report</li> <li>• Annual Conference for PFCP report (if attended)</li> </ul>

12 February 2024 10am	<ul style="list-style-type: none"> <li>• Consideration of the PFCCs proposed <b>Fire and Rescue</b> Budget and Precept 2024/5</li> <li>• Fire and Rescue Service Safety Plan - update report</li> </ul>
19 February 2024 10am	<ul style="list-style-type: none"> <li>• If required, further consideration of proposed Police and/or Fire and Rescue Budget and Precept 2023/24</li> </ul>
22 April 2023 10am	<ul style="list-style-type: none"> <li>• TBA</li> </ul>
Items to be scheduled if/when appropriate	
Proposed Operation Hub / Firearms Range	An Informal meeting has been arranged for 2 November 2022
Neighbourhood policing - review	Raised at 23 September meeting. New operating model.
First quarter performance report – email to Members (including risks and mitigation)	Requested at 31 Jan 2022 precept meeting. These are available for members and the public to view on line. Meetings are webcast and open to the public to attend.
Police PEEL inspection report	Additional meeting – invite Safeguarding O&S Committee (Community Safety) date 21 February 2023

J Tradewell (Secretary to the Panel)  
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