



REVENUE BUDGET AND CAPITAL PROGRAMME 2020/21

**POLICE
& CRIME**
COMMISSIONER
THAMES VALLEY

POLICE AND CRIME COMMISSIONER FOR THAMES VALLEY

BUDGET BOOK 2020/21

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Key Figures			
2018/19		2019/20	2020/21
£182.28	Council tax for police purposes (at band D)	£206.28	£216.28
890,503	Council tax base (band D equivalents)	904,393	919,364
	Planned year end staffing establishments		
3,850	Police officers	3,855	4,004
2,716	Police staff	2,949	2,977
418	Police Community Support Officers (PCSOs)	408	423
6,984	Total	7,211	7,404
2,420,900	Population estimate as at June	2,426,800	2,442,300
572,680	Area – Hectares	572,680	572,680
1 April 2018		1 April 2019	1 April 2020
4,392	Number of police pensioners	4,510	4,618
£27.956m	External debt	£32.673m	£56.686m
£44.137m	Capital financing requirement	£56.288m	£61.827m

Financial Summary			
2018/19		2019/20	2020/21
Estimate		Estimate	Estimate
£m		£m	£m
1.442	PCC controlled expenditure	1.487	1.441
5.918	PCC commissioning budget	5.968	5.974
382.012	TVP operational budget	402.402	431.165
4.504	Net capital financing costs	11.259	12.141
- 2.405	Transfer to/from reserves	- 1.202	- 1.792
391.471	Cost of services	419.914	448.929
	Financed by		
139.249	Police grant	142.277	152.446
72.855	Formula grant	74.281	79.319
15.278	Legacy council tax grants	15.278	15.278
162.320	Council tax	186.558	198.840
1.769	Surplus on collection funds	1.520	2.046
392.631		419.914	448.929

1 PREPARATION OF THE REVENUE BUDGET

- 1.1 This report provides information on the police funding settlement for 2020/21 and then recommends a revenue budget and council tax precept for the Police and Crime Commissioner (PCC) to approve, subject to final notifications on the council tax base from local authorities.

2 POLICE FINANCE SETTLEMENT

- 2.1 The Home Office did not publish a provisional police grant settlement. Instead it went straight to Final Settlement which was announced on 22nd January in a written statement by the Policing Minister, Kit Malthouse.

Headlines

- £700m for the recruitment of 6,000 police officers by March 2021 and relevant infrastructure improvements needed to recruit 20,000 officers by March 2023, of which:
 - £532m to be provided through core grant
 - £168m ring-fenced for successfully meeting recruitment targets.
 - 7.5% increase in core funding
- £10 precept flexibility for all PCCs, or equivalent, which could generate an additional £248m nationally for local priorities
- £50m retained centrally to support delivery of the Police Uplift Programme
- £42m, in-lieu of inflation, added to the national reallocations pot
- £92m (9%) increase in reallocations to over £1.1bn in 2020/21
- Flat cash pension grant allocations compared to 2019/20 – still £153m
- Reduction of 74% to capital grant funding to PCCs
- Ending of the Police Transformation Fund

Core Funding

- 2.2 The Government's Core Funding (made up of Police Grant, Ex-DCLG grant and Welsh Government Funding) was expected to increase in real-terms (GDP deflator of 1.84%). An inflationary increase on the whole Home Office budget would have been worth £162m. However, Core Funding in 2020/21 has only been increased by the additional funding for new officers. This £162m "saving" from the Home Office budget satisfies the Treasury's requirement to save £120m; a condition in return for the £750m for new officers. The remaining £42m has been included in the reallocation total – it is that £42m plus £50m from the £750m for new officers that makes up the increase in the reallocation total.

Council Tax

- 2.3 All PCCs have been given flexibility to increase Band D council tax by up to £10. Assuming full take up of the maximum flexibility an additional £248m could be generated nationally for local policing.

Reallocations

- 2.4 In 2020/21 the top slices/reallocations total £1.121bn, £92m higher than last year (£1.029bn). This £92m is made up of the £50m retained centrally to support the recruitment of 6,000 officers plus the remaining £42m inflationary increase in the Home Office budget (after settling the £120m to Treasury).

Table 1: Police Settlement Reallocations

	2017/18 (£m)	2018/19 (£m)	2019-20 (£m)	2020-21 (£m)
Reallocations and adjustments	812	945	1,029	1,120.9
PFI	73	73	73	72.8
Police technology programmes	417	495	495	498.4
Arm's length bodies	54	63	63	73.1
Police Uplift Programme				16.5
National Operational Policing Units				2.9
Top-ups to NCA and ROCUs	-	-	56	56.8
Strengthening the response to Organised Crime	28	42	90	140
Counter Terrorism				32.4
Police transformation fund	175	175	175	
National Capability Programmes				47.0
Forensics				28.6
Special Grant	50	93	73	80.9
Pre-charge bail	15	4	4	2.0
Serious Violence	-	-	-	38.9
PRUM (Transition from EU Systems)	-	-	-	1.8
HO STAR (Science Technology & Research)	-	-	-	8.0
Blue Light Commercial	-	-	-	3.7
Police Now				7.0
Safer Streets Fund				10.0

Figures may not add up correctly, due to rounding

- 2.5 Of the £80.9m earmarked for special grant, £26.3m is understood to be reserved for costs associated with Hillsborough, leaving £54.6m for special grant. A reduction of £18.4m on the previous year, which had been higher to accommodate the Commonwealth Heads of Government meeting.
- 2.6 The allocations for force **Serious Violence Surge Funding** will be announced shortly.
- 2.7 The Police Transformation fund (PTF) has ended. Multi-year projects that were being funded from the PTF (estimated to be approximately £60m) will be funded from other reallocation "pots" depending on where they best fit.

Pensions Grant

- 2.8 Pensions Grant allocations remain unchanged from those in 2019/20 i.e. they are worth £153m. They have not been updated to reflect the new forecasts.

Capital Funding

- 2.9 Total Police Capital Grants are now worth £76m but only £12.3m will be allocated to local forces – compared to £46.9m in 2019/20 (a 74% reduction). The Ministerial Statement refers to this as “rebalancing” adding that the PCCs are able to spend their revenue income flexibly.

Table 2: Capital Funding

2020-21	£m
Police Capital Grant	12.3
Special Grant Capital	1.0
Police Live Services	13.1
National Police Air Service	11.5
Arms Length Bodies	6.4
Police Technology Programmes	17.6
Counter Terrorism	1.6
Serious and Organised Crime Programmes	10
Football Policing	2.5
TOTAL	76.0

Counter Terrorism

- 2.10 A total of £960m for Counter Terrorism policing had already been announced for 2020/21, PCCs will be notified privately of their individual allocations.

Ministry of Justice Grants

- 2.11 PCCs were notified of their 2020/21 allocations for commissioning victims’ services in a letter dated 16 January 2020. Allocations include a 1.84% inflationary increase and will continue to be distributed according to the 2018 population estimates.
- 2.12 The letter also indicates that those PCCs who can demonstrate a need to recruit Independent Sexual Violence Advisors should complete an expression of interest form to obtain a share of the £1m which was announced in September.

Spending Review

- 2.13 The Chancellor is expected to announce the next Spending Review (SR) in his Spring budget on 11th March 2020. SR20 is likely to cover the 4-year period 2021/22 to 2024/25

3 THAMES VALLEY ALLOCATIONS

- 3.1 The PCC will receive the following grants in 2020/21.

Table 3: TVP grant allocations 2020/21

	2019/20 £m	2020/21 £m	Variation £m
Home Office Police Grant	142.277	153.446	11.169
Ex DCLG Formula Funding	74.280	79.319	5.039
Sub-total	216.557	232.765	16.208
Legacy council tax grants			
- Council tax support funding	11.906	11.906	0
- 2011/12 council tax freeze grant	3.372	3.372	0
Total General Grants	231.835	248.063	16.208
Ring-fenced Uplift Funding		5.118	5.118
Settlement Funding	231.835	253.181	21.326

- 3.2 In addition to these general grants the PCC will also receive £2.814m from the Ministry of Justice to fund victim and witness services in 2020/21, and up to an additional £5.1m in special grant for the uplift of additional officers.

4 THAMES VALLEY RESPONSE TO SETTLEMENT

- 4.1 The additional grant and increased flexibility in council tax precept has significantly changed the position we were reporting in November, where the potential investment in urgently required service improvements would have been unachievable without significant budget reductions and negative changes in other areas of our service provision. We are now fortunate in that we can start to address some service and performance issues by increasing our resources, both police officers and police staff, alongside investing in the technology to make our staff more productive.
- 4.2 Demand on our service is expected to continue to increase over the next four years, for example: from the continuing increases in terror related incidents, increased reporting of complex crimes such as Child Sexual Exploitation (CSE) and Domestic Violence (DV), new and emerging crimes such as Honour Based Violence, County Lines and Cyber related crime as well as the forecast population increase, the expectations of our communities, and legislative changes.
- 4.3 The welcomed increase in police officer numbers, 6,000 by the end of March 2021 and a further 14,000 by March 2023 is a great boost, and for Thames Valley means an additional 183 officer in the coming year. These new recruits will be brought in during 2020/21, but the impact of the additional numbers will not be immediate as they will need to go through a full training programme before they are fit for independent operational deployments. In the meantime increases in demand will need to be met from the existing stretched workforce alongside the small additional investments we are planning to make to increase the efficiency of processes and service delivery as stands.
- 4.4 We are however clear that this welcomed respite from austerity is not a panacea for the police service. The initial investment incorporated today will not address the significant cuts we have made in previous years or the additional demand we continue to face. Hence we still need to keep our attention focused on increasing the productivity of our

resources by investing in technology and ensuring the appropriate process and cultural change flows from that investment to improve our effectiveness. We need to continue to constantly review what and how we deliver our service across the whole spectrum, to ensure our limited resources continue to be prioritised and utilised as effectively as possible. We will therefore continue to focus on our Productivity Strategy, which includes the Efficiency & Effectiveness programme to ensure this is achieved.

- 4.5 There is still considerable uncertainty about future funding levels which could impact our ability to maintain the level of investment incorporated within this budget, but at this time, we are assuming for 2021/22 and beyond full funding for additional officers under the national Uplift programme, a 1% increase in core grants and a return to the 2% council tax precept rise.

5 OVERVIEW OF MEDIUM TERM FINANCIAL PLAN

- 5.1 The review and development of the revenue budget is an annual exercise with each year's budget and associated council tax precept considered and approved in isolation. However, decisions taken in the course of approving the revenue budget will often have longer term consequences, as will those in approving the capital programme. The four year MTFP brings together these medium term consequences and allows a more comprehensive view to be taken of the PCC's overall financial position. It is imperative that the PCC knows the full extent of the financial consequences he will be committing to in future years when he considers and determines the annual budget.
- 5.2 The MTFP is formulated on the recommendation that the Band D council tax precept will rise by £10 (4.85%) in 2020/21. This increase of less than 20 pence a week is based on the increasing demands within the budget and the guidance set out in the funding settlement which allows PCC's to increase council tax precepts up to this level.
- 5.3 Thames Valley Police (TVP) has been allocated an additional 183 officers from the first tranche of 6,000 officers to be delivered by 31 March 2021. The funding settlement allows for the full funding of these officers in the financial year and also provides an uplift to allow for additional infrastructure and support costs for the full uplift of officers over the next three years. Whilst we do not know yet how many additional officers we will receive in years 2 & 3, we have set aside estimated infrastructure funding needs for the future years from the current year's settlement.
- 5.4 The Police service, both nationally and locally, is going through a period of reform to adjust to the financial challenges and respond to the increasing complexity and quantum of crime. This reform requires investment in well trained officers and staff as well as the new technologies which will facilitate the change in the way policing services are delivered; unfortunately this investment only increases the financial pressures.
- 5.5 The MTFP attempts to address the rising demands of an increasingly complex policing environment against the significant financial uncertainties.
- 5.6 A summary position of the revenue budget is shown in Table 4 below:

Table 4: Summary of Draft MTFP

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Annual Base Budget	419,914	448,899	460,021	463,179
Inflation & Pay Commitments	13,474	11,763	11,872	12,225
Productivity Savings	-3,470	-3,733	-5,142	-2,069
Current Service	4,532	1,122	-23	-432
Improved Service	15,069	3,646	-4,871	-2,194
In Year Appropriations	-619	-1,706	1,322	2,140
Net Budget Requirement	448,899	460,021	463,179	472,849
Total External Funding	-448,899	-458,100	-467,574	-477,328
<i>Cumulative Budget (Surplus)/Shortfall</i>	<i>0</i>	<i>1,921</i>	<i>-4,395</i>	<i>-4,479</i>
<i>Annual Budget (Surplus)/Shortfall</i>	<i>0</i>	<i>1,921</i>	<i>-6,316</i>	<i>-84</i>

- 5.7 As can be seen, the 2020/21 financial year is balanced, however there are still variances in years 2-4 of the plan. At this stage there are a significant number of unknowns around future funding levels and increases in officer numbers, these should become clearer following the Spending Review later this year. Hence we have not tried to balance these future years at this stage, as to do so would be based on assumptions and estimates which could vary significantly.
- 5.8 Although significant risks and uncertainties remain into future years, the force does have a robust Productivity strategy which includes the Efficiency and Effectiveness programme, designed to reduce the overall cost of the organisation whilst ensuring resources are directed to our highest priority areas, and this will continue to be developed and refined as a key priority in the financial management of the force going forward.

Budget Preparation

- 5.9 Significant work has been undertaken by the force over the last 12 months to support service delivery and address the financial challenges facing the force. The MTFP incorporates the financial outcomes and requirements identified from this internal work alongside the financial impacts of external influences
- 5.10 The budget presented today aims to support the delivery of the PCC and force priorities to:
- Reduce crime & incidents through targeted and effective problem solving
 - Bring more criminals to justice by improving the quality and timeliness of investigations
 - Improve how we protect the vulnerable by pro-actively identifying, understanding and reducing risk and harm

- Increase the satisfaction of victims and other people in need by responding appropriately and improving communication with them;

Through:

- Sustaining a valued workforce with the capacity and capability to manage the challenges of modern policing professionally and ethically
- Manage resources to invest in priority areas and maintain core policing services
- Implement digital development, integrating new technologies to advance our organisational and operational response

and delivers a police service for Thames Valley by:

- Responding to the Public: Our Call Management service is focused on answering emergency and non-emergency calls, deploying resources and carrying out onward tasking when required. Whilst our Local Policing function provides geographically based response, Local Volume crime investigation and Neighbourhood policing teams to provide a local police service based on an appropriate assessment of Threat Harm Opportunities and Risks (THOR).
- Crime prevention is a key concept for the Neighbourhood policing teams
- Investigations are carried out by our local teams for volume crime with serious and complex crime dealt with by our Force Crime and Protecting Vulnerable People (PVP) units. Our Force crime units investigate a breadth of crime types ranging from Fraud to CSE, by their nature these investigations are high threat, high risk and highly complex.
- Protecting Vulnerable People: We have specialist Domestic Abuse Investigation Units (DAIU's) and Child Abuse investigation Unit (CAIU) to deal with these high risk areas. Female genital mutilation (FGM), Adult safeguarding, Modern Slavery, Hate crime, Honour based abuse, missing persons, Mental Health, Stalking and Harassment are all high risk complex crimes which require investigations.
- Managing Offenders: TVP runs a central Multi-Agency Public Protection Arrangements (MAPPA) with the National Probation Service (NPS) as well as an Integrated Offender Management (IOM) cohort and a Public Protection Unit.
- Serious Organised Crime: The number of active Organised Crime Groups (OCG) in the TVP area remains around 70, County Drug Lines are now recorded separately. The threats from these groups are tackled by the Force Intelligence and Specialist Operations (FISO)
- Major Events: The Joint Operations Unit is a collaborative unit with Hampshire Constabulary and provides specialist policing, including Firearms Operations and Roads Policing.

5.11 This level of service is supported by the return to full establishment of police officers

including the additional 183 funded by the uplift programme. In recognition of this increased number of officers, funding for the temporary Case Investigators, which were compensating for the reduction in police numbers, has been removed.

- 5.12 The welcomed increase in police officer numbers takes place at the same time as two new entry routes into policing, the Police Constable Degree Apprenticeship (PCDA) and Degree Holder Entry Programme (DHEP). This is a significant change to the way police officers are trained and, as with any such radical change programme, comes with risks associated with the overall attractiveness of the programmes to new recruits and the costs associated.
- 5.13 The availability of technology and equipment continues to be reviewed and increased to provide officers and staff with the tools they require to provide an effective service. This includes smart phones, laptop computers, Tasers and Body Worn Video, but does come with a substantial cost to support, maintain and replenish.
- 5.14 Financial provision is also included within the MTFP to address the future technology requirements in the knowledge of the declining capital reserves. In future, financing these technology requirements may be seen as a revenue rather than capital cost, as buying a managed service becomes more prevalent in this area.
- 5.15 In developing the MTFP a number of difficult decisions had to be made about what could and could not be afforded. The MTFP therefore only includes growth that is deemed to be essential for service delivery and improvement, or is required as a consequence of external or legal requirements.
- 5.16 Throughout the budget preparation process the following key principles have been adopted:
- To protect priority services and our ability to manage risk;
 - To maintain performance in key areas, including the strategic policing requirement;
 - To maintain our capability in protective services and back office functions through collaboration;
 - To reduce “discretionary spending” and streamline business processes to eliminate unnecessary bureaucracy and waste
 - To invest in technology to transform service delivery and deliver future savings
 - All change to be risk assessed.
- 5.17 There is a close relationship between preparation of the annual budget, medium term financial forecast and the annual target setting process. All three support and complement the PCC’s Police and Crime Plan and the Force Strategic Plan.
- 5.18 The proposals developed for the annual budget ensure that resources are targeted towards priority business areas that support the delivery of key strategic objectives, or are necessary for the effective management of policing risk.
- 5.19 The following section will show how the budget is updated for inflation and other cost

pressures, starting from the base point of the previously approved MTFP. A copy of the full four-year revenue forecast in pages 52 to 54.

Planning Assumptions

- 5.20 In compiling the revenue budget and MTFP, the following assumptions have been used as the basis of the plan for the next 4 years:
- General inflation will be applied at 2.0% in each of the next 4 years;
 - Specific inflation rates are based on sector led rates, e.g. Premises at 5.7%, Fuel at 7.0% and Utilities at 4% per annum;
 - Specific inflation has been applied to the facilities contracts to allow for wage uplifts in relation to the National Minimum Wage (NMW) and recruitment issues. This has been applied at 9.1% for 2020/21
 - Pay inflation has been included at 2.5% per annum for both Police Officers and Staff
 - Council tax precept to increase by £10 (4.85%) in 2020/21; with future increases at 2.0% per annum;
 - Council tax billing base to increase by 1.66% in 2020/21 ; with following increases at 1.5% per annum;
 - General police grants to rise by 7.5% in 2020/21; with following increases at 1.0% per annum over the period.
 - The use of reserves to support the MTFP & MTCP, but these will be significantly committed by the end of the four year period.
 - The future investment in technology, whether direct capital purchase or revenue service contracts, will need to be funded by revenue given the diminishing level of reserves and the very low level of annual capital grant.
- 5.21 The final assumption continues to reflect the increasing demand for investment in technology and the expectation that this will continue with the rollout of national programmes to address the Policing Vision 2025, against declining reserves and minimal capital grant. The provision within the MTFP for the direct funding of capital has increased to provide an annual fund of £11m by 2021/22. This is seen as a sensible approach to future financial sustainability.

Inflation and Pay Commitments

- 5.22 This additional cost does not relate to any direct increase in service, but is required to maintain the existing base level of service.
- 5.23 General inflation rates, based on the Office for Budget Responsibility (OBR) estimates of CPI, have added an additional £1.1m in 2020/21 and an extra £3.5m for the following 3 years.
- 5.24 Pay inflation has been set at 2.5% per annum for both officers and staff over the period, this together with other pay commitments, which include turnover cost adjustments and changes to pension scheme rates, has added £11.3m in 2020/21 and a further £29.8m

over the following 3 years.

- 5.25 In addition to these increases in general and pay inflation, specific inflationary increases for the likes of the facilities services contract have also added additional pressures to the base budget of circa £3.6m over the four year period.
- 5.26 Overall inflation and pay commitments for 2020/21 adds £13.47m (average rate of 3.21%) to the annual budget, a further £11.76m in 2021/22 (average rate of 2.59%), £11.87m in 2022/23 (average rate of 2.54%) and £12.23m in 2023/24 (average rate of 2.59%).

Current Service

- 5.27 This element of the budget contains growth for those items which are deemed to be necessary to maintain the current levels of service within Thames Valley. The main significant changes that have occurred in this section for 2020/21 include:
- Increase for the number of bank holidays that need to be funded for additional overtime payments in the year (£0.42m)
 - An increase in debt charges of £0.74m to support the borrowing taken out to facilitate the purchase of new premises for Reading police station and the SEROCU.
 - Growth for a number of essential new posts agreed by CCMT during the year, 3 FTE in vetting, 2 FTE Court Presentation Officers and a Driver Risk Evaluator – total £0.23m
 - Funding for growth in contributions to the regional ROCU; (£0.33m)
 - Removal of the contingency funding for the in-house provision of custody services; (£0.30m)
 - Growth for the increase in costs associated with the introduction of the DHEP for the recruitment of police officers; £1.42m
 - Removal of pension strain and redundancy specific budgets, with future costs to fall against direct savings or be met from reserves as appropriate; (£0.24m)
 - An increase in the provision for motor insurance claims, funded from the Insurance specific reserve (£0.5m)
 - An increase for the charges in relation to nationally run and delivered IT systems (£0.85m)
 - Funding for a reduction in the dedicated security grants (£0.2m)
- 5.28 Further details are provided on pages 55 to 57.

Improved Service

- 5.29 These items of growth are seen to be required in order to improve performance and meet the growing demands on the service. The main significant changes that have occurred in this section for 2020/21 include:

- Direct Revenue Funding has been re-phased over the MTFP periods to support and allow for future technology refreshes of hardware, together with a provision for any changes in the way technology is delivered through the likes of cloud technology; £1.53m
- Costs have been included for the on-going implementation work in preparation for the new national ESN infrastructure, £0.38m
- A review of property schemes funded from reserves has been undertaken with a consequential reduction in growth; (£0.32m)
- ICT growth has been included to implement the Aceso software and the new Target Operating Model, together with a reduction in rationalisation expenditure; £0.79m
- Our work to improve services to the public through contact management has increased by £0.76m to support a review of shift patterns and staffing levels within the contact management services.
- The removal of temporary case investigators has reduced the growth in local policing and frontline delivery, however this will be offset by the funded increase in officer establishment over the next 12 months; (£1.18m)
- Our investment in volume and complex investigations has increased by £1.85m
- The growth in our digital development programmes has decreased by £1.1m reflecting the initial capital investment made in 2019/20.
- A revised implementation plan for the EQUIP programme has meant that costs will not start until later in the year, reducing the financial consequences in 2020/21 to £0.29m
- Various smaller Tier 1 essential growth initiatives have been included for: Firearms trainer uplift; Fire investigation accreditation; Digital evidence investigators, and ISO accreditation for the Forensic Collision Investigation Unit. The total for these is £0.43m

5.30 In addition to the above, there are two areas of significant investment which will increase officer numbers and contribute to developing service delivery and support the aims of the force strategic plan.

Operation Uplift – National Increase in Officer Numbers (£12m)

- 5.31 As part of the Governments drive to increase officer numbers by 20,000, TVP has been allocated 183 additional officers from the first allocation of 6,000 officers nationally. This uplift in officers has come with additional funding in the current years settlement and will cover the full additional costs of salaries and associated on-costs.
- 5.32 The funding also allows for investment in additional infrastructure and capital investment to ensure that the force can support and maintain the increase into future years. What is unclear at this stage is the full investment needed in areas such as premises, transport, training, and other support areas, and also what the uplift in officers for years 2 & 3 may

look like.

- 5.33 The MTFP presented today has therefore made some assumptions around these areas and provides growth over the next three years to ensure that we have funding available to support and develop these new officers as they become fully trained and operationally deployable.
- 5.34 Within the £12m growth, £9m is directly related to the increases in on-going salary and associated revenue costs for the known increase of 183 officers in 2020/21, and the remaining £3m is related to the infrastructure investments for Equipment, Premises and Transport. This £3m is frontloaded funding for the known additional 183 officers, and also for estimated increases in years 2 & 3, which we have yet to be notified of. Investments in these areas cannot be done on an annual basis or in a piecemeal fashion, which is why we have made a significant investment in year 1 of the programme, with smaller investments in years 2 & 3.

Strategic Investment Funding (£4.2m)

- 5.35 A number of investment opportunities have been identified and included within the MTFP as a consequence of the council tax flexibility, for which the business cases will need to be developed further, and as appropriate funding will be released to either the capital plan or revenue budget. These opportunities have been presented by the business and scrutinised through TVP CCMT and also the Joint Command Group with Hampshire police, as a number of the proposals are joint bids across the two forces.
- 5.36 The areas which have been included and their contribution to the strategic plan are outlined in the table below:

Table 5

BRING MORE OFFENDERS TO JUSTICE BY IMPROVING THE QUALITY & TIMELINESS OF INVESTIGATIONS:		
£0.14m	Hi-Tech Crime Unit IT Equipment	Improve the quality and timeliness of hi-tech support to investigations, enhanced storage, networking, information sharing and in compliance with UKAS accreditation requirements.
IMPROVE HOW WE PROTECT THE VULNERABLE BY PRO-ACTIVELY IDENTIFYING, UNDERSTANDING AND REDUCING RISK & HARM		
£0.26m	Drones	Introduce drones as a BAU service following the successful proof of concept, supporting local priorities with a focus on fear for welfare and missing people searches; the capability will also provide a return on investment through reduced NPAS expenditure.
INCREASE THE SATISFACTION OF VICTIMS AND OTHERS IN NEED BY RESPONDING APPROPRIATELY AND IMPROVING COMMUNICATION WITH THEM.		
£1.14m	Pronto	Introduce a mobile application to enable frontline officers to complete risk assessments and other forms with victims or offenders at the scene, and remotely search law enforcement databases live-time at incidents.

£0.16m	CMP Phase 2 – Business Change	Ensure the return on investment for the public by realising the benefits of CMP through transforming service provision, process alignment and optimising operational delivery at the frontline.
SUSTAIN A VALUED WORKFORCE WITH THE CAPACITY AND CAPABILITY TO MANAGE THE CHALLENGES OF MODERN POLICING.		
£0.50m	Retention	Reduce attrition of trained and experienced officers and staff through proactive initiatives to address issues, and in support of mental and physical wellbeing.
£0.21m	Uplift in Tasers and Specially Trained Officers (STO's)	Increase the number of Taser devices and trained officers to maximise officer safety and welfare whilst on duty.
MANAGE RESOURCES TO INVEST IN PRIORITY AREAS & MAINTAIN CORE POLICING SERVICES		
£0.30m	Strategic Estates Group – Cleaning	Target enhanced cleaning in shared workspaces to improve the environment, particularly for shift workers, and to reduce sickness absence.
£0.40m	Strategic Estates Group – Workplace Condition	Invest in necessary maintenance and improvement activity at strategic sites, including areas available to and used by the public.
IMPLEMENT DIGITAL DEVELOPMENT, INTEGRATING NEW TECHNOLOGIES TO ADVANCE OUR ORGANISATIONAL AND OPERATIONAL RESPONSE.		
£0.17m	Network Transformation Discovery	Explore a new approach to refreshing the network infrastructure, negating the need for substantial capital investment, and saving money in the medium – long term.
£0.19m	Digital Development Team	Invest in resources to better equip the Force for policing in the digital age, providing digital capabilities and using technology to improve both the public's experience and operational performance.
£0.63m	Data Governance Project Extension	Improve the accuracy, quality and availability of police data to better support intelligence, prevention and enforcement activity; this project is also a key enabler for further digital programmes.
£0.07m	Dedicated SharePoint Team	Improve operating methods in partnership with Hampshire Constabulary through the introduction of a collaborative tool, enabling information sharing and supporting MOPI / GDPR compliance.
£0.05m	Archive Email Migration	A necessary improvement to the retention and storage of information, with a commensurate saving to be released 2 years after introduction.

5.37 The above areas of investment will be subject to ongoing review and final businesses cases.

5.38 Further details are provided on page 58.

In-Year Appropriations from Reserves

- 5.39 In accordance with the agreed policy on the use of reserve funding, the PCC has in recent years utilised the Improvement and Performance reserve to fund one-off expenditure contained within the MTFP. It is proposed that this reserve continues to be utilised to support the overall objectives of the MTFP over the coming years.

Funded By

- 5.40 The current MTFP is based on the recent grant settlement which has seen core police grants increase by £16.2m, together with a specific grant increase linked to the increase in officer numbers of £5.1m for 2020/21.
- 5.41 The MTFP is also based on the assumption that the PCC will increase the council tax precept by £10 (4.85%) for 2020/21, with increases reverting to 2% per annum thereafter.

Force Productivity Strategy

- 5.42 The Force has a long history of delivering productivity savings and using these to balance annual budgets or reinvesting them in frontline policing, a strategy that has been widely scrutinised and praised by the HMIC during various inspections and reports. To date total cash savings of £106m have been taken out of the base revenue budget over the last nine years (i.e. 2010/11 to 2019/20), however it is becoming more and more difficult to identify and deliver true efficiency savings as opposed to cuts.
- 5.43 The financial and operational demands facing the force mean that it is more important than ever that the continuous review, challenge and improvement principles underlying the Productivity Strategy continue to ensure we focus our resources on our priority areas. The Efficiency and Effectiveness programme led by the Chief Superintendent “Governance and Service Improvement” is progressively reviewing the force taking into consideration: demand, functional processes rather than departmental structures, and building for the future. Reviews are continuing to utilise the Priority Based Budgeting (PBB) methodology and focus on Method Changes, Volume changes and Service Level changes. New efficiencies have now been identified and are included in the productivity plan as per below.
- 5.44 The current productivity plan has been reviewed and scrutinised against the deliverability of the savings and the requirements of the MTFP, and the strategy has been updated with new and changed initiatives, with the key movements including:
- Savings identified from the implementation of the CMP and Equip platforms have been slipped from 2020/21 to later in the plan to the value of £0.3m
 - Transport savings taken in the current year have been reversed at a cost of £0.40m due to the issues with the Telematics data not supporting the delivery of the savings – these will be reviewed and taken in future years

- A review of the Asset Management Plan has meant that savings have had to be reduced due to new properties being taken on before existing properties can be released. This has reduced savings by £0.26m
- A review of central forensics, income and ICT budgets has allowed for savings of £0.45m to be realised in 2020/21
- A freeze on 10 PCSO vacancies has allowed for a one-off saving of £0.28m in 2020/21
- Additional Efficiency and Effectiveness savings have also been identified in Crime; FISO, Local Policing; Governance & Service Improvement, and Procurement, totalling £1.13m
- Various Amber rated savings have also been included in the plan to the value of £0.93m. These are more difficult to ensure they are fully realisable but have been scrutinised and it is felt that they can be achieved during the year. The inclusion of these amber savings emphasise the importance placed on the continuing drive to improve efficiency.

5.45 The savings relating to the first year of the productivity strategy are all related to specific initiatives that have been scrutinised by the Force to ensure that the risks of implementation are acceptable. These savings should all be attainable subject to the current demands and profile of policing.

5.46 Savings linked to the later years of the strategy are also linked to specific initiatives, however a number of these still require further scoping work and assessment of the impacts and risks, which will be carried out over the next financial year.

5.47 A copy of the full Productivity Strategy is provided on pages 62 to 63.

6 ESTABLISHMENT CHANGES

6.1 Policing is a people driven service with the vast majority of its costs being direct salary and related salary on-costs. It is therefore essential that the service is clear on what resources can be funded and how this relates to the number of both officers and staff within the organisation.

6.2 This has particularly been emphasised by the national drive to increase the capacity of the police service by increasing officer numbers by 20,000 over the next three years, with the specific funding that the Government is investing.

6.3 Previous years of cash cuts and budget reductions has meant that officer and staff numbers have declined as a consequence, and in order to preserve the establishments going forward more innovative approaches to efficiencies need to be developed to ensure that whilst the cost base is reduced the level of service and officer numbers are preserved wherever possible.

6.4 The estimated summary position for the force establishment over the MTFP is shown in

the following table.

Table 6: Summary of Estimated Establishments

	Police FTE	Police Staff FTE	PCSOs FTE	Total FTE
Original Estimated Establishment at March 2020	3,854.60	2,948.60	418.00	7,221.20
<i>2019/20 In Year Adjustments:</i>	0.20	34.50	5.00	39.70
Revised Estimated Establishment at March 2020	3,854.80	2,983.10	423.00	7,260.90
<i>2020/21 Adjustments</i>	-3.00	11.00	0.00	8.00
<i>Productivity Plan Savings</i>	-28.50	4.90	0.00	-23.60
<i>Growth</i>	-2.00	-22.00	0.00	-24.00
Operation Uplift - National Increase	183.00			183.00
Estimated Establishment at March 2021	4,004.30	2,977.00	423.00	7,404.30
<i>2021/22 Adjustments</i>				
Productivity Plan Savings	-1.00	-57.20	0.00	-58.20
Growth	-9.00	-25.00	0.00	-34.00
Estimated Establishment at March 2022	3,994.30	2,894.80	423.00	7,312.10
<i>2022/23 Adjustments</i>				
Productivity Plan Savings	0.00	-8.50	0.00	-8.50
Growth	0.00	-4.00	0.00	-4.00
Estimated Establishment at March 2022	3,994.30	2,882.30	423.00	7,299.60

7 **BUDGET RISKS AND UNCERTAINTIES**

- 7.1 As with all planning and assumptions, there are a number of risks and issues which have yet to, or cannot be, quantified. These are highlighted and explained below in the National and Local subsections:

National

- 7.2 The allocation and distribution of the growth in 20,000 officers has not been finalised beyond the current year. Currently we are assuming that all growth posts will come with full funding to cover direct and associated on-costs, but should this not fully materialise then additional pressure will be put on the MTFP presented today.
- 7.3 Council tax precept is assumed to be capped at 2% in future years, however a relaxation in the rules could enable higher increases if the PCCs choose to.

- 7.4 PCC Elections in 2020 could influence the direction and focus of spending priorities for the force.
- 7.5 The potential conclusion of the Brexit discussions have yet to be quantified in terms of government policy for future years and the consequential impact this may have on police funding and grant allocations. Internal procurement work has been undertaken to assess the potential risks which could add an additional pressures to the budget requirement in later years.
- 7.6 The Home Office review of the national funding formula is still being discussed, but no further information is expected until after the Spending Review (SR) in 2020. Each 1% change in funding equates to approximately £2.1m per annum.
- 7.7 Further top slicing of the national police grant for the IPCC/HMIC, and or for the creation of new funds, like the Police Uplift Programme, could reduce the future quantum available for distribution to local forces

Local

- 7.8 Police recruitment and retention has suffered severe challenges over the last two years but the expectation is that we will end the financial year significantly above full establishment, a front loading of our 183 uplift. There is however, a continuing risk that either recruitment numbers will not be achieved as anticipated or wastage will rise beyond currently predicted levels resulting in further shortages in future years, especially with the additional increase in officers from central government.
- 7.9 In addition, the increased level of turnover and recruitment means that we have a higher percentage of new and recently qualified officers depleting the overall level of skills and knowledge within the organisation. This could impact on service delivery even if we maintain and achieve our numbers.
- 7.10 Recruitment of police officers is moving primarily to the two new entry routes, the apprenticeship scheme (PCDA) and the Degree Holder Entry Programme (DHEP) in 2020. This is clearly a new venture for the police and, as such, has a level of risk and cost associated with it. We have currently included some growth for these schemes within the MTFP, but without all the details agreed these can only be estimates at this time and could be subject to requiring further funding.
- 7.11 Digital Agenda - the increased use of technology brings additional support costs which cannot always be quantified, for example storage, connectivity, data usage, digital infrastructure.
- 7.12 Delivery of the scheduled savings within the productivity plan are fully achievable and delivered to support the current MTFP.
- 7.13 Unquantified demand, whether new operational demand or investment requirements, for example to utilise a national technology initiative may impact on the estimates presented today.

8 IMPLICATIONS FOR COUNCIL TAX

Impact on Council Tax

- 8.1 The PCC will receive police grant of £153.5m, ex-DCLG formula grant of £79.3m and legacy council tax grants of £15.3m in 2020/21. These levels of grant income are determined independent of the PCC's planned spending budget for the year.

Surplus on Collection Funds

- 8.2 It is currently estimated that, based on provisional council data, the PCC will receive approximately £2.02m in 2020/21 as its share of the net surplus on the billing authorities' Collection Funds, details of which are provided in Appendix 7.

Funding the 2020/21 Revenue Budget

- 8.3 Table 7 shows how the 2020/21 revenue budget will be financed.

Table 7: Revenue Funding 2020/21

	£m	%
Police grant	153.5	34.2
Ex-DCLG formula grant	79.3	17.7
<i>Total formula grant</i>	<i>232.8</i>	<i>51.9</i>
Council tax precept (estimate)	198.8	44.3
Council Tax surplus on collection funds (estimate)	2.0	0.5
<i>Total council tax</i>	<i>200.8</i>	<i>44.8</i>
Legacy council tax grants	15.3	3.3
Total Financing	448.9	100

Council Taxbase

- 8.4 The taxbase is calculated by the billing authorities by converting all properties to band D equivalents and making assumptions about the levels of discounts to be offered and the amount of tax to be collected. The total taxbase for 2020/21 is 919,364 as illustrated below.

Table 8: Taxbase and Surplus/Deficit on collection funds

	Taxbase	Surplus / Deficit (-) on collection funds £	Annual Precept £
Bracknell Forest	46,816.00	76,312.00	10,125,364.48
Buckinghamshire	223,990.02	486,000.00	48,444,561.53
Cherwell	55,559.90	280,079.00	12,016,495.17
Milton Keynes	86,689.95	390,000.00	18,749,302.39
Oxford City	45,895.50	33,481.00	9,926,278.74
Reading	56,741.00	30,000.00	12,271,943.48
Slough	42,918.10	0.00	9,282,326.67
South Oxfordshire	57,848.50	450,421.41	12,511,473.58
Vale of White Horse	52,686.40	356,226.39	11,395,014.59
West Berkshire	65,205.90	-193,509.00	14,102,732.05
West Oxfordshire	44,285.22	88,919.00	9,578,007.38
Windsor & Maidenhead	68,690.96	-21,717.00	14,856,480.83
Wokingham	72,036.50	69,500.00	15,580,054.22
Totals	919,363.95	2,045,712.80	198,840,035.11

Band D Council Tax

- 8.5 The band D council tax proposed for 2020/21 is £216.28, an increase of £10.00 or 4.85% on the comparable figure for 2019/20
- 8.6 As shown in Appendix 8 our current 2019/20 band D council tax of £206.28 is below the English national average of £216.52. The appendix also shows that TVP is significantly below average in terms of net cost per 1000 population when compared to other forces (£174,411 compared to £205,038). The final three columns show the proportion of each PCC's net budget requirement raised through council tax and government grant. TVP receives a higher proportion of its income from local council taxpayers than in most other force areas.

9 LOCAL GOVERNMENT ACT 2003

Robustness of estimates and adequacy of reserves

- 9.1 Section 25 of the Local Government Act 2003 places a duty on the Chief Finance Officer (CFO) to make a report to the PCC on the robustness of the estimates and the adequacy of the reserves.

Reserves and balances

- 9.2 Full information is provided on pages 78 to 92.
- 9.3 Based on current planning assumptions general revenue balances will stay slightly above the approved 3% target level throughout the next 4 years.
- 9.4 Earmarked reserves are forecast to reduce from £24.5m on 1st April 2019 to just £3.5m

by 31st March 2024, including £1.4m in the Conditional Funding and SEROCU reserves which are not available to support general operational policing.

- 9.5 The Optimism Bias reserve which was created in 2018/19 with the transfer of £12m from the Improvement and Performance reserve will be fully utilised by the end of 2021/22. This reserve has been used to fund unexpected cost pressures on the Contact Management Platform (CMP) and the joint ERP solution with Surrey and Sussex (Equip).
- 9.6 For many years the Improvement and Performance reserve has been used to fund one-off expenditure items in both the revenue budget and capital programme, primarily estate issues. According to current plans this reserve will only have £1.7m at the end of 2021/22 which means that future growth proposals will have to be accommodated within the medium term financial plan and funded by council tax or offsetting savings elsewhere in the budget.
- 9.7 Accumulated capital grants and reserves will be fully utilised by the end of 2020/21 but should grow again in later years. However, this is a slightly false position since the Medium Term Capital Plan does not include new schemes in 2022/23 or 2023/24.

Reliability / accuracy of budget estimates

- 9.8 The estimates have been put together by qualified finance staff in the Force's Finance Department and reviewed by qualified staff within the Office of the PCC.
- 9.9 There are a significant number of risks regarding the draft budget proposals and these are clearly set out in Section 7 above and on pages 44 to 47.
- 9.10 The biggest area of uncertainty is the number of officers that TVP will receive from the Uplift Programme in years 2 and 3, and the level of funding that will come with those officers. We have not attempted to quantify either the number of officers that TVP will receive or the associated funding from Home Office in this iteration of the Medium Term Financial Plan.
- 9.11 By themselves none of the risks on pages 44 to 47 are so significant that they could not be managed in isolation, however, collectively they represent a gradual and escalating build-up of financial pressure on the Force that will need to be closely monitored during the year and the next iteration of the MTFP will be updated accordingly.

Scrutiny

- 9.12 The draft budget proposals were presented to and scrutinised by the PCC at his Level 1 public meeting on 29th November.
- 9.13 The Police and Crime Panel has established a 'Budget Task and Finish Group' to review the budget proposals. This Group met on 4th February to scrutinise the budget before making recommendations to the Panel of the 14th.

Achievability and risks

- 9.14 The budget risk and sensitivity analysis for 2020/21 is provided on. In producing this analysis the CFO has followed the Force Risk Assessment Model. The first main column explains the risk to the PCC's budget. The level of risk is then assessed in terms of both likelihood and impact (each factor scored out of 5, with 1 being low likelihood / impact) on the PCC's budget. The final column provides a sensitivity analysis, where appropriate.
- 9.15 These identified risks are mitigated, to a certain extent, because the PCC:
- maintains an appropriate level of reserves and balances;
 - takes a prudent approach to achievability of income and the recovery of debts due, making appropriate provisions for bad debts; and
 - will proactively manage and monitor all aspects of budget performance during the year.
- 9.16 In addition, the Force continues to identify future budget savings through its ongoing Productivity Strategy, as referred to in paragraphs 5.42 to 5.47 above
- 9.17 Accordingly, the assessment of budget risks presented on pages 44 to 47 takes into account the mitigating factors identified above.
- 9.18 Risks to the medium term financial plan (2021/22 to 2023/24) are shown on pages 49 to 51.
- 9.19 The PCC's cash flow requirements are forecast and monitored on a regular basis to ensure stable and predictable treasury management, avoiding unexpected financing requirements.
- 9.20 The PCC needs to be satisfied that the revenue commitments in future years are affordable, sustainable and deliverable. Furthermore, the PCC has a responsibility to local people to ensure that the approved budget and detailed spending plans will deliver the aims, priorities and performance targets as set out in his Police and Crime Plan 2017-2021. Following the PCC elections in May the incoming PCC will publish a new Police and Crime Plan later this year
- 9.21 In response to the inherent risk in the timely delivery of large capital schemes within time and budget an earmarked reserve for Optimisation Bias (OB) was created 2 years ago, based on HM Treasury Guidance on capital projects. However, as the separate report on Reserves and balances shows, the OB reserve is fully committed and will run out of cash by the end of 2021/22. Unfortunately, as shown in the Medium Term Capital Plan (MTCP), an assessment of current schemes indicates that we should hold a Bias risk of £3.45m for identified specific projects. These project risks will continue to be monitored, and if these risks materialise then we would look to find offsetting savings from elsewhere within the budget, or using some of the £1.7m spare funds in the Improvement & Performance reserve - see 9.6 above.
- 9.22 The Force uses recognised project management techniques including programme and project boards to manage all major schemes. In addition, the Force Strategic Governance

Unit ensures the co-ordination of all major projects as part of the Force Transformation Programme and reports progress to the Force Transformation Board.

9.23 All capital schemes are managed by:

- rigorous monitoring of projects.
- close liaison with project partners
- closely monitoring staff vacancies and using contractors where appropriate.

Council Tax Capping

9.24 The Localism Act 2011 abolished the capping regime in England. However, Schedule 5 of the Act made provision for council tax referendums to be held if an authority increases its council tax by an amount exceeding principles determined by the Secretary of State [for CLG] and agreed by the House of Commons.

9.25 In the Written Ministerial Statement on 23rd January Kit Malthouse stated 'We propose to empower PCCs to increase their Band D precept by £10 without the need to call a local referendum, the equivalent of less than twenty pence per week'

Prudential Code for Capital Finance

9.26 The Prudential Code for Capital Finance has introduced a rigorous system of prudential indicators which explicitly require regard to longer-term affordability, prudence, value for money, stewardship, service objectives and practicality of investment decisions. This is backed up by a specific requirement to monitor performance against forward-looking indicators and report and act on significant deviations.

Conclusion

9.27 The 2020/21 budget has been prepared in a properly controlled and professionally supported process. It has been subject to due consideration within the Force and by the PCC. The identifiable risks should be capable of management.

9.28 The police settlement enables each PCC to increase the police element of council tax by up to £10 a year for a band D property in 2020/21. This will facilitate the force investing almost £20m in additional resources, police staff and police officers, as well as the technology to improve the productivity and efficiency of their work.

9.29 As shown on pages 44 to 47 there are a number of risks to the MTFP, most notably the level of future year grant allocations, however based on the assumptions set out in paragraph 5.20 above, the MTFP is currently balanced in 2020/21 with variances being shown in the following years.

9.30 The PCC is reminded that his responsibility for setting the annual budget and council tax precept for 2020/21 should also take into account whether the budget and service plans are relevant, affordable and sustainable in the longer-term. In doing so, he will need to satisfy himself that services and resource allocation have been appropriately prioritised and that financial risks have been adequately addressed and covered by, for example,

reserves, contingencies and risk mitigation plans.

10 CONCLUSIONS

- 10.1 The revenue budget is balanced for 2020/21 with variances showing in future years, with a £10 increase in precept in 2020/21 followed by 2% per annum in later years
- 10.2 The MTFP provides for inflationary increases, the 183 additional uplift officers and limited investment to address some service and performance issues by increasing our resources, both police officers and police staff, alongside investing in the technology to make our staff more productive. The investment has only been possible because of the additional flexibility in the council tax precept.
- 10.3 The Force continues to prioritise its work on the Productivity Strategy to ensure resources are directed to priority areas and that services are delivered in the most effective and efficient manner. This work focuses the drive for continuous improvement, improved efficiency and alignment of resources with demand. It will continue to release savings in future years in order to address future unquantified demands and provide additional resource to reinvest in priority policing areas
- 10.4 As shown above the current MTFP requires revenue savings of at £14.4m over the next four years. This is over and above the £106m of cash savings already removed from the base budget in the last nine years (i.e. 2010/11 to 2019/20) meaning that, over the thirteen year period in excess of £119m will have been taken out of the base revenue budget.

11 PCC DECISIONS

11.1 The PCC approved:

- That the council tax requirement for 2020/21 be set at £198.84m.
- The revenue estimates for 2020/21 as set out on pages 27 to 43.
- That the police element of the council tax for 2020/21 be set at £216.28 for properties in Band D, with the charge for other bands as set out below.

Property Band	Relevant Proportion	PCC Element of the Council Tax £
A	$\frac{6}{9}$	144.19
B	$\frac{7}{9}$	168.22
C	$\frac{8}{9}$	192.25
D	$\frac{9}{9}$	216.28
E	$\frac{11}{9}$	264.34
F	$\frac{13}{9}$	312.40
G	$\frac{15}{9}$	360.47
H	$\frac{18}{9}$	432.56

Revenue Budget Summary 2020/21

	2019/20 Budget	Inflation	Savings	Virements	Growth	2020/21 Budget
<i>PCC Controlled Expenditure</i>						
Office of the PCC	£1,077,996	£26,614	-50,000	0	0	£1,054,610
Democratic Representation	£211,497	£4,799	0	0	0	£216,296
Other Costs	£197,031	£2,782	-30,000	0	0	£169,813
Commissioned Services	£5,968,251	£5,767	0	0	0	£5,974,018
	£7,454,775	£39,962	-80,000	0	0	£7,414,737
<i>TVP Operational Budget - Direction and Control of Chief Constable:</i>						
Employees	£353,250,171	£11,321,138	-2,549,108	4,772,738	12,544,702	£379,339,641
Premises	£17,604,817	£769,405	-64,463	-154,500	278,563	£18,433,822
Transport	£9,773,694	£363,448	180,000	-157,560	2,260,375	£12,419,957
Supplies & Services	£56,861,005	£887,831	-502,500	-3,464,757	6,887,146	£60,668,725
Third Party Payments	£7,845,030	£104,675	-354,000	457,206	1,336,683	£9,389,594
Force Income	-£26,822,640	-£12,680	-100,000	-935,802	183,514	-£27,687,608
Specific Grant	-£16,109,888	£0	0	-377,325	-4,911,946	-£21,399,159
	£402,402,189	£13,433,817	-3,390,071	140,000	18,579,037	£431,164,972
<i>Net Capital Financing Costs:</i>						
Capital Financing	£12,149,171	£0	0	-140,000	1,022,003	£13,031,174
Interest on Balance	-£890,000	£0	0	0	0	-£890,000
	£11,259,171	£0	0	-140,000	1,022,003	£12,141,174
<i>Appropriations to/from Balances:</i>						
Appropriations	-£1,202,539	£0	0	0	-589,461	-£1,792,000
	-£1,202,539	£0	0	0	-589,461	-£1,792,000
Cost of Services	£419,913,596	£13,473,779	-3,470,071	0	19,011,579	£448,928,883
<i>Funded By:</i>						
Police Current Grant	-£142,277,088	£0	0	0	-11,169,220	-£153,446,308
Council Tax - Surplus on Collection	-£1,519,648	£0	0	0	-526,064	-£2,045,712
Council Tax Precept Income	-£186,558,099	£0	0	0	-12,281,730	-£198,839,829
Formula Grant	-£74,280,432	£0	0	0	-5,038,273	-£79,318,705
Legacy Council Tax Grants	-£15,278,329	£0	0	0	0	-£15,278,329
	-£419,913,596	£0	0	0	-29,015,287	-£448,928,883
Total Funding	-£419,913,596	£0	0	0	-29,015,287	-£448,928,883

PCC Controlled Expenditure

	2019/20 Budget	Inflation	Savings	Virements	Growth	2020/21 Budget
PCC Controlled Expenditure						
<i>Office of the PCC</i>						
Police Staff Pay	827,899	20,698	-50,000	0	0	798,597
Police Staff NI	70,978	1,774	0	0	0	72,752
Police Staff Pension	119,128	2,978	0	0	0	122,106
Training & Conference expenses	10,940	219	0	0	0	11,159
Car Allowances & Travel Expenses	7,956	98	0	0	0	8,054
Office Equipment, Furniture & Materials	12,559	252	0	0	0	12,811
Other Supplies & Services	28,536	595	0	0	0	29,131
Joint working Initiatives	0	0	0	0	0	0
	1,077,996	26,614	-50,000	0	0	1,054,610
<i>Democratic Representation</i>						
Police Staff Pay	134,921	3,373	0	0	0	138,294
Police Staff NI	15,994	400	0	0	0	16,394
Police Staff Pension	19,305	483	0	0	0	19,788
Training & Conference expenses	2,448	49	0	0	0	2,497
Vehicle Fuel	570	40	0	0	0	610
Vehicle Contract Hire & Operating Leases	3,120	62	0	0	0	3,182
Car Allowances & Travel Expenses	4,591	32	0	0	0	4,623
Allowances	15,925	318	0	0	0	16,243
Other Supplies & Services	14,623	42	0	0	0	14,665
Commissioning Services	0	0	0	0	0	0
	211,497	4,799	0	0	0	216,296
<i>Other Costs</i>						
Office Equipment, Furniture & Materials	1,346	27	0	0	0	1,373
Custody Costs	11,130	223	0	0	0	11,353
Allowances	33,446	668	0	0	0	34,114
Other Supplies & Services	151,109	1,864	-30,000	0	0	122,973
	197,031	2,782	-30,000	0	0	169,813
<i>Commissioned Services</i>						
Police Staff Pay	2,844	4,671	0	184,000	0	191,515
Police Staff NI	393	410	0	16,000	0	16,803
Police Staff Pension	435	686	0	27,000	0	28,121
Custody Costs	0	0	0	0	0	0
Commissioning Services	5,964,579	0	0	-227,000	0	5,737,579
	5,968,251	5,767	0	0	0	5,974,018
PCC Controlled Expenditure	7,454,775	39,962	-80,000	0	0	7,414,737

TVP Operational Budget - Direction and Control of Chief Constable:

	2019/20 Budget	Inflation	Savings	Virements	Growth	2020/21 Budget
Employees						
<i>Police Officer Pay</i>						
Police Officer Pay	142,200,363	3,523,685	-1,618,349	367,349	9,251,188	153,724,236
Police Officer NI	17,305,185	429,494	0	-125,560	0	17,609,119
Police Officer Pension	42,661,971	1,063,724	0	-82,893	0	43,642,802
Police Officer Allowances	11,980,915	-245,339	-60,000	142,028	200,000	12,017,604
	214,148,434	4,771,564	-1,678,349	300,924	9,451,188	226,993,761
<i>Police Officer Overtime</i>						
Police Officer Overtime	8,737,487	218,869	0	17,828	177,968	9,152,152
	8,737,487	218,869	0	17,828	177,968	9,152,152
<i>PCSO Pay</i>						
PCSO Pay	11,188,982	283,203	-177,100	-21,588	22,050	11,295,547
PCSO NI	971,995	23,850	-36,800	10,240	0	969,285
PCSO Pension	1,742,356	42,017	-69,000	11,354	0	1,726,727
	13,903,333	349,070	-282,900	6	22,050	13,991,559
<i>PCSO Overtime</i>						
PCSO Overtime	2,717	63	0	0	0	2,780
	2,717	63	0	0	0	2,780
<i>Other Staff Costs</i>						
Police Staff Pay	84,789,712	5,103,339	-587,859	736,939	2,275,807	92,317,938
Police Staff NI	7,459,058	201,249	0	489,974	19,800	8,170,081
Police Staff Pension	12,458,968	326,482	0	694,224	29,000	13,508,674
Police Staff Allowances	457,896	9,339	0	5,684	0	472,919
	105,165,634	5,640,409	-587,859	1,926,821	2,324,607	114,469,612
<i>Other Staff Overtime</i>						
Police Staff Overtime	1,770,115	48,279	0	163,094	108,232	2,089,720
	1,770,115	48,279	0	163,094	108,232	2,089,720
<i>Temporary or Agency Staff</i>						
Temporary or Agency Staff	1,549,683	95,808	0	2,282,579	0	3,928,070
	1,549,683	95,808	0	2,282,579	0	3,928,070
<i>Police Officer Injury/Ill health/Death Pensions</i>						
Police Officer Injury/Ill health/Death Pensions	4,130,557	102,942	0	0	0	4,233,499
	4,130,557	102,942	0	0	0	4,233,499
<i>Other Employee Expenses</i>						
Staff & Officer Recruitment Costs	666,566	10,671	0	1,486	0	678,723
Staff Welfare	480,124	8,596	0	0	30,000	518,720
Employee Insurance	1,367,535	46,908	0	10,000	0	1,424,443
	2,514,225	66,175	0	11,486	30,000	2,621,886
<i>Restructure, Training & Conference Costs</i>						
Restructure Costs	68,973	1,379	0	0	-68,973	1,379
Pension Strain	167,270	3,345	0	0	-167,270	3,345
Training & Conference expenses	1,091,743	23,235	0	70,000	666,900	1,851,878
	1,327,986	27,959	0	70,000	430,657	1,856,602
Employees	353,250,171	11,321,138	-2,549,108	4,772,738	12,544,702	379,339,641

TVP Operational Budget - Direction and Control of Chief Constable:

	2019/20 Budget	Inflation	Savings	Virements	Growth	2020/21 Budget
Premises						
<i>Premises Related Expenditure</i>						
Repairs & Maintenance	6,992,088	330,323	3,061	-75,000	278,563	7,529,035
Utilities	2,856,261	119,120	-38,868	174,605	0	3,111,118
Rent & Rates	5,276,211	151,760	-1,743	-73,615	0	5,352,613
Cleaning & Domestic Supplies	1,796,822	142,219	-25,572	15,000	0	1,928,469
Other Premises Costs	481,381	22,023	-1,341	-191,417	0	310,646
Property Insurance	202,054	3,960	0	-4,073	0	201,941
	17,604,817	769,405	-64,463	-154,500	278,563	18,433,822
Premises	17,604,817	769,405	-64,463	-154,500	278,563	18,433,822

TVP Operational Budget - Direction and Control of Chief Constable:

	2019/20 Budget	Inflation	Savings	Virements	Growth	2020/21 Budget
Transport						
<i>Transport Related Expenditure</i>						
Vehicle Fuel	2,106,363	161,687	200,000	3,424	0	2,471,474
Vehicle Contract Hire & Operating Leases	7,564,697	187,350	-20,000	-176,030	2,260,375	9,816,392
Car Allowances & Travel Expenses	1,378,068	4,926	0	15,046	0	1,398,040
Transport Insurance	1,451,739	0	0	0	0	1,451,739
Transport - Other	-2,727,173	9,485	0	0	0	-2,717,688
	9,773,694	363,448	180,000	-157,560	2,260,375	12,419,957
Transport	9,773,694	363,448	180,000	-157,560	2,260,375	12,419,957

TVP Operational Budget - Direction and Control of Chief Constable:

	2019/20 Budget	Inflation	Savings	Virements	Growth	2020/21 Budget
Supplies & Services						
<i>Supplies & Services</i>						
Office Equipment, Furniture & Materials	1,475,501	29,189	-62,500	46,392	4,213,000	5,701,582
Catering Contracts	531,132	10,225	0	-20,000	0	521,357
Clothing, Uniforms & Laundry	1,022,669	22,788	50,000	66,700	970,510	2,132,667
Custody Costs	7,282,829	109,473	0	-4,263,789	-302,615	2,825,898
Forensic Costs	4,223,336	14,952	-50,000	-337,667	0	3,850,621
Investigative Expenses	1,259,048	29,286	0	217,739	25,000	1,531,073
Police Doctors & Surgeons	588,364	12,407	0	32,000	40,000	672,771
Interpreters & Translators	783,148	15,262	-50,000	-20,000	0	728,410
Communications & Computing	30,782,444	516,640	-300,000	840,552	1,849,251	33,688,887
Other Supplies & Services	8,912,534	127,609	-90,000	-26,684	92,000	9,015,459
	56,861,005	887,831	-502,500	-3,464,757	6,887,146	60,668,725
Supplies & Services	56,861,005	887,831	-502,500	-3,464,757	6,887,146	60,668,725

TVP Operational Budget - Direction and Control of Chief Constable:

	2019/20 Budget	Inflation	Savings	Virements	Growth	2020/21 Budget
Third Party Payments						
<i>Third Party Payments</i>						
Commissioning Services	1,113,484	6,080	-54,000	0	354,000	1,419,564
Joint working Initiatives	367,918	7,358	0	0	0	375,276
Collaboration Payments	4,117,042	39,779	-300,000	130,869	-51,840	3,935,850
Police National Computer / Database	1,376,585	20,100	0	-371,585	506,783	1,531,883
Other Third Party Payments	870,001	31,358	0	697,922	527,740	2,127,021
	7,845,030	104,675	-354,000	457,206	1,336,683	9,389,594
Third Party Payments	7,845,030	104,675	-354,000	457,206	1,336,683	9,389,594

TVP Operational Budget - Direction and Control of Chief Constable:

	2019/20 Budget	Inflation	Savings	Virements	Growth	2020/21 Budget
Force Income						
<i>Local Government Specific / Partnership Funding</i>						
Local Government Funding - Specific/Partnership	-1,318,169	-12,680	0	0	0	-1,330,849
	-1,318,169	-12,680	0	0	0	-1,330,849
<i>Sales, Fees, Charges & Rents</i>						
Sale of Assets & Goods	-298,562	0	0	-140	0	-298,702
Fees & Charges - Public Fees	-918,934	0	0	5,000	0	-913,934
Fees & Charges - Rental & Hire Charges	-817,249	0	0	0	0	-817,249
Fees & Charges - General	-8,186,118	0	-100,000	342,359	0	-7,943,759
	-10,220,863	0	-100,000	347,219	0	-9,973,644
<i>Special Police Services</i>						
Fees & Charges - Private Hire - Single Events	-647,556	0	0	0	0	-647,556
	-647,556	0	0	0	0	-647,556
<i>Reimbursed Services - Other Police Forces</i>						
Inter Force Reimbursements - Collaboration	-12,519,792	0	0	-1,278,021	183,514	-13,614,299
	-12,519,792	0	0	-1,278,021	183,514	-13,614,299
<i>Reimbursed Services - Other Public Bodies</i>						
Non Inter Force/Local Gov, but Public Body Contributions	-1,110,000	0	0	10,000	0	-1,100,000
	-1,110,000	0	0	10,000	0	-1,100,000
<i>Reimbursed Services - Other</i>						
Sponsorship & Advertising Income	0	0	0	0	0	0
Proceeds of Crime	-528,667	0	0	0	0	-528,667
Refunds	-10,000	0	0	0	0	-10,000
	-538,667	0	0	0	0	-538,667
<i>Reimbursed Services - Sources of Income from Other Forces</i>						
Sources of Income from Other Forces	-467,593	0	0	-15,000	0	-482,593
	-467,593	0	0	-15,000	0	-482,593
Force Income	-26,822,640	-12,680	-100,000	-935,802	183,514	-27,687,608

TVP Operational Budget - Direction and Control of Chief Constable:

	2019/20 Budget	Inflation	Savings	Virements	Growth	2020/21 Budget
Specific Grant						
<i>Government & Overseas Funding</i>						
PFI Grant	-1,031,892	0	0	0	0	-1,031,892
Security Grant	-6,851,625	0	0	-377,325	200,000	-7,028,950
MoJ - Commisioning of Victims Services	-2,764,995	0	0	0	0	-2,764,995
Loan Charges Specific Grant	-31,376	0	0	0	6,209	-25,167
CRB Grant	-1,130,000	0	0	0	0	-1,130,000
Council Tax Freeze Grant	0	0	0	0	0	0
Community Safety Fund	0	0	0	0	0	0
Specialist Firearms Grant	0	0	0	0	0	0
HO Special Grant	-4,300,000	0	0	0	-5,118,155	-9,418,155
	-16,109,888	0	0	-377,325	-4,911,946	-21,399,159
Specific Grant	-16,109,888	0	0	-377,325	-4,911,946	-21,399,159

Net Capital Financing Costs:

	2019/20 Budget	Inflation	Savings	Virements	Growth	2020/21 Budget
Net Capital Financing Costs:						
<i>Capital financing and contributions</i>						
Debt Charges	2,307,464	0	0	0	712,402	3,019,866
Capital Expenditure Funded from Revenue	9,535,112	0	0	-140,000	284,000	9,679,112
Finance Leases	306,595	0	0	0	25,601	332,196
	12,149,171	0	0	-140,000	1,022,003	13,031,174
<i>Interest / Investment Income</i>						
Interest / Investment Income	-890,000	0	0	0	0	-890,000
	-890,000	0	0	0	0	-890,000
Net Capital Financing Costs:	11,259,171	0	0	-140,000	1,022,003	12,141,174

Appropriations to/from Balances:

	2019/20 Budget	Inflation	Savings	Virements	Growth	2020/21 Budget
Appropriations to/from Balances:						
<i>Transfers to Revenue and Capital Reserves</i>						
Transfer to earmarked revenue reserves	-1,202,539	0	0	0	-384,461	-1,587,000
Transfer to earmarked capital reserves	0	0	0	0	0	0
Transfer to General Reserve	0	0	0	0	-205,000	-205,000
	-1,202,539	0	0	0	-589,461	-1,792,000
Appropriations to/from Balances:	-1,202,539	0	0	0	-589,461	-1,792,000

Funded By:

	2019/20 Budget	Inflation	Savings	Virements	Growth	2020/21 Budget
Funded By:						
<i>Government Grants</i>						
Formula Grant	-74,280,432	0	0	0	-5,038,273	-79,318,705
Legacy Council Tax Grants	-15,278,329	0	0	0	0	-15,278,329
Police Current Grant	-142,277,088	0	0	0	-11,169,220	-153,446,308
	-231,835,849	0	0	0	-16,207,493	-248,043,342
<i>Local Government Precept</i>						
Council Tax Precept Income	-186,558,099	0	0	0	-12,281,730	-198,839,829
Council Tax - Surplus on Collection	-1,519,648	0	0	0	-526,064	-2,045,712
	-188,077,747	0	0	0	-12,807,794	-200,885,541
Funded By:	-419,913,596	0	0	0	-29,015,287	-448,928,883

Holding Account

	2019/20 Budget	Inflation	Savings	Virements	Growth	2020/21 Budget
Chiltern Transport Consortium						
<i>Pay & Employment Costs</i>						
Police Staff Pay	1,213,003	0	0	51,758	0	1,264,761
Police Staff NI	173,711	0	0	4,777	0	178,488
Police Staff Pension	227,737	0	0	6,263	0	234,000
Police Staff Overtime	267,557	0	0	7,359	0	274,916
Temporary or Agency Staff	1,447,342	0	0	39,802	0	1,487,144
Staff Welfare	310	0	0	7	0	317
Training & Conference expenses	16,743	0	0	460	0	17,203
	3,346,403	0	0	110,426	0	3,456,829
<i>Overheads</i>						
Repairs & Maintenance	5,553	0	0	134	0	5,687
Rent & Rates	411,586	0	0	9,879	0	421,465
Cleaning & Domestic Supplies	6,565	0	0	158	0	6,723
Other Premises Costs	797	0	0	19	0	816
Vehicle Fuel	59,191	0	0	1,421	0	60,612
Vehicle Contract Hire & Operating Leases	178,414	0	0	4,283	0	182,697
Car Allowances & Travel Expenses	5,119	0	0	123	0	5,242
Transport Insurance	3,519,976	0	0	-629,335	0	2,890,641
Transport - Other	10,774,561	0	0	2,165,403	0	12,939,964
Office Equipment, Furniture & Materials	38,237	0	0	-14,082	0	24,155
Clothing, Uniforms & Laundry	19,972	0	0	479	0	20,451
Communications & Computing	424,840	0	0	-7,968	0	416,872
Other Supplies & Services	31,430	0	0	-9,235	0	22,195
	15,476,241	0	0	1,521,279	0	16,997,520
<i>Financing Adjustments</i>						
Depreciation and Impairment Losses	36,457	0	0	8,530	0	44,987
Asset Disposal	-599,865	0	0	35,032	0	-564,833
	-563,408	0	0	43,562	0	-519,846
<i>Grant, Trading & Reimbursements</i>						
Fees & Charges - General	-499,944	0	0	-2,462,139	0	-2,962,083
Inter Force Reimbursements - Collaboration	-17,759,292	0	0	786,872	0	-16,972,420
	-18,259,236	0	0	-1,675,267	0	-19,934,503
Chiltern Transport Consortium	0	0	0	0	0	0

Holding Account

	2019/20 Budget	Inflation	Savings	Virements	Growth	2020/21 Budget
Regional CTSFO						
<i>Pay & Employment Costs</i>						
Police Officer Pay	934,629	23,119	0	-9,893	0	947,855
Police Officer NI	132,206	3,259	0	-1,854	0	133,611
Police Officer Pension	206,870	7,167	0	79,798	0	293,835
Police Officer Allowances	124,918	2,067	0	40,516	0	167,501
Police Officer Overtime	212,760	8,150	0	113,244	0	334,154
Police Staff Pay	8,401	0	0	700	0	9,101
Training & Conference expenses	19,800	1,036	0	32,000	0	52,836
	1,639,584	44,798	0	254,511	0	1,938,893
<i>Overheads</i>						
Vehicle Fuel	51,307	5,439	0	26,400	0	83,146
Vehicle Contract Hire & Operating Leases	125,864	4,177	0	83,000	0	213,041
Car Allowances & Travel Expenses	3,039	12	0	-500	0	2,551
Office Equipment, Furniture & Materials	200	4	0	0	0	204
Catering Contracts	500	0	0	-500	0	0
Clothing, Uniforms & Laundry	76,800	2,044	0	25,400	0	104,244
Investigative Expenses	1,100	42	0	1,000	0	2,142
Police Doctors & Surgeons	5,529	183	0	3,600	0	9,312
Communications & Computing	5,000	68	0	-1,600	0	3,468
Other Supplies & Services	398,384	8,606	0	31,900	0	438,890
Collaboration Payments	901,328	13,540	0	55,815	0	970,683
	1,569,051	34,115	0	224,515	0	1,827,681
<i>Grant, Trading & Reimbursements</i>						
Specific Grants	-2,400,512	0	0	-181,297	0	-2,581,809
Inter Force Reimbursements - Collaboration	-808,123	0	0	-297,729	-78,913	-1,184,765
	-3,208,635	0	0	-479,026	-78,913	-3,766,574
Regional CTSFO	0	78,913	0	0	-78,913	0

Holding Account

	2019/20 Budget	Inflation	Savings	Virements	Growth	2020/21 Budget
SEROCU						
<i>Pay & Employment Costs</i>						
Police Officer Pay	5,562,261	0	0	-173,072	0	5,389,189
Police Officer NI	812,335	0	0	-138,139	0	674,196
Police Officer Pension	1,346,166	0	0	378,012	0	1,724,178
Police Officer Allowances	317,910	0	0	-11,216	0	306,694
Police Officer Overtime	304,150	0	0	-31,423	0	272,727
Police Staff Pay	3,863,574	0	0	194,156	0	4,057,730
Police Staff NI	459,707	0	0	52,064	0	511,771
Police Staff Pension	680,896	0	0	68,761	0	749,657
Police Staff Allowances	63,466	0	0	8,708	0	72,174
Police Staff Overtime	121,500	0	0	-5,100	0	116,400
Training & Conference expenses	199,218	0	0	-6,169	0	193,049
	13,731,183	0	0	336,582	0	14,067,765
<i>Overheads</i>						
Repairs & Maintenance	14,370	0	0	0	0	14,370
Utilities	56,900	0	0	0	0	56,900
Rent & Rates	295,744	0	0	-15,132	0	280,612
Cleaning & Domestic Supplies	17,100	0	0	0	0	17,100
Property Insurance	2,000	0	0	0	0	2,000
Vehicle Fuel	163,974	0	0	17,830	0	181,804
Vehicle Contract Hire & Operating Leases	586,370	0	0	22,357	0	608,727
Car Allowances & Travel Expenses	75,907	0	0	26,500	0	102,407
Transport Insurance	0	0	0	0	0	0
Office Equipment, Furniture & Materials	25,500	0	0	5,000	0	30,500
Catering Contracts	3,755	0	0	250	0	4,005
Clothing, Uniforms & Laundry	10,550	0	0	158	0	10,708
Forensic Costs	60,000	0	0	-20,000	0	40,000
Investigative Expenses	533,700	0	0	2,300	0	536,000
Police Doctors & Surgeons	0	0	0	0	0	0
Communications & Computing	367,103	0	0	-3,605	0	363,498
Other Supplies & Services	533,064	0	0	-3,150	0	529,914
Collaboration Payments	146,710	0	0	0	0	146,710
	2,892,747	0	0	32,508	0	2,925,255
<i>Grant, Trading & Reimbursements</i>						
Specific Grants	-5,105,226	0	0	775,697	0	-4,329,529
Inter Force Reimbursements - Collaboration	-11,418,704	0	0	-1,144,787	0	-12,563,491
Proceeds of Crime	-100,000	0	0	0	0	-100,000
	-16,623,930	0	0	-369,090	0	-16,993,020
SEROCU	0	0	0	0	0	0

Holding Account

	2019/20 Budget	Inflation	Savings	Virements	Growth	2020/21 Budget
CTPSE						
<i>Pay & Employment Costs</i>						
Police Officer Pay	6,408,478	0	0	896,520	0	7,304,998
Police Officer NI	601,070	0	0	388,549	0	989,619
Police Officer Pension	1,263,167	0	0	449,301	0	1,712,468
Police Officer Allowances	508,445	0	0	23,606	0	532,051
Police Officer Overtime	613,432	0	0	-60,470	0	552,962
Police Staff Pay	4,070,065	0	0	2,024,595	0	6,094,660
Police Staff NI	260,000	0	0	410,012	0	670,012
Police Staff Pension	610,000	0	0	376,355	0	986,355
Police Staff Allowances	103,409	0	0	40,495	0	143,904
Police Staff Overtime	82,820	0	0	261,809	0	344,629
Temporary or Agency Staff	200,000	0	0	8,007	0	208,007
Staff & Officer Recruitment Costs	95,230	0	0	-41,056	0	54,174
Staff Welfare	500	0	0	180	0	680
Restructure Costs	0	0	0	11,492	0	11,492
Training & Conference expenses	188,401	0	0	26,348	0	214,749
	15,005,017	0	0	4,815,743	0	19,820,760
<i>Overheads</i>						
Repairs & Maintenance	196,000	0	0	-128	0	195,872
Utilities	251,600	0	0	135,640	0	387,240
Rent & Rates	355,900	0	0	23,011	0	378,911
Cleaning & Domestic Supplies	47,800	0	0	10,881	0	58,681
Other Premises Costs	335,000	0	0	-192,837	0	142,163
Vehicle Fuel	152,000	0	0	-3,719	0	148,281
Vehicle Contract Hire & Operating Leases	146,552	0	0	758	0	147,310
Car Allowances & Travel Expenses	169,442	0	0	-41,502	0	127,940
Transport - Other	371,000	0	0	162,822	0	533,822
Office Equipment, Furniture & Materials	98,000	0	0	6,710	0	104,710
Catering Contracts	25,000	0	0	57,516	0	82,516
Clothing, Uniforms & Laundry	50,500	0	0	-9,752	0	40,748
Custody Costs	6,000	0	0	21,832	0	27,832
Forensic Costs	90,000	0	0	17,791	0	107,791
Investigative Expenses	169,690	0	0	242,613	0	412,303
Police Doctors & Surgeons	1,000	0	0	6,867	0	7,867
Interpreters & Translators	30,000	0	0	4,642	0	34,642
Communications & Computing	983,853	0	0	-47,178	0	936,675
Other Supplies & Services	445,295	0	0	107,661	0	552,956
Collaboration Payments	244,000	0	0	536,711	0	780,711
	4,168,632	0	0	1,040,339	0	5,208,971
<i>Financing Adjustments</i>						
Depreciation and Impairment Losses	0	0	0	1,166	0	1,166
	0	0	0	1,166	0	1,166
<i>Grant, Trading & Reimbursements</i>						
Specific Grants	-18,750,393	0	0	-5,865,971	0	-24,616,364
Fees & Charges - Rental & Hire Charges	-298,256	0	0	184,445	0	-113,811

Holding Account

Inter Force Reimbursements - Collaboration	0	0	0	-13,893	0	-13,893
Sources of Income from Other Forces	-125,000	0	0	-161,829	0	-286,829
	-19,173,649	0	0	-5,857,248	0	-25,030,897
CTPSE	0	0	0	0	0	0

Risk Analysis - 2020/21 Annual Revenue Budget

	RISK DESCRIPTION	RISK ASSESSMENT			SENSITIVITY
		Likelihood	Impact	Total	
1	The Force fails to recruit and retain the additional 183 police officers allocated to TVP as part of the National Uplift programme and therefore loses a proportion of its annual grant	2	3	6	The force has been allocated £5.118m to recruit 183 police officers, which equates to £30,464 per officer. Based on current recruitment plans the Force should recruit these additional officers by summer 2020.
2	That specific grant income, when confirmed, is lower than currently assumed in the draft budget	2	3	6	We are still waiting for confirmation of specific grants estimated £11.9m in 2019/20
3	That the 2020 police officer pay award is higher than the 2.5% allowed for within the budget	2	3	6	This is a part year award, so is only payable for 7 months. Each additional 1% increase in pay award will cost £2.2m per annum
4	The Force is unable to deliver, in full, the £3.5m of cash savings removed from the base budget by the year-end.	2	3	6	The residual risk is that we won't deliver the full £3.5m, e.g. a couple of £m shortfall or slippage. Although the Force has an excellent track record of managing expenditure within reduced budgets, this process is obviously becoming more challenging and complex, particularly as demands (e.g. child abuse, threat of terrorism etc.) are increasing.
4	That inflation exceeds the levels currently provided for in the draft budget	2	2	4	In total inflation is estimated to add £13.5m to the base budget in 2020/21, which equates to an average increase of 3.21%. A 1% increase in general inflation (up from the 2.0% currently provided for) will add £0.55m
5	That the Police & Crime Panel vetoes the PCC's proposed £10 (or 4.9%) increase in the council tax precept	1	4	4	Each 1% increase in council tax in 2020/21 generates £1.9m. In the event that the Panel vetoes the proposed precept increase the PCC will resubmit a revised budget and council tax proposal for the Panel to consider.

Risk Analysis - Medium Term Financial Forecast 2021/22 to 2023/24

	RISK DESCRIPTION	RISK ASSESSMENT			SENSITIVITY
		Likelihood	Impact	Total	
1	That the force receives insufficient funding from the Home Office to recruit and retain the 2 nd and 3 rd tranches of the national police officer uplift programme, including one-off investment monies for supporting infrastructure such as police staff, training, kit, equipment, ICT, fleet and estates	3	4	12	We received an allocation of 183 from the initial 6,000 police officers. At this stage we do not know how many of the remaining 14,000 are coming to local forces and over what timeframe. In the national business case each police officer (included infrastructure costs) is costed at £62k
2	<p>The 4-year Medium Term Capital Plan (MTCP) only includes known schemes which means that there are no new schemes starting in 2022/23 and 2023/24. Although the MTFP now includes Direct Revenue Financing (DRF) of £11m per annum this is insufficient to fund the annual replacement programme.</p> <p>Any additional capital expenditure over and above the £84m currently identified in the MTCP could have a direct impact on future year revenue budgets since any new capital investment will have to be funded via DRF or external borrowing, which lead to higher debt charges</p>	3	4	12	<p>The new capital investment requirement from 2022/23 onwards is likely to be at least £5m per annum.</p> <p>If funded through higher DRF this will have a direct £ for £ impact on the revenue budget</p> <p>If funded through borrowing each £1m will result in revenue debt charges of around £45,000 per annum depending on the asset to be financed and borrowing interest rates prevalent at the time</p>
3	<p>Inadequate money in revenue reserves and balances to fund one-off expenditure items required by the Force</p> <p>The calculated Optimism Bias requirement for the next 4 years is £3.45m</p>	3	4	12	<p>General revenue balances are currently above the agreed 3% guideline level and forecast to remain above this level throughout the period.</p> <p>The Optimism Bias reserve is fully committed and there is only £1.7m remaining in the Improvement & Performance reserve. There is therefore very little opportunity to fund one-off cost increases from reserves going forward.</p>

		Likelihood	Impact	Total	
4	That the Force is unable to deliver the full £10.9m of identified budget cuts over the three-year period 2021/22 to 2023/24 without having a serious and detrimental impact on service delivery	2	4	8	<p>The Chief Constable has produced a number of mitigating factors which could be implemented should savings prove difficult to achieve, including taking 'amber' efficiency savings or reducing the number of redeployed officers.</p> <p>Although the Force has an excellent track record of managing expenditure within reduced budgets, this process is obviously becoming more challenging and complex, particularly as demands (e.g. child abuse, threat of terrorism etc.) are increasing.</p>
5	That the PCC and/or Police and Crime Panel is unable to support a 2% per annum increase in council tax in 2021/22 and later years	2	3	6	Each 1% increase in council tax generates approximately £1.9m
7	That the taxbase will not grow at the assumed annual rate of 1.5% in 2020/21 and later years	3	2	6	<p>The annual increase in 2020/21 is 1.63%, This is lower than the average increase in taxbase in the previous 5 years which was 2.1%.</p> <p>Each 1% increase in taxbase generates additional council tax income of around £1.9m</p>
8	That the surplus on collection funds is less than the £2m per annum currently budgeted for	3	2	6	Although there have been annual variations, the average surplus over the last 5 years is £2.1m.
9	Technology – the need for investment in new and emerging technology is moving from the traditional capital based funding to more revenue based Software as a Service (SaaS), together with increasing demands for licences as staff and officers require greater access.	3	2	6	Investment strategies are being constantly reviewed to ensure that the consequential ongoing costs are provided for within the future budgetary plans as soon as possible, with the impact being offset by continued scrutiny of other costs through the productivity strategy.
10	The impact of the Brexit decision on costs and prices due to fluctuating exchange rates, and equipment and services being supplied from the EU may increase cost pressures in the future.	3	2	6	Constant monitoring of procurement and contract prices, together with a collaborative approach to contracts, should enable us to maximise the value attained from contracts and minimise the negative impact of price variations.
11	There is inadequate provision in the insurance fund and annual revenue contributions to meet liabilities as they fall due	2	3	6	The draft report from the Insurance Actuary indicated that the estimated liability at 31 st March would increase by £0.26m compared to the previous year. The Actuary has also indicated that the Force should make an annual contribution of £2.4m, which is £1.4m higher than the current budget provision. We will monitor the insurance fund very carefully and review again as part of the 2021/22 budget process

		Likelihood	Impact	Total	
12	That future pay settlements for police officers and police staff are at a higher level than currently assumed in the MTFP	1	4	4	Pay increases are currently assumed at 2.5% throughout the MTFP. Each 1% increase in police officer and staff pay adds approximately £3.6m
13	That the Government reduces the level of security grant paid to the PCC in future years beyond current estimates.	2	2	4	The budgeted amount for 2020/21 is £7m. Future cuts in grant will be matched by a reduction in the resources provided to this area of business.
14	That due to the impact of the new police funding formula, potentially in 2021/22, future Government Grant Allocations are lower than expected, therefore requiring a greater level of revenue savings than currently planned for	1	4	4	At this stage we do not know whether a new funding formula will be introduced, when it will be implemented, what it will look like, how it will affect annual grant allocations and, finally, how it will be phased in. Each 1% reduction in police grant equates to £2.3m.
15	That the Government reduces the threshold at which a council tax referendum is required and/or the Police and Crime Panel does not support a council tax increase of 2% per annum	1	3	3	A 1% increase in council tax is equivalent to additional income, or reduced budget reductions, of around £1.9m. The Government's Spending review is predicated on PCC's increasing their council tax precept by the maximum permissible amount each year.

POLICE OFFICER AND STAFF ESTABLISHMENT CHANGES 2020/21 to 2023/24

Policing is a people driven service with the vast majority of its costs being direct salary and related salary on-costs. It is therefore essential that the service is clear on what resources can be funded and how this relates to the number of both officers and staff within the organisation.

This has particularly been emphasised by the national drive to increase the capacity of the police service by increasing officer numbers by 20,000 over the next three years, with the specific funding that the Government is investing.

Previous years of cash cuts and budget reductions has meant that officer and staff numbers have declined as a consequence, and in order to preserve the establishments going forward more innovative approaches to efficiencies need to be developed to ensure that whilst the cost base is reduced the level of service and officer numbers are preserved wherever possible. The estimated summary position for the force establishment over the MTFP is shown in the following table.

	Police FTE	Police Staff FTE	PCSOs FTE	Total FTE
Original Estimated Establishment at March 2020	3,854.60	2,948.60	418.00	7,221.20
<i>2019/20 In Year Adjustments:</i>	0.20	34.50	5.00	39.70
Revised Estimated Establishment at March 2020	3,854.80	2,983.10	423.00	7,260.90
<i>2020/21 Adjustments</i>	-3.00	11.00	0.00	8.00
<i>Productivity Plan Savings</i>	-28.50	4.90	0.00	-23.60
<i>Growth</i>	-2.00	-22.00	0.00	-24.00
Operation Uplift - National Increase	183.00			183.00
Estimated Establishment at March 2021	4,004.30	2,977.00	423.00	7,404.30
<i>2021/22 Adjustments</i>				
Productivity Plan Savings	-1.00	-57.20	0.00	-58.20
Growth	-9.00	-25.00	0.00	-34.00
Estimated Establishment at March 2022	3,994.30	2,894.80	423.00	7,312.10
<i>2022/23 Adjustments</i>				
Productivity Plan Savings	0.00	-8.50	0.00	-8.50
Growth	0.00	-4.00	0.00	-4.00
Estimated Establishment at March 2022	3,994.30	2,882.30	423.00	7,299.60

MEDIUM TERM FINANCIAL PLAN (2020/21 – 2023/24)

- One of the key requirements of the Prudential Code for Capital Finance is that the PCC takes a longer-term view of the spending pressures facing the organisation, in setting and approving the budget and council tax for the ensuing financial year. Given the ongoing uncertainty around funding and police officer allocations from the national Uplift programme, this forward planning is more important than ever. Table 1 provides a summary of the medium term financial plan; full details are provided on pages 52 to 54.

	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000
Annual Base Budget	419,914	448,899	460,021	463,179
Inflation & Pay Commitments	13,474	11,763	11,872	12,225
Productivity Savings	-3,470	-3,733	-5,142	-2,069
Current Service	4,532	1,122	-23	-432
Improved Service	15,069	3,646	-4,871	-2,194
In Year Appropriations	-619	-1,676	1,322	2,140
Net Budget Requirement	448,899	460,021	463,179	472,849
Total External Funding	-448,899	-458,100	-467,574	-477,328
<i>Cumulative Budget (Surplus)/Shortfall</i>	<i>0</i>	<i>1,921</i>	<i>-4,395</i>	<i>-4,479</i>
<i>Annual Budget (Surplus)/Shortfall</i>	<i>0</i>	<i>1,921</i>	<i>-6,316</i>	<i>-84</i>

- As can be seen, the 2020/21 financial year is balanced, however there are still variances in years 2-4 of the plan. At this stage there are a significant number of unknowns around future funding levels and increases in officer numbers, these should become clearer following the Spending Review later this year. Hence we have not tried to balance these future years at this stage, as to do so would be based on assumptions and estimates which could vary significantly.
- Although significant risks and uncertainties remain into future years, the force does have a robust Productivity strategy which includes the Efficiency and Effectiveness programme, designed to reduce the overall cost of the organisation whilst ensuring resources are directed to our highest priority areas, and this will continue to be developed and refined as a key priority in the financial management of the force going forward.

BUDGET RISKS AND UNCERTAINTIES

- As with all planning and assumptions, there are a number of risks and issues which have yet to, or cannot be, quantified. These are highlighted and explained below in the National and Local subsections:

National

5. The allocation and distribution of the growth in 20,000 officers has not been finalised beyond the current year. Currently we are assuming that all growth posts will come with full funding to cover direct and associated on-costs, but should this not fully materialise then additional pressure will be put on the MTFP presented today.
6. Council tax precept is assumed to be capped at 2% in future years, however a relaxation in the rules could enable higher increases if the PCCs choose to.
7. PCC Elections in 2020 could influence the direction and focus of spending priorities for the force.
8. The potential conclusion of the Brexit discussions have yet to be quantified in terms of government policy for future years and the consequential impact this may have on police funding and grant allocations. Internal procurement work has been undertaken to assess the potential risks which could add an additional pressures to the budget requirement in later years.
9. The Home Office review of the national funding formula is still being discussed, but no further information is expected until after the Spending Review (SR) in 2020. Each 1% change in funding equates to approximately £2.1m per annum.
10. Further top slicing of the national police grant for the IPCC/HMIC, and or for the creation of new funds, like the Police Uplift Programme, could reduce the future quantum available for distribution to local forces

Local

11. Police recruitment and retention has suffered severe challenges over the last two years but the expectation is that we will end the financial year significantly above full establishment, a front loading of our 183 uplift. There is however, a continuing risk that either recruitment numbers will not be achieved as anticipated or wastage will rise beyond currently predicted levels resulting in further shortages in future years, especially with the additional increase in officers from central government.
12. In addition, the increased level of turnover and recruitment means that we have a higher percentage of new and recently qualified officers depleting the overall level of skills and knowledge within the organisation. This could impact on service delivery even if we maintain and achieve our numbers.
13. Recruitment of police officers is moving primarily to the two new entry routes, the apprenticeship scheme (PCDA) and the Degree Holder Entry Programme (DHEP) in 2020. This is clearly a new venture for the police and, as such, has a level of risk and cost associated with it. We have currently included some growth for these schemes within the MTFP, but without all the details agreed these can only be estimates at this time and could be subject to requiring further funding.

14. Digital Agenda - the increased use of technology brings additional support costs which cannot always be quantified, for example storage, connectivity, data usage, digital infrastructure.
15. Delivery of the scheduled savings within the productivity plan are fully achievable and delivered to support the current MTFP.
16. Unquantified demand, whether new operational demand or investment requirements, for example to utilise a national technology initiative may impact on these revenue estimates.

Thames Valley Police

Medium Term Financial Plan 2020/21 - 2023/24

	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>
Annual Base Budget	419,913,596	448,928,883	460,021,073	463,178,935
In Year Funding Virements	0	0	0	0
<u>Inflation</u>				
General	1,075,127	1,172,690	1,180,373	1,182,852
Police Pay	5,088,675	4,632,521	4,756,256	5,018,842
Police Staff Pay	6,189,608	5,072,063	5,137,181	5,190,263
Specific	1,120,369	885,987	798,219	833,531
Inflation	13,473,779	11,763,261	11,872,029	12,225,488

Productivity Strategy

Collaborative Units	0	-1,143,000	-1,293,000	-250,000
Value for Money Reviews	-793,773	-398,232	-2,499,230	-269,367
Efficiency & Effectiveness Reviews	-1,742,298	-1,207,160	-1,250,000	-1,250,000
Amber Rated Savings	-934,000	-985,103	-100,000	-300,000
Total Productivity Strategy Savings	-3,470,071	-3,733,495	-5,142,230	-2,069,367

Current Service

Support Services

81 Police Officer Reserve Funding for Bank Holidays	312,968	450,000	-169,125	-388,731
85 Police Staff Reserve Funding for Bank Holidays	108,232	78,750	-29,597	-68,028
90 Review of Debt Charges	738,003	146,546	0	0
91 Community Safety Fund Expenditure	0	0	0	-150,000
94 Regional Funding for ROCU	333,000	2,000	175,000	175,000
97 Increase in Vetting Requirements	116,300	0	0	0
126 Increase in Court Presentation Officers	75,180	0	0	0
127 Driver Risk Evaluator	37,590	0	0	0
130 Increase in First Aid/Medical Equipment Supplies	40,000	0	0	0
132 Regional CTSFO Contribution	78,913	0	0	0
133 Custody Insourcing	-302,615	0	0	0
135 DHEP Officer Training Route	1,416,900	444,600	0	0
143 Review of Budgetary Requirements - Central Budgets	-236,243	0	0	0
146 Increase to Motor Insurance Fund from Reserve	499,000	0	0	0
148 Growth for Operation REMUS	74,197	0	0	0
149 National ICT Charges	851,523	0	0	0
<i>Support Services</i>	<i>4,142,948</i>	<i>1,121,896</i>	<i>-23,722</i>	<i>-431,759</i>

Income

113	Changes to Loan Charges Grant	6,209	211	405	0
145	Reduction in Dedicated Security Grant	200,000	0	0	0
	<i>Income</i>	<i>206,209</i>	<i>211</i>	<i>405</i>	<i>0</i>
	<i>Legal & Compliance</i>				
147	Communications Data LI Partnership	183,000	0	0	0
	<i>Legal & Compliance</i>	<i>183,000</i>	<i>0</i>	<i>0</i>	<i>0</i>
Current Service		4,532,157	1,122,107	-23,317	-431,759
Improved Service					
	<i>Support Services</i>				
98	Technology Investment Through DRF	1,527,000	1,555,000	0	0
99	ESN Implementation Costs	381,600	381,600	0	0
100	Increase in Major Operations Teams	-146,000	0	0	0
122	Improved Services to the Public through Contact Management	761,500	-1,597,500	0	0
123	Increasing Local Front Line Policing and Service Delivery	-1,174,950	0	0	0
124	Improved Investigative Capacity and Process for Complex Crimes	1,849,500	792,000	-1,138,000	0
125	Increasing Our Digital Development Programmes	-1,100,000	-55,000	0	0
131	ICT Infrastructure / Software Availability	330,266	0	0	0
134	EQUIP SAAS Net Revenue Costs	288,000	1,066,000	-373,000	0
137	National Monitoring Centre Costs	354,000	0	0	0
140	Increase in Digital Resources Team	88,590	88,590	0	0
142	ISO Accreditation for FCIU	272,000	-22,000	0	0
150	Operation Uplift - National Growth in Officer Numbers	11,991,386	1,264,987	-2,173,980	-2,173,980
152	Strategic Investment Funding	4,213,000	-1,453,000	0	0
	<i>Support Services</i>	<i>19,635,892</i>	<i>2,020,677</i>	<i>-3,684,980</i>	<i>-2,173,980</i>
	<i>Legal & Compliance</i>				
138	Increase of 2 x Firearms Instructors	56,160	0	0	0
139	Co-ordination of Fire Investigation Accreditation	16,000	0	0	0
	<i>Legal & Compliance</i>	<i>72,160</i>	<i>0</i>	<i>0</i>	<i>0</i>
	<i>Specific Revenue Funded Projects</i>				
104	Revenue Maintenance for Properties	-315,000	1,705,000	-890,000	-20,000
105	Investment for ICT Rationalisation	-164,400	0	0	0
106	UCPI/ IICSA Public Enquiries	0	0	-197,000	0
	<i>Specific Revenue Funded Projects</i>	<i>-479,400</i>	<i>1,705,000</i>	<i>-1,087,000</i>	<i>-20,000</i>
	<i>Ring Fenced Specific Grant</i>				
153	Special Grant for National Officer Uplift	-5,118,155	0	0	0
	<i>Ring Fenced Specific Grant</i>	<i>-5,118,155</i>	<i>0</i>	<i>0</i>	<i>0</i>
	<i>ICT Projects</i>				
107	ICT Revenue Projects	958,386	-79,360	-98,640	0
	<i>ICT Projects</i>	<i>958,386</i>	<i>-79,360</i>	<i>-98,640</i>	<i>0</i>
Improved Service		15,068,883	3,646,317	-4,870,620	-2,193,980

In Year Appropriations From Reserves

Appropriations from Performance Reserve

108	Appropriations from the I&P Reserve	114,539	-1,705,000	1,087,000	1,520,000
	<i>Appropriations from Performance Res</i>	<i>114,539</i>	<i>-1,705,000</i>	<i>1,087,000</i>	<i>1,520,000</i>
	<i>Appropriations from General Balances</i>				
109	Appropriations from General Balances	-205,000	-500,000	235,000	470,000
110	Appropriation from Earmarked Reserves	-499,000	499,000	0	150,000
	<i>Appropriations from General Balances</i>	<i>-704,000</i>	<i>-1,000</i>	<i>235,000</i>	<i>620,000</i>
In Year Appropriations From Reserves		-589,461	-1,706,000	1,322,000	2,140,000

Net Budget Requirement	448,928,883	460,021,073	463,178,935	472,849,317
Percentage Budget Increase	6.91%	2.47%	0.69%	2.09%
Cash Budget Increase	29,015,287	11,092,190	3,157,862	9,670,382

Funded By:

Opening Budget	-419,913,596	-448,928,883	-458,099,934	-467,573,778
In Year Funding Virements	0	0	0	0

Funding Changes

Formula Grant

274	Police Grant Funding Changes	-11,169,220	-1,436,999	-1,451,369	-1,465,882
304	Formula Grant Allocation Changes	-5,038,273	-750,232	-757,735	-765,312
	<i>Formula Grant</i>	<i>-16,207,493</i>	<i>-2,187,231</i>	<i>-2,209,104</i>	<i>-2,231,194</i>

Council Tax Requirement

305	Council Tax Precept Increase	-9,193,630	-4,031,223	-4,176,935	-4,326,111
307	Council Tax - Surplus on Collections	-526,064	30,000	0	0
520	Council Tax Base Increase	-3,088,100	-2,982,597	-3,087,805	-3,196,776
	<i>Council Tax Requirement</i>	<i>-12,807,794</i>	<i>-6,983,820</i>	<i>-7,264,740</i>	<i>-7,522,887</i>

Funding Changes	-29,015,287	-9,171,051	-9,473,844	-9,754,081
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Total External Funding	-448,928,883	-458,099,934	-467,573,778	-477,327,859
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<i>Cumulative Shortfall / (Surplus)</i>	0	1,921,139	-4,394,843	-4,478,542
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<i>Annual Shortfall / (Surplus)</i>	0	1,921,139	-6,315,982	-83,699
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Analysis Of Growth Items

Appendix 5

Ref Details

	2020/21	2021/22	2022/23	2023/24
Current Service				
Support Services				
81 Police Officer Reserve Funding for Bank Holidays	312,968	450,000	-169,125	-388,731
Funding from general reserves for additional Bank Holiday overtime due to the fluctuation in the number of Bank Holidays per financial year from the base level of 8.				
2019/20: Total 08 days - no adjustment				
2020/21: Total 09 days - 1 additional day				
2021/22: Total 11 days - 2 additional days				
2022/23: Total 10 days - 1 additional day				
85 Police Staff Reserve Funding for Bank Holidays	108,232	78,750	-29,597	-68,028
Funding from general reserves for additional Bank Holiday overtime due to the fluctuation in the number of Bank Holidays per financial year from the base level of 8.				
2019/20: Total 08 days - no adjustment				
2020/21: Total 09 days - 1 additional day				
2021/22: Total 11 days - 2 additional days				
2022/23: Total 10 days - 1 additional day				
90 Review of Debt Charges	738,003	146,546	0	0
Anticipated revenue changes associated with changes to borrowing requirements as the capital programme funding is reviewed.				
91 Community Safety Fund Expenditure	0	0	0	-150,000
Community Safety Fund - Increase in funding from specific earmarked reserve.				
94 Regional Funding for ROCU	333,000	2,000	175,000	175,000
Funding contribution for the South East ROCU				
97 Increase in Vetting Requirements	116,300	0	0	0
Additional Vetting advisors to support Police Office and Staff recruitment.				

Ref	Details	2020/21	2021/22	2022/23	2023/24
126	Increase in Court Presentation Officers	75,180	0	0	0
	Increase in Court Presentation Officers				
127	Driver Risk Evaluator	37,590	0	0	0
	Driver Risk Evaluator				
130	Increase in First Aid/Medical Equipment Supplies	40,000	0	0	0
	Increase in costs following direction form the Clinical Medical Governance Board				
132	Regional CTSFO Contribution	0	0	0	0
	Increase in contribution for Regional CTSFO's				
133	Custody Insourcing	-302,615	0	0	0
	Removal of the "Pump-Prime" contingency for insourcing custody - now not needed.				
135	DHEP Officer Training Route	1,416,900	444,600	0	0
	Additional costs associated with the new DHEP officer recruitment stream				
143	Review of Budgetary Requirements - Central Budgets	-236,243	0	0	0
	Review of Budgetary Requirements - Central Budgets				
146	Increase to Motor Insurance Fund from Reserve	499,000	0	0	0
	Increase to Motor Insurance Fund from Reserve				
148	Growth for Operation REMUS	74,197	0	0	0
	Staffing support for Operation REMUS (HS2)				
149	National ICT Charges	851,523	0	0	0
	Increase in Home Office charges for National ICT infrastructure and systems				
Total	Support Services	4,064,035	1,121,896	-431,759	-431,759

Income

113	Changes to Loan Charges Grant	6,209	211	405	0
	Changes to Loan Charges Grant				

<i>Ref</i>	<i>Details</i>	<i>2020/21</i>	<i>2021/22</i>	<i>2022/23</i>	<i>2023/24</i>
145	Reduction in Dedicated Security Grant				
	Reduction in Dedicated Security Grant due to Change in protection needs	200,000	0	0	0
Total	Income	206,209	211	0	0
Legal & Compliance					
147	Communications Data LI Partnership				
	Home Office - Communications Data Lawful Intercept Charges	183,000	0	0	0
Total	Legal & Compliance	183,000	0	0	0
Total Current Service					
		4,453,244	1,122,107	-431,759	-431,759

Improved Service

Support Services

98	Technology Investment Through DRF				
	Direct Revenue Funding for investment in technology and infrastructure delivery.	1,527,000	1,555,000	0	0
99	ESN Implementation Costs				
	Estimated implementation costs for the National Emergency Services Network (ESN).	381,600	381,600	0	0
100	Increase in Major Operations Teams				
	Temporary increase in the Major Operations team to take account of known events and expected operations over the next two years.	-146,000	0	0	0
122	Improved Services to the Public through Contact Management				
	The rise in demand and the complexity of that demand have increased the length of time it takes to assess the threat, harm and risk and ensure every call receives the appropriate response. We will reduce call handling times, particularly for 101 calls, by recruiting additional staff to deal with the additional demand and more complex crime and incidents being reported.	761,500	-1,597,500	0	0

Ref	Details	2020/21	2021/22	2022/23	2023/24
123	Increasing Local Front Line Policing and Service Delivery We will recruit additional officers and staff to respond to increasing crime demand and complexity and the impact (particularly in the areas of mental health and children's safeguarding) of the reduction in the resources of and services provided by other agencies.	-1,174,950	0	0	0
124	Improved Investigative Capacity and Process for Complex Crimes Stretched resources are operating in an increasingly expanding and complex environment with investigations at all levels growing in size and complexity. There has been an impactful increase in organised crime which exploits the vulnerable as well as cyber enabled crime fraud and economic crime. We will recruit more investigators and invest in appropriate new technology and tools.	1,849,500	792,000	-1,138,000	0
125	Increasing Our Digital Development Programmes We will exploit the modern platforms we have been investing in through the development of operational designed tools, expanding our mobile capability and improving connectivity will allow officers and staff to maximise the use of online digital applications facilitating the fast access and transfer of data, while investing in Intelligence technologies will improve the efficiency of transactional processes.	-1,100,000	-55,000	0	0
131	ICT Infrastructure / Software Availability ICT Infrastructure / Software Availability	330,266	0	0	0
134	EQUIP SAAS Net Revenue Costs EQUIP SAAS Costs less anticipated revenue savings from legacy systems	288,000	1,066,000	-373,000	0
137	National Monitoring Centre Costs National Monitoring Centre Costs	354,000	0	0	0
140	Increase in Digital Resources Team Increase in Digital Resources Team 2 x BB3H + Market Supplement.	88,590	88,590	0	0
142	ISO Accreditation for FCIU ISO Accreditation for Forensic Investigation Unit	272,000	-22,000	0	0
150	Operation Uplift - National Growth in Officer Numbers Operation Uplift - National Growth in Officer Numbers	11,991,386	1,264,987	-2,173,980	-2,173,980
152	Strategic Investment Funding Specific bids identified in main Revenue Budget Report.	4,213,000	-1,453,000	0	0

<i>Ref</i>	<i>Details</i>	<i>2020/21</i>	<i>2021/22</i>	<i>2022/23</i>	<i>2023/24</i>
Total	Support Services	19,635,892	2,020,677	-2,173,980	-2,173,980
Legal & Compliance					
138	Increase of 2 x Firearms Instructors	56,160	0	0	0
	Requirement to meet the recent CoP inspections and recommendations in order to maintain out licence to train firearms officers.				
139	Co-ordination of Fire Investigation Accreditation	16,000	0	0	0
	Co-ordination post for Fire Investigation Accreditation 0.5FTE BB3F				
Total	Legal & Compliance	72,160	0	0	0
Specific Revenue Funded Projects					
104	Revenue Maintenance for Properties	-315,000	1,705,000	-890,000	-20,000
	Revenue maintenance funding for various building and properties.				
105	Investment for ICT Rationalisation	-164,400	0	0	0
	Reduction in previous years investment in the ICT rationalisation programme.				
106	UCPI/ IICSA Public Enquiries	0	0	-197,000	0
	Funding for temporary staff to support the national undercover policing and child sexual abuse enquiries.				
Total	Specific Revenue Funded Projects	-479,400	1,705,000	-20,000	-20,000
Ring Fenced Specific Grant					
153	Special Grant for National Officer Uplift	-5,118,155	0	0	0
	Special Grant allocation from the police settlement for the National Officer Uplift - 183 TVP Officers in 2020/21				

<i>Ref</i>	<i>Details</i>	<i>2020/21</i>	<i>2021/22</i>	<i>2022/23</i>	<i>2023/24</i>
Total	Ring Fenced Specific Grant	-5,118,155	0	0	0
ICT Projects					
107	ICT Revenue Projects				
	Funding for identified ICT revenue projects to maintain and improve the infrastructure.	958,386	-79,360	-98,640	0
Total	ICT Projects	958,386	-79,360	0	0
Total	Improved Service	15,068,883	3,646,317	-2,193,980	-2,193,980

In Year Appropriations From Reserves

Appropriations from Performance Reserve

108	Appropriations from the I&P Reserve				
	Appropriation of funding to support specific revenue projects from the Improvement and Performance reserve.	114,539	-1,705,000	1,087,000	1,520,000
Total	Appropriations from Performance Reserve	114,539	-1,705,000	1,520,000	1,520,000

Appropriations from General Balances

109	Appropriations from General Balances				
	Appropriation to General Reserves	-205,000	-500,000	235,000	470,000
110	Appropriation from Earmarked Reserves				
	Appropriations from Specific Earmarked Reserves	-499,000	499,000	0	150,000
Total	Appropriations from General Balances	-704,000	-1,000	620,000	620,000

<i>Ref</i>	<i>Details</i>	<i>2020/21</i>	<i>2021/22</i>	<i>2022/23</i>	<i>2023/24</i>
	Total In Year Appropriations From Reserves	-589,461	-1,706,000	2,140,000	2,140,000
<u>Funding Changes</u>					
Formula Grant					
111	Police Grant Funding Changes				
	Changes in funding received through the main government police grant.	-11,169,220	-1,436,999	-1,451,369	-1,465,882
112	Formula Grant Funding Changes				
	Changes in funding received through the ex-DCLG Grant Allocation.	-5,038,273	-750,232	-757,735	-765,312
Total	Formula Grant	-16,207,493	-2,187,231	-2,231,194	-2,231,194
Council Tax Requirement					
114	Council Tax Precept Changes				
	Council Tax Requirement Changes from Precept Increase	-9,193,630	-4,031,223	-4,176,935	-4,326,111
115	Council Tax Surplus on Collection Changes				
	Council Tax - Surplus on Collections	-526,064	30,000	0	0
136	Council Tax Base Changes				
	Council Tax Requirement Changes from Base Increase	-3,088,100	-2,982,597	-3,087,805	-3,196,776
Total	Council Tax Requirement	-12,807,794	-6,983,820	-7,522,887	-7,522,887
Total	Funding Changes	-29,015,287	-9,171,051	-9,754,081	-9,754,081

		2020/21			2021/22			2022/23			2023/24			TOTAL		
		Year 1			Year 2			Year 3			Year 4					
		Police	Staff	£	Police	Staff	£	Police	Staff	£	Police	Staff	£	Police	Staff	£
Collaborative Units																
303	Joint ICT Unit	0.00	0.00	0	0.00	0.00	75,000	0.00	0.00	225,000	0.00	0.00	250,000	0.00	0.00	550,000
382	Review of Contact Management Function	0.00	0.00	0	0.00	8.50	300,000	0.00	8.50	300,000	0.00	0.00	0	0.00	17.00	600,000
397	Business Support Review	0.00	0.00	0	0.00	49.70	768,000	0.00	0.00	768,000	0.00	0.00	0	0.00	49.70	1,536,000
		0.00	0.00	0	0.00	58.20	1,143,000	0.00	8.50	1,293,000	0.00	0.00	250,000	0.00	66.70	2,686,000

Value for Money Reviews

375	Estates Review through the Asset Management Plan	0.00	0.00	1,743	0.00	0.00	133,902	0.00	0.00	171,138	0.00	0.00	174,978	0.00	0.00	481,761
413	Review of Transport Costs	0.00	0.00	-200,000	0.00	0.00	200,000	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0
414	Review of Property & Premises Costs	0.00	0.00	62,720	0.00	0.00	-35,670	0.00	0.00	-139,256	0.00	0.00	94,389	0.00	0.00	-17,817
474	ESMCP Changeover Annual Usage Costs	0.00	0.00	0	0.00	0.00	0	0.00	0.00	2,467,348	0.00	0.00	0	0.00	0.00	2,467,348
477	Review of Uniform Requirements	0.00	0.00	-50,000	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	-50,000
519	SERIP contributions review	0.00	0.00	54,000	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	54,000
533	Review of Budgetary Requirements - Central Budgets	0.00	0.00	450,000	0.00	0.00	100,000	0.00	0.00	0	0.00	0.00	0	0.00	0.00	550,000
537	Civilianise CMP Officer Posts	10.00	-10.00	95,310	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	10.00	-10.00	95,310
538	OPCC Budget savings	0.00	0.00	80,000	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	80,000
541	Reduction in Usage of NPAS	0.00	0.00	300,000	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	300,000
		10.00	-10.00	793,773	0.00	0.00	398,232	0.00	0.00	2,499,230	0.00	0.00	269,367	10.00	-10.00	3,960,602

Efficiency & Effectiveness Reviews

336	PCSOs Review	0.00	0.00	282,900	0.00	0.00	-282,900	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0
488	Efficiency & Effectiveness - FISO	6.00	7.00	613,936	1.00	-1.00	23,354	0.00	0.00	0	0.00	0.00	0	7.00	6.00	637,290

		2020/21			2021/22			2022/23			2023/24			TOTAL		
		Police	Year 1 Staff	£	Police	Year 2 Staff	£	Police	Year 3 Staff	£	Police	Year 4 Staff	£	Police	Staff	£
490	Efficiency & Effectiveness - Force Crime	7.50	-7.50	10,000	0.00	0.00	116,706	0.00	0.00	0	0.00	0.00	0	7.50	-7.50	126,706
522	Future E&E Reviews	0.00	0.00	0	0.00	0.00	1,250,000	0.00	0.00	1,250,000	0.00	0.00	1,250,000	0.00	0.00	3,750,000
523	Corporate Comms	0.00	0.60	35,500	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.60	35,500
525	Governance & Service Improvement	4.00	-1.00	266,888	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	4.00	-1.00	266,888
526	Legal Services	0.00	0.00	30,000	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	30,000
527	Procurement	0.00	0.00	62,500	0.00	0.00	100,000	0.00	0.00	0	0.00	0.00	0	0.00	0.00	162,500
529	Local Policing	1.00	3.00	271,748	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	1.00	3.00	271,748
536	Review of Long Term Vacancies	0.00	2.00	68,826	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	2.00	68,826
539	Reduction in Agency Spend and Requirements	0.00	0.00	100,000	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	100,000
		18.50	4.10	1,742,298	1.00	-1.00	1,207,160	0.00	0.00	1,250,000	0.00	0.00	1,250,000	19.50	3.10	5,449,458

Amber Rated Savings

398	Expansion of Collaboration Opportunities	0.00	0.00	0	0.00	0.00	125,000	0.00	0.00	0	0.00	0.00	0	0.00	0.00	125,000
487	Abingdon PFI Contract Renegotiation	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	250,000	0.00	0.00	250,000
493	Efficiency & Effectiveness - Criminal Justice	0.00	0.00	50,000	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	50,000
494	Efficiency & Effectiveness - FISO	0.00	0.00	80,000	0.00	0.00	60,103	0.00	0.00	0	0.00	0.00	0	0.00	0.00	140,103
524	Corporate Comms	0.00	1.00	39,000	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	1.00	39,000
530	ICT- Implementation of Office 365	0.00	0.00	0	0.00	0.00	50,000	0.00	0.00	100,000	0.00	0.00	50,000	0.00	0.00	200,000
535	Review of Supervision Ratios	0.00	0.00	265,000	0.00	0.00	0	0.00	0.00	0	0.00	0.00	0	0.00	0.00	265,000
540	E&E Review of People Services	0.00	0.00	500,000	0.00	0.00	750,000	0.00	0.00	0	0.00	0.00	0	0.00	0.00	1,250,000
		0.00	1.00	934,000	0.00	0.00	985,103	0.00	0.00	100,000	0.00	0.00	300,000	0.00	1.00	2,319,103

Force Totals	28.50	-4.90	3,470,071	1.00	57.20	3,733,495	0.00	8.50	5,142,230	0.00	0.00	2,069,367	29.50	60.80	14,415,163
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MEDIUM TERM CAPITAL PLAN 2019/20 to 2023/24

1 Introduction

- 1.1 In addition to spending on day to day activities the PCC incurs expenditure on builds, information technology and other items of plant and equipment that have a longer term life.
- 1.2 The aim of the MTCP continues to be to support service delivery of the PCC's Police and Crime Plan and the Force Strategic Plan. The Plan provides the Force infrastructure and major assets through capital investment, enabling the Force to strengthen and streamline core assets and systems, and provides the framework for delivering innovative policing with a lower resource profile. The MTCP is presented as a 4 year forecast in line with the MTFP (Revenue Forecast).
- 1.3 Key focuses of the draft MTCP are:
 - To ensure the property estate remains fit for purpose, identifying opportunities to streamline assets and develop the estate infrastructure; maintaining core sites, improving core training facilities and progressing the Asset Management Plan.
 - To ensure provision is made for ICT & Business Change Technology to maintain and develop the existing infrastructure and invest in the core technologies required to provide innovative digital policing services.
 - The maintenance, development and replacement of other core assets (e.g. Vehicles, and Communication Infrastructure) to maximise the advantage of new technology and reflect legislative changes.

2 Capital Programme Summary

- 2.1 The MTCP builds on the existing draft capital plan presented in November 2019.
- 2.2 All existing and proposed new schemes are sponsored by chief officer leads and are reviewed by CCMT taking into consideration the strategic priorities of the PCC, the operational priorities of the Force and the risk associated with each scheme. The assumptions, scope and costs underlying each scheme are challenged as are the schemes themselves to ensure they remain justified given the economic climate. Figures within the MTCP reflect this and, as a consequence, some revisions have been made to existing capital schemes, as well as new ones introduced.
- 2.3 The planned gross expenditure within the 2020/21 to 2023/24 MTCP totals £84.416m, which includes a further £1.062m of project budget re-phased from 2019/20, reflecting re-planning and tendering processes since November 2019. This is summarised in Table 1 below. A more detailed analysis is provided on pages 70 to 74, which details the various projects within each category of investment.

It should be noted that expenditure in years 3 & 4 do not include any significant new projects or priority investment requirements over that period which results in an element of uncertainty regarding future costs. This is explored later in the report within the Issues for Consideration section.

Table 1

SCHEDULE 1 : CAPITAL EXPENDITURE FORECAST SUMMARY - Including Tier 1 Growth

Dec-19

	Nov Budget 2019/20 £000	Changes Budget 2019/20 £000	Revised Budget 2019/20 £'000	New Spend				Total 2019/20 to 2023/24 £000	Later Years £000	Schedule Reference
	£000	£000	£'000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	£000	£000	
Property	16,765	1,249	18,014	14,558	14,459	4,185	-	51,216	-	Schedule 2
ICT/ Business changes	19,200	-2,034	17,166	15,015	5,113	4,531	3,430	45,254	2,909	Schedule 3
SECTU/ Tactical Firearms	1,084		1,084	-	-	-	-	1,084	-	Schedule 4
Equipment & Radio Replacement	4,902	-277	4,625	5,135	2,396	150	150	12,456	-	Schedule 5
Vehicles	3,485		3,485	3,693	3,778	3,866	3,956	18,778	4,048	Schedule 6
Capital Projects Total to be Financed	45,435	-1,062	44,373	38,401	25,746	12,732	7,536	128,789	6,957	
Financing Available			53,587	29,137	16,428	21,306	12,278	132,736	17,078	Schedule 7
Cumulative Funding Position (Existing Programme)			9,214	-50	-9,368	-794	3,948	3,948	21,026	

- 2.4 Funding of the MTCP is shown in more detail in Appendix 1, Schedule 7. The Cumulative Funding Position row towards the bottom of Schedule 7 and in table 1 above shows the balance of accumulated capital reserves at the end of each financial year. The table includes the impact of borrowing in 2019/20 to 2023/24 for Reading Police Station and Maidenhead Court, and also reflects changes to the timing of capital receipts, including £2.00m of forecast receipts for Windsor Police Station. At the end of 2020/21 there will be a small shortfall of £0.050m but, overall, there is a small surplus of £3.948m across the period. The indications are therefore that we plan to spend slightly more in years 1 to 3 than we have specifically identified income to fund.
- 2.5 In practice this is unlikely to happen exactly as indicated since planned expenditure is rarely incurred according to the original profile. The profile of actual expenditure will be monitored very closely to ensure that we do not commit more resources than we can afford to fund in each year and the PCC will be updated via the regular capital monitoring reports.
- 2.6 In recent years funding to mitigate the organisation against Optimisation Bias has been ring fenced via the Optimism Bias Reserve. This reserve is only drawn upon if needed, on a project by project basis. The current reserve of £8.92m has now been fully identified to support existing projects over the financial period 2019/20 – 2021/22. (See separate Reserves & Balances report for full details).
- 2.7 The recent OB reserve review based on the MTCP submitted today suggests a revised OB risk of £3.450m for schemes between 2020/21 – 2023/24. Rather than transferring funding from existing reserves (General, I+P) to a specific ring fenced reserve project risks will continue to be monitored against this OB estimate. If any

risks do materialise, these risks can be covered by Improvement and Performance Reserve, provided sufficient funding exists and the PCC supports the transfer. OB risks will continue to be reviewed and updates provided as necessary.

- 2.8 Any new future capital projects approved would continue to be included with a specific OB allocation assigned to the scheme cost, or separately within the capital programme. Table 2 below provided for information is a summary of the potential OB requirement over time and is based on the recent review.

Table 2

Potential Optimism Bias Reserve Requirement by year			2020/21	2021/22	2022/23	2023/24	Total 2019/20 to 2022/23
			£000	£000	£000	£000	
Optimism Bias Reserve - Property		-	-	-	-	-	
Optimism Bias Reserve - ICT / Business Change		-	2,015	1,424	11	-	3,450
Optimism Bias Reserve - Equipment & Radio Replacement		-	-	-	-	-	
Potential Optimism Bias Reserve by year	-	-	2,015	1,424	11	-	3,450

3 The Capital Programme – New or Revised Major Schemes

The significant new projects or scheme changes since the current MTCP was presented in November 2019 are listed below and for ease of identification are listed at the bottom of the relevant schedules (2 & 3) on pages 71 to 72.

Property Services – Schedule 2

- 3.1 The Property Services items are shown in Schedule 2 of Appendix 1. These schemes are necessary to meet a combination of key priorities, including maintaining operational performance and capacity as well as strategic asset management. The four new prioritised project bids are listed at the bottom of the Appendix, totalling **£8.185m**, of which **£1.12m** is forecast for 2019/20. The first of these is infrastructure work at Fountain Court; the fourth is the potential acquisition of the Magistrates Court site in Maidenhead. Projects relating to the long term solution for Forensics services (discussed at the November Level 1 meeting), and adaptations and expansion to the Contact Centre, are both still in initial feasibility stage with significant work required before a firm business case can be recommended.
- 3.2 **Fountain Court:** The roof replacement project was discussed at the November Level 1 meeting. This has been combined with the refit of the second floor. Woodstock police station (sold to Blenheim Estates) has been leased back for the duration, so staff can relocate. This will allow two large projects to be completed under one umbrella, minimising disruption as far as possible.
- 3.3 **Forensics:** The current building needs essential remedial works, as the current condition threatens the ISO accreditation due to conditions within the facility. Feasibility studies are to be carried out on options around relocation or a new build at HQ(S).

- 3.4 **Maidenhead Courts:** The strategic purchase of the unoccupied Magistrates Court building is progressing. This will secure site access and control of any future development on land adjoining TVP premises. Plans are being drawn up to demolish the building and replace with hard standing/car parking, and final costs will depend on the option taken.
- 3.5 **Contact Centre Adaptations:** This is a place holder for the anticipated future works required.

ICT, Digital Policing & Force Change - Schedule 3

- 3.6 The ICT 5-year Strategic Roadmap and Digital Policing plans made and approved last year are continuing to progress to modernise the legacy infrastructure and create a solid technology platform, from which the Force can continue to transform working practices.
- 3.7 In addition to the new bids approved in November, some further high priority tier 1 approvals are sought:
- 3.8 **ESRI Locator Hub:** This is a tier 1 project aligned to the previously approved Single Instance ESRI Gazetteer project which was initiated between 2018 and 2019 under the RMS Programme. This funding is requested to enable a fully functioning interface between CMP, RMS and the ESRI Locator Hub that would allow us to decommission legacy systems. It is envisioned that work on this project will start as soon as possible after CMP go-live and £0.416m is requested accordingly in 2020/21
- 3.9 **Genesis – Custody:** This is part of a scheduled refurbishment of the custody suites, and involves hardware and software to integrate and manage the electronic systems within the suites, including alarm systems, CCTV cameras and other monitoring devices. The funding requested is £1m split over 2020/21 and 2021/22.
- 3.10 **CMP Mobile App:** This is a request for additional funding of 0.194m to further develop the CMP Mobile app which will help maximise the benefits of the CMP Programme. It is expected that the app will help to improve productivity and align with the forces' smarter ways of working policy.
- 3.11 **BWV Implementation:** In order to resolve current performance issues identified after a recent software upgrade, further funding of £0.039m in 2020/21 is requested to complete this project which will deliver a storage solution for evidential data acquired through the use of Body Worn Video.

Other Items – Schedules 4-6

General Annual Equipment Provisions

- 3.12** Annual provisions for non-specific capital equipment purchases and ANPR installation replacements are included throughout the MTCP period.

Fleet Vehicles

- 3.13** Vehicle fleet renewals through Chiltern Transport Consortium (CTC) are included in all years in the MTCP. Total spend on vehicles over the next 4 years is expected to be about £15m, which includes anticipated inflationary increases. There is an element of uncertainty over the impact of Brexit and exchange rate fluctuations which may have a further negative impact on cost. The replacement plan in future years may also be impacted by developments in electric powered vehicles and the Forces' commitment to the environment.

Emergency Services Mobile Communications Project (ESMCP)

- 3.14** The current budget for ESMCP will need revisiting once the final national decisions about the roll-out plans have been agreed. The total project allocation, including some funds spent to date is £9.150m, which includes £4.8m for devices.

Future Capital Investment Capacity

- 3.15** It is recognised that in presenting the 4 year MTCP the later years have less clarity and we become less certain regarding the demands and opportunities facing the Force. We have articulated our clear prioritised intentions for the next 2 years but have limited information regarding new investment requirement in years 3 & 4 which makes forecasting uncertain. At present there are no new projects identified to start in that period. We can be clear however that it is extremely likely that we will require further capital investment in 2022/23 and later years beyond the simple refresh of fleet and computer hardware.
- 3.16** With this in mind if we consider the prospect of needing to invest a modest sum of £5m in both 2022/23 and 2023/24 to provide future investment capacity, cover national requirements or maintain core infrastructure, the small surplus of £3.948m currently shown at the end of 2023/24 would become a funding shortfall of £6.052m. The MTCP does not include forecasts for unspecified investment, but this a clear risk that needs to be highlighted. The likelihood is that any future new investment would need to be funded by further external borrowing or revenue contributions, which will have a consequential impact on the medium term revenue plan.

4 Funding of the Medium Term Capital Plan 2019/20 to 2023/24:

- 4.1** The MTCP provides investment capacity totalling £84.416m for the next 4 years from 2020/21 to 2023/24. The total investment including the current year (2019/20) is £128.789m.
- 4.2** Funding the full programme will include the use of £17.65m of brought forward capital balances, £23.94m of capital receipts from finite asset sales (predominantly buildings and houses), £10.794m of previously approved earmarked reserves, £51.403m of Direct Revenue Financing, £20.32m of approved borrowing and only £3.062m from Home Office capital grant.
- 4.3** The significant change in funding since November is the reduction by 74% of the Capital grant received from the HO, this is a reduction of £1.1m from £1.5m down to £0.4m. The loss of this grant funding has been compensated for by an increase in the Direct Revenue Funding.
- 4.4** A small funding surplus of £3.948m exists over the 4 year period, although a deficit is shown over the first 3 years. This is expected to be manageable since planned expenditure is rarely incurred according to the original profile and will be closely monitored.
- 4.5** As highlighted in paragraph 5.17, investment capacity in later years is not specifically identified, with no new projects forecast to start in 2022/23 or 2023/24. The likelihood is that either national, regional or local requirements will dictate a level of new investment over that period

Asset Sales

- 4.6** The value of asset sales over the MTCP period has been updated to reflect the expected timing of non-residential sales. This has marginally increased the available funding over the period by about £2m due to the recognition of planned receipts from sale of part of Windsor police station. Overall £20.7m of the £23.94m asset sales relates to police buildings and houses.
- 4.7** It is worth reiterating that towards the end of the programme these one-off sales tail off and will not continue to significantly support the programme beyond 2022/23 as the asset lists are significantly reduced and receipts become sporadic.

Direct Revenue Financing

- 4.8** Direct Revenue Financing (DRF) has had to be increased to a minimum of £11.08m per annum in later years, this is driven by reduction in Home office capital grants announced in January 2020 funding settlement. This places a significant burden on the revenue budget in future years since new bids will either be funded from new borrowing or DRF, directly affect the revenue budget as reserves and capital receipts are exhausted.

Vehicle Fleet and Core Equipment Refreshes

- 4.9** As we move forward about £7.5m per annum is required to just maintain core equipment levels in terms of computer equipment, phones, other equipment and vehicles. This will absorb the majority of DRF in future and leave little scope for investment. New projects are very likely to require further borrowing which will increase the revenue burden through interest and capital repayments (MRP).

Optimism Bias (OB) Reserve

- 4.10** The OB reserve was set aside to acknowledge and financially provide for, bias in project costings. However, the intention was always to move towards managing the risk at the individual scheme line rather than a ring fenced reserve. Through the MTCP we can assess and manage the risk based on close monitoring of capital projects, falling back on Stage Gate reporting to control and mitigate new project risk. Current Optimism Bias has been estimated (see table 2 above) at £3.45m. This risk will continue to be monitored at a project level and if risks materialise then recommendations will be made to fund requirements through existing reserves.

5 Issues for Consideration

- 5.1** As mentioned earlier, beyond the current MTCP period capital receipts from one-off property sales and development will become increasingly more difficult to identify and realise. In the years following the MTCP there is currently only 1 potential significant identified receipt from the potential sale of the land at Gowell Farm in Bicester. Neither the amount nor timing can be identified with any element of certainty at this stage.

- 5.2** Revenue contributions to the Capital Programme have had to be increased significantly over the next 4 years in order to provide the Force with a realistic level of funding for the renewal of fixed assets and the maintenance of our technology infrastructure. The most recent funding settlement in January 2020 increased the need for DRF funding as Home office capital grant was reduced. Further revenue funding is likely to be a future requirement through DRF or external borrowing. However, the capacity to absorb this additional cost within the revenue budget is only likely to be achieved if further savings can be made – either driven by capital investment or through reductions in Force costs.
- 5.3** Whilst the figures included in the MTCP are as accurate as possible it should be noted that a number of elements will continue to be developed and are likely to result in future change requests. These include:
- 5.4 Asset Management Plan (AMP)** schemes still require firm solutions to be identified; hence costs will be subject to variation. The timing of AMP schemes are partly dependant on availability within the market. In addition, currently leased premises will continue to be considered for purchase where it makes sound financial sense to do so. These are in addition to current AMP works.
- 5.5 Other External factors** – The full impact of Britain exiting the EU still remains unknown. There are potentially heightened risks around the value of sterling compared to other currencies and imports, including brought in skills through external suppliers that may continue to increase in relative cost. This could add additional pressures to the future programme.

6 Conclusion & Recommendation

- 6.1** The schemes included in the MTCP are considered by CCMT to be essential for enabling and improving future service provision through a more efficient estate and better use of technology. The MTCP is a prioritised programme of works. As policing continues to evolve other investment opportunities and legislative changes to improve levels and efficiency of service and to continue to align with other Criminal Justice Partners will no doubt present themselves and will need to be assessed against available resources.
- 6.2** The MTCP identifies total planned spend of £84.416m over the 4 year period 2020/21 to 2023/24. This includes £1.062m re-phased from the 2019/20 approved projects. It is worth noting the level of re-phasing is likely to fluctuate as we progress towards the year end.

- 6.3** The level of investment submitted for approval results in a small funding surplus of £3.948m over the 4 year period. A small level of funding deficit is shown in years 1 to 3 but, in practice, this is unlikely to materialise and is felt to be manageable.
- 6.4** As stated in section 5.17, it is recognised that identified investments in the later years of the plan are more difficult to specify, but are very likely to be required. Any shortfall is likely to come from either additional borrowing or DRF and both sources will impact directly on the revenue budget and will, in all probability, only be affordable if further savings can be identified.

6.5 Recommendation:

The PCC:

- Approved the capital programme for 2020/21 in the sum of £38.401m as set out in Table 1, which includes £1.022m of re-phased budget from 2019/20.
- Approved the financing of the MTCP as set out in schedule 7 on page 77
- Approved the overall 4 year MTCP (2020/21 to 2023/24) for planning purposes at £74.416m as set out in Table 1.
- Noted the updated OB reserve risk assessment of £3.450m over the next 4 years, which will be managed and reviewed as the Force progresses through the plan term

SCHEDULE 1 : CAPITAL EXPENDITURE FORECAST SUMMARY - Including Tier 1 Growth

Dec-19

	Nov Budget	Changes	Revised	New Spend				Total 2019/20 to 2023/24 £000	Later Years £000	Schedule Reference	2019/20 Budget Rephased to 2020/21 & later
	2019/20 £000	Budget 2019/20 £000	Budget 2019/20 £'000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000				
Property	16,765	1,249	18,014	14,558	14,459	4,185	-	51,216	-	Schedule 2	-4,668
ICT/ Business changes	19,200	-2,034	17,166	15,015	5,113	4,531	3,430	45,254	2,909	Schedule 3	1,775
SECTU/ Tactical Firearms	1,084		1,084	-	-	-	-	1,084	-	Schedule 4	
Equipment & Radio Replacement	4,902	-277	4,625	5,135	2,396	150	150	12,456	-	Schedule 5	-277
Vehicles	3,485		3,485	3,693	3,778	3,866	3,956	18,778	4,048	Schedule 6	
Capital Projects Total to be Financed	45,435	-1,062	44,373	38,401	25,746	12,732	7,536	128,789	6,957		-3,170
Financing Available			53,587	29,137	16,428	21,306	12,278	132,736	17,078	Schedule 7	
Cumulative Funding Position (Existing Programme)			9,214	-50	-9,368	-794	3,948	3,948	21,026		

SCHEDULE 2: PROPERTY SCHEMES			Previous	TOTAL PROJECT	Nov Budget	Changes Budget	Revised Budget	New MTCP Spend				Later years
			Spend £000	COST £000	2019/20 £000	2019/20 £000	2019/20 £'000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24	£000
Corporate Schemes												
HQ South - C, D E & G block (Work and Demolition)			2,901	3,349	12		12	10	0	426		
St Aldates Police Station			600	600	0		0					
Sulhamstead - Imbert Court			2,200	2,702	335	167	502					
Sulhamstead - White House			1,579	2,605	1,076	-50	1,026					
Milton Keynes- site wide works inc Windows			3,296	4,296	1,000		1,000					
Buildings - Store			354	394	40		40					
Fountain Court Infrastructure Works			12	2,750	100	44	144	1825	769			
New Western Hub			0	6,886	3000	687	3,687	2949	250			
T3 Building 249 Infrastructure - New			0	875	50		50	825				
			0	0			0					
Asset Management Plan (AMP)												
Asset Management Plan (AMP) total			1,124	30,406	10,918	-485	10,433	8,340	9,950	559	0	0
Carbon Management Works												
Carbon Management Works: REC, Officer Safety Training Centre			457	691	234	-234	0	234	0	0	0	0
Sulhamstead, HQ South A-Block, Biomass Boilers												
T2												
				0	0	0	0	0	0	0		
				0								
				0								
20/21 Capital Bids Provisionally Approved by CCMT												
Fountain court roof - drf add to AA112				590				50	540			
Forensics				4,225				75	2,150	2,000		
Contact Centre Adaptations				2,000					800	1,200		
Maidenhead site purchase			0	1,370	0	1,120	1,120	250				
Total Property			12,523	63,740	16,765	1,249	18,014	14,558	14,459	4,185	0	0

		Data processing											
Ref	CSG Score	Project Status	SCHEDULE 3: ICT SCHEMES and BUSINESS CHANGE	Previous Spend £000	TOTAL PROJECT COST £000	November Budget 2019/20 £000	Changes Budget 2019/20 £000	Revised Budget 2019/20 £000	New MTCP Spend				Later years £000
									2020/21	2021/22	2022/23	2023/24	
									£000	£000	£000	£000	
			ICT CORE SCHEMES										
			EUD Replacement Budgets										
			End User Devices - Desktops and Laptops, Tablets and handheld devices.	-	15,427	2,931	(259)	2,672	2,754	2,163	2,943	2,708	2,187
			Network & Connectivity Infrastructure										
			Network & Connectivity Infrastructure	222	2,201	1,084	(440)	644	459	219	219	219	219
			Data Centres, Data Processing & Storage Infrastructure										
			Data Processing - New Data Centre, existing servers, ICT security and tools.	107	3,979	1,647	(150)	1,497	775	400	400	400	400
			PROJECT PORTFOLIO										
			RMS										
			RMS	1,272	1,920	356	(75)	281	367	-	-	-	-
			Digital Contact / Contact Management										
			Digital Contact	21,368	25,097	3,144	(55)	3,089	640	-	-	-	-
			Digital Investigation & Intelligence										
			Digital Investigation & Intelligence	114	114	-	-	-	-	-	-	-	-
			Total - Digital First										
			Total - Digital First	413	1,392	449	(30)	419	180	380	-	-	-
			Digital Frontline										
			Digital Frontline	192	3,011	1,569	-	1,569	-	103	941	103	103
			Digital Technology Enablers										
			Digital Technology Enablers	1,047	5,748	3,162	(350)	2,812	1,889	-	-	-	-
			Police Secure Network (PSN)										
			Citrix	-	422	164		164	258				
			Third Party Patching	-	88	50		50	38				
			PSN Migration & Citrix	2,254	2,764	214	-	214	296	-	-	-	-
			Data Enablers										
			Total - Data Enablers	218	986	630	(150)	480	287	-	-	-	-
			Monitoring Based Projects										
			Total - Surveillance Based Projects	-	500	500	(400)	100	400	-	-	-	-
ICT T1 T2A			Other MTCP Projects										
			Q-Pulse	21	21								
			Comm EUD Retender	59	81	22		22					
			PACE recording Equip - cost uncertain	-	1,257	50		50	1,207				
			Chronical Upgrade	13	71	58	(50)	8	50				
			ACESO	-	532	72		72	460				
			CAID 4 Infrastructure	-	50	50		50	-				
			PSD Proactive Monitoring - Initial Trial	38	68	30		30					
			PSD Proactive Monitoring - Enterprise Wide	-	167	167	(75)	92	75				
			Chorus	110	120	10		10					
			Centurion Upgrade	-	24	24		24					
			Virtual Platform	-	166				166				
			Other MTCP Projects	242	2,558	483	(125)	358	1,958	-	-	-	-
			ICT Service Improvement										
			ICT Service Improvement	256	591	208	-	208	127	-	-	-	-
			NON ICT LED PROJECTS										
			ENTERPRISE RESOURCE PLANNING (ERP)										
			ERP Potential Pricing Profile	4,780	11,513	2,823		2,823	3,314	568	28		
			Equip Contingency	-	1,200				600				
			ERP - Enterprise, Resource & Planning Tool	4,780	12,713	2,823	-	2,823	3,914	1,168	28	-	-
			Capital Bids Provisionally Approved by CCMT										
			Genisis - custody		1,000				320	680			
			Esri Locator Hub		416				416				
			BWV Implementation - Storage		39				39				
			CMP Mobile App		194				194				
			T1 Total New Bids	-	1,648	(0)	-	(0)	969	680	-	-	-
			TOTAL - ICT CORE SCHEMES	328	21,606	5,662	(849)	4,813	3,988	2,782	3,562	3,327	2,806
			TOTAL - PROJECT PORTFOLIO	27,376	44,680	10,715	(1,185)	9,530	6,144	483	941	103	103
			TOTAL - NON ICT LED PROJECTS	4,780	12,713	2,823	-	2,823	3,914	1,168	28	-	-
			TOTAL - NEW PRIORITISED BIDS	-	1,648	(0)	-	(0)	969	680	-	-	-
			TOTAL - ICT - OVERALL	32,485	80,648	19,200	(2,034)	17,166	15,015	5,113	4,531	3,430	2,909

REF	SCHEDULE 4: Grant/NCCP HQ funded	Previous	TOTAL PROJECT	Nov Budget	Changes Budget	Revised Budget	New MTCP Spend				Later	2019/20 Budget Rephased to 2020/21 & later
		Spend	Cost	2019/20	2019/20	2019/20	2020/21	2021/22	2022/23	2023/24	£000	
		£000	£000	£000	£000	£000	£000	£000	£000	£000		
	Equipment CITU & CTU		-			-						
	Vehicles CITU & CTU		574	574		574						
	Buildings - Unit 1		341	341	-	341						
	SECTU ICT Equipment		50	50		50						
	SECTU Forensic Equipment		50	50		50						
	TSU Equipment		69	69		69						
	NCA Crawley (Buildings Store)		-			-						
	Firearms Support Arrangement		-			-						
	TOTAL ACPO TAM funded	-	1,084	1,084	-	1,084	-	-	-	-	-	-

REF	SCHEDULE 5: Equipment & Radio	Previous	TOTAL PROJECT	Nov Budget	Changes Budget	Revised Budget	New MTCP Spend				Later	2019/20 Budget Rephased to 2020/21 & later
		Spend	COST	2019/20	2019/20	2019/20	2020/21	2021/22	2022/23	2023/24	£000	
		£000	£000	£000	£000	£000	£000	£000	£000	£000		
	Annual Provision		797	397		397	100	100	100	100		
	Video Conferencing	169	169			0						
	TSU equipment	476	476			0						
	Safer Roads (Hypothecation Equipment)	1,869	3,667	1,798		1,798						
	SEROCU	511	511			0						
		3,025	5,620	2,195	-	2,195	100	100	100	100	-	-
	ANPR - further static sites- partner funded	1,298	1,325	27		27						
	ANPR - replacement of installations/infrastructure		250	50		50	50	50	50	50		
	ANPR	1,298	1,575	77	-	77	50	50	50	50	-	-
	Airwave replacement- ESMCP - overall project	584	3,550	1,567		1,567	905	494				
	ICCS		-			0						
	Airwave replacement- ESMCP - Funding uplift		-			0	0					
	Grant uplift		800	98		98	650	52				
	Airwave replacement- ESMCP - Devices Inc. uplift		4,800	-		0	3,200	1,600				
			-									
	National radio system upgrade - ESMCP TVP costs	584	9,150	1,665	-	1,665	4,755	2,146	-	-	-	-
ICT T1	Radio Replacements - Covert		598	745	(277)	468	130					-277
	Radio Replacements - Officers		176	76		76	50	50				
	Radio Replacements - Vehicles		244	144		144	50	50				
	ICT-Airwave	-	1,018	965	(277)	688	230	100	-	-	-	(277)
	Other grants		-			0						
	Capital Bids provisionally Approved by CCMT Oct19		-			0						
	Covert radios (see row 44 above - reduced since Nov)		-			0						
		-	-	-	-	-	-	-	-	-	-	
	Total Equipment & Radio Replacement	4,907	17,363	4,902	(277)	4,625	5,135	2,396	150	150	-	(277)

	SCHEDULE 6: VEHICLES	Previous	TOTAL PROJECT	Nov Budget	Changes Budget	Revised Budget	New MTCP Spend				Later	2019/20 Budget Rephased to 2020/21 & later
		Spend	COST	2019/20	2019/20	2019/20	2020/21	2021/22	2022/23	2023/24	£002	
		£000	£000	£000	£000	£000	£000	£000	£000	£001		
	TVP Vehicle Replacement		19,488	3,248		3,248	3,248	3,248	3,248	3,248	3248	
	carryforward from last year		168	168		168						
	less to EV current Replacment cost		(1,260)			0	-252	-252	-252	-252	-252	
	Vehicle Telematics (tba)		-			0						
	inflation Provision (Efficiencies may off set this)		1,770	69		69	165	250	338	428	520	
	development of EVU		-			0						
	Capital Bids provisionally Approved by CCMT Oct19		-			0						
	Electric Vehicles- additional cost		1,400			0	280	280	280	280	280	
	Existing funding in DA000		1,260			0	252	252	252	252	252	
			2,660	-	-	-	532	532	532	532	532	
	others - SRP/ADDITIONA		-			0						
	Total Vehicle Replacement	-	22,826	3,485	-	3,485	3,693	3,778	3,866	3,956	4,048	-

SCHEDULE 7: RESOURCES REQUIRED TO FINANCE THE CAPITAL PROGRAMME

	2019/20	2020/21	2021/22	2022/23	2023/24	Total 2019/20 to 2023/24
	£000	£000	£000	£000	£000	£000
Capital Balances Brought Forward	17,651					17,651
Surplus funds Carried Forward 31/3/2019						
Estimated funding generated during year						
Capital Receipts including AMP	934	3,860	2,625	9,000	-	16,419
- House Sales	2,556	1,715	-	-	-	4,271
- House Shared Equity repayments	200	200	200	200	200	1,000
- Vehicle Sales	450	450	450	450	450	2,250
Revenue Contributions						
Vehicles	0	-	-	-	-	-
DRF	8,575	9,582	11,082	11,082	11,082	51,403
General Reserves	750	-	-	-	-	750
Borrowing						
Borrowing for Property Related Projects Capital (Reading)	13,320	7,000	-	-	-	20,320
Third Party Contributions						
S106 or CIL Contributions	150	150	150	150	150	750
ANPR Contributions	38	-	-	-	-	38
Other Contributions	-	-	-	-	-	-
Capital Grants						
General	1,478	396	396	396	396	3,062
Specific grants (SECTU, SEROCU or T66)	1,084	-	-	-	-	1,084
Other government Departments/Western Hub	2,945	0	0	0	0	2,945
Reserves						
Earmarked Reserves -						
Improvement & Performance Reserve	50	1,145	680	-	-	1,875
Optimism Bias Reserve	3,407	4,639	845	28	-	8,919
Risk Management Reserve (Carbon Management)	0	-	-	-	-	-
Other Income						
Safer Roads Partnership	0.00	-	-			-
Transformation Fund						-
Resources Available (inc B/F Capital Reserves)	53,587	29,137	16,428	21,306	12,278	132,736
Total Resources Programme Requires	44,373	38,401	25,746	12,732	7,536	128,789
Shortfall / Surplus in year (shortfall is a negative)	9,214	-9,264	-9,318	8,574	4,742	3,948
Cumulative funding position (shortfall is a negative)	9,214	77	-9,368	-794	3,948	3,948

RESERVES, BALANCES AND PROVISIONS

Introduction

1. This report provides information on the estimated level of reserves, balances and provisions currently held and explains how some of these will be applied over the next four years to help support the revenue budget and capital programme.

NATIONAL GUIDANCE

2. In July 2014, CIPFA issued updated guidance on the establishment and maintenance of local authority reserves and balances, setting out the key factors that should be taken in account locally in making an assessment of the appropriate level of reserves and balances to be held.
3. This report complies with the Ministerial requirement regarding the usage and publication of police reserves.

GENERAL REVENUE BALANCES

Background

4. In order to assess the adequacy of unallocated general reserves (otherwise known as general balances) when setting the budget the PCC, on the advice of the two chief finance officers, should take account of the strategic, operational and financial risks facing the authority. This assessment of risk should include external risks, such as flooding, as well as internal risks, for example the ability to deliver planned efficiency savings.
5. Table 1 examines how Thames Valley Police (TVP) currently complies with the 7 key CIPFA principles to assess the adequacy of reserves.

Table 1: Compliance with the 7 key principles

Budget assumptions	Current situation in Thames Valley
The treatment of inflation and interest rates	<p>TVP makes full and appropriate provision for pay and price rises. We have provided for future pay awards at 2.5% per annum and general inflation is linked to CPI.</p> <p>An informed assessment is made of interest rate movements.</p> <p>All individual expenditure and income heads in the revenue budget are prepared and published at estimated outturn prices.</p>
Estimates of the level and timing of capital receipts	<p>TVP makes a prudent assumption of future capital receipts. Attached at Appendix 3 is a schedule of planned receipts over the next 4 financial years</p>
The treatment of demand led pressures	<p>The Force is required to operate and manage within its annual budget allocation.</p> <p>The Chief Constable retains 2 central reserves to help finance large scale or corporate operations or issues. These are the 'Major Operations Reserve' and the 'Tasking Fund Reserve'. In addition the CCMT also holds a small reserve to deal with day to day changes in demand and pressure.</p>

	<p>The Force has been able to accommodate the additional costs arising from the various major incidents over the last 10 years or so without asking the PCC for additional reserve funding.</p> <p>The Force has identified £14.4m of cash savings which will be removed from the budget over the next four years (2020/21 to 2023/24). This is over and above the £105m of cash savings that have been removed from the base budget in the last eight years (i.e. 2011/12 to 2019/20). This cumulative level of budget reduction (at least £119m) will inevitably mean that operational budgets will come under even greater pressure and/or risk of overspending in future years.</p> <p>Some government grants (e.g. DSP) are announced annually in advance and are cash limited. Any new policing pressures arising during the year will have to be funded from TVP's own resources.</p> <p>TVP has created a number of earmarked revenue reserves to help finance specific, ad-hoc, expenditure commitments. Appropriations are made to and from these reserves on an annual basis, as required.</p> <p>Finally, general balances are used as a last resort to manage and fund demand-led spending pressures.</p>
The treatment of planned efficiency savings/productivity gains	<p>The Force has consistently achieved its annual efficiency target.</p> <p>All savings are delivered through the Efficiency Plan process and are fully risks are assessed in terms of deliverability.</p> <p>As explained above, over £105m of cash savings has already been taken out of the base budget with at least a further £14.4m required over the next four years.</p>
The financial risks inherent in any significant new funding partnerships, collaboration, major outsourcing arrangements or major capital developments	<p>The financial consequences of partnership collaboration working, outsourcing arrangements or capital investment are reported to the PCC as part of the medium term planning process. Where relevant, any additional costs are incorporated in the annual revenue budget and/or capital programme.</p> <p>The Optimism Bias (OB) Reserve is fully committed. All new capital bids (i.e. over and above those included in the January 2019 MTCP) should include an appropriate element for OB.</p> <p>There is clearly a risk that local authority partners will continue to withdraw funding as their own budgets are squeezed, or that the continued financial viability of private sector</p>

	commercial partners will be exposed to risk in the face of an economic recession.
The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions	<p>TVP has created a number of earmarked revenue reserves and provisions to meet specific expenditure items. These are referred to in more detail below.</p> <p>TVP maintains an insurance provision; the adequacy of which is determined annually by a firm of qualified insurance actuaries.</p> <p>The access criteria for special grants state that PCCs may be required to fund up to 1% of their net budget requirement themselves before Government considers grant aid. This applies on an annual basis. During the last couple of years TVP has successfully applied for, and received grant monies for Operation Hornet, Didcot Power Station, policing of two Royal Weddings and the visit of the President of the USA</p>
The general financial climate to which the authority is subject.	<p>The Police Finance Settlement for 2020/21 included an extra £700m for local policing to commence the recruitment of an extra 20,000 police officers over the next 3 years, with the first 6,000 to be recruited before the end of 2020-21. This increase in funding also has to cover pay and price rises as well as other growth commitments.</p> <p>In his Spring Statement the Chancellor will announce the next Spending Review which is expected to cover the 4-year period 2021/22 to 2024/25</p> <p>General inflation in the UK is slightly lower than in recent years. CPI is currently 1.5% (November 2019). RPI is slightly higher at 2.2%.</p> <p>Base rate is currently 0.75%. The Governor of the Bank of England has indicated that any future increases will be minimal and gradual.</p> <p>The 4 year medium term financial plan reflects our local 'best estimate' of future inflation rates and increases in government grants and contributions.</p>

6. General balances are required to cover financial risks and uncertainties such:

- unforeseen emergencies, such as a terrorist incident or major investigation;
- changes in the demand for policing;
- managing the timing of making savings;
- costs of national programmes;
- funding the first 1% of costs for major events (e.g. Royal Weddings) in-line with Home Office grant rules; and
- uneven cashflows

7. Home Office special grant rules require us to fund the first 1% of net revenue expenditure for each incident before we can submit a claim for financial assistance. As such, in an organisation the size of Thames Valley, with a net budget of around £434m, the current policy is to maintain general balances around a guideline level of 3% of annual net revenue expenditure budget, with an absolute minimum level of 2.5%. This is felt to be an appropriate percentage and cash sum.
8. The current and forecast level of general balances is set out in Table 2 below.

Table 2: Predicted level of general balances

	£m	% of 2020/21 Net Budget
Forecast balance as at 31 March 2019	18.705	4.17%
Fund forecast overspend 2019/20	- 2.318	
Forecast balance as at 31 March 2020	16.387	3.65%
Late council tax information	0.030	
Fund additional bank holidays	- 0.235	
Fund purchase of covert radios	- 0.750	
Forecast balance as at 31 March 2021	15.432	3.44%
Fund additional bank holidays	- 0.705	
Forecast balance as at 31 March 2022	14.727	3.28%
Fund additional bank holidays	- 0.470	
Forecast balance as at 31 March 2023	14.257	3.18%
Forecast balance as at 31 March 2024	14.257	3.18%

Commentary of the Table

9. The current forecast level of general balances at 31 March 2020 is £16.387m which equates to 3.65% of the net revenue budget requirement in 2020/21.
10. At this stage, the overall level of general balances is scheduled to remain above the agreed 3% in coming years which is a healthy position to be given the planned reduction in earmarked reserves, the unknown funding position in 2020/21 and later years and the very difficult operational environment that the force continues to operate in.

Risk and Sensitivity Analysis

11. Attached at Appendix 1 is the Risk and Sensitivity Assessment for General Balances for 2020/21. This provides the PCC with more accurate, timely and risk based information on the type of issues that may have significant potential implications for the level of general reserves held, both now and in the near future.
12. The Appendix has been produced in accordance with the Force Risk Model and scores the likelihood of each risk occurring, and the impact that it would have on the level of general balances currently held, on a scale of 1-5 (with 5 being 'high risk' / 'high impact', respectively). The two scores are then multiplied to provide an aggregate risk score. The risks in the Appendix are ranked in order, with high risk, high impact issues being shown at the top of the list.

13. The two biggest risks are (1) that the additional costs of one-off operational incidents or in-year emergencies cannot be contained within budget or be fully grant funded by Government and (2) that the Force fails to contain expenditure within agreed annual budget limits, including unfunded national pay increases.

EARMARKED REVENUE RESERVES

14. The predicted position at 31 March 2019 for each earmarked revenue reserve - which has a specific purpose and particular timescale for its expenditure - is shown in Table 3 below.
15. The predicted annual movement in each reserve over the next 5 years (including 2018/19) is shown in Appendix 2. This shows that by the end of 2023/24 the overall level of earmarked reserves will be just £3.5m, including £1.4m in the Conditional Funding Reserve and the SEROCU which are not available to help with general operational policing.

Table 3: Earmarked reserves

Reserve	Balance at 1 April 2019 £m	Predicted Movement in year £m	Forecast Balance 31.3.20 £m	Purpose of Reserve
Transport reserve	0.448	- 0.168	0.280	TVP share of the Chiltern Transport Consortium (CTC) reserves
Improvement and Performance reserve	8.817	- 0.282	8.535	Used to help fund one-off initiatives such as capital investment and property maintenance
Optimism Bias	8.920	- 3.408	5.512	To fund any cost over-runs on the capital programme
Insurance	0.499	0.0	0.499	Funds held in case insurance provision proves inadequate to meet known liabilities
Community safety	0.925	- 0.150	0.775	To fund the PCC's community safety initiatives
Sub-total	19.609	- 4.008	15.601	
SEROCU	1.052	- 0.940	0.112	Provision held on behalf of the hosted regional organised crime unit to support infrastructure investment and risk management against in year grant cuts.
Conditional Funding reserve	3.795	- 0.500	3.295	The Force is actively engaged in a number of projects which are funded by government grants, contributions from partner bodies and other agencies. Income received can only be spent on the specified purpose.
Total	24.456	- 5.448	19.008	

Commentary on Table 3 and Appendix 2

16. The **Chiltern Transport Consortium Board** has agreed to limit its reserves to 3% of the devolved recharge for each force.
17. The **Improvement & Performance (I&P) Reserve** is being be used to fund essential one-off expenditure items which will improve performance or deliver efficiency savings.

Table 4 – Proposed drawdown from the I&P Reserve

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Opening balance	8.817	8.535	6.488	3.201	1.681
Council tax – late notification of increase surplus	0.365				
MK – firing range ventilation plant work	- 0.050	- 0.050	- 0.150		
Banbury Custody suite ventilation		- 0.155			
Maidenhead – roof to main building				- 0.150	
Langford Locks - air conditioning			- 0.260		
Kingfisher Court – electricals			- 0.225		
Maidenhead –custody ventilation			- 0.250		
Newbury – custody ventilation				- 0.175	
Maidenhead – lighting, power & switchgear	- 0.100			- 0.315	
Newbury heating				- 0.155	
Meadow House air conditioning			- 0.400		
High Wycombe – custody ventilation		- 0.075	- 0.130		
High Wycombe – roofs & windows			- 0.250		
Aylesbury – roofs & windows (main block)		- 0.250			
Aylesbury – roofs & windows (welfare block)		- 0.175			
Banbury – main roof			- 0.250		
Lodden Valley – custody air con			- 0.450		
Slough – roof to main building				- 0.150	
Roof repairs – Lodden Valley			- 0.015	- 0.200	
Roof repairs – Milton Keynes			- 0.015	- 0.200	
Roof Repairs – Newbury			- 0.015	- 0.175	
UCI public enquiries	- 0.197	- 0.197	- 0.197		
ICT rationalisation					
National barrier asset	- 0.250				
Genesis – custody works (capital)		- 0.320	- 0.680		
Capital programme	- 0.050	- 0.825			
Annual drawdown to fund one-off items	- 0.647	- 2.047	- 3.287	- 1.520	0.000
Closing balance	8.535	6.488	3.201	1.681	1.681

18. HM Treasury guidance on capital projects recognises that there is the potential for project costs to exceed the initial assessment. This is called **Optimism Bias** and relates to any project type, although it can be particularly impactful when relating to the development of new technology. At 1st April 2019 the OB reserve amounted to £8.920m. However, it is being fully utilised to fund the following items from the revenue budget and capital programme over the next few years.

Table 5: Proposed drawdown of the Optimism Bias reserve

	£m	
Opening value at 1.4.19	8.920	
HTCU storage	- 0.606	Cap Mon 25.7.19
CMP	- 0.499	Cap Mon 25.7.19
Office 365	- 0.222	Cap Mon 25.7.19
Sulhamstead Imbert Court	- 0.215	Cap Mon 29.11.19
CMP	- 1.108	Cap Mon 29.11.19
Equip	- 0.758	Cap Mon 29.11.19
Estimated value as at 31.3.20	5.512	
Equip	- 3.914	MTCP 4.2.20
Tier 1 extension	- 0.725	MTCP 4.2.20
Estimated value as at 31.3.21	0.873	
Equip	- 0.845	MTCP 4.2.20
Estimated value as at 31.3.22	0.028	
Capital programme	- 0.028	MTCP 4.2.20

Estimated value as at 31.3.23	0.0	
--------------------------------------	------------	--

19. All new capital schemes (i.e. those not included in the January 2019 MTCP) will include an appropriate element for OB and funding will be sought accordingly.
20. The residual balance of £0.499m in the **Insurance Reserve** is being utilised to fund a one-off commitment in the 2020/21 revenue budget.
21. The **Community Safety Reserve** will enable the PCC to invest in one-off community safety initiatives.
22. The **SEROCU Reserve** is held on behalf of the regional organised crime unit and is for future development and investment in regional infrastructure in support of the unit, as well as being held to also support potential in year shortfalls in central grant allocations.
23. The **Conditional Funding Reserve** holds monies that can only be spent on specific purposes; it is not available to general operational policing.

Compliance with Home Office guidance on police reserves

24. On 31st March 2018 the Minister for Policing and the Fire Service published guidance on the information that each PCC must publish in terms of police reserves. One of the key requirements is that the information on each reserve should make clear how much of the funding falls into each of the following three categories:
 - Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan
 - Funding for specific projects and programmes beyond the current planning period
 - As a general contingency to meet other expenditure needs held in accordance with sound principles of good financial management
25. This information is provided in Appendix 3.

PROVISIONS

26. The CIPFA Statement of Recommended Practice is prescriptive about when provisions are required (and when they are not permitted). Basically, a provision must be established for any material liabilities of uncertain timings or amount, to be settled by the transfer of economic benefits. In accordance with this statutory guidance the Thames Valley Police has established the following provision.

Insurance

27. A revenue provision exists for meeting ongoing claims under a self-insurance scheme. The insurance provision has recently been assessed by our actuary, Marsh. Their provisional assessment of total liabilities as at 31st March 2020 is £10.030m which is £1.389m higher than the existing provision as at 1st April 2019.
28. As part of the closedown process for 2019/20 officers will monitor and compare the actual fund size with the assessed liability.

CAPITAL BALANCES

29. In addition to the earmarked revenue reserves and insurance provision referred to above, we also maintain three capital reserves. These are used to help finance the 4 year capital programme.

Capital grants unapplied

30. Each year we receive an allocation of capital grant from the Home Office to help finance our capital investment plans. Unlike some other grants, which can only be used for a specific purpose or have to be spent within a particular timeframe, this grant is very flexible in that it can be applied to fund our general capital programme and can be carried forward, without penalty, until it is required to finance capital expenditure.
31. The fund balance as at 1st April 2019 was £11.725m, but this will be largely utilised in coming years to help finance the capital programme.
32. Future capital investment beyond 2023/24 will largely be dependent on revenue contributions, capital receipts and borrowing for new building projects.

Other capital grants

33. The PCC also maintains three further capital reserves, however because these grants have conditions attached to them they are shown in the Balance Sheet as long term liabilities rather than usable reserves. These are:
- Capital grants received in advance
 - Section 106 monies
 - 3rd party capital contributions
34. The value of these grants is shown in Appendix 2.

Capital receipts

35. There are three main sources of capital receipt in Thames Valley.
- Sale of police houses
 - Sale of operational police properties to deliver the Asset Management Plan
 - Income from the sale of police vehicles is used to fund their replacements
36. The latest schedule of planned disposals and their estimated value is attached at Appendix 4.
37. To avoid having to pay 51% of all interest earned on the investment of capital receipts to the Government - as part of the loan charges grant calculation - capital receipts are normally applied to finance the capital programme as soon as they are received.

CONCLUSIONS

38. Current policy is to maintain revenue general balances close to an operational guideline level of 3.0% of the net annual revenue budget, with an absolute minimum level of 2.5%. The latest estimate of general balances at 31st March 2020 is £16.4m which equates to 3.6% of the draft net revenue budget in 2020/21 and, based on current planning assumptions, the level of general balances should stay above the 3% guideline level through to 2023/24. This is an acceptable and appropriate position to be in as we continue the prolonged period of fiscal tightening and do not

know, at this stage, the exact level of government grant support that we will receive in future years (i.e. beyond 2019/20).

39. Appendix 1 shows that there are a number of risks that may impact on the level of general balances currently held. The two risks with the highest score of 8 are that:
- the additional costs of one-off operational incidents or in-year emergencies cannot be contained within budget or be fully grant funded by Government
 - the Force is unable to deliver, in full, the £3.5m of planned cash savings to be removed from the base budget during 2020/21
40. We have created a number of earmarked revenue reserves and an insurance provision to help fund specific initiatives or meet areas of future spending. In the main these are being applied over the next 4 years to finance one-off revenue and capital investment initiatives. Based on current planning assumptions, earmarked reserves will reduce from £24.5m on 31st March 2019 to just £3.5m at 31 March 2024, including £1.4m in the Conditional Funding Reserve and the SEROCU which are not available to fund general police expenditure. The application of these reserves will clearly be reviewed on an annual basis in light of current budgetary pressures and demands.
41. Based on current planning assumptions the 'Capital Grants Unapplied' reserve will be largely utilised by the end of the current financial year.

Risk and Sensitivity Assessment for General Balances in 2020/21

	RISK DESCRIPTION	RISK ASSESSMENT			SENSITIVITY
		Likelihood	Impact	Total	
1	The additional costs of one-off operational incidents or in-year emergencies cannot be contained within budget or be fully grant funded by Government	2	4	8	<p>Home Office access criteria for special grants imply that the PCC will have to fund up to 1% of his net revenue budget (i.e. circa £4.4m) of these one-off costs from his own resources on an annual basis.</p> <p>The Force maintains a number of operational reserves which amount to £1.8m. The three largest are:</p> <ul style="list-style-type: none"> ➤ Events £0.3m ➤ Tasking & Coordinating £0.4m ➤ Ops Reserve £0.3m
2	The Force fails to contain expenditure within agreed annual budget limits, including unfunded national pay increases	2	4	8	Continued monitoring and scrutiny arrangements and medium term financial planning.
3.	The Force fails to recruit and retain the additional 183 police officers allocated to TVP as part of the National Uplift programme and therefore loses a proportion of its annual grant	2	3	6	The force has been allocated £5.118m to recruit 183 police officers, which equates to £30,464 per officer. Based on current recruitment plans the Force should recruit these additional officers by summer 2020.
3	The Force is unable to deliver, in full, the £3.5m of planned cash savings to be removed from the base budget during 2020/21	2	3	6	The residual risk is that we won't deliver the full £3.5m e.g. a couple of £m shortfall or slippage
4	The one-off cost of delivering ongoing savings, e.g. redundancy costs, termination of contracts, etc. cannot be contained within existing budgetary provisions	2	2	4	The PCC maintains the Improvement & Performance Reserve which can be used to help fund one-off costs such as redundancies, property and ICT adaptations. However, to date these costs have been contained within the annual revenue budget.

Risk Impact' Scoring Table

APPENDIX 1A'

Factor	Score	Political	Economic	Social	Technology	Environmental	Legal	Other Organisational
Guidance on criteria		Ability to respond to HMIC / Audit Commission/ Police Authority & Home Office performance requirements, including Partnership Objectives and potential damage to reputation if not met	Level of funding and Resources	Human Rights – diversity and the damage to reputation if requirements not met / adhered to.	Examples are: all communications equipment, IT infrastructure, hardware & software. Plus any forensic capability that uses technology	Breach of legislation & / or damage to environment through contamination or pollution with potential for legal action against TVP	Health & Safety legislation and regulations. Plus personal safety and all other relevant legislation.	Ref protective marking guide 2007 relating to Public Order; safety; law enforcement & infrastructure etc
Very Low	1	Failure to meet individual operational target	Up to £100.000	Minor contravention of internal policies.	Minor ICT project delay	Insignificant impact on the environment – no breach of legislation	Local incident – local review no legal or regulatory breaches	Protect Data Loss / compromise /misuse resulting in ltd impact on personal human rights or operational activity
Low	2	Failure to meet a series of operational targets – adverse publicity	Between £100.000 and £500.000	Increasing numbers in minor contravention of internal procedures.	Short term loss of non critical ICT	Minor impact on the environment with no lasting effects – no breach of legislation	Minor incident – review protocols No adverse publicity	Restricted Data loss/compromise/ misuse resulting in limited impact to personal human rights or operational activity
Medium	3	Failure to meet a critical target – impact on an individual performance indicator - adverse internal audit report prompting timed improvement / action plan.	Between £500.00 and £1 million	Medium impact incident. Appears in local media	Longer term loss of non critical ICT	Minor impact on the environment with some short term effects – potential breach of legislation	HSE involved in significant incident. Civil litigation receiving adverse publicity and financial cost to the Force.	Confidential Data loss /compromise/misuse causing embarrassment & loss of trust in the force & an adverse impact on personal rights or operational activity
High	4	Failure to meet a series of critical targets – impact on a number of performance indicators – adverse external audit report prompting immediate action. Highlighted in the local media.	Between £1 million and £10 million	High impact incident. Appears in national media once	Prevention of access to intelligence placing prosecutions at risk including front line officers/staff.	Serious impact on environment with immediate and medium to long term effects – breach of legislation / local media attention	Temporary HSE intervention due to major incident. Force is prosecuted and fines. Intervention by Police Authority	Secret Data loss/compromise/ misuse resulting in serious reputational damage to the force & a severe impact to personal human rights (threat to life) or operational activity
Very High	5	Failure to meet a majority of local and national performance indicators – possibility of intervention / special measures. Picked up in the national media	Greater than £10 million	High impact incident(s) or high no of officers / staff taken to court under Human Rights / Diversity legislation. Appears in national media consistently	Damage to critical systems including loss of 999 service	Significant long-term impact on environment – breach of legislation leading to prosecution & reputation damage	Potential Corporate manslaughter charge. HSE close with adverse report Home office intervention. Taken to court by European Commission.	Top Secret Data loss/compromise /misuse resulting in sustained reputational damage to the force, impact upon national security & a serious breach of personal human rights (widespread threat to life) or operational activity

'Likelihood' Scoring Table

Risk Likelihood	Score	Probability or Likelihood of Occurrence within the next 12 months
Highly Unlikely	1	Virtually impossible to occur (0 to 5% chance of occurrence)
Unlikely	2	Very unlikely to occur (6 to 20% chance of occurrence)
Possible	3	More likely not to occur (21 to 50% chance of occurrence)
Likely	4	More likely to occur than not (51% to 80% chance of occurrence)
Highly Likely	5	Assume almost certain to occur (81% to 100% chance of occurrence)

Appendix 2

Summary of revenue and capital balances

	Balance 31.3.19 £m	Forecast Balance 31.3.20 £m	Forecast Balance 31.3.21 £m	Forecast Balance 31.3.22 £m	Forecast Balance 31.3.23 £m	Forecast Balance 31.3.24 £m
GENERAL REVENUE BALANCES	18.705	16.387	15.432	14.727	14.257	14.257
% of 2020/21 Net Revenue Budget	4.17%	3.65%	3.44%	3.28%	3.18%	3.18%
EARMARKED REVENUE RESERVES						
Transport reserve	0.448	0.280	0.280	0.280	0.280	0.280
Improvement and performance reserve	8.817	8.535	6.488	1.681	1.681	1.681
Insurance fund	0.499	0.499	0	0	0	0
Community safety	0.925	0.775	0.625	0.475	0.325	0.175
Optimism Bias	8.920	5.512	0.873	0.028	0	0
Sub-total	19.609	15.601	8.266	2.464	2.286	2.136
SEROCU	1.052	0.112	0.112	0.112	0.112	0.112
Conditional Funding reserve	3.795	3.295	2.795	2.295	1.795	1.295
Total Earmarked Revenue reserves	24.456	19.008	11.173	4.998	4.193	3.543
TOTAL REVENUE RESERVES	43.161	35.395	26.605	19.695	18.450	17.800
CAPITAL RESERVES						
Capital receipts	3.653	0	0	0	0	0
Capital grants	11.725	6.363	- 0.841	- 10.159	- 1.585	3.157
Capital grants received in advance	2.060	0	0	0	0	0
3rd party capital contributions	0.705	0.705	0.705	0.705	0.705	0.705
Section 106 monies	0.048	0.086	0.086	0.086	0.086	0.086
Total Capital Reserves	18.191	7.154	- 0.50	- 9.368	- 0.794	3.948
Insurance provision	8.627	8.627	8.627	8.627	8.627	8.627
TOTAL CASH RESERVES	69.979	51.176	35.182	18.857	26.283	30.375

Appendix 3

Analysis of Earmarked Revenue Reserves for Home Office

	31.3.19 Actual £m	31.3.20 Estimate £m	31.3.21 Estimate £m	31.3.22 Estimate £m	31.3.23 Estimate £m	31.3.24 Estimate £m
Planned expenditure on projects & programmes over next 4 years						
• Risk Management initiatives	0					
• Community Safety	0.450	0.450	0.300	0.150	0.000	0.000
• Optimism Bias	8.920	5.512	0.723	0.155	0.000	0.000
• Improvement & performance reserve	8.177	7.530	5.483	0.676	0.000	0.000
• Conditional funding	2.000	1.500	1.000	0.500	0.000	0.000
	19.547	14.992	7.506	1.481	0.000	0.000
Funding for specific projects & programmes beyond 2022/23						
• Improvement & performance reserve	0.640	1.005	1.005	1.005	1.681	1.681
• Conditional funding	1.795	1.795	1.795	1.795	1.795	1.295
• Community safety	0.475	0.325	0.325	0.325	0.325	0.175
	2.910	3.125	3.125	3.125	3.801	3.151
As a general contingency or resource to meet other expenditure needs						
• Transport consortium	0.448	0.280	0.280	0.280	0.280	0.280
• Insurance	0.499	0.499	0.000	0.000	0.000	0.000
• SEROCU	1.052	0.112	0.112	0.112	0.112	0.112
	1.999	0.891	0.392	0.392	0.392	0.392
Total Earmarked Reserves	24.456	19.008	11.023	4.998	4.193	3.543

Forecast Capital Receipts

	Asset Management Plan £m	Housing £m	Equity loan repayments £m	Vehicles £m	Total £m
2019/20	0.934	2.556	0.200	0.450	4.140
2020/21	3.860	1.715	0.200	0.450	6.225
2021/22	2.625	0	0.200	0.450	3.275
2022/23	9.000	0	0.200	0.450	9.650
2023/24	0		0.200	0.450	0.650
Total	16.419	4.271	1.000	2.250	23.940

TREASURY MANAGEMENT STRATEGY STATEMENT Incorporating the Minimum Revenue Provision Policy and Annual Investment Strategy 2020/21

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1 INTRODUCTION

1.1 Background

The Police and Crime Commissioner (PCC) is required to operate a balanced budget, which broadly means that cash income raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the PCC's low risk policy and appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the PCC's capital plans. These capital plans provide a guide to the PCC's borrowing need, essentially the longer term cash flow planning to ensure that the PCC can meet his capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet the PCC's risk or cost objectives.

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 Reporting requirements

1.2.1 Capital strategy

The 2017 version of the CIPFA Prudential and Treasury Management Codes required all local authorities, including local policing bodies, to prepare a capital strategy report before the start of the 2019/20 financial year, to provide:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this capital strategy is to ensure that the PCC fully understands the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

This capital strategy is reported separately from the Treasury Management Strategy Statement. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The updated capital strategy for 2020/21 will be presented to the PCC at his budget setting meeting on 21st January 2020.

1.2.2 Treasury Management reporting

The PCC is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid-year treasury management report – This will update the PCC with progress on the capital position, amending prudential indicators as necessary, and will indicate whether the treasury operation is meeting the strategy or whether any policies require revision. In addition, this PCC will receive quarterly update reports in July and January.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the PCC. As and when appropriate this role will be undertaken by the Joint Independent Audit Committee.

1.3 Treasury Management Strategy for 2020/21

The strategy for 2020/21 covers two main areas:

Capital issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) strategy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the PCC;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members (*sic*) with responsibility for treasury management receive adequate training in treasury management. This especially applies to members (*sic*) responsible for scrutiny.

The PCC and all five members of the Joint Independent Audit Committee have been provided with appropriate training. Further training will be provided as and when required.

The training needs of treasury management staff are reviewed periodically.

1.5 Treasury management consultants

The Office of the PCC uses Link Asset Services as its external treasury management advisors.

The PCC recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

The PCC also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The PCC will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2 THE CAPITAL PRUDENTIAL INDICATORS 2018/19 – 2023/24

The PCC's capital expenditure plans are the key driver of treasury management activity. The output from the capital expenditure plans are reflected in prudential indicators.

2.1 Capital expenditure and financing

The PCC is asked to approve the summary capital expenditure and financing projections. Any shortfall in resources results in a funding borrowing need. This forms the first prudential indicator.

Table 1	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual £m	Revised Estimate £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
Capital Expenditure	22.749	44.373	38.401	25.746	12.732	7.536
Financed by:						
Capital receipts	10.744	7.792	6.225	3.275	9.650	0.650
Capital grants	0.817	9.384	9.660	0.396	0.396	0.396
Revenue Reserves	5.203	0.000	0.000	0.000	0.000	0.000
Revenue contributions	5.693	10.270	9.582	11.082	11.082	11.082
3 rd party contributions	0.292	0.150	0.150	0.150	0.150	0.150
Other Income	0.000	0.000	0.000	0.000	0.000	0.000
Capital Reserves	0.000	0.000	0.000	0.000	0.000	0.000
Improvement & Performance Reserve	0.000	0.050	1.145	0.680	0.000	0.000
Optimism Bias Reserve	0.000	3.407	4.639	0.845	0.028	0.000
Cashflow – timing issues ¹	0.000	0.000	0.000	9.318	-8.574	-4.742
Net financing need for the year	0.000	13.320	7.000	0.000	0.000	0.000

¹. If all capital expenditure is incurred as scheduled in the Medium Term Capital Plan then we may not have sufficient capital resources in 2021/22 to cover the expenditure as it is incurred. Should this situation arise, which is unlikely, we would use general balances or general cashflow until the capital resources are received e.g. from the sale of assets.

2.2 The PCC's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the PCC's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the PCC's underlying borrowing need. Any capital expenditure included in the table above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life.

The CFR includes other long term liabilities such as PFI schemes and finance leases. Whilst these increase the CFR, and therefore the borrowing requirement, these types of scheme include a borrowing facility and so the PCC is not required to separately borrow for these schemes. The PCC currently [2019/20] has £5.195m of such schemes within the CFR.

The PCC is asked to approve the following CFR projections.

Table 2	2018/19 Actual £m	2019/20 Revised Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Opening CFR	45.283	44.137	56.288	61.827	60.198	58.539
Net financing need for the year (per Table 1 above)	0.000	13.320	7.000	0.000	0.000	0.000
Less MRP & VRP debt charged to accounts	-0.863	-0.862	-1.129	-1.269	-1.269	-1.269
Less Finance Lease Liability repayment	- 0.283	- 0.307	- 0.332	- 0.360	- 0.390	-0.422
Movement in CFR	-1.146	12.151	5.539	-1.629	-1.659	-1.691
Closing CFR	44.137	56.288	61.827	60.198	58.539	56.848

2.3 Minimum revenue provision (MRP) policy statement

The PCC is required to pay off an element of the accumulated capital spend each year (the CFR) and make a statutory charge to revenue for the repayment of debt, known as the minimum revenue provision (MRP). The MRP policy sets out how the PCC will pay for capital assets through revenue each year. The PCC is also allowed to make additional voluntary payments (voluntary revenue provision - VRP).

CLG regulations have been issued which require the PCC to approve an MRP Statement in advance of each year. A variety of options are provided, so long as there is a prudent provision.

The PCC is recommended to approve the following MRP Statement:

- For capital expenditure incurred before 1 April 2008, MRP will be based on the Regulatory Method. MRP will be written down over a fixed 50 year period
- For capital expenditure incurred from 1 April 2008, the MRP will be based on the 'Asset Life Method', whereby MRP will be based on the estimated life of the assets in accordance with the regulations.
- For finance leases, an 'MRP equivalent' sum will be paid off each year.

2.4 Core funds and expected investment balances

Investments will be made with reference to the core balances, future cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Table 3 below provides an estimate of the year end balances for each resource and anticipated day to day cash flow balances.

Table 3	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Year End Resources	Actual £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
General balances	18.705	16.387	15.402	14.697	14.227	14.227
Earmarked revenue reserves	24.456	19.008	11.173	4.871	4.193	3.543
Capital grants and reserves	18.191	7.154	-0.050	-9.368	-0.794	3.948
Insurance provision	8.627	8.627	8.627	8.627	8.627	8.627
Total core funds	69.979	51.176	35.152	18.827	26.253	30.345
Working capital*	2.530	2.530	2.530	2.530	2.530	2.530
Expected investments	72.509	53.706	37.682	21.537	28.783	32.875

* The working capital balance is the average difference between cash investments and core cash balances from the last 5 financial years. The actual figure will obviously vary from day to day according to circumstances.

2.5 Affordability prudential indicators

The previous sections cover the overall capital expenditure and control of borrowing prudential indicators but, within this framework, prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the PCC's overall finances. The PCC is asked to approve the following indicators:

2.6 Ratio of financing costs to net revenue stream.

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in this budget report.

Table 4	2018/19	2019/20	2020/21	2021/22	2022/23
Ratio of Financing Costs to Net Revenue Stream	Actual %	Estimate %	Estimate %	Estimate %	Estimate %
Ratio	0.34	0.38	0.55	0.60	0.60

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activities of the PCC. The treasury management function ensures that the PCC's cash is organised in accordance with the relevant professional codes so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The PCC's borrowing portfolio position at 31 March 2019, with forward projections, is summarised below. The table shows the actual external debt (the treasury

management operations), against the underlying capital borrowing need (the Capital Financing Requirement or CFR), highlighting any over or under borrowing.

Table 5 PCC Borrowing Portfolio	2018/19 Actual %	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %
External Debt					
Debt at 1 April	22.478	27.478	51.798	52.798	52.798
Expected change in Debt	5.000	24.320	1.000	0.000	0.000
Other long-term liabilities (OLTL) at 1 st April	5.478	5.195	4.888	4.556	4.196
Expected change in OLTL	-0.283	-0.307	-0.332	-0.360	-0.390
Actual gross debt at 31 March	32.673	56.686	57.354	56.994	56.604
The CFR	44.137	56.288	61.827	60.198	58.539
Under / (over) borrowing	11.464	-0.398	4.473	3.204	1.935

Within the prudential indicators there are a number of key indicators to ensure that the PCC operates their activities within well-defined limits. One of these is that the PCC needs to ensure that their gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Chief Finance Officer reports that the PCC has complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The **operational boundary** for external debt is based on 'probable' debt during the year and is a benchmark guide, not a limit. Actual debt could vary around this boundary for short periods during the year. It should act as a monitoring indicator to initiate timely action to ensure the statutory mandatory indicator (the 'Authorised Limit', per Table 7 below) is not breached inadvertently.

Table 6 Operational boundary	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Debt	51.798	52.798	52.798	52.798
Other long term liabilities	5.195	4.888	4.556	4.196
Short Term liabilities	20.000	20.000	20.000	20.000
Total	76.993	77.686	77.354	76.994

The **authorised limit** for external debt is a key prudential indicator which provides control on the overall level of affordable borrowing. It represents a limit beyond which external debt is prohibited and needs to be set and/or revised by the PCC. It reflects the level of external debt which, whilst not necessarily desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all local authority plans, or those of a specific authority (or PCC), although this power has not yet been exercised.

The PCC is asked to approve the following authorised limit:

Table 7 Authorised limit	2019/20	2020/21	2021/22	2022/23
Debt	71.798	72.798	72.798	72.798
Other long term liabilities	5.195	4.888	4.556	4.196
Short Term liabilities	20.000	20.000	20.000	20.000
Total	96.993	97.686	97.354	96.994

3.3 Prospects for interest rates¹

The PCC has appointed Link Asset Services as his treasury advisor and part of their service is to assist the PCC to formulate a view on borrowing interest rates. The following table and subsequent paragraphs give the Link forecast view.

Table 8	Bank Rate	PWLB Borrowing Rates (including certainty rate adjustment)		
		5 year	25 year	50 year
	%	%	%	%
Mar 2020	0.75	2.40	3.30	3.20
Jun 2020	0.75	2.40	3.40	3.30
Sep 2020	0.75	2.50	3.40	3.30
Dec 2020	0.75	2.50	3.50	3.40
Mar 2021	1.00	2.60	3.60	3.50
Jun 2021	1.00	2.70	3.70	3.60
Sep 2021	1.00	2.80	3.70	3.60
Dec 2021	1.00	2.90	3.80	3.70
Mar 2022	1.00	2.90	3.90	3.80
Jun 2022	1.25	3.00	4.00	3.90
Sep 2022	1.25	3.10	4.00	3.90
Dec 2022	1.25	3.20	4.10	4.00
Mar 2023	1.25	3.20	4.10	4.00

"The above interest rate forecasts have been based on an assumption that there is an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. The result of the general election has removed much uncertainty around this major assumption. However, it does not remove uncertainty around whether agreement can be reached with the EU on a trade deal within the short time to December 2020, as the prime minister has pledged.

On this basis, while GDP growth is likely to be subdued in 2019 and 2020 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement on the detailed terms of a trade deal is likely to lead to a boost to the rate of growth in subsequent years. This could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit in December 2020**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there were a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields

1. As of 7 January 2020

correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably even, but dependent on a successful outcome of negotiations on a trade deal.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit and the outcome of the general election. In its meeting on 7 November, the MPC became more dovish due to increased concerns over the outlook for the domestic economy if Brexit uncertainties were to become more entrenched, and for weak global economic growth: if those uncertainties were to materialise, then the MPC were likely to cut Bank Rate. However, if they were both to dissipate, then rates would need to rise at a “gradual pace and to a limited extent”. Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. There is still some residual risk that the MPC could cut Bank Rate as the UK economy is still likely to only grow weakly in 2020 due to continuing uncertainty over whether there could effectively be a no deal Brexit in December 2020 if agreement on a trade deal is not reached with the EU. Until that major uncertainty is removed, or the period for agreeing a deal is extended, it is unlikely that the MPC would raise Bank Rate.

Bond yields / PWLB rates. There has been much speculation during 2019 that the bond market has gone into a bubble, as evidenced by high bond prices and remarkably low yields. However, given the context that there have been heightened expectations that the US was heading for a recession in 2020, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated, as investors would be

expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.

There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but also in the UK due to a correlation between US treasuries and UK gilts; at various times this correlation has been strong but at other times weak. However, forecasting the timing of this, and how strong the correlation is likely to be, is very difficult to forecast with any degree of confidence. Changes in UK Bank Rate will also impact on gilt yields.

One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty-year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious to other western economies.

Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt-fuelled boom that now makes it harder for central banks to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government's bonds and so create a potential doom loop. (A doom loop would occur where the credit rating of the debt of a nation was downgraded which would cause bond prices to fall, causing losses on debt portfolios held by banks and insurers, so reducing their capital and forcing them to sell bonds – which, in turn, would cause further falls in their prices etc.). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

In addition, PWLB rates are subject to ad hoc decisions by H.M. Treasury to change the margin over gilt yields charged in PWLB rates: such changes could be up or down. It is not clear that if gilt yields were to rise back up again by over 100bps within the next year or so, whether H M Treasury would remove the extra 100 bps margin implemented on 9.10.19.

Economic and interest rate forecasting remains difficult with so many influences weighing on UK gilt yields and PWLB rates. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.”

Investment and borrowing rates

- Investment returns are likely to remain low during 2020/21 with little increase in the following two years. However, if major progress was made with an agreed Brexit, then there is upside potential for earnings.
- Borrowing interest rates were on a major falling trend during the first half of 2019-20 but then jumped up by 100 bps on 9 October 2019. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, the unexpected increase of 100 bps in PWLB rates requires a major rethink of local authority treasury management strategy and risk management. Now that the gap between longer term borrowing rates and investment rates has materially widened, and in the long term Bank Rate is not expected to rise above 2.5%, it is unlikely that the PCC will do any further longer term borrowing over the next three years other than required to fund the Medium Term Financial Plan, or until such time as the extra 100 bps margin is removed.

3.4 Borrowing strategy

The PCC is currently in a marginally over-borrowed position. However, in 2020/21 we will return to under-borrowing position which means the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt as cash supporting the PCC's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as, currently, investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances, e.g:

- * *if it was felt that there was a significant risk of a sharp FALL in borrowing rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then borrowing will be postponed.*
- * *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

Any urgent decisions taken by the Chief Finance Officer will be reported to the PCC at the next available opportunity.

For budget planning purposes we have assumed that £0.750m of new borrowing will be taken in 2020/21 to help finance the Medium Term Capital Plan (MTCP). This is lower than shown in the MTCP report since £6m of the 2020/21 borrowing requirement has already been taken in 2019/20.

We will continue to monitor the forecast level of under-borrowing given the plans currently in place to utilise a significant proportion of the currently held revenue and capital reserves in coming years to help support one-off expenditure initiatives, including investment in new technology and change programmes.

Treasury management limits on activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies the maximum limit for variable interest rates for both borrowing and investments.
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the PCC's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The PCC is asked to approve the following treasury indicators and limits:

Table 9	2020/21	2021/22	2022/23
Interest rate exposures			
	Upper	Upper	Upper
<i>Limits on fixed interest rates:</i>			
• Debt only	100%	100%	100%
• Investments only	100%	100%	100%
<i>Limits on variable interest rates</i>			
• Debt only	50%	50%	50%
• Investments only	100%	100%	100%
Maturity structure of fixed interest rate borrowing 2020/21			
	Lower	Upper	
Under 12 months	0%	50%	
12 months to 2 years	0%	50%	
2 years to 5 years	0%	50%	
5 years to 10 years	0%	50%	
10 years and above	0%	100%	
Maturity structure of variable interest rate borrowing 2020/21			
	Lower	Upper	
<i>Under 12 months</i>	0%	100%	
<i>12 months to 2 years</i>	0%	100%	
<i>2 years to 5 years</i>	0%	100%	
<i>5 years to 10 years</i>	0%	100%	
<i>10 years and above</i>	0%	100%	

3.5 Policy on borrowing in advance of need

The PCC will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the PCC can ensure the security of such funds.

3.6 Debt rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as the 100 bps increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment rates.

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Any rescheduling undertaken will be formally reported to the PCC in the next quarterly performance update.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments are covered in the Capital Strategy (a separate report).

The PCC's investment policy has regard to the following:

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code").
- CIPFA Treasury Management Guidance Notes 2018

The PCC's investment priorities will be security first, liquidity second, then return.

In accordance with the above guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the PCC applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the PCC will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Investment instruments identified for use in the financial year are listed in appendix 5.2 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

4.2 Creditworthiness policy

The PCC applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three

main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the PCC to determine the suggested duration for investments. The PCC will therefore use counterparties within the following durational bands.

- Yellow 5 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

The Link Asset Services' creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the PCC uses will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The PCC is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service:

- if a downgrade results in the counterparty / investment scheme no longer meeting the PCC's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the PCC will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the PCC's lending list.

Sole reliance will not be placed on the use of this external service. In addition the PCC will also use market data and market information, information on any external support for banks to help support its decision making process.

UK banks – ring fencing

The largest UK banks (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits) are required by UK law to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank (NRFB). This is intended to ensure that an entity’s core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The PCC will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

4.3 Country limits

The PCC has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.3. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

The UK is excluded from any stipulated minimum sovereign rating requirement.

4.4 Investment strategy

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). The majority of funds will be placed in call accounts, money market funds or short-term deposits. Alternatively, tradable certificates of deposit (CDs) will be acquired.

Investments of up to 2 years will also be allowed with the Royal Bank of Scotland Group. No material change in Government ownership is expected during that period. This policy will potentially enable the PCC to lock in investment returns whilst continuing to adopt a low risk approach.

On the assumption that the UK and EU agree a Brexit deal including the terms of trade by the end of 2020 or soon after, then Bank Rate is forecast to increase only slowly over the next few years to reach 1.25% by quarter 1 2023. Bank Rate forecasts for financial year ends (March) are:

- 2020/21 0.75%
- 2021/22 1.00%
- 2022/23 1.25%

The suggested budgeted investment earnings rates for returns on investments placed for periods of up to 3 months days during each financial year are as follows:

	Now
2019/20	0.75%
2020/21	0.75%
2021/22	1.00%
2022/23	1.25%
2023/24	1.50%
2024/25	1.75%
Later years	2.25%

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are broadly similar to the downside.
- In the event that a Brexit deal is agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

Investment treasury indicator and limit - total principal funds invested for greater than 364 days. These limits are set with regard to the PCC's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end. A limit of £20m is recommended in order to provide officers with flexibility to take advantage of time and cash limited offers, which sometimes exceed 364 days when initially offered, or to place deposits for up to 2 years in order to lock in investments returns whilst continuing to adopt a low risk approach.

The PCC is asked to approve the treasury indicator and limit:

Table 10 - Maximum principal sums invested > 364 days			
	2020/21	2021/22	2022/23
Principal sums invested	£20m	£20m	£20m

4.5 Investment risk benchmarking

The PCC has approved benchmarks for investment Security, Liquidity and Yield.

These benchmarks are simple guideline targets (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position, and amend the operational strategy depending on any changes.

The proposed benchmarking targets for 2020/21 are set out below:

- Security** - the PCC's maximum security risk benchmark for the current portfolio, when compared to historic default tables, is:
 - 0.25% historic risk of default when compared to the whole portfolio.

- b) **Liquidity** – in respect of this area the OPCC seeks to maintain:
 - Bank overdraft limit - £0.1m
 - Liquid short term deposits - including the receipt of government grants, council tax precept income and use of short-term borrowing - of at least £5m available within one week.
 - 'Weighted Average Life' benchmark - 9 months (270 days), with a maximum of 2 years.
- c) **Yield** – performance target is to achieve:
 - an average return above the weighted average 7 day, 3, 6 and 12 month LIBID rates (i.e. the bespoke TVP benchmark)

Any breach of the indicators or limits will be reported to the PCC, with supporting reasons, in the quarterly performance monitoring reports. Members of the Joint Independent Audit Committee will also be notified.

4.6 End of year investment report

At the end of the financial year the Chief Finance Officer will report on the investment activity as part of his Annual Treasury Report.

5 Appendices

5.1 Economic background (as provided by Link on 07.01.2020)

UK. Brexit. 2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January; however, even if a Conservative Government gains an overall majority in the general election on 12 December, there will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020.

GDP growth has taken a hit from Brexit uncertainty during 2019; quarter three 2019 surprised on the upside by coming in at +0.4% q/q, +1.1% y/y. However, the peak of Brexit uncertainty during the final quarter appears to have suppressed quarterly growth to probably around zero. The economy is likely to tread water in 2020, with tepid growth around about 1% until there is more certainty after the trade deal deadline is passed.

While the Bank of England went through the routine of producing another quarterly Inflation Report, (now renamed the Monetary Policy Report), on 7 November, it is very questionable how much all the writing and numbers are worth when faced with the uncertainties of where the UK will be after the general election. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that is worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence the MPC views inflation as causing little concern in the near future.

The MPC meeting of 19 December repeated the previous month's vote of 7-2 to keep Bank Rate on hold. Their key view was that there was currently 'no evidence about the extent to which policy uncertainties among companies and households had declined' i.e. they were going to sit on their hands and see how the economy goes in the next few months. The two members who voted for a cut were concerned that the labour market was faltering. On the other hand, there was a clear warning in the minutes that the MPC were concerned that "domestic unit labour costs have continued to grow at rates above those consistent with meeting the inflation target in the medium term".

If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and it

made significant promises in its election manifesto to increase government spending by up to £20bn p.a., (this would add about 1% to GDP growth rates), by investing primarily in infrastructure. This is likely to be announced in the next Budget, probably in February 2020. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure.

As for inflation itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in both October and November to a three-year low of 1.5%. It is likely to remain close to or under 2% over the next two years and so, it does not pose any immediate concern to the MPC at the current time. However, if there was a hard or no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the labour market, growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, there was an encouraging pick up again in the three months to October to growth of 24,000, which showed that the labour market was not about to head into a major downturn. The unemployment rate held steady at a 44-year low of 3.8% on the Independent Labour Organisation measure in October. Wage inflation has been steadily falling from a high point of 3.9% in July to 3.5% in October (3-month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.0%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. Growth in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 2.1% in quarter 3. The economy looks likely to have maintained a growth rate similar to quarter 3 into quarter 4; fears of a recession have largely dissipated. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy had been cooling, while inflationary pressures were also weakening. However, CPI inflation rose from 1.8% to 2.1% in November, a one year high, but this was singularly caused by a rise in gasoline prices.

The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc.). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%. At its September meeting it also said it was going to start buying Treasuries again, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy \$60bn, whereas it had been reducing its balance sheet by \$50bn per month during 2019. As it will be buying only short-term (under 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long term debt). The Fed left rates unchanged in December. However, the accompanying statement was more optimistic about the future course of the economy so this would indicate that further cuts are unlikely.

Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This **trade war** is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

However, in November / December, progress has been made on agreeing a phase one deal between the US and China to roll back some of the tariffs; this gives some hope of resolving this dispute.

EUROZONE. Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3; there appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels “at least through the end of 2019”, but that was of little help to boosting growth in the near term. Consequently, it announced a third round of TLTROs (Targeted longer-term refinancing operations); this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum; at its meeting on 12 September it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a **resumption of quantitative easing purchases of debt for an unlimited period**. At its October meeting it said these purchases would start in November at €20bn per month - a relatively small amount compared to the previous buying programme. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments would need to help stimulate growth by ‘growth friendly’ fiscal policy.

There were no policy changes in the December meeting, which was chaired for the first time by the new President of the ECB, Christine Lagarde. However, the outlook continued to be down beat about the economy; this makes it likely there will be further monetary policy stimulus to come in 2020. She did also announce a thorough review of how the ECB conducts monetary policy, including the price stability target. This review is likely to take all of 2020.

On the political front, Austria, Spain and Italy have been in the throes of **forming coalition governments** with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the

current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

WORLD GROWTH. Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates.

The trade war between the US and China is a major concern to financial markets due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

5.2 Credit and Counterparty Risk Management

Specified and Non-Specified Investments and Limits

Specified Investments

‘Specified’ investments are sterling investments of not more than one year maturity made with any institution meeting the minimum ‘high’ quality criteria where applicable

Non-Specified Investments

These are any investments which do not meet the specified investment criteria. A maximum of 50% will be held in aggregate in non-specified investment

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

Investments of up to 2 years will continue to be allowed with the Royal Bank of Scotland (RBS) Group, since no material change in Government ownership is expected during that period. This policy will potentially enable the PCC to lock in investment returns whilst continuing to adopt a low risk approach.

The proposed criteria for (a) Specified and (b) Non-Specified investments are presented below for approval.

a) Specified Investments

These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the PCC has the right to be repaid within 12 months if it wishes.

	Minimum credit criteria / colour band	Maximum investment per institution	Maximum maturity period
The PCC’s own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.		Minimal	
DMADF – UK Government	N/A	No limit	6 months
Money Market Funds (MMF) – (Low Volatility Net Asset Value) & (Constant Net Asset Value)	AAA by at least 2 rating agencies and minimum asset base of £500m	£25m or 1% of total asset base per institution whichever is the lower figure	Liquid (instant access)
Local authorities	N/A	£10m	1 year
Term deposits with RFB banks and building societies	Blue Orange Red Green	£40m £30m £20m £15m	Up to 1 year Up to 1 year Up to 6 months Up to 100 days
CDs or corporate bonds with RFB banks and building societies	Blue Orange Red Green	£40m £30m £20m £15m	Up to 1 year Up to 1 year Up to 6 months Up to 100 days

b) Non-Specified Investments

Non-specified investments are any other type of investment (i.e. not defined as 'specified' above). The identification and rationale supporting the selection of these other investments, and the maximum limits to be applied, are set out below.

Non-specified investments would include any sterling investments with:

	Minimum credit criteria / colour band	Maximum investment per institution	Maximum maturity period
Local authorities	N/A	£10m	5 years
Term deposits with banks and building societies	Purple Blue (RBS)	£30m £20m	Up to 2 years Up to 2 years
CDs or corporate bonds with banks and building societies	Purple Blue (RBS)	£30m £40m	Up to 2 years Up to 2 years

5.3 Approved Countries for investments

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Hong Kong
- U.K.

AA-

- Belgium
- Qatar

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Revenue Budget and Capital Programme 2020/21

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