

POLICE AND CRIME COMMISSIONER FOR THAMES VALLEY

BUDGET BOOK 2024/25

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FINANCIAL PLANS RECOMMENDATION & STRATEGY 2024/25 – 2027/28

This paper recommends that the Financial Plans are approved, highlighting the most significant risks. It incorporates the financial strategy under which the plans have been developed.

1. APPROVAL REQUESTED

The PCC is requested to approve the following papers:

- This paper
- Capital Strategy
- Revenue Budget for 2024/25
- Medium Term Financial Plan for 2024/25 to 2027/28
- Capital Budget for 2024/25
- Medium Term Capital Plan for 2024/25 to 2027/28
- Summary of Reserves, as shown in the Appendix A to this paper

The PCC is requested to propose the Council Tax Precept increase of £13 (Band D) to the Police and Crime Panel.

2. RECOMMENDATION

Strategic Alignment

The budget supports TVP's policing plan and aligns with the PCC's strategy. In particular, the budget supports the PCC's Police & Criminal Justice Plan and through the establishment of additional neighbourhood and crime investigation officers.

Process

The medium term plans are presented by the Chief Constable (CC) for the PCC to approve. The force has undertaken a challenging process to shape plans to meet funding constraints, with significant time at the Chief Constable's Management Team (CCMT) spent reviewing individual bids, savings plans and the overall budget. The budget has been consulted during development through meetings between PCC's CFO and CC's FD and further discussions including the PCC and CC. This has given opportunity for challenge of assumptions, review of options, proposal of changes and agreement on direction through the process. There have been detailed review of savings plans, in particular the analysis of headcount changes.

Risks

It is important that the main financial risks are identified and adequately addressed through the plan. Risks of particular note are:

1. Efficiency Programme and Force Review. The budget includes a challenging efficiency target, with an especially large impact required in 2025/26 (Year 2). There is a risk that savings are delayed, particularly in relation to enabling services. Systems are a limiting factor on productivity improvements, but require resource to improve. The force is committed to this plan, and it formed a focus of the autumn Senior Leadership Forum. Force Review planning is being scrutinised internally, by the PCC, and through the use of external expertise. The PCC has allocated £1m of his directly controlled reserves to fund projects delivering cashable savings.
2. Estates capital requirements are estimated to require borrowing of more than £100m. There is a risk that the revenue impact is not affordable in the long term. Whilst many individual schemes are indicative at present, roadmaps for Custody and Central Oxfordshire have been agreed based on operational necessity and whole life cost: failing to invest will result in operating cost inefficiencies. Although much of this spend is likely to be beyond the medium term planning horizon, the MTFP supports the capital requirements by ensuring reserves are built up and the revenue plan includes funding for long term capital. This avoids the "cliff edge" scenario where revenue cost of capital (through the Minimum Revenue Provision) and interest costs make significant capital investment unaffordable in the long term.
3. The constrained public spending environment gives rise to the risk that future funding does not cover increasing demand and higher inflation and interest rates. The plan targets a balanced budget with realistic (neither unduly optimistic nor pessimistic) assumptions – for example the plan includes demand growth at a modest level, and funding growth which is less than inflation.

Appropriate Level of Reserves

General balances are expected to continue between 2.5 and 3% during the life of the plan, providing cover to manage funding pressures in the last resort, but without tying up resources which could be used to deliver our priorities. The plan shows a drawdown of reserves in the early years to support investment and meet inflationary pressures. As further efficiency savings are delivered during later years, funds are allocated to earmarked reserves to fund expected capital expenditure in the long term.

Recommendation

The proposed plans support long terms sustainable finances based on reasonable, if challenging, assumptions. Therefore this is a suitable basis for financial planning, and the PPC's CFO and CC's FD recommend this plan for PCC approval.

3. FINANCIAL STRATEGY

This section states the principles under which the medium term plans have been developed.

Financial planning is undertaken to secure TVP's long-term financial position; and make the best use of available funds to support the delivery of priority services, in particular the PCC's four year Police and Criminal Justice Plan and the Force Strategic Plan. Our approach to creation of the financial plans is that they are:

Prioritised

- Make the best use of limited resources, striving to improve resource allocation
- Rigorous review of growth bids to ensure alignment with priorities

Efficient

- Maintain the focus on efficiencies and productivity through the Force Productivity Strategy and the Force Review;
- Effective procurement and commissioning of goods and services;
- Analyse and challenge all areas of the force to deliver VFM;
- Work with all partners (incl other forces) to deliver savings, resilience and performance;
- Optimise size and utilisation of our asset portfolio.

Realistic

- Careful consideration of external influences including economic context, government funding decisions and changes in demand;
- Continuation of TVP's strong track record of good financial management during times of financial constraints supporting the credibility of savings plans;

- Consideration of the balance of risk and opportunity in plans, maintaining financial sustainability whilst avoiding unnecessary cuts to services.

Sustainable

- Facilitate strategic investment for new technology, infrastructure and business change;
- Understand impact of environmental sustainability strategy and maximise opportunities;
- Consider long term sustainability including investments required beyond 2026/27.

Reserves

Our 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%. General balances are used as a last resort to manage and fund demand-led spending pressures. Earmarked reserves are created to fund specific initiatives or meet areas of anticipated future spending (including beyond the four years of the plan). Appropriations are made to and from these reserves as required.

Financial Management

TVP applies the standards in the CIPFA Financial Management Code of Practice to deliver the financial strategy. The Code emphasises that a high-quality long-term financial strategy will not itself promote financial sustainability. It will be dependent on contextual factors (leadership and governance) and the effectiveness of the whole financial management cycle (including budget setting, stakeholder engagement, use of business cases and performance monitoring).

Reference Documents

Implementation of the financial strategy is underpinned by:

- Joint Corporate Governance Framework
- Financial Regulations (and Chief Constable's Financial Instructions)

Related strategy documents:

- Capital Management Strategy
- Treasury Management Strategy

January 2024

Summary Of General and Useable Reserves

Reserve	Predicted Closing Balances By Year				
	2023/24	2024/25	2025/26	2026/27	2027/28
General Reserve	£15,512,325	£15,771,722	£15,771,722	£15,771,722	£15,771,722
% of NRE	2.78%	2.72%	2.68%	2.59%	2.52%
I&P	£17,592,852	£3,445,716	£951,370	£814,309	£1,118,056
CCTV	£635,000	£635,000	£635,000	£635,000	£635,000
SDCM	£2,361,764	£0	£0	£0	£0
Estates & Custody	£12,957,196	£704,287	£481,287	£2,481,287	£5,981,287
PCC Efficiency	£0	£1,000,000	£1,000,000	£1,000,000	£1,000,000
	£33,546,812	£5,785,003	£3,067,657	£4,930,596	£8,734,343
Totals	£49,059,137	£21,556,725	£18,839,379	£20,702,318	£24,506,065

Other Reserves

Reserve	Predicted Closing Balances By Year				
	2023/24	2024/25	2025/26	2026/27	2027/28
Conditional Funding	£4,041,323	£4,041,323	£4,041,323	£4,041,323	£4,041,323
Transport Reserve*	£1,282,221	£1,282,221	£1,282,221	£1,282,221	£1,282,221
Insurance Reserve	£5,294,200	£5,294,200	£5,294,200	£5,294,200	£5,294,200
SEROCU*	£4,206,000	£4,206,000	£4,206,000	£4,206,000	£4,206,000
Community Safety	£3,764,977	£3,564,977	£3,564,977	£3,564,977	£3,564,977
Totals	£18,588,720	£18,388,720	£18,388,720	£18,388,720	£18,388,720

* SEROCU - 67% Held on Behalf of Other Forces; Transport -

Capital Reserves

Reserve	Predicted Closing Balances By Year				
	2023/24	2024/25	2025/26	2026/27	2027/28
Capital	£26,999,000	£6,574,000	-£862,000	£5,673,000	£4,445,000
Total of All Funds Held	£94,646,857	£46,519,445	£36,366,099	£44,764,038	£47,339,785



Report for Decision Performance and Accountability Meeting on 18th January 2024

Title: Four Year Medium Term Financial for 2024/25 to 2027/28

1 Purpose of Report

- 1.1 To inform the PCC of the key issues affecting the finances of Thames Valley Police over the next four years.
- 1.2 This report 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 Decisions Required

- 2.1 The PCC is asked to notify the Police and Crime Panel:
- 2.2 That, subject to final tax base notifications, the council tax requirement for 2024/25 be set at £262,294,520
- 2.3 That any variation in the final amount of council tax income be appropriated to or from the Improvement & Performance Reserve
- 2.4 The revenue estimates for 2024/25 as set out in Appendix 1
- 2.5 That the police element of the council tax for 2024/25 be set at £269.28 for properties in Band D (an annual increase of £13), with the charge for other bands as set out in Table 1, for comparison Appendix 2 shows the comparison band D precept across all forces.

Table 1 – Council Tax 2024/25

Property Band	Relevant Proportion	PCC Element of the Council Tax
A	6/9	£179.52
B	7/9	£209.44
C	8/9	£239.36
D	9/9	£269.28
E	11/9	£329.12
F	13/9	£388.96
G	15/9	£448.80
H	18/9	£538.56

- 2.6 That the use of Reserves to fund the specified initiatives is approved.

3 Background

- 3.1 This budget is prepared on the back of significantly unsettled financial and commercial world markets, which have led to significant and variable inflationary pressures on goods and services, which continue into the preparation of this MTFP thus making forecasts and the preparation of budgets very demanding.
- 3.2 In July 2023, the Government announced a pay increase of 7% for Police Officers, for which TVP followed suit for Police Staff, and although this was partly funded by the Home Office, this has again added significant committed financial pressure to 2024/25 budget setting and the potential to allow for future pay increases beyond 2.5%.
- 3.3 In December 2023, the financial settlements for forces were announced and these fell in line with the previous CSR expectations which were included in the Medium Term Financial Plans (MTFP) for Thames Valley. This is however the last year of the current CSR, and with a General Election due to be held in 2024, the future guarantee of funding at or above current levels is very uncertain.
- 3.4 The December 2023 settlement also gave PCCs in England the flexibility to increase their precept income by £13 (for a Band D household), an increase to the previously announced cap of £10. At this stage it is unclear as to whether this is a one off increase or will continue into the new CSR. For the purposes of planning, Thames Valley have assumed this to be a one off increase with the cap returning to £10 in future years.

4 Overview of the Medium Term Financial Plan

- 4.1 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 and MTCP 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.
- 4.2 The MTFP is formulated to provide financial stability, as far as we can, on the best estimates we can make at this time with the information and knowledge we have.
- 4.3 The force expects to end the year with 2.7 FTE officers above its current target Establishment, including all PUP funded posts, and is bidding to retain these numbers plus an additional 20 for the forthcoming financial year. This will be hard in terms of recruitment and retention but the force is investing in these areas to ensure the maximum benefits can be achieved from the increase in officer numbers afforded by

the PUP programme.

- 4.4 In response to the competing financial pressures, increasingly complex and challenging demands and to ensure a return on current and future investments, including the Police Uplift Programme, the force is undertaking a Force wide Review. This is a review of our internal structures, delivery mechanisms and service provision to ensure we are in the best position possible to deal with the demands of modern-day policing and the challenges put forward from changes in policing and in society. A key element is identifying the financial savings and delivering productivity.
- 4.5 The force is now in a position to start implementing the first stages of the force wide review of how the organisation should be structured in order to maximise operational delivery. This will start in March 2024 and will initially double the number of Officers (by 150 FTE) in Local Neighbourhoods, from the PCC's investment in an additional 80 Officers in 2023/24, as well as embedding the new Assessment Investigation Units (AIUs) into business as usual, relieving pressures on the frontline response Officers.
- 4.6 The Police service, both nationally and locally, is going through a period of reform to adjust to the financial challenges created by fluctuating inflation 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 that will facilitate the change in the way policing services are delivered. This investment increases the financial pressures and needs to be carefully managed by the force.
- 4.7 The MTFP presented today attempts to address the immediate and longer term requirements for policing to maintain and improve the service and performance delivered in the increasingly complex policing environment. The MTFP sets out the level of police service which is affordable based on the current funding assumptions and potential for Council Tax increases. It includes the financial outcomes and requirements identified from significant internal work carried out over the 12 months by the force, alongside the financial impacts of external influences.
- 4.8 Management of future financial challenges will require relentless prioritisation. The Force Review programme will go a long way to address this, however the balance needs to be met through productivity and local savings initiatives and a higher than previously seen use of reserves.
- 4.9 The budget options presented today aim to support the delivery of the PCC priorities
 - Strong Local Policing (Improving public contact, Strengthening Community Policing & embedding crime prevention)
 - Fighting Serious Organised Crime
 - Fighting Cyber Crime and Fraud
 - Improving the Criminal Justice System
 - Tackling Illegal Encampments
- 4.10 and force priorities :

- Serving Victims
- Building Trust
- Fighting Crime
- Valuing Our People

4.11 Recruitment and retention, of not only Police Officers, but also Police Staff, remains very high on the risk registers of the force, and any variation against the plans can have a significant impact on the forces budgets and financial projections.

5 **Medium Term Financial Plan**

5.1 The summary of the 4 year plan currently stands as:

Table 2 – Current 4 Year MTFP Summary

	Estimated Budget 2024/25 £'000	Estimated Budget 2025/26 £'000	Estimated Budget 2026/27 £'000	Estimated Budget 2027/28 £'000
<u>Expenditure</u>				
Opening Budget	526,307	557,916	575,977	594,670
Inflation				
General	2,393	803	804	507
Pay	30,868	11,015	10,338	10,165
Specific	3,597	4,226	3,234	3,304
Productivity Savings	-7,592	-12,830	-2,000	-2,000
Growth	4,914	11,847	3,317	1,700
Reserve Funding	-2,571	3,000	3,000	5,000
Revised Budget Requirement	557,916	575,977	594,670	613,346
<u>Funded By</u>				
Opening Budget	-526,307	-557,916	-575,785	-594,184
Council Tax	-16,039	-15,197	-15,700	-16,217
Government Grants	-15,570	-2,672	-2,699	-2,726
Revised Funding	-557,916	-575,785	-594,184	-613,127
Annual Shortfall / (Surplus)	0	192	294	-267
Cumulative Shortfall / (Surplus)	0	192	486	219

5.2 As can be seen from the above, based on current assumptions, the plan is balanced in 2024/25 with, given the uncertainties around future government funding, a modest cumulative shortfall of £0.22m over the following 3 years.

5.3 The full 4 Year MTFP is shown at Appendix 3.

- 5.4 It should also be noted that whilst we have provided a four year plan, the current CSR announcements only cover the first year, and as such in subsequent years, the grant increases have been assumed to be 1% annually i.e. a real terms cut based on current inflation rates.
- 5.5 The Revenue budget summary for 2024/25 by spend group is summarised below with full details being shown in Appendix 1

Table 3 - Revenue Budget Summary 2024/25

	2023/24 £'000	2024/25 £'000
PCC Controlled Expenditure	10,436	10,798
TVP Operational Budget		
Employees	441,579	494,632
Premises	22,549	22,712
Transport	12,654	12,039
Supplies & Services	79,106	81,492
Third Party Payments	21,270	27,243
Force Income	-41,795	-42,983
Specific Grants	-28,863	-51,661
Capital Financing	11,756	12,323
Reserve Appropriations	-2,385	-8,679
Cost Of Services	526,307	557,916
Funded By		
Council Tax	-248,256	-264,295
Government Police Grants	-278,051	-293,621
Total Funding	-526,307	-557,916

- 5.6 It should be noted that the key changes from year to year are the increase in pay inflation and costs for Employees, the increase in Specific Grants (£12.2m for PUP Funding; £10.2m for Pensions funding); and the increased drawdown from reserves to support short term funding initiatives.

MTFP Assumptions

- 5.7 In compiling the MTFP, the following assumptions have been used as the basis of the plan for the next 4 years:

Table 4 – Statistical Assumptions

Area	2024/25	2025/26	2026/27	2027/28
General Inflation	1.50%	1.00%	1.00%	1.00%
Pay Inflation	2.50%	2.00%	2.00%	2.00%
Specific Inflation	Led by Specific Sector Rates and Factors			

Staff Vacancy Factor	6.28%	4.00%	4.00%	4.00%
PCSO Vacancy Factor	23.09%	10.59%	9.53%	8.58%
Council Tax Precept	£13.00	£10.00	£10.00	£10.00
Council Tax Billing Base	2.00%	2.00%	2.00%	2.00%
Main Government Grants	Actuals	1.00%	1.00%	1.00%

- 5.8 In addition to the above statistical assumptions, we have also assumed within the plan that additional Special Grant funding for 158 PUP Plus Officers will be available for the duration of the plan at the funding rate of £48k per officer. Whilst this funding is very welcome, the funding rate is lower than the base PUP Officers with no allowance for any additional support costs, and only the direct salary and on-costs being covered. There are also no guarantees currently that this funding will be available after 2024/25, this assumption is based on the additional (partial) funding that was received in 2023/24 for 138 officers and the ministers statement following the settlement.
- 5.9 The MTFP also relies heavily on the use of reserves to support the funding of one-off short term growth and investment items. The total identified revenue spend for the next two years is £10m and £6.5m respectively, this is further explained in Section 5.28 -5.37
- 5.10 The MTFP continues to reflect the increasing demand for investment in technology and the estates strategy. The provision within the MTFP for the direct funding of capital has been maintained to provide an annual fund of £13m.
- 5.11 In addition to the capital provision above, provision has been made for a specific Estates reserve to build up an initial investment fund and ultimately a fund to service longer term borrowing and interest payments given the significant financial requirements that have been identified. This is seen as a sensible approach to secure future financial sustainability and is covered in the Medium Term Capital Plan at Section 8.

2024/25 Budget Detail

- 5.12 Table 5 below shows a summary of the main changes applied to build the 2024/25 Revenue Budget. The following paragraphs will provide further explanation of the changes made:

Table 5 - Summary of Revenue Budget Changes 2024/25

Increases in Grant Funding	£'000	Council Tax	£'000
General Grant	-£15,570	Increase in Precept	-£12,676
	<u>-£15,570</u>	Increase in Base Collection Number	-£4,900
		Reduction in Surplus on Collection	<u>£1,537</u>
			<u>-£16,039</u>
Productivity Savings		Committed Growth from Prior Years	
Force Review	-£5,156	Forensics Improvement Programme	£1,263
Overtime Gold Group	-£500	FYE for Uplift of 80 FTE Officers	£2,000
Forensics Inflation	-£140	Taser Refresh Programme	£191
Police Force Levies	-£300	Improving the Criminal Justice System	£215
Motor Insurance Premium	-£530	FYE for Increase in POLIT Staff	£233
Fleet Charges	-£460	FYE for Increase in VAWG Staff	£249
CMP Re-platforming	-£207	FYE for Increase in Major Crime Staff	£254
Uniform Stock	<u>-£300</u>	Custody Healthcare Improvement Contract	£208
	<u>-£7,592</u>	Other Smaller Growth Commitments	<u>£84</u>
			<u>£4,698</u>
Committed Funding		New Proposed Growth Items	
Pay Inflation	£30,868	MASH	£348
Non Pay Inflation	<u>£5,990</u>	Redaction Tool	£65
	<u>£36,858</u>	Accommodation/Travel for Student Officers	£525
		Foundation Training Staff	£212
Removal Of Prior Year One Off Funding	-£6,109	PPST Trainers	£84
Removal of Temporary AIU	-£2,368	Initial Policing Team	£46
Increase in Police & Staff Pensions	£11,156	Additional ACC	£178
Police Pensions Specific Grant	-£10,271	Fleet Support Manager	£34
Reduction in Staff & PCSO Vacancy Levels	£3,577	DEVA Phase 2	£642
PUP + Grant (158 Officers)	£7,584	AIU Permanent Funding	£2,368
PUP + Specific Grant (158 Officers)	-£7,584	Multi-Agency Public Protection System (MAPPS)	£25
Other Committed Pay Increases	£850	Data & Systems Roadmap	£457
Growth in Vetting Staff	£280	A&Q Administrator	£31
Creation of Out of Court Disposals Team	£400	Comms Team Increase	<u>£84</u>
Growth for Legislation and Compliance	-£398		<u>£5,097</u>
PUP Specific Grant from General Grant	<u>-£4,570</u>		
	<u>-£7,452</u>		
Shortfall Before Increase in Council Tax	£6,244	Overall Budget Shortfall /(Surplus)	£0

Grant Funding

- 5.13 General grant has increased by £15.6m which covers the committed grant the Government announced in 2022/23 for the funding of the increased pay awards at 7% paid in September 2023

Productivity Savings

- 5.14 The current 4 year productivity plan is shown below in Table 6:

Table 6 - Summary of Force Productivity Plan

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
Central Initiates					
Estates Rationalisation	£10	£315	£0	£0	£325
Force Review - Part 1	£3,718	£4,405	£0	£0	£8,123
Force Review - Part 2	£1,428	£5,973	£0	£0	£7,400
Future Savings Provision	£0	£2,000	£2,000	£2,000	£6,000

	£5,156	£12,693	£2,000	£2,000	£21,848
Efficiency & Effectiveness					
ICT CMP Re-Platform	£207	£138	£0	£0	£345
	£207	£138	£0	£0	£345
Local Initiatives					
Reduction in Motor Insurance	£430	£0	£0	£0	£430
CTC Fleet Charges	£460	£0	£0	£0	£460
Forensics Inflation	£140	£0	£0	£0	£140
Other Police Force Levies	£300	£0	£0	£0	£300
Uniform Stock	£300	£0	£0	£0	£300
Overtime Expenditure	£500	£0	£0	£0	£500
	£2,130	£0	£0	£0	£2,130
Total Productivity Savings	£7,492	£12,830	£2,000	£2,000	£24,323

- 5.15 The bulk of the identified savings are coming through the Force Review project, particularly in the next two years. Part 1 savings have been identified in detail by the individual departments and hence have a high degree of confidence in delivery, both in relation to financial value and timing. Part 2 savings have been identified in relation to the department from which they will be found, and external expert help is being resourced to support this work. Hence there is high confidence that the financial savings can be found from the Enabling Departments in part two of the review, albeit the detail still needs to be worked through.
- 5.16 The Local Initiatives are savings that have been identified during the year by working through various areas of the budgets to review previous assumptions and current demands. This is on-going work and further savings in other areas will be added to the plan once they have been approved and actioned.
- 5.17 The plan also includes savings provision to allow for currently unidentified critical growth in future years which may or may not materialise – this is felt to be prudent in the current financial climate and specific savings to meet these provisions will be worked on throughout the MTFP period

Committed Funding

- 5.18 The largest committed cost is the pay inflation at £31m, which covers Officers, Staff and PCSOs plus all the associated on-costs, for the full year effect of the 7% award in 2023 and the budgeted for award of 2.5% in 2024.
- 5.19 Non-pay inflation adds a further £6m based on market estimates and specific indices for specialist items. Overall the total inflation bill adds £37m to the overall cost of the force, which equates to an increase on the base revenue requirement of 7%.
- 5.20 Other main committed costs include:

- The removal of prior year one off funded items, together with the removal of temporary funding for the AIU is a reduction to the budget of £8.5m.
- The actuarial valuation of the police pensions fund has led to an increase in the employers' contribution rate, which is fully funded by special grant. The Staff pension scheme has also increased, however this is unfunded at an annual cost of £0.9m
- Due to the force review, a number of vacant positions have been removed as part of the long terms savings plans, which has meant the previously assumed vacancy factors have had to be reduced to maintain realistic levels going into 2024/25. This has added a further £3.5m to the budget.
- Part of the base funding for the initial PUP officers has been moved from the general grant into special grant, to the value of £4.6m, with an additional allocation of special grant for the PUP+ Officers for which we are expecting to receive funding for an additional 158 Officers in 2024/25 at £7.6m

Council Tax

- 5.21 The council tax precept has been set at the maximum increase permitted to the PCC at £13 for a Band D Household, which supports the presented MTFP to a balanced position for 2024/25.
- 5.22 The increase in the estimated number of households paying Council Tax has been set at 2%, this will be confirmed once all the individual councils have their final estimate figures.

Committed Growth from Prior Years

- 5.23 The committed growth from prior years covers ongoing growth to multiyear programmes of work on the Forensics Improvement Programme (1.3m), and the refresh of the force wide TASER assets (2m).
- 5.24 There is also committed growth for salaries where posts were only part funded in 2022/23, these include the growth in officers (80 FTE) for Local Policing (£2m) and growth in various staff posts for POLIT, VAWG and Major Crime (£0.7m).
- 5.25 The remaining growth is for committed contracts whereby part year funding was only required in the first year, and covers mainly Criminal Justice and Custody Healthcare (£0.4m)

New Proposed Growth

- 5.26 As part of the increase in Council Tax Precept, a number of new growth items have been included in the base budget which will support the strategic and operational priorities of the organisation as well as bringing benefits to the public, as outlined in

an open letter from the Chief Constable to the Police and Crime Commissioner, attached at Appendix 4. Where the investment requires one off funding the I&P reserve is utilised.

5.27 The growth items are shown in the below Table:

Table 7 - Summary of New Revenue Growth

Improving Victim Services

£'000

AIU Permanent Funding	£2,368	To permanently invest in the Assessment and Investigation Units to support our communities and reduce demand on our frontline response teams
DEVA Phase 2	£642	To increase our digital forensics capacity to faster and better analysis digital data in crimes.

Strengthening Community Policing

Foundation Training Staff	£212	To invest in our training teams to support the ongoing National PUP, to develop our workforce in order to bolster Neighbourhood Officer resources.
PPST Trainers	£84	
A&Q Administrator	£31	
Initial Policing Team	£46	
Accommodation/Travel for Student Officers	£525	

Protecting Vulnerable People

MASH	£348	To invest in our Multi Agency teams and systems to support those most vulnerable
Multi-Agency Public Protection System (MAPPS)	£25	

Legitimacy & Public Value

Additional ACC	£178	To oversee embedding of change and the force restructure to ensure delivery of efficiencies and benefits
Communications Team Increase	£84	To support communications with the public and partner agencies, including supporting recruitment and retention

Infrastructure & Investing for Future Delivery

Redaction Tool - ongoing revenue support	£65	On-Going revenue support for the redactions tools
Fleet Support Manager	£34	To engage and review the forces transport needs
Data & Systems Roadmap	£457	To develop our ICT Infrastructure for information

Total New Revenue Growth Items

£5,097

Use of Reserves

- 5.28 The use of reserves features heavily in the proposed MTFP and Table 7 below shows the current and predicted balance on the various specific useable reserves:

Table 7 – Summary of General & Usable Reserves

Reserve	Predicted Closing Balances By Year				
	2023/24	2024/25	2025/26	2026/27	2027/28
General Reserve	£15,512,325	£15,771,722	£15,771,722	£15,771,722	£15,771,722
% of NRE	2.78%	2.72%	2.68%	2.59%	2.52%
I&P	£16,883,852	£4,531,103	£1,086,251	£1,129,515	£1,449,762
CCTV	£635,000	£635,000	£635,000	£635,000	£635,000
SDCM	£2,361,764	£0	£0	£0	£0
Estates & Custody	£12,933,196	£680,287	£457,287	£2,457,287	£5,957,287
PCC Efficiency	£0	£1,000,000	£1,000,000	£1,000,000	£1,000,000
	£32,813,812	£6,846,390	£3,178,538	£5,221,802	£9,042,049
Totals	£48,326,137	£22,618,112	£18,950,260	£20,993,524	£24,813,771

- 5.29 General Reserves are being maintained at the recommended levels of between 2.5-3.0% of Net Revenue Expenditure (NRE) for the period of the MTFP.
- 5.30 The I&P Reserve is the main reserve used to fund one-off initiatives and investments, and as such we have revenue investments of £10m in 2024/25, of which £4.5m was approved as part of the previous budget process. The expenditure is partly offset by additions to the reserve from the SDCM Reserve Balance, and also investment into the reserve for the one-off funding received to support the administrative changes required to implement technical changes to the management of the police pension funds.
- 5.31 Further to the above, we have also earmarked spends in 2025/26 of £6.5m; 2026/27 of £3.3m and £3m in 2027/28.
- 5.32 A high level summary of the I&P Reserve is shown below with the full analysis of spend shown in Appendix 5 & 5A

Table 9 - Summary of I&P Reserve

	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000
Opening Balance	16,884	4,531	1,086	1,129
Transfer of Balance from SDCM Reserve	2,362	0	0	0
Funding for Police Pension Administration	1,313	64	320	320
Funding for Inflation Contingency	0	3,000	3,000	3,000
Earmarked New Revenue Spend	-10,083	-6,509	-3,277	-3,000
Existing Projects Spend Brought Forward	-5,760			
Existing Capital Spend	-185			

Closing Balance	4,531	1,086	1,129	1,449
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- 5.33 As can be seen from the above summary, the reserve is being utilised very heavily over the next two financial years with very little thereafter to fund new initiatives should they arise. The current investment and use of reserves is seen as investing to save in the future, so that the force and its structures are in a position to respond to future demands both flexibly and efficiently, driving savings from processes and demand as they arise.
- 5.34 The CCTV reserve has a small amount left in it and has been specifically earmarked to support the development of CCTV within the Thames Valley and will be drawn on as and when necessary to support agreed initiatives.
- 5.35 The SDCM reserve was initially set up to support the pilot of the Assessment Investigation Units (AIUs). These have now proved themselves and as such are being funded permanently through the revenue budget, the balance of this reserve is therefore being transferred to the I&P Reserve as above, and will be closed.
- 5.36 The Estates Reserve is used to fund major property investments and new builds, and is also being used to initiate a fund for investing in the future estates strategy, whilst building a revenue contribution flow which will ultimately be used for funding the repayments against future capital borrowing.
- 5.37 A summary of the Estates Reserve is shown in the table below:

Table 9 - Summary of Estates Reserve

	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000
Opening Balance	12,933	680	457	2,457
Revenue Contribution for Long Term Borrowing	0	3,000	6,000	11,000
Estimated Borrowing and Interest Costs	-1,000	-2,000	-4,000	-7,500
Capital Investment Spending:				
Western Hub	-1,606			
Lodden Valley	-8,184	-112		
Windsor	-1,463	-1,111		
Closing Balance	680	457	2,457	5,957

- 5.38 The PCC Efficiency reserve is a new reserve from 2024/25, approved by the PCC to support invest to save, short term investment opportunities, which will deliver savings into the future.

Recommendation:

We recommend that the transactions and movements through the above reserves, as laid out above and in Appendix 5, to support future service delivery and infrastructure are approved by the PCC as part of the overall MTFP delivery.

6 Establishment Changes

- 6.1 The Police Uplift Programme (PUP) over the last 3 years has seen TVP receive increased funding for an additional 609 officers from the original allocation of the national Increase of 20,000 officers. In addition, in 2023/24 TVP received partial, one year, funding for an additional 138 PUP+ officers. TVP are now applying for additional funding to support an extra 158 officers (138 2023/24 + 20) over and above the original PUP target, which reflects the excellent work that has been directed to increasing officer numbers from all areas of the force. In total this will give the force 767 PUP and PUP+ officers.
- 6.2 The funding for the base PUP uplift and also the potential PUP+ uplift, both still come with funding caveats which mean that we cannot drop below the designated increases without suffering financial penalties. Whilst the force generally manages its establishment on an FTE basis, the PUP management is based on a headcount basis. The difference being that 2 officers working 20 hours a week, would equate to 1 FTE (based on a standard 40 hour week), but would count as 2 officers when measuring headcount. We therefore need to be very clear on the target number we are working to – the minimum Headcount figures for full PUP funding are shown in the below Table:

Table 11 - PUP Target Headcount Numbers

PUP Initial Baseline for TVP	4,250
Core PUP Funding Target	609
Additional PUP+ Target	158
Minimum Headcount Requirement @ 31/03/2025	5,017
Forecast Headcount @ 31/03/2024	4,997

Note: The above is based on Headcount and includes ALL TVP employed Officers including those in regional units

- 6.3 In addition to the PUP uplift in officers, the Force Review with the benefit of the PCC approved and funded 80 additional officers in 2023/24 have facilitated the realignment of officers to double the Neighbourhood Teams during 2023/24. The Force review restructure programme is reducing a number of posts but initially these are mainly staff and PCSO posts. The following Table shows the target establishments for 2024/25, excluding any additional Police Staff growth that may be approved as

Table 12 - Target Force Establishments

	<u>Police</u>	<u>Staff</u>	<u>PCSO</u>
Target Establishment @ 31/03/2023	4,444.00	2,980.94	403.88
Approved PCC Growth	80.00	53.37	
Conversion of PCSOs	46.00		-70.88
PUP+ Additional Officers	87.00		
In Year Adjustments	-3.52	43.29	
Target Establishment @ 31/03/2024	4,653.48	3,077.60	333.00
Force Review Savings	-35.00	-15.00	
PUP+ Additional Officers Phase II	71.00		
Target Establishment @ 31/03/2025	4,689.48	3,062.60	333.00
Force Review Savings	-69.00	-19.42	-38.00
Target Establishment @ 31/03/2026	4,620.48	3,043.18	295.00

Note: The above is the Operational Establishment for TVP and does NOT include Regional or National Units part of today's MTFP.

6.4 From the above, the 87 PUP+ Officer growth in 2023/24 was only temporary growth but we are now treating this, along with the additional 71 PUP+ Officer growth in 2024/25 as permanent, giving a total on-going increase in police numbers of 158 from 2024/25. These additional posts will support delivering on our priorities and especially the PCC's priority of Strong Local Policing:

- An increase in our visible community policing
- An increase in the proactive investigation of neighbourhood crime
- More effective investigation of digitally enable neighbourhood crime
- More Rural crime offenders brought to justice
- Responding to increasing reports of shoplifting.

An indicative allocation of these additional posts is:

Additional Policing	New Posts
Neighbourhood policing	60
Neighbourhood investigation (incl retail and rural crime)	60
Training establishment, including officers in training	30
TOTAL	150

7 OPCC Budgets

- 7.1 The budget directly controlled within the OPCC is planned to increase by £0.3m (net of direct external funding). This includes £0.1m of inflationary cost; £0.1m to increase Trust & Confidence in the Force and independent scrutiny; £0.1m to provide project support to effectively deliver the increased investment through commissioning and interventions to deliver the priorities in the PCC's Police & Criminal Justice Plan.

8 Budget Risk & Uncertainties

- 8.1 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

- 8.2 The budget assumes that TVP needs to retain the approved PUP officers (609 over the 3 years) until at least the end of March 2025. If this requirement is extended then this may impact the Force Review and savings identified beyond this date.
- 8.3 A large part of the Uplift funding is currently directly linked with maintaining Officer numbers throughout the financial period, should this continue into future years then a holistic approach to savings opportunities could lead to reverse civilianisation's.
- 8.4 Given the current economic conditions Pay Inflation could be significantly higher than the 2.5% budget provision. A 1% increase would add an additional £3.8m (fye) to the overall pay budget and create a deficit from year 1. Increases above the 2.5% which were not funded by government would have to be funded from reserves in the short term with the potential for additional savings in the longer term.
- 8.5 The impact of inflation and restricted supply chains continues to have a real impact on the prices and availability of goods and services, which is adding additional pressures to the budget. This is now further being exasperated by the issues in the Red Sea and the attacks on commercial shipping vessels which are adding further risks and issues to the future costs and supply of goods.
- 8.6 A review of the National Funding Formula is still in progress but no changes are anticipated until 2025/26 at the earliest. The impact on TVP could be positive or negative but we would expect some transitional arrangements to mitigate significant grant changes.
- 8.7 The current low strength of the £GB could lead to increased costs, especially around USD priced goods or services such as software licences.
- 8.8 In 2024 there will be both a General Election and Local PCC Elections, these could result in a change of Government and or a change in PCC, which may have future impacts on the funding available to the force and also the strategic direction of

policing both Nationally and Locally.

Local

- 8.9 Recruitment and retention of both Officers and Staff will provide significant challenges over the next 12 months, not just in obtaining the required numbers, but also in ensuring they can and do receive the required training for their roles
- 8.10 Recent changes to the entry routes for officers are designed to improve the attractiveness of the training offer, whilst changes to the recruitment process are designed to reduce the attrition rate. Initially these changes could impact our pipeline making our recruitment plans more difficult to achieve.
- 8.11 As we continue to increase the number of our police resources, the average length of experience of our officers is reducing, depleting the overall level of skills and knowledge within the organisation.
- 8.12 The Force Review savings target is ambitious and a large part of the overall planned savings, also this will inevitably add additional strains on the current BAU, especially support departments like ICT.
- 8.13 There will need to be careful consideration of the savings targets in conjunction with the increased level of vacancies factored into the early years of the budget. This will be carefully managed by the Finance team to avoid any double counting of savings/vacancies.
- 8.14 Unquantified demand, whether new operational demand or investment requirements, for example to utilise a national technology initiative may impact on the estimates presented today.

9 Report Conclusions and Recommendations

- 9.1 The MTFP is based on a set of realistic assumptions and provides our best judgement of the financial position as it currently stands. The proposals within the MTFP 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.
- 9.2 Given the current economic conditions information is changing very rapidly, for example interest rate forecasts, and there are a number of significant uncertainties and risks over information which is currently unavailable and outside of the control of the force. The most significant relates to the level of 2024 pay awards which will not be known until the middle of next year albeit we may get further indications before that time.
- 9.3 We still face considerable capacity and financial challenges so improving future productivity and efficiency is going to be key. For example investing in our Forensic technical services will increase our capability and capacity in this vital area, whereas

the continued investment in our technological estate to facilitate remote working is enabling us to strategically re-think our physical estate requirements with significant savings now realistically achievable in the future.

- 9.4 Our continued focus on the productivity strategy, including the Force Review will not only meet the HO requirements, but will ensure we continue to focus the maximum level of resources on our priorities .
- 9.5 The recommendation today is therefore to support the future strategic objectives of the PCC and TVP by increasing Band D council tax by the full £13 for 2024/25, together with the utilisation of the force reserves as stated.

List of Appendices:

Appendix 1 – Summary of 2024/24 Budget

Appendix 2 – Comparison of Council Tax Band D Values

Appendix 3 – 4 Year MTFP

Appendix 4 – Letter from CC to PCC re Council Tax and Growth

Appendix 5 – Detailed View Of I&P Reserve Transactions

Appendix 5A – Summary of Reserve Funded Growth



Post Approval Addendum to:
Report for Decision Performance and Accountability Meeting on 18th January 2024

Further to Approval of the 2024/25 Medium Term Financial Plan at the Performance and Accountability meeting on the 18th January 2024, a number of external decisions have been communicated which impact on the budget presented in the aforesaid meeting.

The changes are described below, together with the financial impacts, which have not been updated in the original approval report but have been updated in the detailed Appendices and elsewhere in this budget book.

Council Tax Receipts

The estimated council tax receipts are always subject to final notifications from each of the 13 councils within the TVP area. These were received in February 2024 and analysis of the figures mean that our original estimate for council tax receipts were higher than the actual receipts to the level of £1.4m.

To rectify this income shortfall, we have applied additional funding to meet the shortfall from the Improvement & Performance Reserve for 2024/25, and we have also reduced our forecast growth in 2025/26 by £1.0m to support this on-going reduction.

In order to maintain our reserve balances, we have also removed the potential drawdown of £1.2m to support PCSO recruitment in 2024/25 which is now unlikely to be required.

Home Office Funding for Additional Officers

As part of the PUP programme to deliver and maintain an additional 20,000 officers nationally, TVP put in a bid for an additional 71 officers over and above our core grant allocation, this bid is reflected in the original approval report.

In February 2024, we received notification from the Home Office that we have only been granted an additional 32 officers and not the full 71 anticipated. The impact of this is a reduction in the Home Office grants of £1.9m.

The Force and PCC are considering the implications and options of this reduced number of officers, but to maintain a balanced budget the corresponding £1.9m has also been taken out of the police pay budgets.

Revenue Budget Summary 2024/25

	2023/24 Budget	Inflation	Savings	Virements	Growth	2024/25 Budget
<i>PCC Controlled Expenditure</i>						
Commissioned Services	£8,565,886	£233,985	0	0	-5,165,871	£3,634,000
Democratic Representation	£171,383	£9,676	0	0	-36,679	£144,380
OPCC	£1,444,815	£104,270	0	0	270,857	£1,819,942
Other Costs	£254,197	£3,923	0	0	58,080	£316,200
	£10,436,281	£351,854	0	0	-4,873,613	£5,914,522
<i>TVP Operational Budget - Direction and Control of Chief Constable:</i>						
Employees	£441,579,329	£30,927,153	-500,000	1,988,607	21,449,468	£495,444,557
Premises	£22,548,624	£1,129,711	-10,000	43,281	-1,000,000	£22,711,616
Transport	£12,654,019	£412,017	-990,000	-137,218	93,178	£12,031,996
Supplies & Services	£79,105,567	£2,243,048	-5,945,726	-2,983,471	6,224,005	£78,643,423
Third Party Payments	£21,270,349	£1,953,652	-300,000	4,011,560	307,226	£27,242,787
Force Income	-£41,794,972	-£159,312	153,300	-900,289	-282,210	-£42,983,483
Specific Grant	-£28,863,465	£0	0	-374,206	-15,708,385	-£44,946,056
	£506,499,451	£36,506,269	-7,592,426	1,648,264	11,083,282	£548,144,840
<i>Net Capital Financing Costs:</i>						
Capital Financing	£16,980,511	£0	0	0	-57,474	£16,923,037
Interest on Balances	-£5,225,000	£0	0	0	625,000	-£4,600,000
	£11,755,511	£0	0	0	567,526	£12,323,037
<i>Appropriations to/from Balances:</i>						
Appropriations	-£2,384,699	£0	0	-1,648,264	-5,831,194	-£9,864,157
	-£2,384,699	£0	0	-1,648,264	-5,831,194	-£9,864,157
Cost of Services	£526,306,544	£36,858,123	-7,592,426	0	946,001	£556,518,242
<i>Funded By:</i>						
Council Tax - Surplus on Collection	-£3,536,731	£0	0	0	1,804,126	-£1,732,605
Council Tax Precept Income	-£244,718,953	£0	0	0	-16,446,022	-£261,164,975
Formula Grant	-£88,739,524	£0	0	0	0	-£88,739,524
Legacy Council Tax Grants	-£15,278,329	£0	0	0	0	-£15,278,329
Police Current Grant	-£174,033,007	£0	0	0	-15,569,802	-£189,602,809
	-£526,306,544	£0	0	0	-30,211,698	-£556,518,242
Total Funding	-£526,306,544	£0	0	0	-30,211,698	-£556,518,242

Appendix 2	2022-23 Precept £	2023-24 Precept £	Precept Income 23-24 £m	Total Income 23-24 £m	Precept/Total
Avon & Somerset	251.20	266.20	156.17	384.93	41%
Bedfordshire	237.09	252.09	57.68	146.36	39%
Cambridgeshire	257.58	272.52	82.30	185.38	44%
Cheshire	235.44	250.44	98.47	247.52	40%
City of London				79.32	0%
Cleveland	275.73	290.73	46.65	166.08	28%
Cumbria	282.15	297.09	52.30	136.28	38%
Derbyshire	251.60	266.60	88.56	229.34	39%
Devon & Cornwall	246.56	261.56	164.72	400.27	41%
Dorset	265.58	280.58	83.41	168.75	49%
Durham	240.24	255.24	46.07	157.43	29%
Dyfed-Powys	290.16	312.65	72.52	139.00	52%
Essex	218.52	233.46	154.84	378.65	41%
Gloucestershire	280.08	295.08	70.53	147.88	48%
Greater Manchester	228.30	243.30	192.96	759.19	25%
Gwent	303.80	324.52	73.00	169.12	43%
Hampshire	236.46	251.46	179.54	434.99	41%
Hertfordshire	223.00	238.00	110.58	264.06	42%
Humberside	253.20	268.19	76.30	237.05	32%
Kent	228.15	243.15	160.68	403.39	40%
Lancashire	236.45	251.45	115.15	365.18	32%
Leicestershire	258.23	273.23	92.97	240.58	39%
Lincolnshire	276.30	291.24	70.41	155.03	45%
Merseyside	236.97	251.97	97.74	424.68	23%
MOPAC	277.13	292.13	909.63	3,419.20	27%
Norfolk	288.00	302.94	93.48	207.75	45%
North Wales	316.80	333.09	100.24	196.77	51%
North Yorkshire	281.06	295.09	91.97	190.97	48%
Northamptonshire	278.04	293.04	75.12	170.71	44%
Northumbria	153.84	168.84	68.88	365.26	19%
Nottinghamshire	254.25	269.19	89.40	265.95	34%
South Wales	302.11	324.47	163.75	375.48	44%
South Yorkshire	223.04	238.04	88.09	334.52	26%
Staffordshire	248.57	260.57	93.88	246.65	38%
Suffolk	247.68	262.62	69.08	160.30	43%
Surrey	295.57	310.57	160.57	291.45	55%
Sussex	224.91	239.91	154.77	368.91	42%
Thames Valley	241.28	256.28	244.99	545.78	45%
Warwickshire	262.71	276.71	60.68	130.17	47%
West Mercia	249.66	264.50	122.12	279.49	44%
West Midlands	187.55	202.55	149.42	739.32	20%
West Yorkshire	221.28	236.28	159.53	574.83	28%
Wiltshire	241.27	256.27	69.43	151.32	46%
Weighted Ave	250.15	265.39			34%

*Total Income defined as Govt formula, NICC, ringfenced PUP, and Council Tax incl legacy & precept grants

**Thames Valley Police
Medium Term Financial Plan**

Appendix 3

		<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>
Annual Opening Budget		£526,306,544	£556,518,242	£575,002,528	£593,743,700
Inflation					
General Inflation		£2,392,759	£823,775	£825,202	£522,983
Police Pay Inflation		£19,859,416	£7,190,371	£6,800,355	£6,499,636
Police Staff Inflation		£11,008,954	£3,831,292	£3,565,832	£3,693,080
Specific Inflation		£3,596,994	£4,224,833	£3,232,901	£3,302,924
Total Inflation		£36,858,123	£16,070,271	£14,424,290	£14,018,623
Productivity Plan Savings					
Central Initiatives		-£5,155,726	-£12,692,505	-£2,000,000	-£2,000,000
Collaborative Initiatives		£0	£0	£0	£0
E&E Initiatives		-£206,700	-£137,800	£0	£0
E&E PUP Initiatives		£0	£0	£0	£0
Local Initiatives		-£2,230,000	£0	£0	£0
Total Productivity Savings		-£7,592,426	-£12,830,305	-£2,000,000	-£2,000,000
Committed & Statutory Growth					
Prior Year Adjustments					
134	Phased Removal of One-Off Funding for Upgrade Out of Support Business Support Systems	-£1,000,000	£0	£0	£0
160	Upgrade and Refresh Key ICT Infrastructure	-£317,513	£0	£0	£0
161	ICT - System Upgrades and Development Programme 2022/23	-£822,954	£0	£0	£0
164	Smarter Ways of Working	-£271,131	-£250,000	£0	£0
186	ICT - System Upgrades and Development Programme 2023/24	-£269,848	-£98,114	-£46,250	£0
193	Dashcam's - Revenue Support	-£27,000	£0	£0	£0
199	Forensics Collision Investigation Unit - New Operating Model	-£24,000	£0	£0	£0
204	Investment and Upgrade to CCTV Services	-£445,000	£0	£0	£0
221	Removal of Temporary Funding for AIU Setup	-£2,367,571	£0	£0	£0
235	Reduction in Project Related Budgets	-£360,184	£0	£0	£0
275	Reverse prior Year Contribution to Estates Reserve	-£2,571,085	£0	£0	£0
Pay & Allowance Adjustments					
128	Anticipated Future Uplift in the Staff Pension Scheme Employer Contributions	£885,000	£980,000	£0	£0
176	Growth for Increase in Police Bonus Payments	£0	-£1,000,000	£0	£0
178	Recognition of Police Staff & PCSO Vacancy Levels	£3,576,804	£2,900,000	£100,000	£100,000
179	Detention Officer Shift Allowance	£250,000	£0	£0	£0

214	Review of the Apprenticeship Levy Income from Apprenticeship Roles	£488,000	£200,000	£0	£0
238	Increase to Police Pension Employers Contribution	£10,271,165	-£1,300,000	£0	£0
240	Increase In Police Pensions Specific Grant	-£10,271,165	£1,300,000	£0	£0
271	Contribution to Inflation Contingency in I&P Reserve	£0	£3,000,000	£0	£0

In-Year Approved Growth

211	Resourcing for Overtime Governance	£112,455	-£40,113	£0	£0
212	In Year CCMT Approved Increase in Vetting Staff	£280,000	£0	£0	£0
213	In Year CCMT Approve Growth for Out of Court Disposals Team	£400,000	£0	£0	£0
253	Specific Grant for PUP Plus Funding of 119 Officers	-£5,712,000	£0	£0	£0
254	Specific Grant for PUP Plus Funding of 158 Officers	£5,712,000	£0	£0	£0

Service Delivery & Compliance

76	Review of Debt Charges	-£7,474	£0	£0	£0
93	Changes to Loan Charges Grant	£1,309	£366	£0	£0
180	Review of Interest Receipts	£625,000	£1,800,000	£700,000	£200,000
184	Review and Alignment of Budgets Following Detailed Spend Analysis and Forecasts	-£1,007,159	£0	£0	-£600,000
217	Growth in Employer & Public Liability Insurance Premiums	£140,000	£0	£0	£0
223	Nationally Madated Increase in Firearms Licencing Charges	-£300,000	£0	£0	£0
234	Rebase Electricty Charges after Reserve funding is Removed	£0	£520,000	£1,000,000	£0
236	Kennelling For Dogs	£100,000	£0	£0	£0
237	Realignment of External Audit Fees for CC & PCC	£50,000	£0	£0	£0
239	Increase to PUP Ringfenced Grant from Main Grant	-£4,569,782	£0	£0	£0
274	Estates Borrowing and Interest Provision	£0	£3,000,000	£3,000,000	£5,000,000

Committed & Statutory Growth		-£7,452,133	£11,012,139	£4,753,750	£4,700,000
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Committed Growth - Prior Years

Operational Delivery

162	Data Quality Development	-£21,746	£8,406	£8,406	£0
165	Forensics Improvement Programme	£1,263,346	-£227,589	£11,679	£0
166	FYE of Officer Growth in 2023/24 - 80 FTE	£2,000,000	£0	£0	£0
167	Taser Refresh and Uplift Programme	£191,081	-£108,919	£0	£0
173	Improving the Criminal Justice System	£215,000	£0	£0	£0
190	POLIT Staffing Uplift	£233,386	-£18,750	£0	£0
191	Domestic Abuse Standard Support Performance	£53,075	£0	£0	£0
192	VAWG Increase in Staff	£248,759	£0	£0	£0
207	Professionalising the Major Crime Unit Investigation and Reducing External Support	£254,047	£0	£0	£0
226	Contact Centre Digital Strategy & RPA Platform - Move to Base Funding From Reserves	£0	£548,491	£0	£0
260	Provision for Future Essential Growth	£0	£1,000,000	£2,000,000	£2,000,000

Support & Infrastructure

95	ISO Accreditation for FCIU	£30,000	£0	£0	£0
103	Property Maintenance - Provision for Future Years	£0	£1,000,000	£0	£0
208	Custody Healthcare - Implementation of 24/7 Healthcare Rota	£208,163	£0	£0	£0
232	Upgrades to Aptos Financial Systems - Ongoing Funding	£23,000	£0	£0	£0
Committed Growth - Prior Years		£4,698,111	£2,201,639	£2,020,085	£2,000,000

New Proposed Revenue Growth

Improving Victim Services					
215	Funding for NPCC Digital Fingerprints Capability	£0	£96,040	£0	£0
249	Growth to Permanently Fund the AIU's	£2,367,571	£0	£0	£0
251	DEVA Phase 2	£641,517	£714,962	£0	£0
Strengthening Community Policing					
216	Accommodation, Travel and Subsistence Costs of Increased Student Numbers Over Split Sites	£525,000	-£125,000	£0	£0
244	L&D Training Delivery Uplift	£341,600	£0	£0	£0
257	A&Q Administrator - Permanent Position	£31,000	£0	£0	£0
Protecting Vulnerable People					
245	Uplift to MASH Staffing	£348,070	-£57,000	£0	£0
250	Multi Agency Public Protection System (MAPPS)	£24,974	£0	£0	£0
Legitimacy & Public Value					
246	Additional ACC Position	£177,654	£0	£0	£0
258	Increase in Comms Team to Support Recruitment	£84,000	-£30,000	£0	£0
Infrastructure & Investing for Future Delivery					
242	NICHE RMS Upgrade - On-going Revenue Costs	£0	£28,600	£0	£0
247	Fleet Support Manager	£33,624	£0	£0	£0
248	Implementation of Redaction Tool	£65,000	£0	£0	£0
252	Trakka Cabinet Refresh	£0	£6,000	£0	£0
256	Data & Systems Roadmap Implementation	£68,702	£172,556	-£60,933	-£163,825
New Proposed Revenue Growth		£4,708,712	£806,158	-£60,933	-£163,825

Reserve Funding

General Reserve Funded					
74	Police Officer Reserve Funding for Bank Holidays	-£436,141	£220,763	£0	£0
75	Police Staff Reserve Funding for Bank Holidays	-£76,325	£38,633	£0	£0
263	Reverse Funding to I&P Reserve	-£4,150,000	£0	£0	£0
I&P Reserve Funded					
82	Removal of Funding for UCPI/ IICSA Public Enquiries	-£197,000	£0	£0	£0
185	Remove One-Off Funding for MOPI Review, Retention and Deletion Implementation	-£191,136	£0	£0	£0
189	Contact Centre Digital Strategy & RPA Platform	£18,556	-£548,491	£0	£0
195	Force Review	£1,906,453	-£2,706,453	£0	£0

196	Refurbishment of Showers for Imbert Court	£0	-£500,000	£0	£0
198	Replacement of Automatic Vehicle Location System (AVLS)	-£213,000	£0	£0	£0
206	Reverse One Off Funding for Upgrades to Aptos Financial Systems	-£141,800	£0	£0	£0
209	McCloud Remedy Costs - Phases 3&4	£307,226	-£51,205	-£256,021	£0
220	Contact Management Retention Bonus Scheme	£500,000	£0	-£500,000	£0
222	Reduction in Reserve Funding for Energy Cap Price Increases	-£1,000,000	-£520,000	-£1,000,000	£0
229	Reverse One Off PUP Funding for Additional Officers Over Target	-£1,000,000	£0	£0	£0
230	Removal of One Off Funding for PDS Design Alignment	-£87,633	£0	£0	£0
231	Removal of One Off Funding for TLS Remediation	-£160,205	£0	£0	£0
233	Inflation Contingency Against Pay Awards	£0	-£3,000,000	£0	£0
241	Police Pension Administration Funding	-£1,620,247	£1,300,000	£0	£0
261	Growth Items Funded from Reserves	£4,292,635	-£3,064,468	-£951,184	-£276,983
262	Reverse Transfer from General Reserves	£4,150,000	£0	£0	£0
264	Reverse Transfer from Covid Reserve	£2,724,949	£0	£0	£0
267	Transfer of Balance from SDCM Reserve	-£2,361,764	£2,361,764	£0	£0
270	Reverse Prior Year C Tax Appropriation	£2,094,746	£0	£0	£0
276	Funding for Two Additional SOLO Staff Members	£92,200	-£46,100	-£46,100	£0
Community Safety Reserve Funded					
77	Community Safety Fund Expenditure	£0	-£200,000	£0	£0
Estates Strategy Funded					
273	Estates Borrowing and Interest Provision	£2,571,085	-£3,000,000	-£3,000,000	-£5,000,000
SDCM Reserve Funded					
268	Transfer of Balance to I&P Reserve	£2,361,764	-£2,361,764	£0	£0
269	Reverse Prior Year Funding of AIU	-£1,638,236	£0	£0	£0
Covid Reserve Funded					
265	Reverse Transfer to I&P Reserve	-£2,724,949	£0	£0	£0
266	Reverse Council Tax Income Guarantee Grant	-£198,673	£0	£0	£0
Appropriations From Reserve					
84	Appropriations to/from the I&P Reserve	-£10,122,669	£7,999,337	£2,357,285	£440,808
85	Appropriations to/from General Balances	£4,662,466	-£259,396	£0	£0
86	Appropriation to/from Community Safety Reserve	£0	£200,000	£0	£0
148	Appropriations to Covid-19 Support Reserve	£2,923,622	£0	£0	£0
227	Appropriation to/from Estates Strategy Reserve	-£2,571,085	£3,000,000	£3,000,000	£5,000,000
228	Appropriation to/from SDCM Reserve	-£723,528	£2,361,764	£0	£0
Reserve Funding		-£1,008,689	£1,224,384	-£396,020	£163,825

Annual Net Budget Requirement	£556,518,242	£575,002,528	£593,743,700	£612,462,323
Annual Cash Budget Increase	£30,211,698	£18,484,286	£18,741,172	£18,718,623
Annual Percentage Budget Increase	5.74%	3.32%	3.26%	3.15%

Funding Changes

Annual Opening Funding		-£526,306,544	-£556,518,242	-£574,306,380	-£592,621,410
Police Grants					
69	Police Grant Funding Changes	-£15,569,802	-£1,784,830	-£1,802,678	-£1,820,705
70	Formula Grant Funding Changes	£0	-£887,395	-£896,269	-£905,232
<i>Total Police Grants</i>		<i>-£15,569,802</i>	<i>-£2,672,225</i>	<i>-£2,698,947</i>	<i>-£2,725,937</i>
Council Tax					
71	Council Tax Precept Changes	-£12,608,232	-£9,892,613	-£10,090,465	-£10,292,274
72	Council Tax Surplus on Collection Changes	£1,804,126	£0	£0	£0
73	Council Tax Base Changes	-£3,837,790	-£5,223,300	-£5,525,618	-£5,837,939
<i>Total Council Tax</i>		<i>-£14,641,896</i>	<i>-£15,115,913</i>	<i>-£15,616,083</i>	<i>-£16,130,213</i>
<i>Total Change in Funding</i>		<i>-£30,211,698</i>	<i>-£17,788,138</i>	<i>-£18,315,030</i>	<i>-£18,856,150</i>
Total Annual Funding		-£556,518,242	-£574,306,380	-£592,621,410	-£611,477,560

Annual Shortfall / (Surplus)	£0	£696,148	£426,142	-£137,527
Cumulative Shortfall / (Surplus)	£0	£696,148	£1,122,290	£984,763



Jason Hogg
Chief Constable

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Sent by email

11th January 2024

Dear Matthew,

Following on from our recent discussions, I would like to provide you with an update regarding some of the key areas for investment that we are proposing to make and the associated benefits of these to the public

Thames Valley Police is a Force committed to protecting our communities, we continue to make improvements to our service so that the public can contact us and trust us to service victims well, fight crime effectively and build trust with all our communities.

Thames Valley Police are seeking to put forward areas for investment this year that support our annual strategic operational and organisational priorities, and align with our mission, vision and values. However in the context of a challenging financial landscape and the savings targets that we need to achieve, any investment we are seeking will be to enhance our service to our communities and ensure we are giving the best service we can to victims, and to maintain a focus on mitigating critical risks identified, and to deliver some improvement activity.

The below areas of investment will directly support the PCC's Crime and Criminal Justice plan and the Crimefighters plan, including improving our contact with the public, strengthening our community policing, embedding crime prevention, protecting vulnerable people and improving victim services.

The 2022 HMICFRS PEEL report for Thames Valley Police highlighted several areas for improvement for which excellent progress is being made. Thames Valley have since had a number of thematic inspections and have been re-inspected for PEEL in July 2023 which highlighted additional areas of focus. Investment in the below areas will continue to help us to mitigate some of these critical risks so that protecting our communities continues to be at the heart of everything we do and focussing on driving down the crimes that matter most to the public.

1. Improving Victim Services

1.1 Last year we invested in temporary funding for the Assessment Investigation Unit (AIU) which seeks to reduce the demand on frontline Incident and Crime Response teams and to give a proportionate response to volume crimes. Due to the public and organisational benefits this has brought, we are putting forward a recommendation to invest in this unit permanently.

The public should expect to see:

- **Improvements to the quality and quantity of updates** we provide to the public, particularly for victims of volume crime
- **Creating capacity for Community Policing resources** to be more proactive and reducing response time due to reduced workloads on Incident and Crime Response Unit as a direct result of the Unit taking on an investigative caseload
- **Improving citizen experience** in terms of wait times and the service received
- **Increasing outcome rates** for volume crime
- **Improved focus on retail crime** with a new Retail Crime Investigation Team led by a dedicated inspector within AIU. **Optimising use of robotics and improving engagement with retailers** to encourage better sharing of CCTV and other evidence.
- **Improving our service to victims of crime and identifying repeat victimisation** that may otherwise be missed and improving victim satisfaction

1.2 Having completed the DEVA phase 1 project and as the demand for digital forensic capabilities continues to be on the increase, further modernisation is required to the digital forensics platform. This will deliver better outcomes to victims of crime and enhance police capabilities. As processes and storage are moved to the cloud, the force will be able to share data between departments and other partners, such as the Crown Prosecution Service.

The public should expect to see:

- **Significant improvements in the time taken to download and examine digital devices** leading to shortening of the time taken to investigate crime and bring offences to justice
- **Faster and more frequent updates to victims** on data analysis
- **Reduced backlogs** in digital forensics
- Earlier identification of victims, with faster case progression leading to **improved victim satisfaction and public confidence**

2. Improving Public Contact

2.1 We are recommending to invest in CM101 Salesforce public portal capability so that the system can support better victim engagement beyond the point of charge.

The public should expect to see:

- **Victims and witnesses being better informed and updated**
- **Improvement in victim satisfaction** and related public confidence.
- **A better service that can help to keep victims engaged** contributing to improved outcomes through reduced attrition from the Criminal justice process.
- **Reduction in complaints to police** as failing to keep victims updated continues to be a theme in our complaints data

3. Strengthening Community Policing

Investment in Initial Policing Team and Foundation Training team resources will enable Thames Valley Police to continue to support the ongoing National Police Officer Uplift Programme which will increase and stabilise the workforce to deliver a better service for the public. This in turn will enable the force to capitalise on bolstering Neighbourhood officer resources to support building safer communities.

In due course, once our work to improve officer retention takes effect, the intention is to redeploy some of the training resources back to front line duties.

4. Protecting Vulnerable People

4.1 This year Thames Valley Police are putting forward a recommendation to invest in resources for our Multi Agency Safeguarding Hubs (MASH). The public should expect to see:

- **Increased capacity** to enable the Force to meet increased demand
- **Increase our effectiveness** in jointly addressing vulnerability with our partners
- **Bring more offenders to justice** through quicker resolution of cases
- **Increased public confidence and legitimacy**, and will reduce the number of children and adults at risk of exploitation

The level of investment that we are recommending for resources into our MASH is modest as we are maximising the use of Robotics Process Automation (RPA) to ensure efficiencies in this area.

The investment in MASH resources will also address the area of improvement identified in our recent HMICFRS PEEL inspection and ensure that there are no delays in the assessment of incidents involving vulnerable people.

The Force has embarked on a review of the operating structures in the force to ensure that we deliver improved services to the public, through the delivery of a structure that allows for increased capacity across operational functions. In order to deliver this effectively and full benefits are realised, we are recommending that we invest in some temporary project resources and a Legitimacy and Public Value Assistant Chief Constable. The initial Local Policing phase will be implemented this year which will be key to ensuring greater visibility of police resources and achieving improved organisational agility.

A key enabler to support the force in the delivery of all our services to the public will be achieved by investing in resources to improve our leadership capability across the force. This will aim to deliver individual and team development, and improved performance and efficiencies, and overall a better service to the public.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J Hogg', written in a cursive style.

Jason Hogg
Chief Constable

Improvement & Performance Reserve

		Budget Book	2024/25	2025/26	2026/27	2027/28
Type	Improvement & Performance Reserve	Ref	Requirement	Requirement	Requirement	Requirement
			£17,592,852	£3,445,716	£951,370	£814,309
	Opening Balance		£1,313,021	£64,226	£320,247	£320,247
	Funding Into Reserve:		£2,361,764	£0	£0	£0
Rev	Police Pension Administration Costs	241	£388,251	£215,695	-£180,325	-£16,500
Rev	Transfer of Funds From SDCM Reserve	228	£0	£3,000,000	£3,000,000	£3,000,000
Rev	Reprofiling of Data & Systems Roadmap	256	£4,063,036	£3,279,921	£3,139,922	£3,303,747
Rev	Inflation Contingency Funding	233				
			-£1,520,000	-£1,000,000	£0	£0
	Spending From Reserve:		-£548,491	£0	£0	£0
Rev	Potential funding for Energy Cap - Rephased	222	-£800,000	£0	£0	£0
Rev	Contact Centre Digital Strategy and RPA - 2 Year Funding	189	-£500,000	£0	£0	£0
Rev	Force Review - Phase I	195	-£500,000	-£500,000	£0	£0
Rev	Refurbishment of Showers at Imbert Court	196	-£1,906,453	£0	£0	£0
Rev	CM Retention Bonus	220	-£177,000	-£177,000	£0	£0
Rev	Force Review - Phase II	195	-£653,226	£0	£0	£0
Rev	Leadership Academy	261	-£1,069,594	-£366,084	£0	£0
Rev	PSTN Switch Off	261	-£242,000	-£121,000	£0	£0
Rev	NICH RMS Upgrade	261	-£107,796	£0	£0	£0
Rev	Network Modernisation / BT Transform	261	£0	-£276,983	-£276,983	£0
Rev	OCR/SOH Update	261	-£100,000	£0	£0	£0
Rev	EBM Strategy / Replacement	261	-£704,088	-£287,100	£0	£0
Rev	Redaction Tool	261	-£338,931	£0	£0	£0
Rev	DEVA Phase 2	261	-£100,000	£0	£0	£0
Rev	Trakka Cabinet Refresh	261	-£800,000	£0	£0	£0
Rev	CM101 Victim Journey	261	-£92,200	-£46,100	£0	£0
Rev	Force Review Enabling Services Engagement	261	-£1,396,940	£0	£0	£0
Rev	Solo Project	276				
Rev	Appropriation for Final CT Taxbase	84	£0	-£3,000,000	-£3,000,000	-£3,000,000
Rev	Utilisation of Inflation Contingency	In Year				
Rev	Property Projects	In Year	-£709,000	£0	£0	£0
			-£12,265,719	-£5,774,267	-£3,276,983	-£3,000,000
	Sum of Revenue Contributions		-£8,202,683	-£2,494,346	-£137,061	£303,747
Proj	Project Spend Brought Forward	In Year	-£5,759,753	£0	£0	£0
Cap	Contact Centre Digital Strategy (Capital)	In Year	-£184,700	£0	£0	£0
Cap	Dashcams	In Year	£0	£0	£0	£0
	Sum of Capital and Project Contributions		-£5,944,453	£0	£0	£0
	Closing Balance		£3,445,716	£951,370	£814,309	£1,118,051

Appendix 5A - Summary of Reserve Funded Growth Items 2024/25

Initiative	Budget Book Ref	Cost	Description
Potential funding for Energy Cap - Rephased	222	£1,520,000	Rephasing of funding to support the increase in energy costs over a 3 year period
Contact Centre Digital Strategy and RPA - 2 Year Funding	189	£548,491	Continuation of one off funding to improve the Contact Centre processes and introduce robotic process automation.
Force Review - Phase I	195	£800,000	Funding to support the development of the Force Review
Refurbishment of Showers at Imbert Court	196	£500,000	Replace the showers at the Sulhamstead training Centre accommodation block
Prior Year Approved Funding		£3,368,491	
CM Retention Bonus	220	£500,000	2 year funding of bonus payments within Contact Management to support retention
Force Review - Phase II	195	£1,906,453	Funding to support the implementation of the Force Review
Leadership Academy	261	£177,000	2 year funding to support a Leadership Academy pilot to develop leaders within the force
PSTN Switch Off	261	£653,226	Digitalise system currently reliant on PSTN technology which is be phased out
NICH RMS Upgrade	261	£1,069,594	One-off upgrade to the NICH RMS Systems
Network Modernisation / BT Transform	261	£242,000	One-off upgrade for the ICT Networks
OCR/SOH Update	261	£107,796	Upgrading of OCR forms and their link to the Single on-line Hub to improve accuracy and reliability
Redaction Tool	261	£100,000	Implementation costs for a force wide redaction tool.
DEVA Phase 2	261	£704,088	Implementation costs for the upgraded Digital Forensics tools.
Trakka Cabinaet Refresh	261	£338,931	Refresh Trakka Cabinets and link to the network for better management
CM101 Victim Journey	261	£100,000	Implementation of the Contact management public portal for better victim engagement
Force Review Enabling Services Engagement	261	£800,000	Funding to support external engagement in reviewing how best to deliver the forces enabling service, as part of the Force Review
Solo Project	In Year	£92,200	2 year funding to support additional resources in the SOLO project in dealing with backlogs and resetting workloads.
New Prioritised Funding		£6,791,288	
Total I&P Reserve Funding		£10,159,779	

PCC Controlled Expenditure

	2023/24 Budget	Inflation	Savings	Virements	Growth	2024/25 Budget
PCC Controlled Expenditure						
<i>Commissioned Services</i>						
Police Staff Pay	350,953	25,584	0	0	-376,537	0
Police Staff NI	31,535	2,299	0	0	-33,834	0
Police Staff Pension	57,612	4,200	0	0	-61,812	0
Training & Conference expenses	10,972	262	0	0	-11,234	0
Rent & Rates	22,281	114	0	0	-22,395	0
Car Allowances & Travel Expenses	562	13	0	0	-575	0
Office Equipment, Furniture & Materials	1,646	66	0	0	-1,712	0
Communications & Computing	13,114	721	0	0	-13,835	0
Other Supplies & Services	27,540	2	0	0	-27,542	0
Commissioning Services	7,874,119	196,238	0	473,356	2,048,287	10,592,000
Other Third Party Payments	175,552	4,486	0	0	-180,038	0
HO Special Grant	0	0	0	-473,356	-1,984,644	-2,458,000
MoJ - Commisioning of Victims Services	0	0	0	0	-4,500,000	-4,500,000
	8,565,886	233,985	0	0	-5,165,871	3,634,000
<i>Democratic Representation</i>						
Police Staff Pay	95,374	6,953	0	0	-13,727	88,600
Police Staff NI	12,573	917	0	0	-2,518	10,972
Police Staff Pension	16,296	1,188	0	0	-2,776	14,708
Training & Conference expenses	2,795	67	0	0	-2,362	500
Vehicle Fuel	798	15	0	0	-813	0
Vehicle Contract Hire & Operating Leases	3,652	183	0	0	-3,835	0
Car Allowances & Travel Expenses	5,305	102	0	0	3,693	9,100
Allowances	18,179	0	0	0	-18,179	0
Other Supplies & Services	16,411	251	0	0	3,838	20,500
	171,383	9,676	0	0	-36,679	144,380
<i>OPCC</i>						
Police Staff Pay	1,046,538	79,938	0	0	246,988	1,373,464
Police Staff NI	149,647	10,909	0	0	-27,441	133,115
Police Staff Pension	154,255	11,245	0	0	28,954	194,454
Police Staff Allowances	139	2	0	0	7,859	8,000
Police Staff Overtime	0	0	0	0	9,000	9,000
Staff Welfare	0	0	0	0	409	409
Training & Conference expenses	50,000	1,196	0	0	-1,196	50,000
Car Allowances & Travel Expenses	5,259	84	0	0	6,657	12,000
Office Equipment, Furniture & Materials	24,790	683	0	0	-22,473	3,000
Forensic Costs	0	0	0	0	0	0
Other Supplies & Services	14,187	213	0	0	22,100	36,500
	1,444,815	104,270	0	0	270,857	1,819,942
<i>Other Costs</i>						
Office Equipment, Furniture & Materials	1,536	61	0	0	-97	1,500
Custody Costs	10,000	0	0	0	0	10,000
Allowances	38,177	17	0	0	36,806	75,000
Other Supplies & Services	204,484	3,845	0	0	21,371	229,700
	254,197	3,923	0	0	58,080	316,200
PCC Controlled Expenditure	10,436,281	351,854	0	0	-4,873,613	5,914,522

TVP Operational Budget - Direction and Control of Chief Constable:

	2023/24 Budget	Inflation	Savings	Virements	Growth	2024/25 Budget
Employees						
<i>Police Officer Pay</i>						
Police Officer Pay	177,645,419	12,782,672	0	-1,847,315	6,578,378	195,159,154
Police Officer NI	22,348,858	1,830,139	0	2,756,096	-3,301,786	23,633,307
Police Officer Pension	51,132,654	3,829,035	0	1,507,903	9,292,834	65,762,426
Police Officer Allowances	19,734,173	246,159	0	289,035	471,522	20,740,889
	270,861,104	18,688,005	0	2,705,719	13,040,948	305,295,776
<i>Police Officer Overtime</i>						
Police Officer Overtime	11,755,428	849,625	-500,000	399,476	-436,141	12,068,388
	11,755,428	849,625	-500,000	399,476	-436,141	12,068,388
<i>PCSO Pay</i>						
PCSO Pay	9,535,653	726,207	0	-2,773,962	372,087	7,859,985
PCSO NI	919,963	49,401	0	-242,294	21,027	748,097
PCSO Pension	2,091,332	101,339	0	-701,264	56,886	1,548,293
PCSO Allowances	11,208	393	0	0	0	11,601
	12,558,156	877,340	0	-3,717,520	450,000	10,167,976
<i>PCSO Overtime</i>						
PCSO Overtime	2,852	223	0	202	0	3,277
	2,852	223	0	202	0	3,277
<i>Police Staff Costs</i>						
Police Staff Pay	101,350,836	7,690,422	0	2,246,119	7,141,008	118,428,385
Police Staff NI	10,539,908	748,469	0	-272,822	66,596	11,082,151
Police Staff Pension	16,555,875	1,239,152	0	732,474	1,263,849	19,791,350
Police Staff Allowances	1,357,517	120,540	0	624,543	1,000,000	3,102,600
	129,804,136	9,798,583	0	3,330,314	9,471,453	152,404,486
<i>Police Staff Overtime</i>						
Police Staff Overtime	2,755,267	170,469	0	-416,902	-76,325	2,432,509
	2,755,267	170,469	0	-416,902	-76,325	2,432,509
<i>Temporary or Agency Staff</i>						
Temporary or Agency Staff	2,919,415	31,968	0	-642,809	-1,140,467	1,168,107
	2,919,415	31,968	0	-642,809	-1,140,467	1,168,107
<i>Police Officer Injury/ill health/Death Pensions</i>						
Police Officer Injury/ill health/Death Pensions	4,466,166	329,757	0	-116,078	0	4,679,845
	4,466,166	329,757	0	-116,078	0	4,679,845
<i>Other Employee Expenses</i>						
Staff & Officer Recruitment Costs	901,482	25,690	0	277,983	0	1,205,155
Staff Welfare	1,089,675	43,635	0	228,150	0	1,361,460
Employee Insurance	1,644,057	53,820	0	295,511	140,000	2,133,388
	3,635,214	123,145	0	801,644	140,000	4,700,003
<i>Restructure, Training & Conference Costs</i>						
Restructure Costs	1,379	0	0	0	0	1,379
Pension Strain	3,743	56	0	0	0	3,799
Training & Conference expenses	2,816,469	57,982	0	-355,439	0	2,519,012
	2,821,591	58,038	0	-355,439	0	2,524,190
Employees	441,579,329	30,927,153	-500,000	1,988,607	21,449,468	495,444,557

TVP Operational Budget - Direction and Control of Chief Constable:

	2023/24 Budget	Inflation	Savings	Virements	Growth	2024/25 Budget
Premises						
<i>Premises Related Expenditure</i>						
Repairs & Maintenance	7,068,731	145,685	0	17,075	0	7,231,491
Utilities	7,313,550	696,220	0	10,000	-1,000,000	7,019,770
Rent & Rates	5,976,364	241,980	-10,000	192	0	6,208,536
Cleaning & Domestic Supplies	1,778,307	40,713	0	16,014	0	1,835,034
Other Premises Costs	252,342	1,369	0	0	0	253,711
Property Insurance	159,330	3,744	0	0	0	163,074
	22,548,624	1,129,711	-10,000	43,281	-1,000,000	22,711,616
Premises	22,548,624	1,129,711	-10,000	43,281	-1,000,000	22,711,616

TVP Operational Budget - Direction and Control of Chief Constable:

	2023/24 Budget	Inflation	Savings	Virements	Growth	2024/25 Budget
Transport						
<i>Transport Related Expenditure</i>						
Vehicle Fuel	3,120,989	59,030	0	-62,570	0	3,117,449
Vehicle Contract Hire & Operating Leases	7,274,906	367,814	-315,000	85,721	-6,822	7,406,619
Car Allowances & Travel Expenses	1,522,357	44,406	0	83,646	100,000	1,750,409
Transport Insurance	3,761,108	102,172	-675,000	-244,015	0	2,944,265
Transport - Other	-3,025,341	-161,405	0	0	0	-3,186,746
	12,654,019	412,017	-990,000	-137,218	93,178	12,031,996
Transport	12,654,019	412,017	-990,000	-137,218	93,178	12,031,996

TVP Operational Budget - Direction and Control of Chief Constable:

	2023/24 Budget	Inflation	Savings	Virements	Growth	2024/25 Budget
Supplies & Services						
<i>Supplies & Services</i>						
Office Equipment, Furniture & Materials	12,116,678	22,032	-5,145,726	-3,933,317	5,515,991	8,575,658
Catering Contracts	585,013	19,707	0	3,094	0	607,814
Clothing, Uniforms & Laundry	1,832,809	20,808	-300,000	30,952	0	1,584,569
Custody Costs	3,232,980	21,796	0	0	208,163	3,462,939
Forensic Costs	5,999,078	0	-140,000	0	0	5,859,078
Investigative Expenses	2,336,852	32,278	0	-359,263	0	2,009,867
Police Doctors & Surgeons	778,767	11,643	0	36,087	0	826,497
Interpreters & Translators	792,812	18,527	0	25,000	0	836,339
Communications & Computing	39,957,501	1,792,461	-360,000	1,539,150	-286,230	42,642,882
Other Supplies & Services	11,473,077	303,796	0	-325,174	786,081	12,237,780
	79,105,567	2,243,048	-5,945,726	-2,983,471	6,224,005	78,643,423
Supplies & Services	79,105,567	2,243,048	-5,945,726	-2,983,471	6,224,005	78,643,423

TVP Operational Budget - Direction and Control of Chief Constable:

	2023/24 Budget	Inflation	Savings	Virements	Growth	2024/25 Budget
Third Party Payments						
<i>Third Party Payments</i>						
Commissioning Services	1,682,729	28,852	0	-205,318	0	1,506,263
Joint working Initiatives	419,988	9,868	0	0	307,226	737,082
Collaboration Payments	14,966,516	1,095,731	-300,000	3,866,878	0	19,629,125
Other Third Party Payments	4,201,116	819,201	0	350,000	0	5,370,317
	21,270,349	1,953,652	-300,000	4,011,560	307,226	27,242,787
Third Party Payments	21,270,349	1,953,652	-300,000	4,011,560	307,226	27,242,787

TVP Operational Budget - Direction and Control of Chief Constable:

	2023/24 Budget	Inflation	Savings	Virements	Growth	2024/25 Budget
Force Income						
<i>Local Government Specific / Partnership Funding</i>						
Local Government Funding - Specific/Partnership	-983,622	-7,074	0	229,369	0	-761,327
	-983,622	-7,074	0	229,369	0	-761,327
<i>Sales, Fees, Charges & Rents</i>						
Sale of Assets & Goods	-144,275	-6,875	0	-339,653	341,519	-149,284
Fees & Charges - Public Fees	-596,666	-13,432	0	-34,234	-300,000	-944,332
Fees & Charges - Rental & Hire Charges	-672,358	-7,716	0	0	0	-680,074
Fees & Charges - General	-9,426,454	-99,235	0	-115,830	488,000	-9,153,519
	-10,839,753	-127,258	0	-489,717	529,519	-10,927,209
<i>Special Police Services</i>						
Fees & Charges - Private Hire - Single Events	-925,337	-13,880	0	0	0	-939,217
	-925,337	-13,880	0	0	0	-939,217
<i>Reimbursed Services - Other Police Forces</i>						
Inter Force Reimbursements - Collaboration	-27,165,069	-2,495	153,300	-668,791	-811,729	-28,494,784
	-27,165,069	-2,495	153,300	-668,791	-811,729	-28,494,784
<i>Reimbursed Services - Other Public Bodies</i>						
Non Inter Force/Local Gov, but Public Body Contributions	-793,850	-375	0	28,850	0	-765,375
	-793,850	-375	0	28,850	0	-765,375
<i>Reimbursed Services - Other</i>						
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	-548,674	-8,230	0	0	0	-556,904
	-548,674	-8,230	0	0	0	-556,904
Force Income	-41,794,972	-159,312	153,300	-900,289	-282,210	-42,983,483

TVP Operational Budget - Direction and Control of Chief Constable:

	2023/24 Budget	Inflation	Savings	Virements	Growth	2024/25 Budget
Specific Grant						
<i>Government & Overseas Funding</i>						
Loan Charges Specfic Grant	-24,035	0	0	0	1,309	-22,726
Security Grant	-8,543,769	0	0	-29,229	0	-8,572,998
MoJ - Commisioning of Victims Services	-4,843,253	0	0	0	4,843,253	0
HO Special Grant	-12,700,000	0	0	0	-20,552,947	-33,252,947
CRB Grant	-1,720,516	0	0	-344,977	0	-2,065,493
PFI Grant	-1,031,892	0	0	0	0	-1,031,892
	-28,863,465	0	0	-374,206	-15,708,385	-44,946,056
Specific Grant	-28,863,465	0	0	-374,206	-15,708,385	-44,946,056

Net Capital Financing Costs:

	2023/24 Budget	Inflation	Savings	Virements	Growth	2024/25 Budget
Net Capital Financing Costs:						
<i>Capital financing and contributions</i>						
Debt Charges	3,307,955	0	0	0	-42,758	3,265,197
Capital Expenditure Funded from Revenue	13,250,000	0	0	0	-50,000	13,200,000
Finance Leases	422,556	0	0	0	35,284	457,840
	16,980,511	0	0	0	-57,474	16,923,037
<i>Interest / Investment Income</i>						
Interest / Investment Income	-5,225,000	0	0	0	625,000	-4,600,000
	-5,225,000	0	0	0	625,000	-4,600,000
Net Capital Financing Costs:	11,755,511	0	0	0	567,526	12,323,037

Appropriations to/from Balances:

	2023/24 Budget	Inflation	Savings	Virements	Growth	2024/25 Budget
Appropriations to/from Balances:						
<i>Transfers to Revenue and Capital Reserves</i>						
Transfer to earmarked revenue reserves	2,018,370	0	0	-1,648,264	-10,493,660	-10,123,554
Transfer to General Reserve	-4,403,069	0	0	0	4,662,466	259,397
	-2,384,699	0	0	-1,648,264	-5,831,194	-9,864,157
<i>Reconciling items between Management Accounts & Statutory Financial Reporting.</i>						
Depreciation and Impairment Losses	0	0	0	0	0	0
	0	0	0	0	0	0
Appropriations to/from Balances:	-2,384,699	0	0	-1,648,264	-5,831,194	-9,864,157

Funded By:

	2023/24 Budget	Inflation	Savings	Virements	Growth	2024/25 Budget
Funded By:						
<i>Government Grants</i>						
Formula Grant	-88,739,524	0	0	0	0	-88,739,524
Legacy Council Tax Grants	-15,278,329	0	0	0	0	-15,278,329
Police Current Grant	-174,033,007	0	0	0	-15,569,802	-189,602,809
	-278,050,860	0	0	0	-15,569,802	-293,620,662
<i>Local Government Precept</i>						
Council Tax Precept Income	-244,718,953	0	0	0	-16,446,022	-261,164,975
Council Tax - Surplus on Collection	-3,536,731	0	0	0	1,804,126	-1,732,605
	-248,255,684	0	0	0	-14,641,896	-262,897,580
Funded By:	-526,306,544	0	0	0	-30,211,698	-556,518,242

Holding Account

	2023/24 Budget	Inflation	Savings	Virements	Growth	2024/25 Budget
Chiltern Transport Consortium						
<i>Pay & Employment Costs</i>						
Police Staff Pay	1,429,353	103,759	0	0	0	1,533,112
Police Staff NI	166,852	12,164	0	0	0	179,016
Police Staff Pension	253,805	18,503	0	0	0	272,308
Police Staff Allowances	5,351	264	0	0	0	5,615
Police Staff Overtime	109,050	7,950	0	0	0	117,000
Temporary or Agency Staff	1,371,873	38,602	0	0	0	1,410,475
Staff Welfare	356	5	0	0	0	361
Training & Conference expenses	19,113	457	0	0	0	19,570
	3,355,753	181,704	0	0	0	3,537,457
<i>Overheads</i>						
Repairs & Maintenance	6,493	218	0	0	0	6,711
Rent & Rates	449,454	0	0	0	0	449,454
Cleaning & Domestic Supplies	7,679	308	0	0	0	7,987
Other Premises Costs	932	9	0	0	0	941
Vehicle Fuel	81,589	1,575	0	0	0	83,164
Vehicle Contract Hire & Operating Leases	204,285	3,269	0	0	0	207,554
Car Allowances & Travel Expenses	6,045	124	0	0	0	6,169
Transport Insurance	0	0	0	0	0	0
Transport - Other	15,370,694	810,606	0	0	0	16,181,300
Office Equipment, Furniture & Materials	27,177	1,087	0	0	0	28,264
Clothing, Uniforms & Laundry	23,009	725	0	0	0	23,734
Communications & Computing	457,770	23,980	0	0	0	481,750
Other Supplies & Services	26,042	5,111	0	200,000	0	231,153
	16,661,169	847,012	0	200,000	0	17,708,181
<i>Financing Adjustments</i>						
Depreciation and Impairment Losses	18,171	273	0	0	0	18,444
Asset Disposal	-589,511	-26,845	0	83,000	0	-533,356
	-571,340	-26,572	0	83,000	0	-514,912
<i>Grant, Trading & Reimbursements</i>						
Fees & Charges - General	-90,174	-629	0	0	0	-90,803
Inter Force Reimbursements - Collaboration	-19,355,408	-1,001,515	0	-283,000	0	-20,639,923
	-19,445,582	-1,002,144	0	-283,000	0	-20,730,726
Chiltern Transport Consortium	0	0	0	0	0	0

Holding Account

	2023/24 Budget	Inflation	Savings	Virements	Growth	2024/25 Budget
CTPSE						
<i>Pay & Employment Costs</i>						
Police Officer Pay	9,039,874	659,006	0	0	0	9,698,880
Police Officer NI	1,138,160	82,972	0	0	0	1,221,132
Police Officer Pension	2,613,508	190,525	0	0	0	2,804,033
Police Officer Allowances	624,010	9,469	0	0	0	633,479
Police Officer Overtime	1,240,710	90,447	0	0	0	1,331,157
Police Staff Pay	8,811,932	638,839	0	0	0	9,450,771
Police Staff NI	926,138	67,515	0	0	0	993,653
Police Staff Pension	1,464,836	106,787	0	0	0	1,571,623
Police Staff Allowances	202,272	13,861	0	0	0	216,133
Police Staff Overtime	213,915	15,596	0	0	0	229,511
Temporary or Agency Staff	61,794	1,739	0	0	0	63,533
Staff & Officer Recruitment Costs	256,914	6,640	0	0	0	263,554
Staff Welfare	832	12	0	0	0	844
Training & Conference expenses	182,842	4,375	0	0	0	187,217
	26,777,737	1,887,783	0	0	0	28,665,520
<i>Overheads</i>						
Repairs & Maintenance	310,136	8,818	0	0	0	318,954
Utilities	963,187	83,614	0	0	0	1,046,801
Rent & Rates	409,471	13,983	0	0	0	423,454
Cleaning & Domestic Supplies	93,686	1,784	0	0	0	95,470
Other Premises Costs	162,746	1,547	0	0	0	164,293
Vehicle Fuel	200,474	3,869	0	0	0	204,343
Vehicle Contract Hire & Operating Leases	229,053	11,637	0	0	0	240,690
Car Allowances & Travel Expenses	103,719	1,736	0	0	0	105,455
Transport Insurance	234,279	5,506	0	0	0	239,785
Transport - Other	549,489	27,569	0	0	0	577,058
Office Equipment, Furniture & Materials	60,152	2,354	0	0	0	62,506
Catering Contracts	19,790	663	0	0	0	20,453
Clothing, Uniforms & Laundry	68,788	797	0	0	0	69,585
Forensic Costs	80,837	0	0	0	0	80,837
Investigative Expenses	212,350	3,351	0	0	0	215,701
Police Doctors & Surgeons	14,503	493	0	0	0	14,996
Interpreters & Translators	21,974	517	0	0	0	22,491
Communications & Computing	497,497	11,536	0	0	0	509,033
Other Supplies & Services	1,018,011	29,950	0	0	0	1,047,961
Collaboration Payments	5,643,844	357,933	0	0	0	6,001,777
	10,893,986	567,657	0	0	0	11,461,643
<i>Grant, Trading & Reimbursements</i>						
Specific Grants	-36,624,975	-2,455,440	0	0	0	-39,080,415
Fees & Charges - Rental & Hire Charges	-203,281	0	0	0	0	-203,281
Inter Force Reimbursements - Collaboration	-843,467	0	0	0	0	-843,467
	-37,671,723	-2,455,440	0	0	0	-40,127,163

Holding Account

CTPSE	0	0	0	0	0	0
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Holding Account

	2023/24 Budget	Inflation	Savings	Virements	Growth	2024/25 Budget
Regional Specialist Firearms						
<i>Pay & Employment Costs</i>						
Police Officer Pay	989,807	96,395	0	332,474	0	1,418,676
Police Officer NI	139,524	15,245	0	69,598	0	224,367
Police Officer Pension	306,841	29,950	0	103,998	0	440,789
Police Officer Allowances	212,605	6,718	0	30,923	0	250,246
Police Officer Overtime	353,518	25,772	0	0	0	379,290
Police Staff Pay	9,451	340	0	257	0	10,048
Training & Conference expenses	238,351	5,692	0	-757	0	243,286
	2,250,097	180,112	0	536,493	0	2,966,702
<i>Overheads</i>						
Vehicle Fuel	162,776	3,142	0	0	0	165,918
Vehicle Contract Hire & Operating Leases	182,189	9,499	0	0	0	191,688
Car Allowances & Travel Expenses	4,218	126	0	98	0	4,442
Transport Insurance	92,309	3,225	0	0	0	95,534
Transport - Other	1,125	0	0	-1,125	0	0
Office Equipment, Furniture & Materials	4	0	0	-4	0	0
Clothing, Uniforms & Laundry	66,758	773	0	0	0	67,531
Investigative Expenses	20,125	286	0	-125	0	20,286
Police Doctors & Surgeons	12,081	415	0	108	0	12,604
Communications & Computing	2,493	20	0	-1,993	0	520
Other Supplies & Services	575,476	16,937	0	153	0	592,566
Collaboration Payments	777,501	10,487	0	-78,373	0	709,615
	1,897,055	44,910	0	-81,261	0	1,860,704
<i>Grant, Trading & Reimbursements</i>						
Specific Grants	-2,607,573	0	0	-348,956	0	-2,956,529
Fees & Charges - General	-43,888	-1,377	0	-47,912	0	-93,177
Inter Force Reimbursements - Collaboration	-1,490,205	-223,563	0	-58,364	0	-1,772,132
Sources of Income from Other Forces	-5,486	-82	0	0	0	-5,568
	-4,147,152	-225,022	0	-455,232	0	-4,827,406
Regional Specialist Firearms	0	0	0	0	0	0

Holding Account

	2023/24 Budget	Inflation	Savings	Virements	Growth	2024/25 Budget
SEROCU						
<i>Pay & Employment Costs</i>						
Police Officer Pay	13,329,907	971,754	0	0	-1,938,526	12,363,135
Police Officer NI	1,645,410	119,950	0	0	-326,346	1,439,014
Police Officer Pension	4,332,918	315,869	0	0	-498,145	4,150,642
Police Officer Allowances	690,196	2,785	0	0	90,686	783,667
Police Officer Overtime	655,882	47,816	0	0	-100,698	603,000
Police Staff Pay	9,633,656	808,707	0	3,972	-3,388,041	7,058,294
Police Staff NI	1,190,231	86,847	0	1,105	-469,240	808,943
Police Staff Pension	1,678,767	122,437	0	737	-327,338	1,474,603
Police Staff Allowances	160,650	11,712	0	0	-70,203	102,159
Police Staff Overtime	229,277	16,715	0	0	-48,292	197,700
Staff & Officer Recruitment Costs	0	0	0	0	5,000	5,000
Training & Conference expenses	484,108	11,616	0	1,480	-180,947	316,257
	34,031,002	2,516,208	0	7,294	-7,252,090	29,302,414
<i>Overheads</i>						
Repairs & Maintenance	60,593	1,575	0	0	-24,789	37,379
Utilities	526,241	49,242	0	0	-341,148	234,335
Rent & Rates	1,328,620	37,276	0	0	-514,360	851,536
Cleaning & Domestic Supplies	64,583	1,531	0	0	1,466	67,580
Property Insurance	4,328	102	0	0	-2,257	2,173
Vehicle Fuel	426,965	8,240	0	0	-209,410	225,795
Vehicle Contract Hire & Operating Leases	1,445,012	74,110	0	0	-790,672	728,450
Car Allowances & Travel Expenses	210,428	3,219	0	1,848	-46,245	169,250
Transport Insurance	294,237	6,915	0	0	-102,477	198,675
Office Equipment, Furniture & Materials	2,807,136	1,854	0	750	-2,792,027	17,713
Catering Contracts	5,583	187	0	0	-4,770	1,000
Clothing, Uniforms & Laundry	20,104	233	0	0	-10,337	10,000
Forensic Costs	183,300	0	0	0	-123,300	60,000
Investigative Expenses	995,879	15,853	0	0	-420,269	591,463
Police Doctors & Surgeons	27,008	17	0	0	-17,025	10,000
Communications & Computing	659,174	35,991	0	0	-277,535	417,630
Other Supplies & Services	1,552,670	48,055	0	3,500	-786,048	818,177
Collaboration Payments	2,655,179	168,746	0	-20,505	-1,423,806	1,379,614
	13,267,040	453,146	0	-14,407	-7,885,009	5,820,770
<i>Grant, Trading & Reimbursements</i>						
Specific Grants	-8,606,494	0	0	63,608	4,594,708	-3,948,178
Fees & Charges - General	-3,587,555	0	0	0	-2,243,467	-5,831,022
Inter Force Reimbursements - Collaboration	-34,803,993	-2,969,354	0	-56,495	9,766,504	-28,063,338
Proceeds of Crime	-300,000	0	0	0	50,000	-250,000
	-47,298,042	-2,969,354	0	7,113	12,167,745	-38,092,538
SEROCU	0	0	0	0	-2,969,354	-2,969,354



Report for Decision to the Performance and Accountability Public Meeting on 18th January 2024

Title: Four Year Medium Term Capital Plan 2023/24 to 2027/28

1 Purpose

- 1.1 Present to the PCC the updated Medium Term Capital Plan (MTCP) for 2023/24 through to 2027/28.
- 1.2 This report forms part of the medium term financial planning which includes the medium term revenue forecasts and the movement of reserves.

2 Executive Summary

- 2.1 The aim of the MTCP is to support service delivery of the PCC's Police and Criminal Justice 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).
- 2.2 The MTCP, recommended for approval today, comprises schemes costing **£47.262m in 2023/24** and **£64.448m in 2024/25**, with the **final 3 years** of the plan totalling **£68.032m**.
- 2.3 Over the last couple of years the Strategic Estates Group (SEG) have assessed the opportunities and risks facing the organisation across the entire Estates portfolio. The key linked schemes that have emerged are the full Custody 2030 Programme and the Central Oxford Estates Strategy. These Strategic schemes are agreed as the direction of travel the organisation needs to follow, however further work is required on the individual projects to assess the value for money and affordability. The total estimated cost for these potential future schemes is £186m of which £91.5m could be within the 4 year programme. These programme of works would need to be funded from capital receipts, revenue contributions and borrowing and as such the MTFP includes provision for financing via borrowing.
- 2.4 The Custody 2030 programme is a TVP strategic programme to rationalise and renew the TVP Custody estate. At present, the MTCP includes the enabling work to refurbish Loddon Valley only. Indicative timings are shown in section 7.4.

Business cases for the other elements still need to be established, Maidenhead is the first priority estimated to cost £52m inclusive of £9m outside the current MTCP.

- 2.5 The key drivers for the Central Oxford Estates Strategy are deteriorating conditions of the aging estate, changing operational requirements, the expiring PFI agreement (Abingdon Police Station) and the post Covid working smart strategy.

Future Years (current to 5 years)

- 2.6 All schemes have been reviewed and refreshed for inflation. The current market conditions are creating significant pressures on the programmes, especially within the construction industry.
- 2.7 The MTCP includes approved schemes in progress i.e. work has been contracted and there is relative certainty on estimates and, approved plans not yet contracted where estimates could be more volatile to change until contracts are formalised.
- 2.8 SEG have continued to work with the force to establish operational requirements and property opportunities across the organisation. As the business cases are approved in principle by the organisation, they are included within the MTCP, such as the initial stage of Custody 2030.
- 2.9 The ICT programmes have been uplifted to incorporate the Refresh budgets (computer replacement cycle, body worn videos and phones for 2027/28) plus retaining funds for the eventual ESMCP radio replacement.
- 2.10 An external review has been commissioned by Chiltern Transport Consortium governance group to identify options to transform our Fleet to Alternative Powered Vehicles APV's.
- 2.11 Financing proposed includes direct revenue financing, utilisation of reserves, borrowing for significant property projects and the use of Capital receipts. Please note that by the end of the programme we anticipate limited further availability of capital receipts from our finite assets.
- 2.12 The available funding of £4.447m across the MTCP excluding the custody programme and other potential future schemes.

Recommendation:

The PCC is asked to:

- Note the overall 4-year Medium Term Capital Plan (2024/25 to 2027/28) at £132.480m as set out in Table 1. Total over the 5 years 2023/24 – 2027/28 of £179.372m
- Note the capital programme for 2023/24, in the sum of £47.262m as set out in Table 1.
- Approve the annual budget of £64.448m for 2024/25 as set out in Table 1.
- Approve for planning purposes the budgets for the later 3 years of the MTCP 2025/26 – 2027/28 of £68.032m, plus £0.4m in later years.
- Approve the proposed financing of the capital expenditure as set out in Table 3.
- Note the potential future schemes Table 2 totalling £186m with £91.526m within the MTCP timeframe funded from borrowing and £94.790m in later years, which has significant overall affordability risk and would need additional borrowing and asset sales. These figures include the Maidenhead custody scheme at £52m.

Police and Crime Commissioner

I hereby approve the recommendation above.

Signature

Date

3 The Medium Term Capital Plan 2023/24 – 2027/28

- 3.1 The MTCP builds on the existing capital plan most recently re-approved in November 2023 the 2023/24 budget at £45.328m (original plan £51.324m). The revised total, including 2023/24, to 2027/28 is £179.372m.
- 3.2 The Forces current and future construction programmes are experiencing significant inflationary pressures. The overall property portfolio reflects substantial increases in Forensic New Build/Atlantic House/ Western Hub budgets, though an element of this is due to the original contractor going into receivership (Atlantic House and Western Hub). In addition to these bespoke programmes, an 8% inflation rise in the construction industry and vehicle purchase is anticipated for 2024/25, dropping to 4% in 2025/26 and 4% in future years. Technology has been inflated at 4.85% for specific schemes such as Device refresh and 7% in 2024/25 and 3% in future years.

- 3.3 The property risks are ongoing including current negotiations in relation to the Forensic new build.
- 3.4 All TVP buildings have been surveyed in relation to Reinforce Autoclaved Aerated Concrete (RAAC) with mitigating/ remedial measures required only at Reading Police Station.

4 Current Year 2023/24

- 4.1 The revised annual Capital budget for 23/24 is £47.262m, including approved proposed drawdown from CCTV Reserve, small realignment of CM101 budget and the approval in December of £1.8m to buy rather than lease Mobile phones.

Re-phasing

- 4.2 Resource availability across the Property Services and ICT teams, alongside supply issues including long lead times caused by current global supply issues, have led to the need to prioritise projects and hence the need to re-phase some schemes into future years. In November, the PCC approved the slippage of £26m into future years.
- 4.3 Further slippage may occur which will be managed as part of the year end close.

5 Future Years (current to 5 years)

- 5.1 The planned gross expenditure within the 2023/24 to 2027/28 MTCP totals £179.372m (including £47.3m in 2023/24) including Custody 2030 – Loddon Valley refurbishment. The current proposed programme is fully funded. The updated Capital Plan is summarised in the schedule below.

6 Annual Planning

- 6.1 All new business bids are prioritised as part of the annual planning process against the same matrix taking account of benefits and cost. The highest priority projects are detailed in the MTFP for funding consideration. It is assumed all new bids will be funded from DRF, those which are capital in nature will be included in the MTCP when approved.
- 6.2 The MTCP has been updated for the inflationary effects on existing schemes and the addition of the final year plus a few key strategic projects.

Table 1 - MTCP Budget Summary

Programme	Total Project Budget	2023/24 £'000	Future Years				Total 2023/24 to 2027/28 £'000	Later Years
			2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000		
Property -								
Western Hub - TVP	6,319	2,079	318	-	-	-	2,397	400
Western Hub - Other Forces	12,905	4,246	611	38	-	-	4,894	
Western Hub - Grants/ Reserves	8,691	-	8,578	113	-	-	8,691	
	27,916	6,325	9,506	151	-	-	15,982	
Atlantic House	28,526	2,777	12,502	1,202	-	-	16,482	
Maidenhead Court Building	2,391	389	-	-	-	-	389	
Forensics New Build	38,201	8,186	24,362	4,681	-	-	37,229	
Windsor	2,636	62	1,463	1,111	-	-	2,636	
Custody 2030 - Design	371	371	-	-	-	-	-	
Custody 2030 - Loddon Valley	8,445	150	2,006	6,178	112	-	8,445	
Custody - Integrated Security Management	1,265	(0)	54	161	-	228	443	
Estates Decarbonisation		-	189	-	-	-	189	
Fire Compartmentation	2,662	116	36	983	1,029	497	2,662	
EV Charging	3,714	312	201	1,140	1,177	886	3,714	
Upper Heyford infrastructure	398	120	220	-	-	-	340	
Taser Training	613	287	316	10	-	-	613	
HQ South - C, D E & G block	1,416	-	94	1,304	19	-	1,416	
Data Centre conversion	418	50	368	-	-	-	418	
Farringdon Police Office Replacement	291	-	-	-	-	291	291	
Corporate Projects		113	-	-	-	-	113	
AMOP Projects		50	-	-	-	-	50	
Total		19,307	51,316	16,920	2,336	1,902	91,411	400
Technology & Business Change -								
Computer Replacement		2,284	2,104	2,251	2,398	2,470	11,507	-
Body Warn Video Replacement		1,733	1,633	432	1,973	483	6,254	
Mobile Phone Replacement		1,800	-	-	-	2,060	3,860	
ESMCP		-	-	-	12,000	-	12,000	
CMP 101		914	198	-	-	-	1,112	
WIFI		1,040	321	-	-	-	1,360	
Digital First		371	342	-	-	-	713	
Forensics Improvement Program		780	-	-	-	-	780	
CCTV		797	-	-	-	-	797	
CMP Replatform		-	128	-	-	-	128	
Midam		120	354	-	-	-	474	
ICT Roadmap		263	-	-	-	-	263	
ICT Infrastructure		887	786	353	353	364	2,742	
Other Projects		707	152	-	-	-	859	
Total		11,696	6,018	3,035	16,723	5,376	42,849	-
Other Capital Equipment -								
Vehicles		5,678	6,010	6,250	6,927	7,245	32,110	-
Dashcams		102	404	-	-	-	506	
Grant Funded		8,235	-	-	-	-	8,235	
Equipment / Radio Replacement		2,246	700	740	288	288	4,262	
Total		16,259	7,114	6,990	7,215	7,533	45,112	-
Grand Total								
		47,262	64,448	26,946	26,275	14,812	179,372	400
Financing Available								
		74,260	44,024	19,510	32,812	13,584	184,190	
Cumulative Funding Position (Existing Programme)								
		26,998	6,574	(862)	5,676	4,447		

Property

6.3 The Strategic Estates Group ensure that property estates remain fit for purpose, identify opportunities to streamline assets and develop the estate infrastructure, maintain core sites and actively progress the Asset Management Plan. The expenditure under this heading is therefore related to the timing of the disposal of assets and the level of capital receipts.

6.4 The Forces current and future construction programmes are experiencing significant inflationary pressures. The three main building projects are now actively progressing following substantial contract negotiations by the Property

Services department.

- 6.5 Western Hub: the Regional PCC and CC have approved budget growth to enable both schemes to progress mobilisation, starting in October 2023 with the end date planned for the 2024. The budget has been realigned and restated to include the whole regional programme.
- 6.6 Atlantic House: construction budget increased substantially, offset by car park budget savings. Ceasing the Multi-storey car park proposal may lead to ongoing revenue costs to rent alternative parking space locally. Following revised Budget approval, the letter of intent has been issued, however there has been a delay in signing the main contract and hence work is due to start imminently.
- 6.7 Forensics new build: improving Forensic Performance is a strategic priority for the Force hence the creation of a new Forensic facility. The new build will offer additional space to cope with demand increase and aims to develop regional capacity. The initial contract for groundwork has been awarded. A significant number of the packages have fixed prices and challenge for best value is undertaken at each step. An issue remains in relation to the permanent power supply with a gas generator being the interim solution. Construction works are now under way with full occupation anticipated in 2025.
- 6.8 Windsor: replacement due to workload prioritisation. The details survey and design work will occur into future years - See 7.10 Taplow enabling link.
- 6.9 Loddon Valley refurbishment and integrated security management– See 7.2: the first stage of the Custody 2030 programme is included, including design team costs and the refurbishment of Loddon Valley as a priority to enable the closure of Maidenhead. The Custody suites have systems which need to be retained and upgraded to the latest version to ensure the continuation of 'critical must have' technology. Rollout will be managed across the programme.
- 6.10 Fire Compartmentation: additional work needs to be undertaken on TVP estate to ensure we comply with the statutory fire regulations. The initial year will be the design stage with the construction stages approved after the business case is ratified by SEG.
- 6.11 Electronic Vehicle Charging: this is a key part of the overall CTC Strategic Review and TVP Carbon Reduction programme. The programme will develop EV charging capacity & infrastructure across the majority of TVP sites. It may mean that the power capacity to individual buildings/sites will need to be increased through the installation of new electrical sub-stations as well as replacement of items such as cabling and distribution boards. Any infrastructure installed will need to be flexible and allow for additional charging to be installed without the need for further major work.
- 6.12 Upper Heyford: provides training facilities and there are 2 programmes of work planned for infrastructure improvements in relation to the roofing and heating plus capacity for a Taser Training facility.

- 6.13 HQ South and Data centre: storage is linked to Central Oxfordshire Estates Strategy – see 7.3. ICT are reviewing the long term physical data centre storage capacity required as we move to more cloud storage plus optimal location. These future needs will be captured as part of the ongoing work on COES.
- 6.14 Farringdon Police Office: replacement is now on hold pending the completion of the Force Review.

ICT/Business Change revenue funded projects

- 6.15 The ICT programmes have been uplifted to incorporate the Refresh budgets including computer, body worn video and mobile phones for 2027/28 of £5.376m.
- 6.16 The end user replacement programme continues to be actively reviewed by ICT and the business. The body worn video project board have undertaken extensive work over the last year to understand the opportunities following a retender of the contract with the proposed replacement programme encompassed in the MTCP. Mobile phones are an important tool within policing enabling timely access to key applications plus communication with victims. Over the last few years we have leased Mobile Phones, however following a value for money exercise direct purchase was the preferred option and in December 2023 a contract was awarded which will be funded through the DRF lease budget over the next 3 years.
- 6.17 ESMCP Airwaves Replacement is a national programme but due to National issues, it is now anticipated to deliver outside the current timeframe and hence the expenditure on the new radios will fall in the future. To ensure the funds are available we have earmarked a £12m ESMCP Budget.
- 6.18 The Contact Management focus group has identified the minimum digital strategy to alleviate the pressure in the control rooms call handling.
- 6.19 WIFI capacity is essential across our estates. A programme of work to rollout across locations has been initiated and is ongoing.
- 6.20 The Digital First programme including Digital Interview Recording has been rolled out and is now business as usual, however post warranty support may arise in future years. The Digital case files go live date is now anticipated to be in 2025 at the earliest.
- 6.21 The professionalising and improvement of the Forces Forensic capability has an extensive programme of work which includes some elements of capital expenditure. The Improvement and Performance reserve includes £2m in relation to the Forensic Improvement Programme, which will be drawn back according to the timing and nature of the expenditure.
- 6.22 The PCC has set out a strategic vision for the Thames Valley CCTV partnership where the Force will own the systems and equipment for public space CCTV and will manage the provision through the creation and investment in Hubs, the current

budget is in relation to the Milton Keynes and Slough Hub with an element of funds being drawn down for the CCTV reserve as approved by the PCC.

- 6.23 In addition, there are a number of small technology projects planned including the adoption of Home Office National systems such as Midam.

Vehicles

- 6.24 An external review has been commissioned by Chiltern Transport Consortium governance group to identify options to transform our Fleet to Alternative Powered Vehicles (APV). The outcome of this review will inform the forces roadmap to APV's and will provide updated financials for the MTCP.
- 6.25 Until that information is available, the vehicle replacement programme reflects the additional year within the MTCP plus the initial estimates of expenditure requirements and associated costs as we move to an electric fleet, including an estimate on price differentials. The estates infrastructure includes indicative costs, however risks have emerged around connectivity to power supplies.
- 6.26 Dashcams are planned to be installed in all TVP fleet vehicles.

Equipment

- 6.27 This includes funds in relation to ANPR and Safer Road Cameras.

7 Potential Future Programmes

- 7.1 The MTCP is designed to help us financially plan and make sure we can afford our ambitions whilst ensuring value for money considerations on all options. The horizon and planning timeframe and the significant financial outlay on some key strategic areas mean these are included in this section and are a combination of approved in principal and indicative future spend requirements.
- 7.2 To ensure affordability is considered, the MTFP includes the cost of borrowing for the expenditure expected to fall within the next 4 – 5 years. By 2027/28, the Revenue budget includes £11m for interest and borrowing repayments (see section 8.11).
- 7.3 These additional programmes are anticipated to cost £186m with £91.5m potentially falling within the current MTCP. The Programmes are a combination of linked and standalone schemes where the individual business cases will be presented at SEG and ratified by PCC, as appropriate. At this time the business cases for these schemes have not been completed and hence no decision/ recommendation has been made to proceed with these schemes.

- 7.4 During 2024/25 further rational and clarification documentation will be provided to SEG to support the proposed direction of travel. In respect to Maidenhead this will revisit the scope and hence anticipated costs against the demand for and benefits of a new modern custom built custody facility in the Berkshire area and hence seek approval in year for the design and tender for construction work. In year approval for other schemes may also be proposed including plans for Taplow and options for the HQ sites plus contact management expected to be presented imminently.

Table 2a - Potential Future Schemes

Table 2a - Potential Future Schemes						Total	
Programme	Budget	Future Years				MTCP	Later Years
		2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	£'000	£'000
Capital Projects - Potential Future Schemes (not approved)							
Custody 2030 - Maidenhead	51,629	496	4,294	16,762	20,363	41,915	9,715
Custody 2030 - Refurbishments	8,296	-	-	50	449	499	7,797
Custody 2030 - Oxfordshire	44,713	-	134	911	2,304	3,350	41,363
Custody 2030	104,638	496	4,428	17,724	23,116	45,763	58,875
Central Oxford Estates Strategy	80,709	1,636	10,241	9,894	23,023	44,794	35,915
Taplow	969	665	291	13	-	969	-
Total awaiting approval	186,316	2,797	14,960	27,630	46,140	91,526	94,790
Grand Total						186,316	

Table 2a - Potential Future Schemes

Later Years phasing

Programme	Future Years			
	2028/29 £'000	2029/30 £'000	2030/31 £'000	2031/32 £'000

Capital Projects - Potential Future Schemes (not approved)

Custody 2030 - Maidenhead	9,715			
Custody 2030 - Refurbishments	6,916	874	7	-
Custody 2030 - Oxfordshire	20,902	19,837	624	-
Custody 2030	37,533	20,711	630	-
Central Oxford Estates Strategy	9,084	6,397	20,256	177

Taplow

Total awaiting approval	46,617	27,109	20,886	177
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Grand Total

94,790

Custody

- 7.5 The Custody 2030 programme is a TVP strategic programme to rationalise and renew the TVP Custody estate. Criminal Justice reviewed the current Custody provisions and identified requirements to enable TVP to operate and manage an efficient, compliant and fit for purpose Custody estate. The programme has been agreed as the preferred direction of travel and approved in principal i.e. we know what we want to do but the business cases for the individual elements need to be compiled and approved prior to inclusion in the MTCP.
- 7.6 The MTCP only currently includes the refurbishment of Loddon Valley which is a pre-requisite to enable opportunities in the Berkshire area plus compliance with the current custody integrated security management systems. Estates aspects of the Programme encompasses three major work streams, these are: New Custody Suite Berkshire (preferred option is an new build at Maidenhead); Refurbishment of the retained sites circa £16m (with only the work at Loddon Valley included in MTCP) plus a potential New Custody Suite Oxfordshire circa £45m. In addition a project management and design team are needed to manage this significant programme.

Central Oxfordshire Estates Strategy (COES)

- 7.7 The COES is a complex inter- dependant mix of multiple estate projects that deliver a range of estates and service delivery outcomes over the next 10+ years. The focus is on central Oxfordshire in view of the PFI expiry at Abingdon in 2030, the recognised post- Covid need to consolidate the two HQ sites, addressing the Oxford LCU estate, to support delivery of element of the Custody 2030 programme, Contact Management hub rationalisation and the ongoing training needs in the North of the Force.
- 7.8 JICT Data Centre: the current MTCP includes a discovery stage with a plan to modernise existing data centres into smaller and compliant facilities. Work to migrate to Cloud storage will influence the size of the bid for inclusion.

Other Strategic Estate Considerations

- 7.9 Taplow enabling works and refurbishment to allow staff to move there following the reduction/disposal of the Windsor site.
- 7.10 Estates Decarbonisation within the MTCP only includes the initial survey. This is a long- term programme of work that will seek to substantially reduce the carbon footprint of the TVP estate through use of low and zero carbon technology and other methods to reduce energy usage. The indicative investment for these schemes will be included once known and the funding requirements will be determined by the Governments direction of travel and financial support.

8 Funding of the Medium Term Capital Plan 2023/24 to 2027/28

8.1 Resources required to fund the capital programme are identified below.

Table 3 - Resources Required to Finance the Capital Programme

	Revised Budget 2023/24	2024/25	2025/26	2026/27	2027/28	Total 2023/24 to 2027/28
	£000s	£000s	£000s	£000s	£000s	£000s
Surplus Funds Carried Forward	37,961					37,961
Predicted Capital underspend 23/24	671					671
Capital Receipts from Finite Asset sales	3,478	1,559	4,987	19,512	884	30,421
Direct Revenue Financing	14,046	13,493	13,200	13,200	12,600	66,539
Borrowing	-	9,919	-	-	-	9,919
Earmarked Reserves	4,785	11,438	1,223	-	-	17,446
Western Hub	4,985	7,515	-	-	-	12,500
Specific Grant & 3rd Party Contributions	8,335	100	100	100	100	8,735
Total	74,260	44,024	19,510	32,812	13,584	184,190

8.2 Available funding of £4.447m exists at the end of the 5 year period plus the estates reverse has a further £6m.

Capital Outturn 2023/24

8.3 Current monitoring anticipates a £0.7m underspend of the current proposed programme.

Asset Sales

8.4 The value of asset sales over the MTCP period has been updated to reflect the expected timing of non-residential sales. Overall £27.4m of the £30.4m asset sales relate to police buildings and houses.

8.5 It is worth reiterating that towards the end of the programme these one-off asset sales tail off and cannot support the programme beyond 2026/27.

Direct Revenue Financing

- 8.6 Direct Revenue Financing (DRF) is included at a minimum of £13m per annum; as we move forward about £12m per annum is required to just maintain core equipment levels in terms of computer equipment, BWV, Mobile Phones, Vehicles and other equipment. This will absorb the majority of DRF in future and leave little scope for investment.
- 8.7 This places a significant burden on the revenue budget. In future years it is assumed new bids will either be funded from DRF or borrowing, directly affecting the revenue budget as reserves and capital receipts are exhausted.
- 8.8 The level of DRF will be kept under review each year as the direction of travel for technology items is revenue style contracts rather than capital investment.

Borrowing

Table 4 - Borrowing Projections

Borrowing £m	23/24	24/25	25/26	26/27	27/28	Total	Future Years
Forensics New Build	-	8,200	-	-	-	8,200	-
Atlantic House	-	1,719	-	-	-	1,719	-
Total MTCP	-	9,919	-	-	-	9,919	-
Custody 2030 - Maidenhead	-	496	4,294	16,762	20,363	41,915	9,715
Custody 2030 - Refurbishments	-	-	-	50	449	499	7,797
Custody 2030 - Oxfordshire	-	-	134	911	2,304	3,350	41,363
Custody 2030	-	496	4,428	17,724	23,116	45,763	58,875
Central Oxford Estates Strategy	-	1,636	10,241	9,894	23,023	44,794	35,915
Taplow	-	665	291	13	-	969	-
Total Future Schemes	-	2,797	14,960	27,630	46,140	91,526	94,790
Total Potential Borrowing	-	12,716	14,960	27,630	46,140	101,445	94,790
Grand Total							196,235

- 8.9 Borrowing is only recommended to fund significant Property developments where there is a long-term benefit to the force. At this time additional borrowing of £9.9m is recommended for the Forensic New build and Atlantic House to cover the inflationary growth not covered in previous budgets.
- 8.10 In the future the majority of any capital programme will need to be funded from borrowing, as highlighted within the future project section, however this is could be reduced through revenue contributions and sale of finite assets, although minimal.
- 8.11 The potential future schemes are not yet incorporated into the MTCP as they need to be ratified, however to facilitate these potential substantial outlays the MTFP includes growth to the estates reserve (see section 5.37 in the MTFP) to cover the repayment of the borrowing (MRP payments) over 50 years and the annual interest repayments, for 2027/28 this totals £11m. These amounts are intended to cover the planned borrowing within the MTCP timeframe, c£101m.

Table 4a - Projection of Loan repayments and Annual Interest

	Revised 2023/24	Revised 2024/25	Revised 2025/26	Revised 2026/27	Revised 2027/28	Revised 2028/29
MTCP	47,262.000	64,448.000	26,946.000	26,275.000	14,812.000	13,400.000
Potential Future Schemes		2,797.000	14,960.000	27,630.000	46,140.000	46,617.000
Gross capital spend	47,262.000	67,245.000	41,906.000	53,905.000	60,952.000	73,017.000
MTCP Financing	47,262.000	64,448.000	26,946.000	26,275.000	14,812.000	13,000.000
MTCP Borrowing included		-9,919.000				
Future Asset Sales						
Total Financing	47,262.000	54,529.000	26,946.000	26,275.000	14,812.000	13,000.000
In Year Loan		12,716.000	14,960.000	27,630.000	46,140.000	60,017.000
Cumulative Loan balance		12,716.000	27,676.000	55,306.000	101,446.000	161,463.000
Loan repayments (MRP)		254.320	553.520	1,106.120	2,028.920	3,229.260
Annual Interest (4.99% on 50 year term)		634.528	1,381.032	2,759.769	5,062.155	8,057.004
		888.848	1,934.552	3,865.889	7,091.075	11,286.264

Reserves

Table 5 - Reserve Utilisation

	23/24	24/25	25/26	26/27	27/28	Total
Improvement and Performance						
CM101	914	185	-	-	-	1,099
Dashcams	506					506
Total MTCP	1,420	185	-	-	-	1,605
CCTV Reserve	365	-	-	-	-	365
Estates Reserve						
Forensics New Build	3,000	-	-	-	-	3,000
Custody Loddon Valley refurbishment	-	8,184	112	-	-	8,296
Windsor	-	1,463	1,111	-	-	2,574
TVP Western Hub	-	1,606	-	-	-	1,606
Total Future Schemes	3,000	11,253	1,223	-	-	15,476
Total Reserve Utilisation	4,785	11,438	1,223	-	-	17,446

8.12 The current programme reflects the proposed draw down from three reserves utilising £17.4m (2023/24 - 2025/26).

8.13 This plan includes the application of £15.5m from the Estates (£3m to contribute to the FIU building, £8.3m for the Custody refurbishment, £2.6m for Windsor and £1.6m TVP contribution to the Western Hub). Secondly £1.6m to be appropriated from the Improvement and performance reserve toward the Contact Centre digital strategy and Dashcams and thirdly the approved £0.4m from the CCTV reserve to create the CCTV Hubs.

Western Hub

8.14 Western Hub is projected to cost £27.9m of which TVP committed to contribute £6.3m. £1.6m of the TVP amount remains and will come from Estates reserve. The remainder is coming from our Partners and Specific Grant Funding.

Specific Grant and 3rd Party Contributions

8.15 CTPSE is fully grant funded plus anticipating S106 funding.

9 Recommendations

9.1 The PCC is asked to note/approve:

- Note the overall 4-year Medium Term Capital Plan (2024/25 to 2027/28) at £132.480m as set out in Table 1. Total over the 5 years 2023/24 – 2027/28 of £179.372m
- Note the capital programme for 2023/24, in the sum of £47.262m as set out in Table 1.
- Approve the annual budget of £64.448m for 2024/25 as set out in Table 1.
- Approve for planning purposes the budgets for the later 3 years of the MTCP 2025/26 – 2027/28 of £68.032m, plus £0.4m in later years.
- Approve the proposed financing of the capital expenditure as set out in Table 3.
- Note the potential future schemes Table 2 totalling £186m with £91.526m within the MTCP timeframe funded from borrowing and £94.790m in later years which has significant overall affordability risk and would need additional borrowing and asset sales. These figures include the Maidenhead custody scheme at £52m.

10 Legal comments

10.1 The capital programme is an integral part of the overall budget package which the PCC must consider each year. These reports are presented to the PCC, in compliance with the requirements of the Prudential Code and will demonstrate that capital investment plans are affordable, sustainable and prudent.

11 Equality comments

11.1 No specific implications arising from this report

12 Background papers

Relevant Project bid papers
The MTFP 2024/25 to 2027/28

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the website within 1 working day of approval. Any facts and advice that should not be automatically available on request should not be included in Part 1 but instead on a separate Part 2 form. Deferment of publication is only applicable where release before that date would compromise the implementation of the decision being approved.

Name & Role	Officer
Head of Unit The MTCP now totals £132.480m over the 4 year period 2024/25– 2027/28, with the annual budget for 2023/24 £47.262m	Director of Finance
Legal Advice No specific issues arising directly from this report	Chief Executive
Financial Advice	PCC Chief Finance Officer
Equalities & Diversity No specific implications arising from this report	Chief Executive

We have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

We are satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner.

Director of Finance	Date
Chief Finance Officer	Date



Capital Strategy

2024/25 – 2027/28

January 2024

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THAMES VALLEY POLICE

CAPITAL STRATEGY

1 Purpose

The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with desired outcomes and take account of stewardship, value for money, prudence, sustainability and affordability.

The Capital Strategy is a key document for the Police and Crime Commissioner (PCC) and Thames Valley Police and forms part of the authority's integrated revenue, capital and balance sheet planning. It provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the delivery of desired outcomes. It also provides an overview of how associated risk is managed and the implications for future financial sustainability. It includes an overview of the governance processes for approval and monitoring of capital expenditure.

Throughout this document the term TVP is used to refer to the activities of both the PCC and the Force.

2 Scope

This Capital Strategy includes all capital expenditure and capital investment decisions for TVP. It sets out the long term context in which decisions are made with reference to the life of the projects/assets.

3 Capital Expenditure – Definition

Capital expenditure is incurred on the acquisition or creation of assets, or expenditure that enhances or adds to the life or value of an existing fixed asset. Fixed assets are tangible or intangible assets that yield benefits to TVP generally for a period of more than one year, e.g. land and buildings, ICT, business change programmes, equipment and vehicles. This is in contrast to revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services.

The capital programme is TVP's plan of capital works for future years, including details on the funding of the schemes.

4 Capital vs. Treasury Management Investments

Treasury Management investment activity covers those investments which arise from the organisation's cash flows and debt management activity, and ultimately represent balances which need to be invested until the cash is required for use in the course of business.

For Treasury Management investments the security and liquidity of funds are placed ahead of the investment return. The management of associated risk is set out in the Annual Treasury Management Strategy Statement.

The CIPFA Treasury Management Code recognises that some local authorities are entitled to make investments for policy reasons outside of normal treasury management activity. These may include service and commercial investments. However, like all police forces in England and Wales, TVP does not have a General Power of Competence, which gives councils the power to do anything an individual can do provided it is not prohibited by other legislation. As such, TVP is prevented from entering into commercial investment activities.

5 Links to other corporate strategies and plans

The PCC produces his Police and Criminal Justice Plan every four years. The current version covers the period 2021 – 2025.

The Chief Constable produces a Force Strategic Plan which is updated annually.

To support these overarching documents a number of interrelated strategies and plans are in place, such as the Financial Strategy, Medium Term Financial Plan, Medium Term Capital Plan, Capital Strategy, Asset Management Plan and the Treasury Management and Annual Investment Strategy.

The operation of all these strategies and plans is underpinned by the Code of Corporate Governance which includes Financial Regulations and Contract Procedure Rules.

Capital resources should be directed to those programmes and projects that optimise the achievement of these outcomes. The following processes are designed to ensure this happens.

6 The Capital Budget Setting Process

6.1 Introduction

At any given time TVP is committed to rolling medium term revenue & capital plans that usually extend for 4 years setting out the anticipated level of expenditure and the associated funding. These plans are drawn up, reassessed and extended annually and, if required, re-prioritised to enable TVP to achieve the aims and objectives established in the PCC's Police and Criminal Justice Plan, the Force Strategic Plan and to support national drivers.

The Medium Term Capital Plan provides the TVP infrastructure and major assets through capital investment, enabling TVP to strengthen and streamline core assets and systems, and provides the framework for delivering innovative policing with a lower resource profile.

Key focuses of the Capital Programme:

- 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.

The plans acknowledge the constrained financial position of TVP and maximise both the available financial resources and the capacity that TVP has to manage change projects.

Planning also takes into account indicative capital requirements beyond the initial four years to ensure decisions taken in the medium term support long term sustainability.

6.2 Force Collaboration & Wider Sector Engagement.

Although TVP has its own Capital Strategy and Medium Term Capital Plan the national drivers that encourage local and regional forces to collaborate, such as cost and resource sharing, along with structured collaborations and national plans, can have a significant influence on local decision making.

Therefore an important element of the TVP Capital Strategy is to acknowledge regional and national partnership working, both with other forces and in the wider context of engagement with Local Authorities & Councils, other

Emergency Services and the Crown Prosecution Service, to improve overall service to the public.

6.3 The Capital Budget Setting Process & Timetable Overview.

For any particular budget setting year, the process for TVP starts during the summer of the preceding year with the Governance & Service Improvement Department and other key Stakeholder groups for both TVP and other Collaborative Forces agreeing the timetable and communication strategy to be adopted to secure investment requirements and ideas from the stakeholder groups covering the key criteria, such as:

- Achievement of high level agreed PCC, Force, Regional and/or National outcomes;
- Maintenance of the essential infrastructure of the Force;
- Development of improved Force wide capability
- Adjustments to existing prioritised plans / projects.
- Rationalisation & modernisation of estates
- Carbon management & Health and Safety
- Invest to save schemes.

Bids for consideration will be submitted into Force Change teams for both TVP and collaborative Forces in order that a joined up approach is made to capital investment.

Each bid will only progress if supported by the appropriate chief officer. The bids are then scored via the Forces' Prioritisation Matrix, which provides considers key factors in assessing the importance of the bid. The bids will then be presented to and extensively reviewed by the Chief Constables Management Team and Joint Force Chief Officer Groups with an initial view of potential affordability.

Typically a costed draft Medium Term Capital Plan will then be presented to the PCC late autumn, providing views on affordability and potential funding issues and options.

A final version of the Medium Term Capital Plan will be presented to the PCC in the following January for approval, reflecting the known funding position and any further developmental work on the plan.

The formal PCC approval sets the capital budget for the following year, and acknowledges the intention for planning purposes of the remaining years of the Medium Term Plan.

6.4 Affordability and Financial Planning.

The overall financial position of TVP and hence the scope for future capital expenditure must take into consideration the combination of the revenue budget, capital programme as well as the position on reserves. The revenue and capital budget positions are intertwined as achieving the TVP priorities may require revenue expenditure or investment in capital items, depending on what is needed, and one impacts the other.

The revenue Medium Term Financial Plan will identify the potential financial position for TVP for the next four years and will include forecasts on inflation, committed growth requirements, forecast productivity and efficiency savings, assumptions around grant and council tax funding and any other information introduced during the budget process.

The revenue position influences the capital position in terms of potential affordability of support for Direct Revenue Financing (DRF) or debt charges (for external borrowing) whereas the capital bid process influences the revenue position in terms of both revenue consequences of capital programmes and also the requirement to financially support capital investment, either through DRF or external borrowing.

The extent to which the annual revenue budget, through the 4 year forecast, is expected to be able to support the capital programme is a key factor to overall financial planning and is becoming more so as other sources of funding cease to be available.

6.5 Capital Sustainability.

The financial position is changing. For many years TVP has benefitted from substantial capital reserves, supported by the sale of operational buildings and/or police houses or from revenue reserves assigned to capital investment.

As we move forward through the next 4 years and beyond the picture moves away from funding of the capital programme through use of accumulated reserves and into a position of funding through either DRF or external borrowing for specific projects. This is expected to be during a continued period of revenue pressure and uncertainty.

The TVP Strategy is therefore to invest in core infrastructure now that will not only offer overall service improvements to the public, but also maximise revenue savings into the future through more efficient and mobile use of police personnel, enabled by improved Information and Communication Technology systems and other core infrastructure, for example, a connected vehicle fleet and building assets.

The TVP investment strategy will also be influenced by and take account of national visions for policing, regional and local priorities.

6.6 The Formal MTCP Approval Process

As indicated, the PCC receives the updated Capital Programme in January each year as part of the overall suite of budget reports.

Once the PCC has approved the capital programme, expenditure can be committed against these approved schemes subject to the normal contract procedure rules and the terms and conditions of funding.

Whether capital projects are funded from grant, contributions, capital allocations, borrowing or leasing, the revenue costs must be able to be met from existing revenue budgets or identified (and underwritten) savings or income streams.

Following approval by the PCC, capital expenditure is then monitored on a regular basis.

The PCC approves overall borrowing levels as part of the Treasury Management Strategy. The taking of loans, if required, then becomes an operational decision for the PCC's Chief Finance Officer who will decide on the basis of the level of reserves, current and predicted cash flow, and the money market position whether borrowing should be met from internal or external borrowing.

7 Individual Project Management

Capital projects are subject to high levels of scrutiny. The precise scrutiny will vary dependant on the type of project and may be influenced by size or by the makeup of regional involvement. Each project will have a Project Manager and potentially a team to implement the project.

Typically, projects will have a dedicated Project Board which, if part of a larger programme, may sit under a Programme Board. Programme and Project Boards will have a Senior Responsible Officer.

Detailed oversight is further provided through ICT Project Management Office, the Strategic Estates Group and Force Change Boards.

Regional Projects or Programmes may also report into Regional Boards.

8. Project Funding

Once an approved capital project is initiated, proportionate project funds are released to project managers in stages, called Stage Gates, rather than funding being released in full at the start of the project.

Depending on project size the initial limited release of funds will enable a project to be started and relevant project documentation (e.g. a detailed

business case) to be completed. Once that has been satisfied further funds will be released in stages at specific project review points or stage gates within existing project management processes, which will be defined and agreed with project managers at the start of the project and linked to observable project progression points.

This enables the Force to link the release of funds to key project milestones or progress points and enable improved visibility of project progress relative to variances.

9 Monitoring of the capital programme

The Director of Finance will submit capital monitoring reports to the PCC on a regular basis throughout the year. These reports will be based on the most recently available financial information. These monitoring reports will show spending to date and compare projected expenditure with the approved capital budget.

Revenue programme costs are monitored alongside capital expenditure in order to measure and monitor the overall cost to TVP of designing and implementing specific capital schemes.

For proposed in-year amendments to the annual capital budget - for new schemes not approved in the medium term capital plan, for example Future Schemes included to indicate direction of travel - the Director of Finance will prepare justification for submission to the PCC for consideration and approval, including details on how the new scheme is to be funded.

Monitoring reports are presented to the PCC at his liaison meeting with the Chief Constable.

In addition, for those business change programmes where a formal Board has been established, a detailed scheme monitoring report is presented to each Board meeting.

10 Performance Management

Clear measurable outcomes should be developed for each capital scheme. After the scheme has been completed, the Chief Constable is required to check that outcomes have been achieved.

Post scheme evaluation reviews should be completed by TVP for all schemes over £0.5 million and for strategic capital projects to measure the realised benefits against the approved business case.

Reviews should look at the effectiveness of the whole project in terms of service delivery outcomes, design and construction, financing etc. and identify good practice and lessons to be learnt in delivering future projects.

11 Funding Strategy and Capital Policies

This section sets out TVP policies and priorities in relation to funding capital expenditure and investment.

11.1 Government Grant

With effect from 2022/23 general Home Office capital grant has ceased. We still have an amount of accumulated capital grant from previous years, which has been brought forward in the Balance Sheet, that will be applied in coming years.

Specific capital grants may be received for agreed capital works. This applies to TVP as well as the regional policing units for which TVP is the lead force (e.g. Counter-Terrorism Policing and the Regional Organised Crime Unit).

11.2 Capital Receipts

A capital receipt is an amount of money which is received from the sale of an item on the fixed asset register. They cannot be spent on revenue items.

These capital receipts are used to help finance the capital programme. Unfortunately, the pool of assets available for sale is rapidly declining and the financial support these receipts provide is diminishing rapidly.

11.3 Revenue Funding

Recognising that the pool of assets available for sale is declining direct revenue funding (DRF) is seen as a sustainable funding alternative. An appropriate provision for DRF is included in both the annual revenue budget and the medium term financial plan. As TVP moves forward this will become the limiting factor for capital investment as it balances annual revenue funding priorities with long-term capital investment strategies.

11.4 Prudential Borrowing

Local Authorities, including the Police, can set their own borrowing levels based on their capital need and their ability to pay for the borrowing. The levels will be set by using the indicators and factors set out in the Prudential Code. The borrowing costs are not supported financially by the Government so TVP needs to ensure it can fund the repayment costs. The TVP Minimum Revenue Provision (MRP) Policy sets out a prudent approach to the amount set aside for the repayment of debt.

Due to the ongoing debt charges (i.e. MRP and external interest charges) TVP will currently only consider external borrowing for long-term estate projects.

11.5 Reserves and balances

Unspent capital grant and capital receipt monies can be carried forward in the Balance Sheet until they are required to fund the capital programme.

TVP also uses money held in earmarked revenue reserves to help fund capital expenditure. The Estates & Custody and ESMCP reserves will be used to ensure funding is available for essential capital spend.

HM Treasury guidance on capital projects recognises that there is a potential for project costs to exceed the initial assessment. This is called Optimism Bias and relates to any project type, although it can have a particularly high impact when relating to the development of complex ICT or business change programmes.

All new capital schemes in the MTCP will need to include an appropriate element for Optimism Bias and funding will be sought appropriately, essentially identifying the Bias as part of the project cost used to influence prioritisation decisions.

11.6 Third party capital contributions

On occasion TVP will receive income from a third party (usually a local authority) who have agreed to contribute towards an asset (e.g. ANPR cameras) that TVP will own.

11.7 Leasing

TVP may enter into finance leasing agreements to fund capital expenditure. However, a full option appraisal and comparison of other funding sources must be made and the Director of Finance and the Chief Finance Officer must both be satisfied that leasing provides the best value for money method of funding the scheme before a recommendation is made to the PCC.

Under the Prudential Code finance leasing agreements are counted against the overall borrowing levels when looking at the prudence of the authority's borrowing.

Items funded through leasing will be included in the MTCP.

12 Procurement and Value for Money

Procurement is the purchase of goods and services. TVP has a Procurement Department that ensures that all contracts, including those of a capital nature, are legally compliant and best value for money.

It is essential that all procurement activities comply with prevailing regulations and best practice as set out in the Code of Corporate Governance, which includes Contract and Financial Regulations. Guidance on this can be sought from the Procurement team.

The main aim is to hold 'value for money' as a key goal in all procurement activity to optimise the combination of cost and quality.

13 Partnerships and Relationships with other Organisations

Wherever possible and subject to the usual risk assessment process TVP will look to expand the number of capital schemes which are completed on a partnership basis and continually look for areas where joint projects can be implemented. In support of this initiative:

- TVP has a joint ICT Department with Hampshire Constabulary and a number of ICT and business change programmes are being delivered collaboratively.
- Other capital schemes, most notably new technology programmes, are being delivered across the SE region in support of the SE Regional Information Technology (SERIT) strategy.

Although TVP procures capital items on behalf of other consortium partners only TVP related expenditure which will be included in the fixed asset register will be included in the medium term capital plan and the annual capital budget.

14 Management Framework

The PCC has given legal consent for the Chief Constable to own short life assets, such as ICT, equipment and vehicles.

Although the PCC owns all land and buildings, on a day to day basis, the Head of Property manages the estate on his behalf.

The Director of Finance manages the medium term capital plan and the annual capital budget and provides regular updates to the CCMT who, collectively, maintain oversight of planned expenditure.

The PCCs Chief Finance Officer is responsible for developing and then implementing the Treasury Management Strategy Statement, including the Annual Investment Strategy.

During the budget preparation process the CCMT take a strategic perspective to the use and allocation of TVP capital assets and those within its control in planning capital investment. They receive reports on proposed capital projects and make formal recommendations to the PCC during the development of the capital programme.

Having approved the medium term capital plan and the annual capital budget in January each year the PCC formally holds the Chief Constable to account for delivery of capital projects during his monthly liaison meetings (private) and quarterly public Performance and Accountability meetings.

15 Risk Management

Risk is the threat that an event or action will adversely affect TVP's ability to achieve its desired outcomes and to execute its strategies successfully.

Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of managing them and/or responding to them. It is both a means of minimising the costs and disruption to the organisation caused by undesired events and of ensuring that staff understand and appreciate the element of risk in all their activities.

The aim is to reduce the frequency of adverse risk events occurring (where possible), minimise the severity of their consequences if they do occur, or to consider whether risk can be transferred to other parties. The corporate risk register sets out the key risks to the successful delivery of TVP's corporate aims and priorities and outlines the key controls and actions to mitigate and reduce risks, or maximise opportunities.

To manage risk effectively, the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored.

It is important to identify the appetite for risk by each scheme and for the capital programme as a whole, especially when investing in complex and costly business change programmes.

TVP accepts there will be a certain amount of risk inherent in delivering the desired outcomes of the Police and Criminal Justice Plan and will seek to keep the risk of capital projects to a low level whilst making the most of opportunities for improvement. Where greater risks are identified as necessary to achieve desired outcomes, TVP will seek to mitigate or manage those risks to a tolerable level. All key risks identified as part of the capital planning process are considered for inclusion in the corporate risk register.

The Director of Finance and Chief Finance Officer will report jointly on the deliverability, affordability and risk associated with this Capital Strategy and the associated capital programme. Where appropriate they will have access to specialised advice to enable them to reach their conclusions.

15.1 Funding Capacity Risk

This is the risk that identified project costs are either understated or escalate during the project lifecycle, for example if project scope changes. This risk is mitigated as far as possible by the identified monitoring process and controls. All new capital schemes should include an appropriate allowance for optimism bias.

15.2 Credit Risk

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

15.3 Liquidity Risk

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

15.4 Interest Rate Risk

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

There is also a risk that external interest rates will rise, after the budget has been set, meaning that actual debt charges are higher than those included in individual business cases and more widely in the revenue budget. This risk will be managed by the Chief Finance Officer who will liaise with external Treasury Management advisors to determine the best time to take new external loans.

15.5 Exchange Rate Risk

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

15.6 Inflation Risk

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

15.7 Legal and Regulatory Risk

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

15.8 Fraud, Error and Corruption

This is the risk that financial losses will occur due to errors or fraudulent or corrupt activities. Officers involved in any of the processes around capital expenditure or funding are required to follow the agreed Code of Corporate Governance. TVP has a strong ethical culture which is evidenced through our values, principles and appropriate behaviour. This is supported by the national Code of Ethics and detailed policies such as Anti-Fraud, Bribery and Corruption, and Declaration of Interests.

16 Other Considerations

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

January 2024



Treasury Management Strategy Statement 2024/25

Incorporating the Minimum Revenue Provision Policy
Statement and Annual Investment Strategy 2024/25

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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 contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

The Chartered Institute of Public Finance and Accountancy (CIPFA) published the updated Treasury Management and Prudential Codes on 20th December 2021 and 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 CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following: -

- 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 as part of the budget papers.

1.2.2 Treasury Management reporting

Treasury management activity is reported quarterly during the year. 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 requirements and whether any policies require revision.

The Annual Treasury Report after Year End provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

All reports are presented to the PCC at the Performance and Accountability Meeting and the Annual Report is also provided to the Joint Independent Audit Committee for scrutiny.

1.3 Treasury Management Strategy for 2024/25

The strategy for 2024/25 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.

Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

Appropriate training will be provided to the PCC and members of the Joint Independent Audit Committee.

As a minimum the PCC should carry out the following to monitor and review knowledge and skills:

- Prepare tailored learning plans for treasury management officers and relevant committee members.
- Require treasury management officers and relevant committee members to undertake self-assessment against the required competencies.
- Have regular communication with officers and relevant committee members, encouraging them to highlight training needs on an ongoing basis.

The training needs of treasury management staff are reviewed periodically.

1.5 Treasury management consultants

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

The PCC recognises that responsibility for treasury management decisions remain 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 2024/25 – 2027/28

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	2023/24 Revised Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Capital Expenditure	47.262	64.448	26.946	26.275	14.812
Financed by:					
Surplus Funds carried forward	37.961	26.999	6.575	-0.851	5.686
Predicted underspend 23/24	0.671				
Capital receipts	3.478	1.559	4.987	19.512	0.884
Capital grants incl 3 rd party contributions	8.335	0.100	0.100	0.100	0.100
Revenue contributions	14.046	13.493	13.200	13.200	12.600

Borrowing		9.919			
Western Hub	4.985	7.515			
Earmarked Reserves	4.785	11.438	1.233		
TOTAL	74.261	71.023	26.095	31.961	19.270
Net surplus/shortfall	26.999	6.575	(0.851)	5.686	4.458

In addition, the Medium Term Capital Plan (MTCP) highlights potential future schemes totalling £186.3m, of which £91.5m is within the five year MTCP timeframe and £94.8m in later years. These schemes are not in the formal plan as they haven't been approved and they carry significant overall affordability risk. They would require additional borrowing and asset sales to fund.

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 borrow separately for these schemes. The PCC currently has £8.761m of such schemes within the CFR.

The PCC is asked to approve the following CFR projections.

Table 2	2022/23 Actual £m	2023/24 Revised Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Opening CFR	65.640	62.709	59.624	66.564	64.822	63.081
Net financing need/borrowing for the year as per Table 1			9.919			
Less MRP & VRP debt charged to accounts	(1.242)	(1.242)	(1.242)	(1.242)	(1.242)	(1.242)
Less Finance Lease Liability repayment	(1.724)	(1.844)	(1.737)	(0.500)	(0.500)	(0.500)
Movement in CFR	(2.931)	(3.086)	6.940	(1.742)	(1.742)	(1.742)
Closing CFR	62.709	59.624	66.564	64.822	63.081	61.339

The CFR would increase if additional schemes were to be approved.

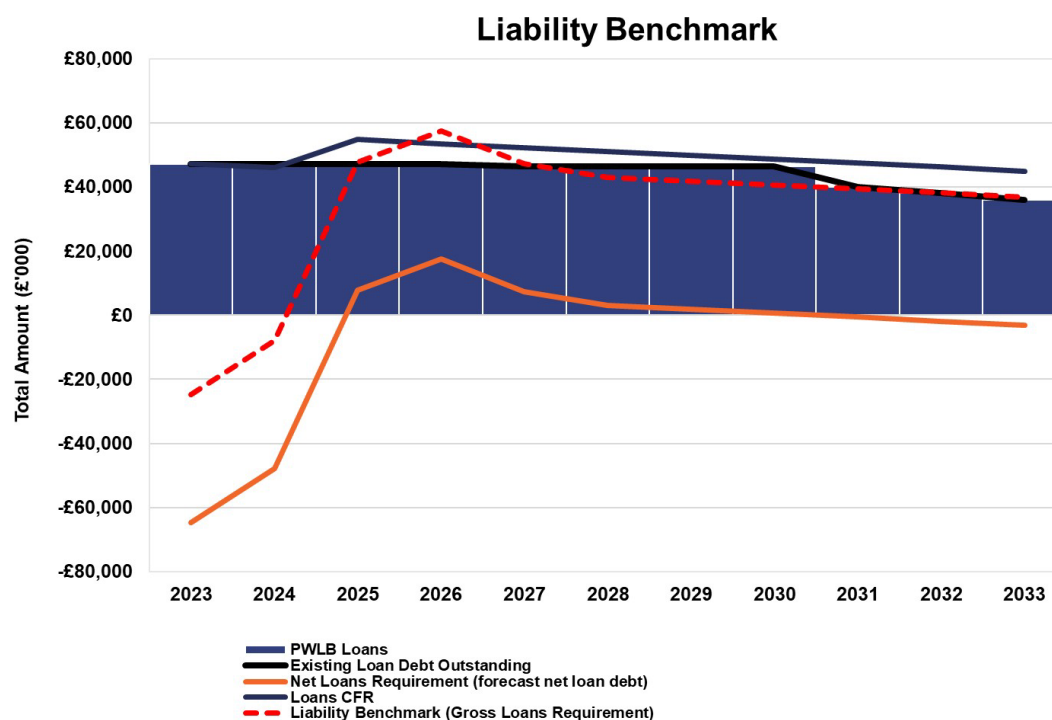
2.3 Liability Benchmark

The third prudential indicator is the Liability Benchmark (LB). The PCC is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. **Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on planned prudential borrowing and MRP.
3. **Net loans requirement:** gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on planned prudential borrowing, MRP and any other major cash flows.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance

Chart 3 below shows the LB components over ten years. This shows that there may be the need for short term borrowing around 2025/6, but long term borrowing is not expected to be required. However, this analysis shows that there is only limited ability to make investments beyond those approved in the budget to support the emerging estates strategy without additional external borrowing. Since PCC treasury investments are short term, there is flexibility to amend the plan as capital investment projects are approved.



2.4 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).

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 of 4% reducing. 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.

Capital expenditure incurred during a financial year will not be subject to an MRP charge until the following year, or the year after the asset becomes operational if later.

2.5 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 4 below provides an estimate of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Table 4	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Year End Resources	Actual £m	Revised Estimate £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
General balances	17.931	15.512	15.772	15.772	15.772	15.772
Earmarked revenue reserves	54.506	56.703	28.626	25.243	27.106	30.910
Capital grants and reserves	40.981	30.063	0.000	0.000	0.000	0.000
Insurance provision	7.910	7.000	5.710	5.710	5.710	5.710
Total core funds	121.328	109.279	50.108	46.725	48.588	52.391
Working capital*	19.400	19.400	19.400	19.400	19.400	19.400
Expected investments	140.728	128.679	69.508	66.125	67.988	71.791

* 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.

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 2023, 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	2022/23 Actual £m	2023/24 Revised Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
External Debt					
Debt at 1 April	47.178	47.178	47.178	56.341	56.341
Expected change in Debt	0.00	0.00	9.163	0	0
Other long-term liabilities (OLTL) at 1 st April	8.102	5.622	6.000	6.000	6.000
Expected change in OLTL	(2,480)	0.378	0	0	0
Actual gross debt at 31 March	52.800	53.178	62.341	62.341	62.341
The CFR	62,709	59,624	66,564	64,822	63,081
Under / (over) borrowing	9.909	6.446	4.223	2.481	0.740

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 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 the current 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	2023/24	2024/25	2025/26	2026/27	2027/28
	Estimate £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
Debt	47.178	47.178	56.341	56.341	56.341
Other long term liabilities	5.622	6.000	6.000	6.000	6.000
Short Term liabilities	20.000	20.000	20.000	20.000	20.000
Total	72.800	73.178	82.341	82.341	82.341

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	2023/24	2024/25	2025/26	2026/27	2027/28
	Estimate £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
Debt	67.178	67.178	76.341	76.341	76.341
Other long term liabilities	5.622	6.000	6.000	6.000	6.000
Short Term liabilities	20.000	20.000	20.000	20.000	20.000
Total	92.800	93.178	102.341	102.341	102.341

3.3 Prospects for interest rates

The PCC has appointed Link Treasury 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 2024	5.25	4.50	5.20	5.00
Jun 2024	5.25	4.40	5.10	4.90
Sep 2024	4.75	4.30	4.90	4.70
Dec 2024	4.25	4.20	4.80	4.60
Mar 2025	3.75	4.10	4.60	4.40
Jun 2025	3.25	4.00	4.40	4.20
Sep 2025	3.00	3.80	4.30	4.10
Dec 2025	3.00	3.70	4.20	4.00
Mar 2026	3.00	3.60	4.20	4.00
Jun 2026	3.00	3.60	4.10	3.90
Sep 2026	3.00	3.50	4.10	3.90
Dec 2026	3.00	3.50	4.10	3.90
Mar 2027	3.00	3.50	4.10	3.90

Our central forecast for interest rates was previously updated on 7th November and reflected a view that the MPC would be keen to underpin its anti-inflation credentials

by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are unequivocally supportive of such a move, and that there is a strong likelihood of the overall economy enduring tepid growth (at best) or a mild recession (at worst) over the coming months.

Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

On the positive side, consumers are still anticipated to be sitting on some excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing a little better at this stage of the economic cycle than may have been expected. Nonetheless, with approximately 400,000 households per quarter facing a mortgage interest reset at higher levels than their current rate, the economy will face on-going headwinds from that source, in addition to lower income households having to spend disproportionately on essentials such as food, energy and rent payments.

The balance of risks to the UK economy: -

The overall balance of risks to economic growth in the UK is to the downside

Borrowing advice: The 50-year PWLB Certainty Rate target for new long-term borrowing started 2023/24 at 3.50% (the lowest forecast rate within a two-year time horizon), increasing to a peak of 4.00% in November. With rates elevated across the whole of the curve, it is advised to not borrow long-term unless the Authority wants certainty of rate and judges the cost to be affordable.

3.4 Borrowing strategy

The PCC is currently maintaining an under-borrowed position. This 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 - medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate remains elevated through to the second half of 2024.

Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The CFO will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

If it was felt that there was a significant risk of a sharp FALL in borrowing rates, then longer term 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, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

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

Indicator	Limit
Variable interest rate debt	No more than 50% of all debt
Debt maturing within 10 years	No more than 50% of all debt

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 would be considered in the event premature redemption rates providing an opportunity.

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 reported formally to the PCC in the next quarterly performance update.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy

The Department of Levelling Up, Housing and Communities (DLUHC) 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, if required, are covered in the separate Annual Capital Strategy.

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

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

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

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to a year with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

In accordance with the above guidance from the DLUHC 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.

As a result of the change in accounting standards for 2023/24 under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23. More recently, a further extension to the over-ride to 31.3.25 has been agreed by Government.

4.2 Creditworthiness policy

The PCC applies the creditworthiness service provided by Link Treasury 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.

Creditworthiness.

Significant levels of downgrades to short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government in the autumn of 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its Link-provided Passport portal.

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).

Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate having peaked in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy would be appropriate to optimise returns.

The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to have peaked at 5.25%.

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.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows: -

Average earnings in each year	
2023/24 (residual)	5.30%
2024/25	4.55%
2025/26	3.10%
2026/27	3.00%
2027/28	3.25%
Years 6 to 10	3.25%
Years 10+	3.25%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts

Environmental, Social & Governance (ESG) Considerations

The CIPFA Treasury Management Code of Practice 1.13 states that “Environmental, social and governance (ESG) issues are increasingly significant for investors and investment managers. This is better developed in equity and bond markets than for short-term cash deposits, and there is a diversity of market approaches to ESG classification and analysis. This means that a consistent and developed approach to ESG for public service organisations is currently difficult. Organisations are therefore recommended to consider their credit and counterparty policies in light of ESG information and develop their own ESG investment policies and treasury management practices consistent with their organisation’s own relevant policies, such as environmental and climate change policies. It is not expected that the organisation’s ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.”

The PCC invests in short-term cash deposits. In line with the expectations of the Code it is not proposed to include additional ESG criteria at individual investment level. ESG risks are considered primarily for their potential financial impact. The credit and counterparty policies outlined in this document include a proportionate consideration of the ESG risks, since credit rating agencies incorporate ESG considerations into their evaluations. Further restrictions would risk narrowing available counterparties and reducing Yield obtainable without benefitting Security or Liquidity, and therefore would be inconsistent with the treasury management principles.

Changes in Investment Strategy

There are now several alternative types of investment opportunity which could, potentially, yield greater returns than cash deposits:

- Ultra-short dated bond Funds
- Corporate Bonds - direct, passive and active external management (including Short-Dated Bond Funds)
- Multi Asset Funds
- Property Funds
- Equity Funds

However investing in these types of instruments would be a fundamental change of investment strategy. The PCC wishes to maintain the prudent approach of security of funds in the first instance.

Investment treasury indicator and limit - total principal funds invested for greater than one year. 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 a year 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

Indicator	Limit
Principal sums invested over one year	£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 2024/25 are set out below:

- a) **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 SONIA compounded 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 17.01.2024)

The UK Manufacturing PMI fell to 46.2 in December, down from 47.2 in the prior month and missing market expectations of 47.5. The latest reading pointed to a reduction in manufacturing output for the tenth consecutive month and at a notably faster pace than in November. Production sustained its decline due to reports of reduced demand both at home and abroad amidst challenging economic conditions, as well as destocking activities and tighter inventory policies at plants.

Conversely, the UK Services PMI rose to 53.7 in December of from 50.9 in the previous month, above expectations of 51, marking the second consecutive expansion in the UK's services sector and outperforming the contractions in Eurozone members. Consequently, the Composite PMI rose to 51.7 in December, up from 50.7 in the previous month and surpassing the market consensus of 50.9. Meanwhile, the UK Construction PMI edged down to 45.5 in November, barely shifting from October's value of 45.6 and falling short of market expectations set at 46.3. This latest reading marks the second-lowest point since May 2020.

The UK economy shrank 0.3% m/m in October, reversing the growth from the previous two months, and worse than market forecasts of a flat reading. The services sector shrank 0.2% and was the largest contributor to the fall. Meanwhile, output in consumer-facing services fell by 0.1%. Also, production declined 0.8% driven by widespread drops in manufacturing output, namely computer, electronic and optical products, and machinery and equipment while construction output went down 0.5% partly due to the poor weather.

Considering the three months to October, UK GDP stalled. Elsewhere, the UK's trade deficit widened to £4.480 billion in October, the largest in five months, as imports jumped 4.6% to a four-month high and exports rebounded 0.6% from an over one-year low.

The UK registered an increase of 50,000 jobs in the three months to September, slightly lower than a downwardly revised 52,000 gain in the previous reading. Meanwhile, average weekly earnings, including bonuses in the UK increased 7.2% y/y in the three months to October, the lowest in five months and below market forecasts of a 7.4% rise. The adjusted "experimental" unemployment rate in the UK remained unchanged at 4.2% in the three months leading up to October. The adjusted "experimental" employment rate stood at 75.7%, and the economic inactivity rate remained unchanged at 20.9%.

Regarding inflation, the annual consumer price measure in the UK declined to 3.9% in November, the lowest since September 2021, from 4.6% in October and well below forecasts of 4.4%. The largest downward contribution came from transport, mainly downward effects from motor fuels and, to a lesser extent, second-hand cars, maintenance and repairs, and air fares. Other downward pressure came from prices for recreation and culture, namely computer games and admission fees to theatres and live music events; and food and non-alcoholic beverages, mostly bread and cereals. Prices also rose less for alcoholic beverages and tobacco, clothing and

footwear and health and continued to fall for housing and utilities. On the other hand, inflation was steady for communication, education and restaurants and hotels.

Annual core inflation also declined, with its 5.1% reading the lowest since January 2022.

In the retail sector, November witnessed a 1.3% m/m increase in sales, a stark contrast to October's stagnant growth and beating market forecasts of a 0.4% rise. It was the strongest growth in retail activity since January. Additionally, the GfK Consumer Confidence indicator rose to -22 in December from -24 in November as Britons became less pessimistic about their future financial situation amid easing inflationary pressures. Analysts noted that wages have begun to rise faster than inflation while mortgage rates eased from their summer peak.

Elsewhere, Public sector net debt excluding public sector banks was £2,671.4 billion at the end of November and was provisionally estimated at around 97.5% of the UK's annual gross domestic product (GDP); this is 1.8 percentage points higher than in November 2022 and remains at levels last seen in the early 1960s.

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 which may include more complex instruments which require greater consideration before being authorised for use. 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 rating and minimum asset base of £500m	£25m or 1% of total asset base per fund whichever is the lower figure	Liquid (instant access)
Money Market Funds (MMF) – (Variable Net Asset Value)	AA- rating and minimum asset base of £500m	£10m or 1% of total asset base per fund whichever is the lower figure	Repayment within 1 year
Ultra- and Short-Dated Bond Funds (Variable Net Asset Value)	AA- rating and minimum asset base of £500m	£10m or 1% of total asset base per fund whichever is the lower figure	Repayment within 1 year
Local authorities	N/A	£20m	1 year
Term deposits with banks and building societies	Blue Orange Red Green	£20m £20m £20m £15m	Up to 1 year Up to 1 year Up to 6 months Up to 100 days
CDs or corporate bonds with banks and building societies	Blue Orange Red Green	£20m £20m £20m £15m	Up to 1 year Up to 1 year Up to 6 months Up to 100 days
Housing Associations	A-	£5m	Up to 1 year

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	£20m	5 years
Term deposits with banks and building societies	Purple Blue (RBS)	£20m £20m	Up to 2 years Up to 2 years

CDs or corporate bonds with banks and building societies	Purple Blue (RBS)	£20m £20m	Up to 2 years Up to 2 years
Housing Association	A-	£5m	Up to 2 years

Investments of up to 370 days will be treated as 1 year investments. This simplifies investment timings, for example where the maturity date is over a long weekend.

5.3 Approved Countries for investments

Link show the lowest rating from Fitch, Moody's and S&P (the 3 main ratings agencies) including banks operating in sterling markets which have credit ratings of green or above in the Link creditworthiness service.

AAA
Australia
Denmark
Germany
Netherlands
Norway
Singapore
Sweden
Switzerland

AA+
Canada
Finland
U.S.A.

AA
Abu Dhabi (UAE)

AA-
Belgium
France (downgraded by Fitch on 9th May 2023)
Qatar
U.K.

THIS LIST IS AS AT 31.12.23