



# Cheshire Police and Crime Panel Supplementary Agenda

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**Date:** Friday 5th February 2021

**Time:** 10.00 am

**Venue:** Virtual Meeting

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9. **Police and Crime Commissioner's Proposed Precept for 2021/22**  
(Pages 3 - 46)

Details of the proposed precept for 2021/22

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Mr Evan Morris  
Chair, Police and Crime Panel for Cheshire  
c/o Cheshire East Council  
Westfields  
Middlewich Road  
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**David Keane**  
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Date: 28 January 2021

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DK/20210128

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Dear Mr Morris

**Re: Precept 2021/2022**

I enclose details of the proposed precept for 2021/22 for consideration at your meeting on 5 February 2021. This is based upon the provisional settlement issued by the Home Office on 17 December 2020.

As my Chief Finance Officer, Clare Hodgson, briefed the Panel informally on 27 January 2021, Cheshire Constabulary's income from Central Government formula funding has decreased by almost £14m (10.1%) in cash terms since 2010/11. This equates to a real terms cut of 26%. Even taking into account additional Police Uplift Funding and Council Tax Freeze Grants there is a real terms core funding cut of 19.3%. In the same period, the Constabulary and the Police & Crime Commissioner have delivered over £60m savings and a further £1.255m savings are proposed as part of the current budget report (as seen in table 5). Additionally, I have minimised the net cost of investment in complex policing demands by carrying out an annual priority based budget exercise.

A 2020/21 increase in the council tax precept of £10 per annum on an average band D property allowed me to prioritise investment in frontline policing, increasing officer numbers to provide a dedicated Police Constable and PCSO for every community in Cheshire. Additionally this funding was used to support the vulnerable, enhance public contact and focus on major crime and prevention. This went some way towards replacing the significant number of officers the Constabulary had lost since 31<sup>st</sup> March 2010 as a result of funding cuts. Conversely, whilst funding has decreased, demand has increased, especially in more complex areas such as cyber-crime, knife crime and county lines.

During 2020 we also saw the devastating impacts of the ongoing Coronavirus pandemic both on the economy and on people's lives. Whilst demand in some areas of policing has reduced, such as demand relating to the night-time economy and acquisitive crime, there has been increased demand in areas such as cyber-crime and domestic abuse, and a greater requirement to deal with vulnerability associated with mental ill-health and substance misuse. The Constabulary has also utilised dedicated resources to support partners in the policing of COVID restrictions. In the face of future financial uncertainties and the fast moving pace of complex demands, it is vital that the Chief Constable has the resources necessary to protect the public of Cheshire and make them feel safer, as well as deliver commitments at a national level

Overall, the statement announced up to an additional £703m of funding for Police and Crime Commissioners. This includes £415m for the recruitment of officers nationally as part of the

police uplift programme. The remaining £288m of additional funding is assumed to come from a precept increase of £15 per annum for a band D equivalent property.

Cheshire's share of the overall national increase is £11.99m, of which £5.8m (48%) relates to the assumed £15 precept increase. Additionally Cheshire's share of the capital grant remains low at £0.2m. Any additional borrowing as a result of this low level of Government funding would incur ongoing revenue costs for the life of the borrowing.

As part of the settlement, the Government also set out its expectations from policing, which include recruiting an additional 6,000 officers nationally by March 2022 and a further planned £120m savings through a combination of improved procurement practises as well as savings in areas such as estates, agile working and shared services. Additionally the government stated that high quality data should be collected and used to support local delivery, identify efficiencies and support the National Policing Board's drive to deliver the best possible outcomes within policing.

In announcing the 2021/22 Police Grant Settlement service, the Minister of State for Policing and the Fire Service said;

*"This settlement sets out the Government's continued commitment to supporting and investing in our police. I am extremely pleased with the progress forces have made on recruitment, and we are firmly on track to meet the first-year target. This year has once again highlighted the police's exceptional bravery and commitment to public service. Sector leaders, frontline officers and staff have responded with speed and flexibility to the unprecedented challenges brought about by the Covid-19 pandemic. Since March 2020, forces have re-designed their working practices, adapted to implement new and evolving Covid-19 regulations and collaborated to ensure all personnel have had the necessary equipment and support to do their jobs safely. Officers and staff have worked tirelessly with the public to build understanding of the rules intended to control this deadly virus, all the while continuing to tackle crime and disorder in our communities. This is policing at its best, and I would like to express my immense gratitude for these continued exemplary efforts."*

This budget will allow for the recruitment of a further 88 police officers (including 4 for ROCU) in 2021/22. This will allow us to gain the ring-fenced grant of up to £1.5m, which is included in the total funding allocation to cover pay costs. These ring-fenced monies will be paid quarterly in arrears based on actual numbers recruited. Were these additional 88 officers to date to be in post for a full year in 2021/22, costs for these recruits would be in the region of £3.1m.

The overall core grant has increased by £6.2m, which is intended to cover the costs of recruiting, training and equipping these officers. However, it is anticipated that the costs relating to the police uplift programme to date will be in the region of £5.7m and those relating to pay and price increases and legal and unavoidable commitments will be in the region of £1.7m, a total of around £7.4m.

This therefore means that the core grant funding is insufficient to cover these costs. Furthermore, no additional core grant funding is available to cover operational demands and pressures.

For Cheshire, this means that it is necessary to raise the precept by £15 per annum for the average band D equivalent property. This will allow the Constabulary to continue to address the negative impact austerity has had on policing and to continue to meet the public's priorities, the Government's expectations and policing demands that are growing in both volume and complexity. This funding will support our commitment to community policing, with up to an additional 10 PCSOs (taking Commissioner-funded PCSOs to 200). It will also support our commitment to reducing the number of people killed or seriously injured on our roads. Additionally, this funding will provide support for victims, help to safeguard vulnerable

people, prevent crime and anti-social behaviour, and to ensure Cheshire Constabulary is fit for the future.

In reaching this decision, I have carefully considered the views of the public, the advice and recommendations I have been given by the Chief Constable and any announcements that have been made by the government.

My annual budget consultation commenced at the start of January. 2,271 local people responded to the public consultation with 68 per cent of respondents supporting an increase of up to £15 to the precept.

This budget will ensure that the Chief Constable has the resources needed to help Cheshire residents feel safe. In accordance with legislation, I submit this precept proposal for the Panel's consideration on 5 February 2021 and should be grateful for your response by the statutory deadline of 8 February 2021.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'D. Keane', followed by a horizontal line.

David Keane  
Police & Crime Commissioner


**MANAGEMENT BOARD**
**DECISION NO. 2021/05**
**DATE: 27 JANUARY 2021**
**2021/22 BUDGET AND COUNCIL TAX PRECEPT**
**Executive Summary:**

The Commissioner is required to set an annual budget and issue a precept (the Commissioner's element of council tax) taking into account Government grant funding, operational demands and the impact of the national officer uplift programme. Details of the 2021/22 budget are presented in appendix 1.

**Recommendation: That:**

- (1) the Police & Crime Panel be notified that it is proposed to increase the police element of council tax by 7.1% (£15 p.a. for an average Band D equivalent property for 2021/22, from £210.44 to £225.44; i.e. by 29p per week) in line with the flexibility in precept increase permitted by the Government;
- (2) the net budget requirement for the financial year commencing 1 April 2021 be set at £207.8m.
- (3) the proposed 2021/22 precepts be as follows:-

	Number of Band D equivalent houses	Precept on Collection Fund £
Cheshire East	153,796.10	34,671,793
Cheshire West and Chester	122,724.30	27,666,966
Halton	35,154.00	7,925,118
Warrington	69,027.00	15,561,447
<b>Total</b>	<b>380,701.40</b>	<b>85,825,324</b>

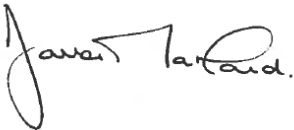
- (4) the deficit of collection funds allocated to the Commissioner of £223k included in the budget be noted;
- (5) the Legal & Unavoidable Commitments of £0.723m and Police & Crime Plan priorities and operational demands and pressures of £5.125m as set out in Tables 4a and 4b of the report, be approved;

- (6) the National Police Uplift Programme costs, together with the grant of up to £1.5m be noted, recognising this can only be used for reimbursement of actual spend;
- (7) the savings proposals for 2021/22, totalling £1.255m as set out in the budget report, be approved;
- (8) the financial health targets for monitoring purposes as set out below, be approved:-
  - (i) *Reserves*  
That the level of general reserves, after allowing for potential financial risks be maintained, at no lower than 3% of the net budget and that this be monitored by the Commissioner on a quarterly basis.
  - (ii) *Revenue Spending*  
That the Chief Constable maintains revenue spending within 1% of the net budget and that this is monitored by the Commissioner on a quarterly basis.
  - (iii) *Capital Programme Management*  
That the Chief Constable maintains the projected capital outturn at a level that does not vary from the original capital programme by more than 20%. The total capital programme includes the new schemes for 2021/22 and those schemes brought forward from previous years. This target is to be monitored by the Commissioner on a quarterly basis.
  - (iv) *Debt*  
That the Chief Constable collects at least 50% of debtor income within one month of the invoice being raised.
  - (v) *Prudential Indicators*  
That the actual prudential indicators be monitored by the Commissioner on an annual basis against the indicators set in the budget.

I submit these recommendations for approval.

**Signature**

**Date 27 January 2021**



**Chief Constable**

I have reached the following decision:

Approval of the recommendations.

My rationale for this decision is:

This decision provides a balanced budget for 2021/22. This will enable Cheshire Constabulary to meet increased costs due to inflation, to deliver policing services for the people of Cheshire in accordance with the priorities set out in the Police and Crime Plan and continue to address increasingly complex policing demands in a robust, sustainable and efficient way. The increase in the police element of Council Tax is necessary to maintain effective frontline policing in light of the ongoing underfunding of policing by the Government, and is supported by the outcome of public consultation.

**Signature**

**Date 27 January 2021**



**Police & Crime Commissioner**



**PART 1 – NON-CONFIDENTIAL FACTS AND ADVICE**

**INTRODUCTION AND BACKGROUND**

1. The purpose of this report is to enable the Commissioner to finalise the budget for 2021/22 and meet his statutory duty to set a precept.
2. Since the coronavirus outbreak and initial restrictions were put in place, policing has been at the forefront of ensuring the public follow the rules and stay safe. This has required additional patrols, the use of personal protective equipment (PPE), social distancing and all the while continuing with operational policing, using the following strategy:
  - Engage people in a friendly manner
  - Explain why we and the Government are asking them to take the action
  - Encourage people to take the appropriate action
  - Enforce only when necessary
3. Additional funding has been provided for some of the expenditure mentioned – specifically around PPE, additional cleaning, creating Covid-secure buildings and overtime. The Constabulary has also claimed for loss of income where all of the associated costs are not able to fully reduce – for example speed awareness courses.
4. The Minister of State (Minister for Crime and Policing) on the 17 December 2020 presented a Written Ministerial Statement setting out police funding for 2021/22 together with the capping rules for local council tax precept increases.
5. The Government's provisional police funding settlement for 2021/22 stated that the overall funding for the policing system will total up to £15.8 billion. Within this, available funding to Police and Crime Commissioners will increase next year by up to an additional £703 million, assuming full take-up of precept flexibility.
6. Full details of the proposed 2021/22 budget is set out in appendix 1.
7. In addition to the budget, the Commissioner is asked to approve the Reserves Strategy and Capital Strategy as set out in appendices 5 and 6.
8. A public consultation exercise was conducted in January 2021. A total number of 2,282 responses were received with 2,271 respondents giving their views on the policing precept as part of the online survey. 68% supported a precept increase of up to £1.25 per month for an average Band D equivalent property.

**FINANCIAL COMMENTS**

9. The financial comments are included in the appendices to this report.

## LEGAL COMMENTS

10. There are no specific legal comments associated with the report.

## EQUALITY COMMENTS

11. There are no specific equality comments associated with the report.

### Public access to information

*Information in this form is subject to the Freedom of Information Act 2000 and other legislation. Part 1 of this form will be made available on the PCC website within 3 working days of approval. Any facts/advice/recommendations that should not be made available on request should not be included in Part 1 but instead on the separate Part 2 form.*

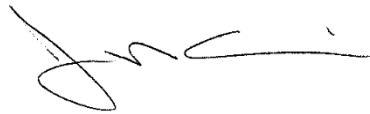
Is there a Part 2 form - No

Contact Officer: Wendy Bebbington, Head of Finance

Tel. No.: 01606 362035 Email: [wendy.bebbington@cheshire.pnn.police.uk](mailto:wendy.bebbington@cheshire.pnn.police.uk)

### CHIEF OFFICER DECLARATION (Assistant Chief Officer - Julie Gill):

*I have reviewed the proposal and I am satisfied it is correct, all relevant internal checks have been undertaken and it is an appropriate request to be submitted to the Police & Crime Commissioner.*



Signature

Date 27 January 2021

### CHIEF FINANCE OFFICER DECLARATION (Clare Hodgson):

*I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the presentation of this report. I am satisfied that this is an appropriate request to be submitted to the Police & Crime Commissioner.*



Signature

Date 27 January 2021

## REVENUE BUDGET AND COUNCIL TAX 2021/22

### PURPOSE OF THE REPORT

1. The purpose of this report is to enable the Commissioner to finalise the budget for 2021/22 and meet his statutory duty to set a precept. An overview of the statutory requirements regarding the budget and precept setting including the timing of decision making and interaction with the Police and Crime Panel is attached in Appendix 2.

### INTRODUCTION

2. The Commissioner is required to set an annual budget and precept taking into account Government funding, precept regulations and organisational demands. This requirement is supported by the production of a Medium Term Financial Strategy (MTFS) with the annual budget forming the first year of the Strategy. The creation and maintenance of the MTFS is fundamental in promoting good financial planning and delivery of value for money.
3. The MTFS covers the period 2021 to 2026 although it is acknowledged that with the Police Settlement yet again only providing one year of funding details, any funding from 2022 is speculative and subject to change. In addition to the MTFS there are a number of other financial strategies relating to reserves, capital and treasury management that both inform and support the budget process. The current MTFS is available on the Commissioner's website via the following link – [www.cheshire-pcc.gov.uk](http://www.cheshire-pcc.gov.uk).

### COVID-19 PANDEMIC

4. Before proceeding to the budget setting report in detail, it is imperative to set out the impact the pandemic has had on both expenditure and funding during 2020/21 and into 2021/22 and beyond.
5. Since the outbreak and initial restrictions were put in place, policing has been at the forefront of ensuring the public follow the rules and stay safe. This has required additional patrols, the use of personal protective equipment (PPE), social distancing and all the while continuing with operational policing, using the following strategy:
  - Engage people in a friendly manner
  - Explain why we and the Government are asking them to take the action
  - Encourage people to take the appropriate action
  - Enforce only when necessary
6. Additional funding has been provided for some of the expenditure mentioned – specifically around PPE, additional cleaning, creating Covid-secure buildings and overtime. The Constabulary has also claimed for loss of income where all of the associated costs are not able to fully reduce – for example speed awareness courses.

7. Aside from Government funding, the other major source of funding is the police share of council tax. This is calculated based on each local authorities' tax base. A tax base is the number of 'Band D equivalent' dwellings in a local authority area. To calculate the tax base for an area, the number of dwellings in each council tax band is adjusted to take account of any discounts, premiums or exemptions and collection rates. In the past the tax bases in Cheshire have grown each year providing additional funding. Due to the pandemic, the previously anticipated growth has not materialised and in the some cases has actually decreased, resulting in a loss of £0.9m funding compared to previous estimates.
8. Each of the four local authorities holds a council tax collection fund which is a separate fund that records the income and expenditure relating to council tax. Any surplus or deficit on the fund is either due to or paid for by the individual authorities, the Police & Crime Commissioner and Cheshire Fire Authority. As a result of pressures associated with the pandemic, it has been accepted that authorities are likely to estimate a larger-than-normal deficit on the 2020/21 Collection Fund in January 2021, creating a resource and budget pressure for 2021/22. The Government has therefore amended secondary legislation to allow authorities to spread the estimated deficit on the 2020/21 Collection Fund over the three years 2021/22 to 2023/24. The provisions do not allow deficits in other financial years to be phased. The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 came into force on 1 December 2020.

### FINANCIAL BACKGROUND

9. The Minister of State (Minister for Crime and Policing) on the 17 December 2020 presented a Written Ministerial Statement setting out police funding for 2021/22 together with the capping rules for local council tax precept increases.
10. The Government's provisional police funding settlement for 2021/22 stated that the overall funding for the policing system will total up to £15.8 billion. Within this, available funding to Police and Crime Commissioners will increase next year by up to an additional £703 million, assuming full take-up of precept flexibility.
11. The additional funding includes an increase of £415 million to Government grants for the recruitment of a further 6,000 additional officers by the end of March 2022, the second year of the Police Uplift Programme (PUP). To ensure that progress in recruitment is maintained, and to track the use of this investment efficiently, the Government will continue to ring-fence £100 million of the additional funding.
12. As part of this settlement the Government has also set out its expectations of policing with the following:
  - 6,000 further officers – on top of the first tranche of 6,000 to be recruited in 2020/21 – recruited by the end of March 2021
  - £120m of efficiency savings from across the law enforcement sector – which are reflected in the funding set out as part of the settlement – delivered in 2021/22

- Policing needs to ensure that high quality data is collected and utilised effectively to support local delivery, identify efficiencies and support the National Policing Board's drive to deliver the best possible policing outcomes for the public
13. As set out as part of the Provisional Settlement, Commissioners will also be able to raise further funding through precept flexibility, subject to confirmation at the final Local Government Finance Settlement. Commissioners will be empowered to increase their Band D precept by up to £15 in 2021/22, without the need to call a local referendum. If all Commissioners decide to maximise their flexibility, this would result in up to an additional £288 million of funding for local policing next year. It is for locally accountable Commissioners to take decisions on local precept.
  14. Based on the above provisional settlement, pension grant, PUP grant and with a maximum increase of £15 per year for Band D, this potentially provides Cheshire with funding of £219.8m in 2021/22 – an estimated £11.99m increase of which £5.8m (nearly half) will come from local taxpayers. However, this is based on the assumption that the Commissioner will increase the council tax precept by a maximum permitted.
  15. Capital funding has been maintained at the same level as 2020/21 – for Cheshire £0.2m. This small amount of Government funding does not cover the annual replacement cycle of equipment and technology let alone the additional investments required to ensure the Constabulary remains 'fit for the future'. As such, the Commissioner's Capital Strategy requires the use of reserves and an increase in borrowing as set out in the Treasury Management Strategy.

### POLICE & CRIME PLAN 2016-21 & ORGANISATIONAL DEMANDS

16. In setting the Police and Crime Plan 2016-2021 ([www.cheshire-pcc.gov.uk/what-im-doing/police-and-crime-plan](http://www.cheshire-pcc.gov.uk/what-im-doing/police-and-crime-plan)), the Commissioner listened carefully to what the public told him was important for the police service as well as speaking to partners and listening to the Chief Constable on the emerging policing threats for our county.
17. The Plan sets out a vision for the years 2016-2021 in which Cheshire will have a Constabulary focused on community policing and putting victims first. The legacy will be a police service fit for the future which is connected with, based within and accessible to local communities – real community policing.
18. In addition to the Commissioner's Police and Crime Plan there are two further key documents that set out organisational demand. Firstly, is the Force Management Statement which is a self-assessment that Chief Constables prepare and give to Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) each year. It is the Chief Constable's statement and explanation of:
  - the demand the force expects to face in the next four years;
  - how the Constabulary will change and improve its workforce and other assets to cope with that demand;

- how the Constabulary will improve its efficiency to make sure the gap between future demand and future capability is as small as it can reasonably be; and
  - the money the Constabulary expects to have to do all this.
19. As such the Force Management Statement and the proposed budget are integral to each other. One to provide details on the demand and shape of the Constabulary going forward and the other to reflect the monetary impact.
20. Secondly, is the Strategic Policing Requirement (SPR) - this was first issued in July 2012, in accordance with Section 77 of the Police Reform and Social Responsibility Act 2011. This requirement supports Commissioners and Chief Constables to ensure their forces' national responsibilities as follows:
- helps Police and Crime Commissioners, in consultation with their Chief Constable, to plan effectively for policing challenges that go beyond their force boundaries;
  - guides Chief Constables in the exercise of these functions; and
  - enables and empowers Police and Crime Commissioners to hold their Chief Constable to account for the delivery of these functions.

### 2021/22 BUDGET PROPOSALS

21. Preparation for the 2021/22 budget commenced in 2020 utilising a planning process that had at its centre the four key priorities within the Commissioner's Police & Crime Plan, the Force Management Statement and the Strategic Policing Requirement. Recognising both demand and risks, the Constabulary set out the key principles for that planning process:
- Ensure that plans contribute to improved outcomes in support of set priorities with Community Policing and a 'We Care' philosophy at the heart of service delivery;
  - Set a comprehensive, timely, balanced and realistic budget;
  - Takes into account pay and price inflation and achievability of savings;
  - Complies with the approved treasury management strategy;
  - Complies with the approved reserves strategy;
  - Raises awareness of and communicate key financial messages both internally and externally;
  - Ensure budgets set are affordable and do not jeopardise financial stability either in the short or long term;
  - All spending plans will need to demonstrate that they can achieve value for money;
  - Spending will be agreed only when the necessary funding is identified and approved;
  - External funding will be sought wherever it can be used in a sustainable manner that does not lead to unforeseen costs; and
  - Budget proposals will be publicised and consulted upon with stakeholders in an open and transparent manner.

22. The outcome of this planning process includes the following key priorities included within the 2021/22 budget proposals. The priorities within this budget proposal will be used by the Commissioner to support, challenge and hold the Chief Constable to account for their delivery throughout 2021/22.

## POLICE & CRIME PLAN PRIORITIES AND OPERATIONAL DEMANDS

### Connected with our Communities

23. The Commissioner has stated that his focus will always be to prevent crime and anti-social behaviour, support victims and protect vulnerable people. Community policing is an integral part of protecting our communities and the Commissioner's ambition is to make Cheshire the best in the country at community policing. This can only be achieved by investing in our communities and our workforce to ensure policing teams and local residents are given the support and tools they need to make our communities safer.
24. With this focus, the intention is to both protect and enhance community policing by developing it in terms of problem-solving, crime prevention, community engagement and diversion of young people from criminality in order to address anti-social behaviour. One key element will be to increase the current PCSO establishment by up to 10 to a total of 200 Commissioner funded PCSOs.
25. In order to deliver even safer communities for the whole of Cheshire, the Commissioner is committed to improving road safety and reducing the number of people killed or seriously injured on our roads. This priority is reinforced in the July 2020 HMICFRS national report 'Roads Policing: Not optional – An inspection of roads policing in England and Wales' which concluded 'that the financial cost of road traffic collisions is estimated to be £36 billion per year ... and ... there is a pressing need ... to recognise the importance of roads policing in reducing death on the roads.' As part of this commitment, the Commissioner, with the Constabulary and partners, is developing plans to tackle speed related deaths and serious injuries by deploying further average speed schemes within Cheshire.
26. When a victim contacts the police, it is important that their call is answered in a timely manner, the appropriate information is recorded accurately on to the correct systems and the victim is dealt with in a professional manner. The information needs to be appropriately assessed, taking into consideration threat, harm, risk and vulnerability; and where possible the victim should get appropriate safeguarding advice. To ensure this is embedded into the Force Control Centre and in conjunction with the organisational drive for quality at initial point of contact, it is proposed to provide a capability and coaching team to support call management and crime data integrity at first point of contact.
27. This year because of Covid, above and beyond any other year the dedication and time given freely by the Special Constabulary is making a fundamental difference to the safety and security of the people of Cheshire. Up to now, these officers were not able to be a part of the Police Federation and therefore were not afforded the same level of support as other officers – this is to change with new legislation being prepared. The Commissioner is committed to cover these costs as a small recognition of the voluntary work the Special Constabulary provides.

Support for victims and protecting vulnerable people

28. The Integrated Anti-Stalking Unit (IASU) is a collaborative, risk management service, delivered by the Constabulary and North West Boroughs Healthcare NHS Foundation Trust, working in partnership to develop innovative responses to stalking. As part of the 2020/21 budget further funding was provided for 12 months to allow a sustainable alternative to be developed. This proposed 2021/22 budget expands on last year's temporary funding in a sustainable manner with the introduction of two Independent Advocacy Caseworkers within the Stalking and Domestic Abuse Multi-Agency Team.
29. As stated earlier, when someone is a victim of a crime, it is vital that the information provided needs to be appropriately assessed, taking into consideration threat, harm, risk and vulnerability. Investment is proposed in additional criminal analysts who bring multiple data sets together to provide the, often critical, evidence to take the case to the Crown Prosecution Service for charge and ultimately prosecution.
30. The duty of the police is to keep the peace, prevent crime and disorder and bring offenders to justice. If the service provided to the victim of crime is not handled properly and in accordance with the established rules, the police cannot perform these duties well. A failure of a police force to correctly deal with the victim at any point, from the initial call to the conclusion of a case, will not only let down a victim, but an offender may be missed as well as a possible opportunity to prevent further crime. It will also reduce public confidence in the police. Demand on these areas has increased considerably and investment is proposed in the Criminal Justice processes with additional training on file management; IT enhancements; and additional legal support.
31. To get to the point where Criminal Justice processes begin, crime must be thoroughly investigated. As reported previously the Constabulary has seen a considerable increase in demand with major crime being over and above previous levels. In addition, there are some major investigations that are complex and protracted incurring additional costs. To ensure all of these investigations are carried out in a timely manner and providing the victims with the support and outcomes they deserve, a number of civilian investigators have been brought in on a temporary basis. This budget will ensure continuity for at least another 12 months as some of the key long term investigations continue.
32. Investigations require detailed evidence and Forensics forms a key part of that process. Over the past few years provision of these services has been challenging and following the UK Forensic Science Regulator's (FSR) note of concern regarding the threat to Forensic Science in the UK, in December 2018 the North West Region commenced an initial marketplace assessment and following on further commissioned a business case looking at which services could be brought in-house. This budget allocates both initial set-up funding and on-going support to this vital area, subject to the approval of the final agreement by the regional Commissioners.



33. The Custody Investigation Team work to promote outcomes that take into account the victim and community's wishes and prevent reoffending. The scope of the Custody Investigation Officer role has evolved since the team were originally established. The officers now acts as the 'officer in the case' for a wider variety of criminal investigations than was anticipated and recognition of this has been included within this proposed budget.

### Prevent Crime and Anti-Social Behaviour

34. Whilst support for victims and protecting vulnerable people is a key duty, prevention of crime in the first place is the ideal solution. As part of this process, it is important that forces have high-quality crime data. This allows them to establish where, when, and how often crime is happening. The Commissioner is responsible for holding the Chief Constable to account for maintaining an efficient and effective police service in Cheshire. This is only possible with appropriate data and analysis of both crime and responses. This budget intends to increase the resources to this critical area together with a restructure associated with implementation of digital intelligence and analysis strategy and to improve transparency. This will enable existing operational intelligence tools which supports deployment, managing vulnerability and problem solving, to be maintained and additional development to take place to further support key operational areas such as intelligence.
35. The Force Intelligence Bureau's vision is 'A Cheshire that is secure, and feels safer, through a coordinated approach to and management of intelligence, in line with the needs of our communities and our force priorities' and a mission 'by 2020 we will deliver a professional intelligence community empowered to drive effective operational outcomes by producing and sharing accurate, timely and accessible intelligence.' To support and enable this important part of crime prevention and detection, additional resources are to be provided.

### Fit for the future

36. In order to ensure that the Constabulary maximises personal safety of their officers and staff and in order to ensure the organisation works effectively and efficiently the Constabulary is committed to ensure training and development is available and provided for all. For 2021/22 the following are highlighted as additional training priorities:
- Supervision standards - work based assessment standards ensuring that newly qualified officers receive the necessary support during their first year to achieve the competence required as supervisors
  - Crime Recording Training - for frontline officers, staff and supervisors to ensure public confidence. Training and development for frontline officers to ensure skills and standards are in place
  - New police recruit training – police recruitment levels require more trainers in initial training, crime training, driver training and personal safety training all fundamental elements for officer to be equipped to serve the public
  - Cultural change programme which will include diversity, equality and inclusion awareness, mutual respect for all and the 'We Care' strategy

37. In addition to training, it is also vital that standards are maintained both in operational terms and in specialist areas. As such, investment is to be made into the Professional Standards department in recognition of the recommendation of HMICFRS. Equally, ISO accreditation has now expanded to cover digital, cell sight, SARCs, CSI Major Crime and funding will be provided to cover this new legislation.
38. As part of the 'We Care' strategy and the Commissioner's commitment to the health and wellbeing, it is proposed to introduce a minimum salary for all employees equal to Spine Point 10 of the Police Staff Council national pay spine.
39. Within the 2020/21 budget, funding of £2m was provided to support Infrastructure especially those items needed for the additional uplift officers such as technology, access to information and operational equipment. For 2021/22 this funding will provide the public of Cheshire and our officers and staff with the necessary technology and capability that will ensure they are fit for the future; able to access information within the communities remotely; provide real time data; support victims where they are needed; ensure that improved vetting and recruitment procedures can be implemented; and intelligence and cyber-crime can continue to be managed and improved.

#### PROPOSED REVENUE BUDGET 2021/22

40. Table 1 shows the proposed revenue budget for 2021/22. The impact of the threats and demands placed upon policing; commitments required; proposed savings and the total funding available to the Commissioner have been reflected within the proposals and are detailed in the following sections. The budget proposals have been developed as the product of a detailed prioritised based budgeting (PBB) process which examines all areas of the budget and matches resources according to risk. These proposals are considered vital by the Chief Constable in order to deliver a viable, sustainable police service to the public of Cheshire.

<b>Table 1: Proposed Revenue Budget 2021/22</b>	<b>£000</b>
<b>2020/21 Gross Expenditure Budget</b>	<b>229,432</b>
Pay and Price Inflation	975
Police Uplift Programme	5,720
Legal & Unavoidable Commitments	723
Operational Demands and Pressures	5,125
Savings	-1,255
Transfer to/(from) Reserves	1,465
<b>2021/22 Gross Expenditure Budget</b>	<b>242,185</b>
Other income and specific grants	-34,368
<b>2021/23 Net Budget Requirement</b>	<b>207,817</b>
Financed by:	
Government Police Grant & Formula Funding	-122,215
Council Tax Precept (based on £15 Band D increase)	-85,825
Deficit on Collection Funds	223
<b>2021/22 Net Budget Requirement</b>	<b>-207,817</b>

## RISKS

41. For 2021/22 there is a reasonable degree of certainty as the Provisional Grant Settlement has been received. However, there remain some outstanding issues affecting next year such as the counter terrorism grant. Any changes to the funding will be reported to the Commissioner as soon as they are known together with the associated proposed changes to the budget.
42. As with any assumptions there are risks that the actual outcome will be different. There are key assumptions included within this proposed budget that could impact significantly such as pay awards where a 0.5% movement in the pay award would have a potential £0.9m impact on the budget. Reserves are held to provide flexibility in-year for such incidences and the Reserve Strategy included within this report covers this in more detail.

## INFLATION

43. Inflation in both pay and price terms is applied to budgets where appropriate. Pay awards are negotiated nationally and in the spending review the Government announced a 'pause' in pay awards for 2021/22 for all public sector employees with the exception of some of the NHS and those earning under £24k which will receive a £250 uplift.
44. For non-pay items, the inflation applied is based on the Office of National Statistics Inflation Report using the most applicable inflation factor. The following table shows the inflation applied.

Table 2: Inflation	2021/22 £000
Pay inflation (0% - under £24k £250 uplift)	0
Price (non-pay) inflation	975
<b>Total Inflation</b>	<b>975</b>

## LEGAL &amp; UNAVOIDABLE COMMITMENTS

45. Legal and unavoidable commitments come from two sources, the impact of decisions taken in previous years that have a financial impact in 2021/22 and the financial impact of external decisions and changes such as the introduction of a new financial burden or change in legislation. The following table shows those items included in the 2021/22 budget proposal.

Table 4a: Legal & Unavoidable Commitments	2021/22 £000
Full year effect of 2020/21 changes	57
Collaborations contributions uplift (incl. inflation)	283
Audit & Actuarial Fees	22
HMRC tax liability requirement	5
National Policing Contributions	197
McCloud Pension Impact resource	159
<b>Total</b>	<b>723</b>

46. Under Sections 22B and 22C of the Police Reform and Social Responsibility Act 2011, Chief Officers and Commissioners have a duty to keep collaboration opportunities under review and to collaborate where it is in the interests of the efficiency or effectiveness of their own and other police force areas. This is in recognition that there are certain services required, which are not affordable by individual forces alone – e.g. firearms provision. The above costs reflect the additional uplift requirements to the collaborations Cheshire is involved in, subject to partner forces full agreement.

#### POLICE & CRIME PLAN PRIORITIES AND OPERATIONAL DEMANDS

47. Community policing remains at the heart of the service and this budget proposal protects and enhances the 122 Community Officer and PCSO provision by developing it in terms of problem-solving, crime prevention, community engagement and diversion of young people from criminality in order to address anti-social behaviour. The budget requirements are related to maintaining key operational services to the public in the light of increasing operational demands, additional standards or compliance requirements or essential information or technology to support operational activity. Having reviewed the budget position the Constabulary cannot meet these additional operational demands and pressures without significantly impacting upon service delivery to the public in other areas.
48. The following tables show the budget required as a result of additional operational demands and pressures. The requirements are shown under the Police and Crime Plan priorities together with the use of technology and the impact of prior year decisions – including the reversal of the temporary 2020/21 PUP funding, Occupational Health increase and the impact of capital programme funding.

Table 4b: Police & Crime Plan Priorities/Operational Demands	2021/22 £000
Service Connected with Communities	2,317
Support for victims and protecting vulnerable people	2,258
Prevent Crime and Anti-Social Behaviour	694
Fit for the Future	616
Impact of Prior Year Decisions	-760
<b>Total</b>	<b>5,125</b>

49. It should be noted that the costs associated with the Office of the Police and Crime Commissioner (OPCC) will remain at the same level as 2020/21. Based on the HMICFRS Value for Money profiles (2019/20), Cheshire's OPCC is in the lowest 5 of all forces in terms of costs.

#### SAVINGS

50. While additional funding has been provided, there is still a need to ensure value for money is achieved and funding is prioritised in line with the Police and Crime Plan. As part of the 2021/22 budget process a focused review of non-pay expenditure was commissioned in order to ensure that all non-pay efficiency opportunities have been maximised without

impacting on service delivery. The output of this review, together with other savings and income are shown below.

Table 5 – Savings	2021/22 £000
Energy efficiencies	-175
Review of contracts	-214
Removal of 2020/21 temporary/one-off funding	-310
Stock and consumables efficiencies	-130
End of contract/temporary staffing	-341
Record management efficiencies	-17
Other non-pay items	-68
<b>Total</b>	<b>-1,255</b>

## COUNCIL TAX PRECEPT

51. A precept is levied on the Council Tax for policing in Cheshire. It is the responsibility of the Commissioner to set the level of precept as part of the budget setting process. While the decision is the Commissioner's, the Government has placed a capping limit for a number of years on the level on year on year increase that can be applied. However, the government's announcement of total funding available for policing relies upon Commissioner's raising the precept by the maximum amount for the next financial year.
52. To calculate the level of Council Tax funding, each local authority calculates the taxbase (the assimilated number of council tax bills issued) taking into account changes in the number of houses, housing benefits etc. Compared to 2020/21, the overall taxbase has increased by 567 compared to last year when the increase was 6017. The following table shows the proposed level of precepts for each local authority and the individual amount levied per each Council Tax band.

Table 6: Proposed Precepts 2021/22	Number of Band D Equivalents	Precept on Collection Fund £
Cheshire East	153,796.10	34,671,793
Cheshire West & Chester	122,724.30	27,666,966
Halton	35,154.00	7,925,118
Warrington	69,027.00	15,561,447
<b>TOTAL</b>	<b>380,701.40</b>	<b>85,825,324</b>

Band	Proposed 2021/22 £	Actual 2020/21 £	Change per year £	Change per week £p
A	150.29	140.29	10.00	0.19
B	175.34	163.68	11.66	0.22
C	200.39	187.06	13.33	0.26
D	225.44	210.44	15.00	0.29
E	275.54	257.20	18.34	0.35

F	325.64	303.97	21.67	0.42
G	375.73	350.73	25.00	0.48
H	450.88	420.88	30.00	0.58

53. In addition to the above precept, each of the four local authorities holds a council tax collection fund which is a separate fund that records the income and expenditure relating to Council Tax. Any surplus or deficit on the fund is either due to or paid for by the individual authorities, the Police & Crime Commissioner and Cheshire Fire Authority. The amount declared deficit and payable by the Commissioner in 2021/22 amounts to £223k. Additional funding in terms of a one-off Local Council Tax Support Grant (£1.34m) has been provided to cover this and the next two year's deficit payments, in line with the regulations set out in paragraph 8.

#### COMMISSIONING

54. In 2021/22, the approach to commissioning will focus on victims of crime with the aim of ensuring that appropriate services are in place for those unfortunate enough to become victims of crime, in order to help them to cope with their ordeal and recover as best they can. In order to better understand the needs of victims the PCC has recently undertaken a refresh of the Cheshire Victims Needs Assessment. The initial supporting service for victims across Cheshire is Cheshire CARES, to which all reports of crime to the Constabulary are referred. However this service can be accessed by victims of crime whether or not they make a formal complaint to the police. Cheshire CARES supports victims from the outset and throughout their journey to cope and recover.
55. The Commissioner has additional responsibilities to have specialist services available, e.g. to support victims of rape and sexual abuse, child sexual abuse and domestic abuse as well as to provide a restorative justice service. The costs of Cheshire CARES and other commissioned services are funded through an allocation provided from the Ministry of Justice. The funding allocation for the 2021/22 Victims Grant is approximately £1.2m. The Commissioner will continue to work with partners across all sectors to identify and address gaps and/or emerging areas for victims' services and to drive the effectiveness of the service commissioned through the victim's grant fund in 2021/2022. Furthermore where possible co-commissioning opportunities with partners will be considered to allow for the expansion of some victim services. During 2020/21 a further £340,000 was obtained by the PCC to enhance support via charities to victims of domestic abuse and sexual abuse throughout COVID. Opportunities to access further funding support will continue. The forthcoming year's commissioning will build upon existing services and aim to maximise opportunities, both singularly and in partnership, to provide great value for money and better outcomes for our communities.
56. Since 2012/13, the specific community safety funding ceased and was incorporated into the main grant for policing. For 2021/22, despite the significant financial challenges faced by policing, the Commissioner has protected the level of community safety funding at £1.1m. In Cheshire, the funding will continue to be focused on driving community safety and crime prevention initiatives to meet the priorities of the Police & Crime Plan 2016-21. This funding has been complemented during 2020/21 through successful bids to deliver £550,000 situational crime prevention measures in Bewsey/Whitecross and some

additional £230,000 to deliver a pan Cheshire whole family perpetrator programme which will continue into 2021. During 2021/2022 the PCC will seek to develop a Domestic Abuse Workplace Scheme across Cheshire to assist in the identification and support of victims of abuse.

57. Partnership working will continue to be crucial in achieving shared objectives for Cheshire residents. This will include continued close working with partners across the criminal justice and community safety arena, the local voluntary and community sector as well as the county's Youth Justice Service. The Commissioner will seek to allocate funding to deliver even better and more measurable outcomes from residents of Cheshire.
58. During 2020/2021 the Commissioner utilised funds that become available under the Proceeds of Crime Act to create a new and innovative fund. As a consequence almost £500,000 has been invested in Community Safety across Cheshire in various funds designed to maximise resilience in our communities. Almost £400,000 of this was utilised in 2020/21 to support local policing, working directly with local communities to address the issues causing most concern. This agile approach to meeting community need utilising funds seized from criminals will continue in 2021/2022. These monies will be used to support bids to the Safer Communities Fund designed to support local and community level initiatives across Cheshire. Focus will continue to be placed on ensuring that funding is targeted at community-focused and, where possible, sustainable projects. Funding awards of up to £1,000 for express grants and up to £5,000 for Safer Communities grants will be available through an application process for projects that demonstrate benefits to the local community.

#### CAPITAL PROGRAMME

59. In addition to the revenue budgets, a programme of capital investment is proposed for 2021/22. This programme links to the 'invest to save' programmes such as new technology and the annual replacement cycle for assets such as vehicles.
60. Funding for these comes from Government general and specific grants, reserves held by the Commissioner, contributions and borrowing. Given that borrowing will need to increase to support this level of investment, it is vital that capital expenditure is prioritised to generate savings for future years, to help protect local policing services. Details of the proposed programmes and their associated funding are shown below.

Table 7: Capital Programme	£000
Annual Replacement Schemes:	
Fleet Vehicles	2,677
IT and Communications	540
New Schemes:	
Estates* <sup>1</sup>	2,060
IT and Communications* <sup>2</sup>	3,215
Operational Equipment	543
Collaboration/Funded Vehicles	362
<b>Capital Expenditure</b>	<b>9,397</b>

\*<sup>1</sup> An updated Estates Strategy is currently being jointly developed between the Constabulary and the OPCC. It is recognised that any changes to the estates footprint may require additional capital financing and this would be the subject of a business case being approved through the appropriate governance structure. As specific business cases are approved and funding identified these will be added into this strategy.

\*<sup>2</sup> Includes estimated cost of the new Emergency Services Network (ESN) devices.

61. Full details of the individual schemes within the capital programme are provided in Appendix 4 of this report and in the Commissioner's Capital Strategy attached at Appendix 6. The proposed funding for the above capital investment is set out in the following table.

Table 8: Capital Financing	£000
General/Specific capital grants	267
Capital Receipts	275
Revenue Contributions to Capital	2,696
External Contributions to Capital	307
ESN Reserve	0
HQ IT Reserve	221
Borrowing	5,631
<b>Total Funding</b>	<b>9,397</b>

## ROBUSTNESS OF ESTIMATES

62. Section 25 of the Local Government Act 2003 places a requirement on Chief Finance Officers to report on the robustness of the estimates used in the preparation of this proposed budget. Details of how this requirement is met are in Appendix 3.

## RESERVES

63. Section 25 of the Local Government Act 2003 also places a requirement on Chief Finance Officers to formally report on the adequacy of the reserves. The Chief Finance Officers assess this in the context of the strategic, operational and financial risks and opportunities facing the Commissioner and the Constabulary.
64. While holding reserves is a recognised and recommended financial management tool, the levels of such reserves must remain prudent, appropriate to the level of risk and opportunity and not excessive. This is set out within the Commissioner's Reserve Strategy attached at Appendix 5.

## CONSULTATION WITH THE PUBLIC AND BUSINESS RATEPAYERS

65. A consultation exercise was undertaken between 5 January and 24 January 2021 to understand the public's policing priorities for 2021/22 using an online survey and public engagement sessions. Local residents were encouraged to complete the survey via social media such as Twitter, Facebook and Cheshire Police Alert. PCSOs and OPCC consultation volunteers were also given paper copies of the survey to distribute in their local communities to those residents who are seldom online.
66. A number of virtual public engagement sessions were also held by the PCC and Chief Constable to answer local residents' questions. They took place on:



Tuesday 12 January 2021

Saturday 16 January 2021

Tuesday 19 January 2021

67. The key messages provided at the public engagement sessions and via the survey were that the Commissioner and Chief Constable wanted to understand the public's priorities for policing in Cheshire ahead of the setting the policing budget for 2021/22. They also asked the public if they would be willing to pay a precept increase of £1.25 per month over 12 months for an average Band D property.
68. The consultation ended on at midnight Sunday 24 January 2021. A total number of 2,282 responses were received with 2,271 respondents giving their views on the policing precept as part of the online survey.
69. 68% (1,549) of respondents agreed to support an increase to the precept of up to £1.25 per month over 12 months for an average Band D property.

## BUDGET AND PRECEPT SETTING TIMETABLE

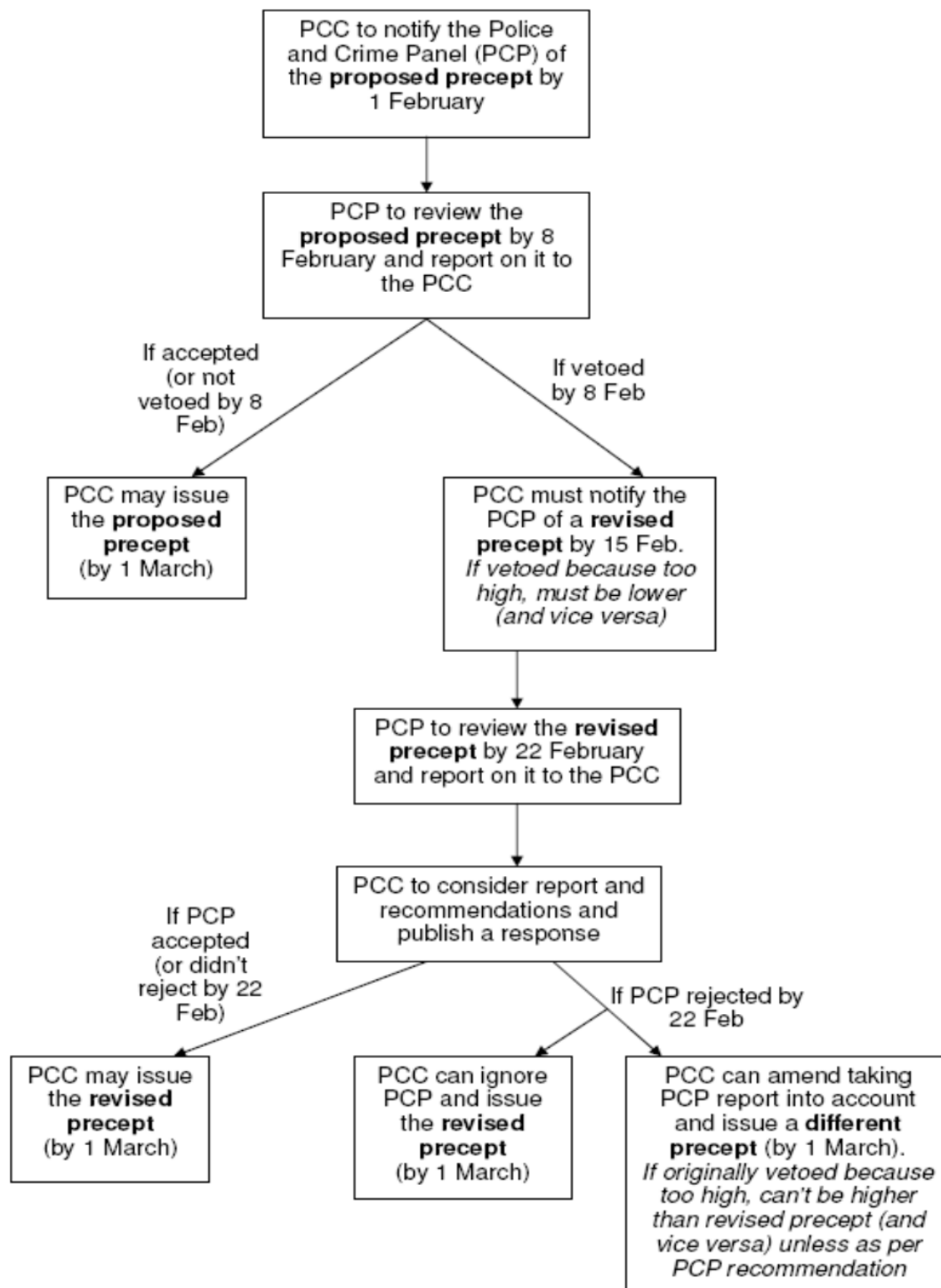
### PURPOSE

To provide the Commissioner with an overview of the statutory requirements regarding budget and precept setting and the interaction with the Police and Crime Panel. It also provides a copy of the internal timetable developed to enable the Commissioner to meet the statutory timetable.

### STATUTORY REQUIREMENTS

The statutory requirements for precepting authorities to set a budget and issue a precept for the next financial year are set out in Chapters 3, 4, and 5 of the Local Government Finance Act 1992. They include significant detail on how budget estimates and the precept must be calculated. The Police Act 1996 and the Police Reform and Social Responsibility Act 2011 amended these provisions for the change to police authorities and Police and Crime Commissioners respectively but the basic statutory requirements remain the same.

Schedule 5 of the Police Reform and Social Responsibility Act 2011 and The Police and Crime Panels (Precepts and Chief Constable Appointments) Regulations 2012 provide further detail on the process the Commissioner must follow for notifying the Police and Crime Panel of the proposed precept by 1 February of the relevant financial year (Section 3 of the 2012 Act). They also cover the interaction between the Panel and the Commissioner leading to the determination of the precept by the Commissioner by 1 March. The process is set out with the due dates diagrammatically in Annex A.

PCC PRECEPT APPROVAL (Final Regulations)

## ROBUSTNESS OF ESTIMATES

Section 25 of the Local Government Act 2003 places a requirement on Chief Finance Officers to report on the robustness of the estimates used in preparing the budget.

The Commissioner has a policy and expenditure planning process which takes account of the service scenario and financial scenario in some detail for 2021/22. Alongside this, future capital programmes have been produced taking into account forecast Government funding, borrowing limits and council tax. For 2021/22 borrowing levels have also been guided by the prudential indicators.

For 2021/22, full consideration of these issues had led to:

- Policy and expenditure proposals that reflect the Government's Provisional Police Grant Settlement together with the on-going revenue impact of new capital projects, whilst recognising the outstanding issues and uncertainties.
- A proposed capital financing budget based on 2021/22 capital programme.

When using estimates in preparing the budget every effort is taken to ensure that they take into account the most up to date data. However, it should be noted that there are a number of areas where the actual impact could vary from the estimates used in setting the budget. The main areas are:

- Pay awards, pension increases, national reviews of pay & inflation
- Service financial performance (i.e. variances on budgets)
- Ability to achieve projected savings
- Operational demands

To provide for all potential scenarios that may arise would be prohibitively expensive and result in demands on council taxpayers considerably higher than likely need. For 2021/22 £975k has been provided for pay and price increases.

There are many factors that can affect financial performance in year including under or over-achievement of efficiency savings, income and other financial targets. The Commissioner takes a number of steps to minimise the impact by:

- Seeking wherever possible to explore in full the implications and achievability of policy and expenditure options before the budget is set.
- Promoting a robust approach to financial management requiring budget holders to monitor expenditure against budget and to take early action in reporting and responding to projected variances.
- Quarterly reporting of the projected budgetary outturn supplemented by monthly exception reports to prompt remedial action if necessary.
- Creation of appropriate and proportionate contingencies.

It should be noted that while every effort is taken to ensure the budget is balanced, there is always the possibility of variances to the budget occurring. This is one of the reasons why the Commissioner holds reserves against unanticipated cost pressures.

<b><u>CAPITAL PROGRAMME</u></b>	<b>2021/22 £000</b>
<u>Prior Year Schemes</u>	
Wide Area Network Replacement	250
Annual Vehicle Replacement Programme	1,000
Underwater Search Unit	77
Runcorn PS - Reroofing	300
ANPR Camera Refresh (Regional)	40
ANPR Management Server Refresh	35
ANPR Infrastructure Development	60
ESN - Control room software	94
Force Control System	97
Replacement of Body Armour	113
Estates (maintenance and environmental)	530
	2,596
<u>New Schemes</u>	
Estates (maintenance and environmental)	1,230
Technology Refresh - Network, Servers, Laptop, Desktop	500
Technology Refresh – E-Forensics	40
Wide Area Network Replacement	105
Cloud Archiving	12
On-Premise to Cloud Archive Renewal	50
Additional Video Enabled Court End Points (Live Link)	37
Additional Data Storage Hardware - Forensic Collision Investigation data.	70
Business Services Futures (year 1 of 2)	2,500
Digital Forensics - renewal and enhancement of mobile device examination kiosks	85
ANPR Camera Refresh (Cheshire)	45
ANPR Mobiles	38
Under Water Search Unit equipment	12
Underwater Search Unit vehicles	120
Armed Policing Alliance vehicles	242
Annual Vehicle Replacement Programme	1,677
Fleet Workshop equipment	38
<b>Total</b>	<b>9,397</b>

## APPENDIX 5

**RESERVE STRATEGY 2021/22**

1. In addition to the requirements covering the robustness of estimates, Section 25 of the Local Government Act 2003 also requires the Chief Finance Officer (Director of Finance, OPCC) to present a report assessing the adequacy of the unallocated reserves in the context of policing threats and demands together with corporate and financial risks facing the organisation. The Commissioner needs to balance the necessity for reserves against the cost to council taxpayers and arrive at a level that is both prudent and adequate for the current climate but not excessive.
2. The Reserves Strategy sets out the reserves held, their intended usage and the strategy for ensuring the funds are maintained at an appropriate level. Reserves are held for three main purposes:
  - a. To cover unforeseen risks and expenditure that may be incurred outside of planned budgets – known as a general reserve
  - b. To set-aside funds for specific purposes; known or predicted pressures or future liabilities – known as earmarked reserves
  - c. To hold capital receipts from sale of assets. The use of which is restricted under legislation to the purchase of new assets or the repayment of debt.
3. In addition to the above reserves, Cheshire Constabulary act as lead force for a number of regional collaborations for which it holds reserves. These reserves are owned by all regional partners on an agreed share basis in line with each collaboration agreement.
4. Over the past few years, the level of reserves held by all forces have been under scrutiny by the Home Office and it is now considered best practice to produce a reserve strategy covering the medium term financial strategy (MTFS) period.
5. Based on the audited Statement of Accounts published in November 2020, £17.3m was held in reserves of which £1.8m belongs to the regional collaborations (of which Cheshire Constabulary is a partner and therefore part owner). Annex 1 sets out the proposed usage of the reserves over the next four years in line with MTFS plans together with other known commitments and liabilities. Reserves are forecast to fall to £13.8m by the end of March 2021 and to £10.5m by March 2025 (including collaborations reserves of £1.4m and £1.2m respectively).

6. As part of the Home Office scrutiny process; it classifies reserves in three main categories:
- a. Funding for planned expenditure on MTFS projects and programmes
  - b. Funding for specific projects and programmes beyond the current MTFS timeline
  - c. Those held as a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management.

Annex 2 provided analysis of the reserves in line with the above.

7. The purpose of each reserve is set out below:

### **General Reserves**

The purpose of general reserves is to provide funding to cover specific and general risks identified in setting the budget but also in recognition of unforeseen risks and expenditure that may arise in year. Given the current levels of threats and demands facing policing the amount held in this reserve is deemed both prudent and adequate.

### **Earmarked Reserves:**

#### **Medium Term Financial Strategy (MTFS) Reserve**

The origins of this reserve dates back to the start of the austerity programme and has been successfully used to support transition, implementation costs of transformational changes together with 'invest to save' projects. With increasing demands, the implementation of Digital Policing and the level of uncertainty over future funding, this reserve will provide some mitigation to these risks and challenges.

#### **Redundancy Reserve**

It is recognised that the cost of reforms, efficiencies and restructuring can require changes to staffing levels. This reserve is held to meet any associated costs. While current forecasts do not show any major redundancy pressures, it remains prudent in the current uncertainties to have funding available should it be required.

#### **Pay and Pensions Reserve**

There are currently several issues in relation to pay and pensions that could impact on the revenue funding, the main being the outcome of the McCloud ruling (see financial risks below). The level of administration to service these is considerable and the uncertainty of how these will be funded has resulted in this reserve being created to cover any initial costs. It is anticipated that this will be utilised over the next three years.

### **Carry Forward Reserve**

This is a temporary reserve for any underspend from the previous financial year that has been approved to be spent in the following financial year. For example, if a project is delayed funding can be carried forward into the following year to meet delayed spend.

### **Proceeds of Crime Community Fund Reserve**

The Commissioner has committed to investing money seized under the Proceeds of Crime Act (POCA) 2002 back into local communities under his Proceeds of Crime Community Fund to send a clear message to criminals that crime doesn't pay.

The Proceeds of Crime Community Fund is split into various funds that will allow:

- Members of the community to bid directly to this fund for activity that supports the prevention crime and anti-social behaviour.
- Allows for applications that facilitate wider community safety.

### **Hardship Reserve**

It is acknowledged that individuals may find themselves needing assistance in achieving a greater sense of wellbeing; it is known that wellbeing comprises elements of physical, emotional, social and financial health. As such a scheme has been created to address any short term financial issues personnel (Officers and Staff) may experience. The intent being to prevent/break the cycle of financial difficulty without the exposure to high interest loan schemes (pay day loans). This small reserve covers the loans until repaid.

### **Mortgage Guarantee Scheme Reserve**

The PCC and the Constabulary are jointly developing a scheme to enable them to assist Officers and Staff to secure a mortgage as part of a financial wellbeing initiative. This reserve will be used to hold appropriate funds to cover any guarantee until repaid upon implementation of the scheme.

### **Revenue Reserve for Capital**

This reserve is for the general funding of capital, especially those annual replacement schemes such as Information Technology.

### **HQ IT Reserve**

This reserve was created as part of the private finance initiative (PFI) scheme to support the replacement of computer equipment. It is supplemented each year in line with the scheme's requirement and applied to finance relevant capital.



### **Emergency Services Network (ESN) Reserve**

The Emergency Services Network (ESN) programme will see the current Airwave based communication systems replaced with a new 4G based communication service. All Airwave radios currently used by officers and staff will be replaced with a mobile phone type device which offers improved functionality. Funding will be required for these replacements.

### **Unapplied Capital Grants Reserve**

This reserve contains the capital grant received by the Commissioner but not yet used to finance capital investment. Funding is now generally applied in full in the year it is received, with the exception of specific grants which are applied when the associated expenditure is made.

### **Capital Receipts**

Capital Receipts represents the net proceeds from the sale of assets. Use of this funding is limited by regulation to re-investment in new assets or the repayment of debt.

### **Collaboration Reserves:**

#### **Armed Police Alliance**

This reserve has arisen from underspends in previous financial years due to high turnover of officers. It is being utilised to support training, ammunition and other expenditure to support the training of new trainees to replace these officers.

#### **Underwater Search Unit**

Funding held on behalf of all partners for future demands – e.g. replacement of the boat, vehicles and equipment as part of an agreed asset replacement strategy.

#### **Local Resilience Forum**

Cheshire Resilience Forum partners work together to prepare for emergencies, including Cheshire Constabulary, Cheshire Fire and Rescue Services and local authorities. The reserve is held to support strategic training and as a contingency for unforeseen pressures.

#### **National Blue Light Procurement Reserve**

This is a national collaboration which Cheshire Constabulary leads, with the reserve being held for development of the system in conjunction with the Home Office.

### **Dog Alliance**

The alliance with North Wales Police for the provision of dogs has been a pilot over the last year or so and this reserve is being held to support the transition to a permanent alliance. It is anticipated that this will be finalised within 2021/22.

### **KEY RISKS**

8. There are a number of uncertainties and risks over the next few years that hold the potential of significant financial impact, not least the Government funding and the impact of the Coronavirus Pandemic. Uncertainty over funding beyond this makes planning difficult and reserves are a key tool in providing flexibility to deal with this challenge.
9. The following set out key financial risks:
  - a. Government funding remains uncertain and is currently only provided on a year on year basis. With no future clarity on funding beyond the next financial year, planning is exceptionally difficult in the medium to long-term.
  - b. The coronavirus pandemic has had a profound impact not just on the UK's economy but the world at large. The level of national debt has increased considerably and together with the restrictions in place to combat infection rates, play into both Government funding options and operational policing. However, the medium to long-term impact of these remains unknown.
  - c. Claims of unlawful discrimination were made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 16 July 2020 the Government launched a consultation on proposals to remove the discrimination identified and on 21 August, the Home Office issued guidance to Police Forces (in England and Wales) on processing prospective 'immediate detriment' cases in advance of a decision on the Government's final approach to removing the age discrimination. The cost and funding of this remains uncertain.

### **FORWARD STRATEGY**

10. The foremost principle of holding reserves remains affordability versus risk. To set aside reserves for all potential risks scenarios that may arise would be prohibitively expensive and result in demands on council taxpayers considerably higher than likely need.

11. As such, the strategy for general reserves is to hold the level of this reserve at around 3% of the net budget requirement. The level should be reviewed annually after the budget for the forthcoming year has been set. Any excess will be released in support of capital funding to limit the need to borrow and the associated impact on revenue budgets. Any shortfall will be recognised as a first call on any in-year underspends or built into the following year's budget proposals.
12. Earmarked reserves are reviewed quarterly and reported to the Commissioner as part of the formal financial reviews. The reviews will take into account purpose of the reserve, the risks they are designed to mitigate and the current and future demands. Any reserve deemed no longer required will be returned to general reserves.
13. Strategic risks are monitored through Chief Officer Group, Joint Management Board and Joint Audit Advisory Committee. Any new risk or significant change to existing risks will be monitored with any impact on reserves presented to Chief Officer Group for recommendation to the Commissioner for the creation or adjustment to Earmarked Reserves.
14. Capital reserves are the primary source of funding for all capital investments and are therefore linked to the approved capital strategy. The use of such reserves are designed to cover short-life assets, limiting the need to borrow over short periods.
15. Capital receipts of more than £10,000 from the sale of assets can only be used to fund future capital investment or the repayment of debt. Receipts of less than £10,000 are returned to revenue budget.
16. In recognition of the decreasing level of Government Capital Grant and in order to meet the minimum asset replacement cycles, a revenue contribution is made each year into Revenue Reserve for Capital reserve and used to finance that year's capital programme.

**RESERVES HELD**

	2020/21			2021/22			2022/23			2023/24			2024/25		
	01-Apr £000	Revenue £000	Capital £000	31-Mar £000	Revenue £000	Capital £000	31-Mar £000	Revenue £000	Capital £000	31-Mar £000	Revenue £000	Capital £000	31-Mar £000	Revenue £000	Capital £000
Police Fund - General Reserve	£5,773	£0	£0	£5,773	£0	£0	£5,773	£0	£0	£5,773	£0	£0	£5,773	£0	£0
<u>Earmarked Reserves: Revenue</u>															
Carry Forwards Reserve	£1,803	-£1,553	£0	£250	£0	-£100	£150	£0	-£150	£0	£0	£0	£0	£0	£0
POCA Reserve	£437	-£437	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Hardship Loan Reserve	£50	£0	£0	£50	£0	£0	£50	£0	£0	£50	£0	£0	£50	£0	£50
Pay and Pensions Reserve	£830	£0	£0	£830	-£330	£0	£500	-£250	£0	£250	-£250	£0	£0	£0	£0
Mortgage Guarantee Scheme Reserve	£500	£0	£0	£500	£0	£0	£500	£0	£0	£500	£0	£0	£500	£0	£500
MTFS Reserve	£2,151	£0	£0	£2,151	£0	£0	£2,151	£0	£0	£2,151	£0	£0	£2,151	£0	£2,151
Redundancy Reserve	£782	£0	£0	£782	£0	£0	£782	£0	£0	£782	£0	£0	£782	£0	£782
	£6,553	-£1,990	£0	£4,563	-£330	-£100	£4,133	-£250	-£150	£3,733	-£250	£0	£3,483	£0	£3,483
<u>Earmarked Reserves: Capital</u>															
Capital Receipts	£2,526	£0	-£2,251	£275	£0	-£275	£0	£0	£0	£0	£0	£0	£0	£0	£0
Capital Reserve - Unapplied Grant	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
ESN Reserve	£485	£0	£782	£1,267	£0	£1,153	£2,420	£0	-£2,420	£0	£0	£0	£0	£0	£0
HQ IT Reserve	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Revenue Reserve for Capital	£177	£0	£279	£456	£0	-£306	£150	£0	-£150	£0	£0	£0	£0	£0	£0
	£3,188	£0	-£1,190	£1,998	£0	£572	£2,570	£0	-£2,570	£0	£0	£0	£0	£0	£0
<u>Collaboration Reserves:</u>															
Armed Police Alliance Reserve	£321	-£219	£0	£102	£0	£0	£102	£0	£0	£102	£0	£0	£102	£0	£102
Dog Alliance Reserve	£206	£0	£0	£206	£0	£0	£206	£0	£0	£206	£0	£0	£206	£0	£206
Local Resilience Forum Reserve	£145	£51	£0	£195	£0	£0	£195	£0	£0	£195	£0	£0	£195	£0	£195
MFSS Development Fund	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
National Blue Light Procurement	£136	£0	£0	£136	£0	£0	£136	£0	£0	£136	£0	£0	£136	£0	£136
UWSU Reserve	£971	-£159	-£14	£798	£0	-£197	£601	£0	£0	£601	£0	£0	£601	£0	£601
	£1,779	-£327	-£14	£1,437	£0	-£197	£1,240	£0	£0	£1,240	£0	£0	£1,240	£0	£1,240
<b>TOTAL RESERVES</b>	<b>£17,293</b>	<b>-£2,317</b>	<b>-£1,204</b>	<b>£13,771</b>	<b>-£330</b>	<b>£275</b>	<b>£13,716</b>	<b>-£250</b>	<b>-£2,720</b>	<b>£10,746</b>	<b>-£250</b>	<b>£0</b>	<b>£10,496</b>	<b>£0</b>	<b>£10,496</b>

**RESERVES HELD - Home Office classification**

	2020/21			2021/22			2022/23			2023/24			2024/25		
	01-Apr £000	Revenue £000	Capital £000	31-Mar £000	Revenue £000	Capital £000	31-Mar £000	Revenue £000	Capital £000	31-Mar £000	Revenue £000	Capital £000	31-Mar £000	Revenue £000	Capital £000
<b>General Reserve / Contingency:</b>															
Police Fund - General Reserve	£5,773	£0	£0	£5,773	£0	£0	£5,773	£0	£0	£5,773	£0	£0	£5,773	£0	£0
MTFS Reserve	£2,151	£0	£0	£2,151	£0	£0	£2,151	£0	£0	£2,151	£0	£0	£2,151	£0	£0
	£7,924	£0	£0	£7,924	£0	£0	£7,924	£0	£0	£7,924	£0	£0	£7,924	£0	£0
<b>Funding for Projects/Programmes - current MTFS</b>															
Armed Police Alliance Reserve	£321	-£219	£0	£102	£0	£0	£102	£0	£0	£102	£0	£0	£102	£0	£0
Capital Receipts	£2,526	£0	-£2,251	£275	£0	-£275	£0	£0	£0	£0	£0	£0	£0	£0	£0
Capital Reserve - Unapplied Grant	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Carry Forwards Reserve	£1,803	-£1,553	£0	£250	£0	-£100	£150	£0	-£150	£0	£0	£0	£0	£0	£0
Dog Alliance Reserve	£206	£0	£0	£206	£0	£0	£206	£0	£0	£206	£0	£0	£206	£0	£0
ESN Reserve	£485	£0	£782	£1,267	£0	£1,153	£2,420	£0	-£2,420	£0	£0	£0	£0	£0	£0
POCA Reserve	£437	-£437	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Hardship Loan Reserve	£50	£0	£0	£50	£0	£0	£50	£0	£0	£50	£0	£0	£50	£0	£0
Pay and Pensions Reserve	£830	£0	£0	£830	-£330	£0	£500	-£250	£0	£250	-£250	£0	£0	£0	£0
Mortgage Guarantee Scheme Reserve	£500	£0	£0	£500	£0	£0	£500	£0	£0	£500	£0	£0	£500	£0	£0
HQ IT Reserve	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Local Govt Pension Scheme Reserve	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Local Resilience Forum Reserve	£145	£51	£0	£195	£0	£0	£195	£0	£0	£195	£0	£0	£195	£0	£0
MFSS Development Fund	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
National Blue Light Procurement	£136	£0	£0	£136	£0	£0	£136	£0	£0	£136	£0	£0	£136	£0	£0
Redundancy Reserve	£782	£0	£0	£782	£0	£0	£782	£0	£0	£782	£0	£0	£782	£0	£0
Revenue Reserve for Capital	£177	£0	£279	£456	£0	-£306	£150	£0	-£150	£0	£0	£0	£0	£0	£0
UWSU Reserve	£971	-£159	-£14	£798	£0	-£197	£601	£0	£0	£601	£0	£0	£601	£0	£0
	£9,369	-£2,317	-£1,204	£5,847	-£330	£275	£5,792	-£250	-£2,720	£2,822	-£250	£0	£2,572	£0	£0
<b>TOTAL RESERVES</b>	<b>£17,293</b>	<b>-£2,317</b>	<b>-£1,204</b>	<b>£13,771</b>	<b>-£330</b>	<b>£275</b>	<b>£13,716</b>	<b>-£250</b>	<b>-£2,720</b>	<b>£10,746</b>	<b>-£250</b>	<b>£0</b>	<b>£10,496</b>	<b>£0</b>	<b>£10,496</b>

## **CAPITAL STRATEGY 2020 TO 2026**

### **1. INTRODUCTION**

- 1.1. The CIPFA Prudential Code for Capital Finance in Local Authorities was updated in December 2017 establishing a framework that supports local strategic planning, asset management and appropriate options appraisal.
- 1.2. The objectives of the Prudential Code are to ensure that the capital plans of an organisation are affordable, prudent and sustainable and the treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

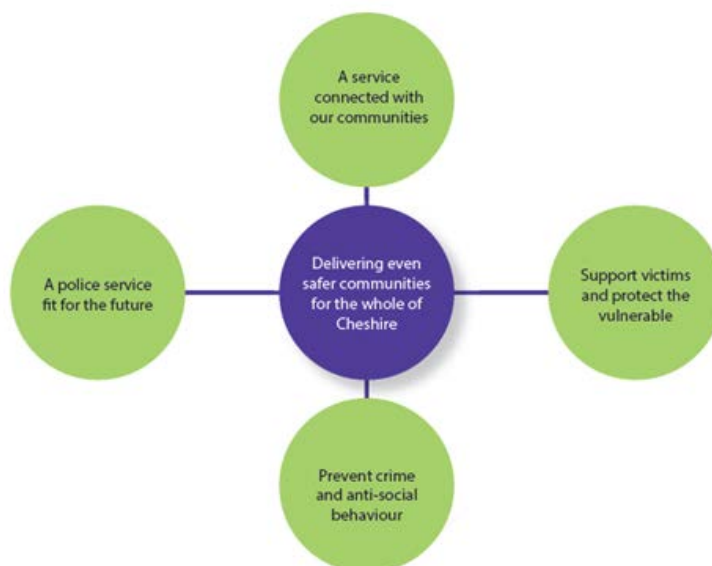
### **2. DEFINITION**

- 2.1. To utilise the full extent of the Prudential Code and its framework, it is essential that there is a clear understanding of what is capital expenditure. Unless expenditure qualifies as capital it will normally fall outside the scope of the Code and its framework and be charged to revenue in the period in which its goods or services were received. If expenditure does qualify as capital, there are opportunities to finance such spend from any capital receipts held or to spread the cost over future years in line with the life of the asset(s) purchased.
- 2.2. In the main, expenditure must meet one or more of the following conditions for it to be classified as capital:
  - Spend results in the acquisition, construction or enhancement of an asset (tangible or intangible) in accordance with 'proper practices';
  - Spend meets one of the definitions specified in regulations made under the 2003 Local Government Act; or
  - The Secretary of State makes a direction that the expenditure can be treated as capital.

### **3. CONTEXT**

- 3.1. The capital programme requirements of the police sector nationally are by nature limited in comparison to other public sector organisations such as local authorities who have diverse responsibilities to prioritise including Schools, Housing, Highways and Economic Development. Certainly this is true of Cheshire Police with capital expenditure plans largely limited to replacing essential operational assets (e.g. Vehicles, Equipment, Communications Infrastructure) together with individual ad-hoc capital investment schemes required to meet national demands (e.g. Requirements related to the national Emergency Services Network project) or aimed at improving efficiency and operational performance/priorities.

- 3.2. In the Police and Crime Plan, the Commissioner states his vision for policing in Cheshire. The plan sets out a vision in which Cheshire will have a Constabulary focused on community policing and putting victims first. The legacy will be a police service fit for the future which is connected with, based within and accessible to local communities – real community policing. After consulting the public, the Commissioner set out four main priorities as follows:



- 3.3. The Commissioner maintains rolling medium term revenue and capital plans (summarised in a Medium Term financial Strategy – MTFs) that usually extend for 3-4 years. The plans are drawn up, reassessed and extended annually and if required re-prioritised to enable the Constabulary to achieve the aims and objectives established in the Commissioner’s Police and Crime Plan and to support national drivers like the National Policing Vision for 2025.
- 3.4. Prior to the start of austerity, capital grant funding of around £2m was received each year. This helped fund annual replacement of vehicles, IT and operational equipment and maintenance of police buildings. Since austerity this grant funding has severely reduced and currently stands at around £0.17m. This is insufficient to meet the annual replacement programme let alone investment in new technology. As such, with limited reserves held, the need to borrow has increased. Borrowing incurs on-going costs of interest payments and the funding set aside to repay the loan in due course. As borrowing incurs costs, there has been a programme of increasing year on year revenue contributions to fund the capital programme in order to meet the annual replacement programme, with borrowing limited to invest to save or invest to increase efficiency.
- 3.5. Key focuses of the Capital Programme plans, all aligned to achieving the Commissioners priorities above are:
- To ensure the property estate remains fit for purpose, identifying opportunities to streamline assets and develop the estate infrastructure; maintaining core sites and improving core training facilities.
  - The replacement of other core assets where necessary, e.g. vehicles, operational equipment and communication infrastructure.

- Development of improved capability.
- To ensure provision is made for Digital Change Technology to maintain and develop the existing infrastructure and invest in the core technologies required to provide innovative digital policing services.
- Invest to Save Schemes.

3.6. The plans acknowledged the constrained financial position of the Commissioner and maximise both the available financial resources and the capacity that the Constabulary has to manage change projects.

#### 4. GOVERNANCE

4.1. The annual budget setting process is an ongoing process with the Strategic Change team and other key stakeholder groups assisting departmental managers to identify change proposals and develop business cases for future capital investment requirements and ideas aligned with the Police and Crime Plan priorities.

4.2. Business cases must explicitly identify the organisational requirement, rationale, deliverables, benefits, links to OPCC and/or Constabulary priorities, and costs in terms of both capital investment and ongoing revenue consequences.

4.3. Based on an agreed budget setting timetable, business cases will be submitted for presentation to and scrutiny review by the Force Leadership Team along with an initial view of potential affordability. Prioritisation is then made, taking into account the following in order of priority:

- Unavoidable (statutory, contractual, or tortuous liability);
- Operational Need (enables continuity of agreed service delivery levels and priorities);
- Police and Crime Plan Improvement Priority;
- Other (efficiency, invest to save, leverage of external funding, etc.).

4.4. An updated Medium Term Financial Strategy (MTFS), including a recommended Capital Programme, is then presented to the Commissioner, providing views on affordability, potential funding issues and options.

4.5. A final version of the MTFS will be presented to the Commissioner for approval, reflecting the known funding position and any further developmental work on the plan. The formal Commissioner approval, agrees the capital budget for the following year and acknowledges the intention for planning purposes of the remaining years of the MTFS.

4.6. Any approved budget item, capital or revenue, can be 'starred' to reflect the Commissioner's agreement in principle, but no further action can be taken without further approval being obtained when more detailed plans are available.



- 4.7. Where in year additions to the approved Capital Programme are identified, a business case will be prepared and reviewed by the Change Board before being submitted to the Chief Officer Group. The Chief Officer Group will then submit to the Commissioner for consideration and approval, including details of how the new scheme is to be funded, delivered and benefits realised, noting any ongoing MTFS implications.
- 4.8. Currently approved Financial Regulations (Section 4.3) specify individual officer roles and responsibilities relating to the capital programme along with a number of key controls as follows:
- Specific approval by the Commissioner for the three year capital programme which is the key document for planning and controlling of capital expenditure;
  - 'Starred' items require further approval before expenditure can be incurred;
  - Expenditure on capital schemes not included in the programme and/or which would involve future years' commitments is subject to the approval of the Commissioner;
  - Steps are taken to enable land required for the purposes of the programme to be acquired in due time;
  - A scheme and estimate, including the associated revenue expenditure, is prepared for each capital project for approval by the Commissioner;
  - Any scheme not commenced within two years of approval will be deemed null and void and removed from the capital programme;
  - Prudential Indicators covering affordability, capital expenditure, external debt and treasury management;
- 4.9. Following approval of the capital programme, a programme manager or project manager and a user representative is identified for each capital project. That individual is responsible for managing the project implementation and delivering its objectives. For all projects within the capital programme a Chief Officer is identified as project sponsor.
- 4.10. Monitoring progress against capital schemes is reported on at least a quarterly basis to the Change Board and Chief Officer Group and to Joint Management Board.
- 4.11. Once projects have been completed the programme or project manager completes a post implementation review for the major capital projects. This includes identifying at what stage the post project review will be carried out. The post project report is reviewed by the Change Board and escalated to the Chief Officer Group if required.
- 4.12. To evaluate the actual success and outcomes of capital projects a post project review is also carried out. The depth of this review is proportionate to the scale of the project and the benefits set out in the initial Project Initiation Documentation. This review focuses on the outcomes achieved, the extent to which the benefits claimed are being realised, the actual costs, both revenue and capital, and the impact of other funding and partnership working.
- 4.13. This information can then be used to learn lessons and make any improvements identified during project implementation.

## 5. FUNDING STREAMS

5.1. Capital expenditure can be funded from a number of sources as set out below:

- **Government Grants** – these are either general grants which can be used to fund any capital spend approved by the Commissioner or specific grants which can only be used to fund specific projects in line with any conditions placed with the grant;
- **Capital Receipts** – when an asset held by the Commissioner is sold, the proceeds are held in reserve to be used either to fund future capital expenditure or to repay debt. They cannot be used to fund revenue expenditure;
- **Reserves** – funds can be set aside and held in earmarked reserves if known expenditure is to be incurred at a future date. These reserves can then be used to fund such expenditure be it capital or revenue. In terms of capital expenditure, it may be known that a specific asset may need replacing in 10 years and therefore funds are set-aside each year to build up the reserve to fund the replacement. Details of the reserves held are found within the Commissioner’s Reserves Strategy;
- **External Contributions** – these are funds or grants provided by external organisations such as collaboration partners or local authorities for specifically agreed capital expenditure; and
- **Borrowing** – the Commissioner is permitted in law to take out loans or financing to fund capital expenditure. The Prudential Code sets out the requirements under which such borrowing must be undertaken including affordability, prudence and cost effectiveness. Any borrowing will incur costs for interest payable and the need to set-aside sufficient funds to repay the loan. These costs impact on the revenue budget.

## 6. CAPITAL PROGRAMME

6.1. The following table shows the Commissioner’s overall Capital Programme and how it is to be funded from 2020/21 to 2025/26, figures quoted include both in year approvals and schemes rolled forward from previous years. They therefore, represent estimates of total capital expenditure in each year:

2020/21 Estimate £000		2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
	<u>Expenditure:</u>					
	Annual Replacement Schemes:					
1,760	Fleet Vehicles	2,677	1,810	1,970	2,180	2,200
972	IT and Communications	540	540	540	540	540
	New Schemes:					
681	Estates* <sup>1</sup>	2,060	600	600	600	600
2,125	IT and Communications* <sup>2</sup>	3,215	7,650	0	0	0
742	Operational Equipment	543	253	214	614	200
352	Collaboration/Funded Vehicles	362	0	0	0	0
<b>6,632</b>	<b>Capital Expenditure</b>	<b>9,397</b>	<b>10,853</b>	<b>3,324</b>	<b>3,934</b>	<b>3,540</b>

2020/21 Estimate £000		2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
	<u>Financed by:</u>					
205	General/Specific capital grants	267	0	0	0	0
2,251	Capital Receipts	275	0	0	0	0
2,775	Revenue Contributions to Capital	2,696	2,650	3,000	3,000	3,000
229	External Contributions to Capital	307	0	0	0	0
0	ESN Reserve	0	3,485	0	0	0
221	HQ IT Reserve	221	221	221	221	221
951	Borrowing	5,631	4,497	103	713	319
<b>6,632</b>	<b>Total Funding</b>	<b>9,397</b>	<b>10,853</b>	<b>3,324</b>	<b>3,934</b>	<b>3,540</b>

\*1 An updated Estates Strategy is currently being jointly developed between the Constabulary and the OPCC. It is recognised that any changes to the estates footprint may require additional capital financing and this would be the subject of a business case being approved through the appropriate governance structure. As specific business cases are approved and funding identified these will be added into this strategy.

\*2 Includes estimated cost of the new Emergency Services Network (ESN) devices.

## 7. AFFORDABILITY

7.1. Capital expenditure plans are a key driver of treasury management activity. The funding of such plans impact on cash balances and borrowing requirements in the short and longer terms. The on-going consequences of these decisions have a direct impact on the annual revenue budget. As such, having regard to the CIPFA Prudential Code for Capital Finance in Local Authorities, the Commissioner sets and reviews a number of prudential indicators showing the proposed capital expenditure plans, how they are to be funded, the impact on the organisation's finances and their affordability in terms of the impact on revenue budgets.

7.2. Full details and commentary on the prudential indicators are found within the Commissioner's Treasury Management Strategy 2021/22. Along with controls and limits relating to levels of capital expenditure and resulting borrowing requirements, these prudential indicators also include a specific affordability indicator, below, which provides an indication of the impact of the above capital expenditure plans and their financing proposals on the overall finances and precept (council tax):

*Treasury management Strategy 2021/22 - Table 5: Ratio of financing costs to net revenue funding*

2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
1.17%	1.18%	1.17%	1.30%	1.63%	1.57%	1.55%

This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream. The estimates of financing costs include current commitments and the proposals included in the budget/medium-term financial strategy.

- 7.3. The above ratio is increasing due largely to the significant reduction in available capital grant funding since the start of austerity and the requirement to increase borrowing in order to finance the capital programme from 2018/19 onwards. The affordability of this will therefore continue to be reviewed alongside the MTFS.
- 7.4. The impact of adding strategic Estates Strategy projects on a project by project basis as individual business cases are developed will be considered as part of the funding identification and approval process.

## 8. RISK MANAGEMENT

- 8.1. Risk is the threat that an event or action will adversely affect the Commissioner's ability to achieve his desired outcomes and the Constabulary's ability to execute his 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.
- 8.2. 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 corporate aims and priorities and outlines the key controls and actions to mitigate and reduce risks, or maximise opportunities.
- 8.3. 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 business change programmes. Where greater risks are identified as necessary to achieve desired outcomes, the organisation 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.
- 8.4. The Director of Finance and Assistant Chief 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.
- 8.5. Credit Risk - The risk that an organisation with which we have contracted to deliver capital projects becomes insolvent and cannot complete the agreed contract. We will ensure that robust due diligence procedures cover the appointment of partners and contractors relating to capital programme delivery. Where possible contingency plans will be identified at the outset.
- 8.6. 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. There is also a 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 and mitigating actions taken promptly where appropriate.

- 8.7. Interest and Exchange Rate Risk - This is the risk that interest rates or 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. Rates will be reviewed as part of the on-going monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.
- 8.8. 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.
- 8.9. 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, the Commissioner 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.
- 8.10. 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. Cheshire Constabulary 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 and Corruption and Declaration of Interests.

## 9. FUTURE ACTIONS

- 9.1. This capital strategy currently looks ahead over the next 5 years to 2026. It will be reviewed to consider whether it would be appropriate and of value to extend this period to cover a longer term period of for example 10 or 20 years. In particular, one of the major hubs for the ongoing and high profile national HS2 project will be within the Cheshire area which could have some medium to longer term impact on our future Capital Programme requirements. The implications of HS2 will therefore continue to be reviewed alongside our capital strategy plans as the project develops and progresses.
- 9.2. An updated Estates Strategy is currently being jointly developed between the Constabulary and the OPCC. It is recognised that any changes to the estates footprint may require additional capital financing and this would be the subject of a business case being approved through the appropriate governance structure. As specific business cases are approved and funding identified these will be added into this strategy.
- 9.3. In view of the significant reduction in ongoing government funding towards capital programme expenditure since the commencement of austerity measures, investigation will be made aimed at identifying alternative potential funding sources which will include the extension of partnerships and collaborations.
- 9.4. It will be continually reviewed in light of emerging and changing local issues, circumstances and priorities.

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