



Mr Evan Morris
Chair, Police and Crime Panel for Cheshire
c/o Cheshire East Council
Westfields
Middlewich Road
Sandbach
CW11 1HZ

John Dwyer
Police & Crime Commissioner
Cheshire Constabulary Headquarters
Clemonds Hey
Oakmere Road
Winsford
CW7 2UA

Date: Thursday 26 January 2023

Our Ref:
PCC/26012023

Your Ref:

Tel:
01606 364000

Email:
pcc@cheshire.police.uk

Dear Mr Morris,

Precept 2023/24

I enclose details of the proposed precept for 2023/24 for consideration at your meeting on 3 February 2023. This is based upon the provisional settlement issued by the Home Office on 14 December 2022. A full copy of the budget and council tax precept report approved by the Joint Management Board on 25 January 2023 is also enclosed for information.

As my Chief Finance Officer, Clare Hodgson, will brief the Panel informally on 27 January 2023, Cheshire Constabulary will receive a potential funding increase of approx. £9.8m for 2023/24. Within this is an assumed increase to the policing element of the council tax precept of £15 per annum for a band D property which is estimated to give £7.3m (75%) of the £9.8m. This is an increase of around £1.25 per month at Band D, which represents an additional 6.37%. Nearly two thirds of households in Cheshire fall in Council Tax Bands A-C, so will pay less than £1.25 monthly increase as shown below;

| Council Tax Band | Current payment (Per month) | Increase (Per Month) | Total payment (Per month) |
|------------------|-----------------------------|----------------------|---------------------------|
| A | £13.08 | £0.83 | £13.91 |
| B | £15.26 | £0.97 | £16.23 |
| C | £17.44 | £1.11 | £18.55 |
| D | £19.62 | £1.25 | £20.87 |
| E | £23.98 | £1.53 | £25.51 |
| F | £28.34 | £1.81 | £30.15 |
| G | £32.70 | £2.08 | £34.78 |
| H | £39.24 | £2.50 | £41.74 |

This increase is lower than the current rate of inflation, which peaked at 11.1% and is currently at 10.5% for CPI. If I do not increase the precept by £15 per annum at Band D, this would result in a significant loss of funding to Cheshire in 2023/24 and this amount would be lost to the base budget going forward.

The funding received from Central Government includes £4.1m which must be claimed separately and is dependent upon maintaining police officer numbers. Cheshire will maintain numbers at 2,347, which is the highest in modern times.

While funding from the government will increase by 1.8%, inflation has meant that over £14 million has been added to Cheshire Constabulary's costs. This is more than the increase in funding and so a gap exists. A comprehensive Priority Based Budgeting exercise was carried out to ensure resources continue to be allocated to priority areas as set out in my Police and Crime Plan, local policing needs and the national Beating Crime Plan. This exercise also identified £6.7m of savings and use of reserves that could be made in order to help address the funding gap.

My annual budget consultation went live at the start of January. A total of 4,059 responses - the largest response to a budget survey undertaken by any Cheshire PCC - were received from local people through face-to-face events and an online survey. Of these, 3,978 respondents answered the question about the police precept. 3,020 (76%) respondents supported an increase in the precept of at least 6.4%, up from 70% who supported an increase last year. Within this, 1,283 respondents (32%) supported an increase of 10.7% in line with inflation (CPI, November 2022).

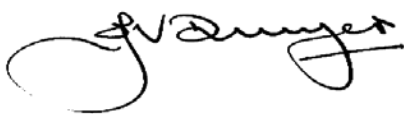
Cheshire now has the highest charge rate for crime overall in the country. Support through the police precept in 2022/23 enabled me to allocate funding to improve performance in a number of key priority areas, such as:

- Recruiting more call handlers and more than halving 101 average waiting times,
- Cutting the average time it takes to attend emergencies to less than 10 minutes and reducing the average attendance time for prompt non-emergencies by a third,
- Increasing the number of arrests made by 34% over the past year,
- Maintaining our 122-community policing model, where each of Cheshire's communities is allocated its own dedicated police team

In the face of future financial uncertainties, current high inflationary pressures 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 to deliver on local priorities as well as deliver commitments at a national level. To achieve this, it is necessary to raise the precept by the amount assumed by central Government. I am therefore proposing an increase of £15 per annum (based on band D) to go towards achieving my Police and Crime Plan priorities including funding to prevent and tackle crime, make Cheshire's roads safer for everyone, deliver justice for victims of crime, protect vulnerable and at-risk people, improve public confidence in policing and modernise our police service.

In accordance with legislation, I submit this precept proposal for the Panel's consideration on 3 February 2023 and should be grateful for your response by the statutory deadline of 8 February 2023.

Yours sincerely



John Dwyer
Police & Crime Commissioner

JOINT MANAGEMENT BOARD

DECISION NO. 2023/06

DATE: 25 JANUARY 2023

BUDGET AND COUNCIL TAX PRECEPT 2023/24

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 economic inflationary pressures. Details of the 2023/24 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 6.37% (£15 p.a. for an average Band D equivalent property for 2023/24, from £235.44 to £250.44; 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 2023 be set at £236.846m.
- (3) the proposed 2023/24 precepts be as follows:-

| | Number of Band D equivalent houses | Precept on Collection Fund £ |
|---------------------------|---|---------------------------------------|
| Cheshire East | 158,778.54 | 39,764,498 |
| Cheshire West and Chester | 127,573.90 | 31,949,608 |
| Halton | 36,241.00 | 9,076,196 |
| Warrington | 70,592.00 | 17,679,060 |
| Total | 393,185.44 | 98,469,362 |

| Band | Proposed 2023/24 £ | Actual 2022/23 £ | Change per year £ | Change per week £p |
|------|--------------------------|------------------------|-------------------------|--------------------------|
| A | 166.96 | 156.96 | 10.00 | 0.19 |
| B | 194.79 | 183.12 | 11.67 | 0.22 |
| C | 222.61 | 209.28 | 13.33 | 0.26 |
| D | 250.44 | 235.44 | 15.00 | 0.29 |
| E | 306.09 | 287.76 | 18.33 | 0.35 |
| F | 361.75 | 340.08 | 21.67 | 0.42 |
| G | 417.40 | 392.40 | 25.00 | 0.48 |
| H | 500.88 | 470.88 | 30.00 | 0.58 |

- (4) the surplus of collection funds allocated to the Commissioner of £588k included in the budget be noted;
- (5) the Legal & Unavoidable Commitments of £667k and Operational demands and pressures of £586k as set out in tables 3 and 4 of the report, be approved;
- (6) the savings proposals for 2023/24, totalling £4.245m as set out in the budget report, be approved;
- (7) 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 2022/23 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 25 January 2023

Deputy Chief Constable

I have reached the following decision:

Approve the above recommendations

My rationale for this decision is:

Agreeing the enclosed budget will allow the Chief Constable to deliver the priorities contained within my Police and Crime Plan and provide the appropriate level of resources for Cheshire Constabulary for the next financial year.

Signature

A handwritten signature in blue ink, appearing to read 'G. Dwyer', is written over a large, empty oval space.

Date 25 January 2023

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 2023/24 budget and meet their statutory duty to set a precept.
2. The Commissioner receives funding from two main sources – Government grants and local council tax (known as a precept). Government grants account for around 58% with local council tax funding covering the remaining 42%.
3. The Minister of State (Minister for Crime and Policing) on the 14 December 2022 presented a Written Ministerial Statement setting out police funding for 2023/24 together with confirmation of the precept flexibility of £15 Band D increase.
4. In summary, the statement outlined that the overall funding for policing will rise by up to £287 million compared to the 2022/23 funding settlement, bringing the total up to £17.2 billion for policing. Within this, funding to Police and Crime Commissioners will increase by up to an additional £523 million, of which £349m comes from an assumed full take-up of precept flexibility. This would represent an increase to Commissioner's funding in cash terms of 3.6% on top of the 2022/23 police funding settlement.
5. The Statement also included details of the Government's expectations in relation to efficiency and productivity, stating:

‘Police, like all public services, must ensure that they make best use of public money. This means reducing inefficiencies and maximising productivity. As part of the Spending Review 2021, we expect to see at least £100 million of cashable efficiency savings delivered from force budgets by 2024/25.’
6. Full details of the proposed 2023/24 budget is set out in appendix 1.
7. In addition to the budget, the Commissioner is asked to approve the Capital Strategy and Reserves Strategy as set out in appendices 5 and 6.
8. A consultation exercise was undertaken between 3 January and 24 January 2023, details of which are reported in appendix 1.

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

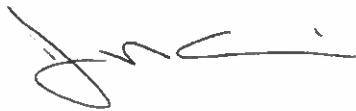
Contact Officer: Wendy Bebbington, Head of Finance

Tel. No.: 01606 362035

Email: wendy.bebbington@cheshire.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 25 January 2023

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 25 January 2023

REVENUE BUDGET AND COUNCIL TAX 2023/24

PURPOSE OF THE REPORT

1. The purpose of this report is to enable the Commissioner to finalise the budget for 2023/24 and meet their 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 balanced 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 2023 to 2028 with the first two years covered by the Spending Review as announced by the then Chancellor in October 2021, with the final years being estimated. 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.

FINANCIAL BACKGROUND

4. The Minister of State (Minister for Crime and Policing) on the 14 December 2022 presented a Written Ministerial Statement setting out police funding for 2023/24 together with confirmation of the precept flexibility of £15 Band D increase.
5. In summary, the statement outlined that the overall funding for policing will rise by up to £287 million compared to the 2022/23 funding settlement, bringing the total up to £17.2 billion for policing. Within this, funding to Police and Crime Commissioners will increase by up to an additional £523 million, of which £349m comes from an assumed full take-up of precept flexibility. This would represent an increase to Commissioner's funding in cash terms of 3.6% on top of the 2022/23 police funding settlement.
6. The Statement also included details of the Government's expectations in relation to efficiency and productivity, stating:

'Police, like all public services, must ensure that they make best use of public money. This means reducing inefficiencies and maximising productivity. As part of the Spending Review 2021, we expect to see at least £100 million of cashable efficiency savings delivered from force budgets by 2024/25.'

7. This year, more than any other for some considerable time, inflation has hit the headlines with the UK reporting a 40-year high of 10.1% in July, increasing further to a reported 11.1% in October. Over the last decade, inflation has remained around the 2% target rate, accompanied by near-zero interest rates. As such, the rapid increase in inflation is challenging, unforeseen in most cases and generally un-funded. However, it is not just the UK, inflation is a huge problem on a global scale and the pressure is only set to increase with conflict detrimental to food, energy and commodity prices, making the outlook challenging to predict. It is in this setting that the 2023/24 budget is being proposed and the impact cannot be underestimated.
8. Without additional funding afforded through the precept uplift, substantial savings would be required, and the level of services provided could not be maintained. However, it is recognised that inflationary pressures affect everyone and therefore considerable scrutiny has been applied to the Constabulary to ensure it is both efficient and effective. Savings have been identified through a rigorous review of all areas to contribute to the overall budget allowing the proposed precept uplift to be significantly less than inflation. In addition, reserves have been reviewed and where appropriate released to support the budget.

OUR PURPOSE – "DELIVERING EVEN SAFER COMMUNITIES FOR THE WHOLE OF CHESHIRE"

9. The Constabulary's priorities in support of the Commissioner's Police and Crime Plan are:
 - Delivering outstanding neighbourhood policing and protect the vulnerable
 - Proactively understand and prevent crime and harm
 - Tackle crime and antisocial behaviour
10. These are the key priorities that have been at the forefront of the proposed 2023/24 budget. The following paragraphs set out the operational demand led investments included.
11. The new Vulnerability and Safeguarding Team's overriding priority is to provide timely support to those who are vulnerable and in need of help from the Constabulary and its partners. Through continuous assessment of calls for help, our officers will contact callers to offer reassurance, advice and information on what support is available, putting victims and the vulnerable at the heart of our response.
12. The new Area Investigation Teams are local officers dedicated to the investigation of volume crime in their areas and providing an outstanding service to victims. They will visit scenes of crime, interview victims, witnesses and suspects, secure evidence and prepare prosecution files for submission to the Crown Prosecution Service and courts where appropriate. Their goals are to achieve the best outcomes for victims and deliver speedy justice to those responsible.

13. The overriding ethos of the Constabulary is to provide outstanding performance and service delivery. Over the last 12 months the number of arrests has increased by 35%, with arrests relating to domestic abuse up by more than 90% ensuring those intent on doing harm are placed in custody. Within this proposed budget additional resources are allocated to our Custody Suites to support this vital part of policing.

2023/24 BUDGET PROPOSALS

14. The preparation of the 2023/24 budget commenced in 2022 utilising a planning process that had at its core the following key documents - the Commissioner's Police & Crime Plan; the Force Management Statement; the Chief Constable's Plan on a Page; local, regional and national commitments; and the Strategic Policing Requirement. Recognising both demand and risks, the Constabulary set out the key principles for that planning process:
- Ensure the plans and proposals align to the priorities and demands as set out in the key documents, fully utilising the priority-based budgeting (PBB) process which examines all areas of the budget and matches resources according to priorities and risk;
 - Identify savings and efficiencies which can be made through the PBB process in support of the budget and spending plans.
 - 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 communicates 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.

PROPOSED REVENUE BUDGET 2023/24

15. Table 1 shows the outcome of the budget planning process with the proposed revenue budget for 2023/24. The impact of the threats and demands placed upon policing; commitments required; proposed savings and the total funding available to the Commissioner are reflected within these proposals.

16. The proposed revenue budget is considered vital by the Chief Constable in order to deliver a viable, sustainable police service to the public of Cheshire and to deliver the priorities and demands placed on the Constabulary.

| Table 1: Proposed Revenue Budget | 2023/24 £000 |
|---|-----------------|
| 2022/23 Gross Expenditure Budget | 257,397 |
| Pay and Price Inflation | 14,517 |
| Legal & Unavoidable Commitments | 667 |
| Operational Demands and Pressures | 586 |
| Savings | -4,244 |
| Use of Reserves | -2,407 |
| 2023/24 Gross Expenditure Budget | 266,516 |
| Other income and specific grants | -29,670 |
| 2023/24 Net Budget Requirement | 236,846 |
| Financed by: | |
| Government Police Grant & Formula Funding | -129,533 |
| Legacy Council Tax Grant | -8,256 |
| Council Tax Precept | -98,469 |
| (Surplus)/Deficit on Collection Funds | -588 |
| 2023/24 Net Budget Requirement | -236,846 |

INFLATION

17. Inflation in both pay and price terms is applied to budgets where appropriate. For 2023/24 the details are: pay awards are negotiated nationally and the increase is mandated for all forces., The proposed budget includes an estimated 3% pay award for September 2023 and the full year impact of the pay award from September 2022.
18. For non-pay items, the inflation applied is based on the Office of National Statistics Inflation Report using the most applicable inflation factor. However, the proposed budget acknowledges that certain non-pay items such as energy costs are significantly more expensive and additional inflation has been applied to those areas, together with contractual obligations for inflation based on specified indices. The following table shows the inflation applied.

| Table 2: Inflation | 2023/24 £000 |
|---|-----------------|
| Pay inflation (estimated at 3% - Sept 2023 award) | 11,436 |
| Price (non-pay) inflation provision | 3,081 |
| Total Inflation | 14,517 |

LEGAL & UNAVOIDABLE COMMITMENTS

19. Legal and unavoidable commitments come from two sources, the impact of decisions taken in previous years that have a financial impact in the forthcoming financial year 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 2023/24 budget proposal.

| Table 3: Legal & Unavoidable Commitments | 2023/24 £000 |
|--|-----------------|
| Prior year decisions - full year impact | -470 |
| Collaborations - annual uplift | 308 |
| LGPS Actuarial uplift | 270 |
| Insurance | 180 |
| Court Fees | 81 |
| IT Licenses and Software | 139 |
| Home Office IT Charges & Police Digital | 54 |
| NPCC Charges | 49 |
| Estates Strategy - net borrowing costs | 56 |
| Total | 667 |

20. 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.
21. Every three years the Local Government Pension Scheme (LGPS) is valued, and the following three year's employers' contribution rates are set accordingly. The last valuation was in 2022 with the new rates applicable from 1 April 2023. These have increased by 0.5%.
22. Insurance costs are based on the assessment of risks that are to be covered and the cost of meeting any legitimate claim. With the inflationary pressures and supply chain problems, coupled with forecast claims, the level of insurance premiums has increased considerably. Insurance is required to meet larger claims, with the Constabulary setting higher excess levels to try and mitigate some of the increases but additional funding is required for 2023/24.
23. Protecting the most vulnerable from harm is the highest priority with the use of Domestic Violence Protection Notices and Orders providing emergency protection to an individual believed to be the victim of domestic violence. This process includes hearings in Civil Courts for which fees apply. Due to the on-going focus on domestic violence the number of cases has increased together with the cost of the associated fees.

24. Information Technology is an integral part of the police service. The digital landscape is the fastest growing area within UK policing and making digital services accessible to the public is critical for long-term public confidence within policing. A modern police service needs to operate with new and innovative technology solutions to enable them to fight crime. Investment in software and licences is included above.
25. The National Police Chiefs Council (NPCC) is a national coordination body for law enforcement in the United Kingdom and the representative body for British police chief officers. Its role includes the coordination of a national response to specific policing issue such as biometrics and the promotion of best practice. Contributions are made to support these programmes and the above shows the increase from 2022/23.
26. In the Commissioner's Police and Crime Plan it sets out the priority for delivering a modern police service. This includes looking at police buildings and ensuring that the needs of our communities are reflected in how the Constabulary operates its estate. The Estates Strategy sets the direction for this over the next 10 years and will ensure a modern, fit for purpose, environmentally efficient and cost-effective estate that meets the needs of police staff and officers and delivers for the public. Funding for this is recognised within this proposed budget.

OPERATIONAL DEMANDS AND PRESSURES

27. The following table sets out the additional investments included within the proposed budget and linked to the priorities set out earlier in the report.

| Table 4 – Operational Demands & Pressures | 2023/24 £000 |
|---|-----------------|
| Vulnerability and Safeguarding Team | 106 |
| Training – Police Officer Recruits | 255 |
| Digital Intelligence and Analysis | 167 |
| Other minor changes | 58 |
| Total | 586 |

28. As set out in paragraph 11, protecting and safeguarding those who are vulnerable is crucial. Included in the budget is an uplift in Intelligence Review Officers - they take referrals from Officers (VPAs - Vulnerable Persons Assessment) and research additional systems to establish whether and what information should be shared with safeguarding partners via the Integrated Front Doors. This process also enables information to be shared with us via safeguarding partners - ultimately enabling children and vulnerable adults to be better protected.
29. The Police Education Qualification Framework (PEQF) is a standardised national framework that sets minimum qualification levels by rank or level of practice for all officers and staff. It provides a number of different entry routes into policing including degrees and apprenticeships. The cost of providing the associated recruitment and training for these routes is included in the above.

30. The Commissioner and Constabulary agreed a Digital Strategy in 2021 to “improve the way in which we maximise the value of digital solutions and data over the next three years and guide the delivery of new analytical advances”. The purpose of this programme is to support the Constabulary in becoming an intelligence led organisation better serving our communities through insight and provision of timely data. Investment in this programme is included in Table 4.

SAVINGS

31. A key requirement of the funding settlement is an assurance that public spending provides value for money and funding is prioritised in line with the Police and Crime Plan, operational demand etc. As part of the budget process, non-pay expenditure was scrutinised to ensure that all efficiency opportunities have been maximised without impacting on service delivery and resources focussed on key priorities. The savings opportunities are set out below.

| Table 6 – Savings | 2023/24 £000 |
|--|-----------------|
| Collaborations - ESN & NPAS | -450 |
| Vacancy Management | -788 |
| Review of capital programme - funding | -560 |
| Workforce Planning | -1,200 |
| Reduction in NI | -500 |
| Review of contracts | -105 |
| Review of non-pay expenditure | -203 |
| Review of Programmes, including staffing | -113 |
| Logistics Service Review | -31 |
| End of temporary contracts etc. | -295 |
| Total | -4,245 |

32. As part of the scrutiny of the collaborations, savings have been identified. The Emergency Services Network is a national programme currently undergoing a new procurement process, that is expected to take some time to complete. The regional team, for which the Constabulary is a partner, has been suspended and savings achieved. In addition, the National Police Air Service charge forces based on usage and savings have been made accordingly.
33. In order to make significant contributions to the budget shortfall, the Constabulary is robustly reviewing all vacancies under the Resources Board and Tracker Meetings. Each review will look at alternative options to recruitment together with the impact on service delivery and performance. It is expected that through attrition and this review process, sufficient vacancies can be removed permanently to provide the necessary savings included above.
34. General grant for capital investments is no longer provided which means sufficient funding has to be set aside within the revenue budget to cover the annual replacement cycle of vehicles, equipment etc. All investments have been reviewed and those that could either be postponed or removed have been reflected in the updated Capital Strategy, thus allowing a one-year reduction to the revenue funding.

35. Recruitment of officers is undertaken at various times of the year to maximise training opportunities and allow each cohort to learn as a team. The timing of the recruitment slots can be varied providing savings as officers leave and are subsequently replaced as part of the overall workforce planning.
36. On 6 April 2022, National Insurance Contributions (NICs) increased by 1.25%. The NICs increase was due to be replaced by the Health and Social Care Levy in April 2023. The Government confirmed in September 2022 that the increase would be reversed from 6 November 2022. Additionally, the new Health and Social Care Levy will no longer be introduced in April 2023. As such, the above table shows the associated net savings, but it should be noted that the Government has also removed the additional funding provided in 2022/23 for this purpose.
37. The remaining savings are the result of the scrutiny of all non-pay expenditure, contracts and temporary posts to ensure that maximum value for money is secured. Where programmes are ending, such as the Police Uplift, additional resources required to enable its delivery can now be removed as the programme closes.

RISKS AND SENSITIVITY ANALYSIS

38. For 2023/24, there is a reasonable degree of certainty based on the Provisional Grant Settlement published on 14 December 2022. 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.
39. 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 significantly affect the proposed budget such as pay awards where a 0.5% movement in the pay award would have a potential £1m impact on the budget. Inflationary pressures have been reflected in this proposed budget, but with such volatility at present, the estimates made may change.
40. Reserves are held to provide flexibility in-year for such incidences and the Reserves Strategy included within this report covers this in more detail.

COUNCIL TAX PRECEPT

41. 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's spending review set out the flexibility for Commissioner's for three years, at a maximum increase of £15 per year on Band D. This is equivalent to 6.37% for Cheshire (2022/23 – 4.4%) which is significantly less than inflation. Cheshire's council tax remains in the 10th cheapest of all police forces.

42. 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, council tax benefits etc. Compared to 2022/23, the overall taxbase has increased by 5744.36 compared to last year when the increase was 6,711.68. The following table shows the proposed level of precepts for each local authority and the individual amount levied per each Council Tax band.

| Table 7: Proposed Precepts 2023/24 | Number of Band D Equivalents | Precept on Collection Fund £ |
|------------------------------------|------------------------------------|---------------------------------------|
| Cheshire East | 158,778.54 | 39,764,498 |
| Cheshire West & Chester | 127,573.90 | 31,949,608 |
| Halton | 36,241.00 | 9,076,196 |
| Warrington | 70,592.00 | 17,679,060 |
| TOTAL | 393,185.44 | 98,469,362 |

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| B | 194.79 | 183.12 | 11.67 | 0.22 |
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| F | 361.75 | 340.08 | 21.67 | 0.42 |
| G | 417.40 | 392.40 | 25.00 | 0.48 |
| H | 500.88 | 470.88 | 30.00 | 0.58 |

43. In addition to the above precept, each of the four local authorities holds a council tax collection fund; this is a separate fund that records the income and expenditure relating to council tax. Any surplus or deficit on the fund is due to or paid for by the individual authorities, the Police & Crime Commissioner and Cheshire Fire Authority respectively.
44. The net amount declared surplus and payable by the Commissioner in 2023/24 amounts to £588k. The pandemic had a significant impact on the council tax collection funds and for 2021/22, there were considerable deficits reported for inclusion in the budget and while grants were provided for some of the income loss, some remained to be recovered locally. The Government also issued Regulations that allowed a proportion of these deficits to be spread over three years rather than fully recovered in 2021/22. The net 2023/24 surplus includes the final year of the three years spread.

COMMISSIONING

45. In 2023/24, the approach to commissioning will continue to focus on victims of crime with the aim of ensuring that appropriate services are in place to assist them to cope with their ordeal and recover as best they can. The Commissioner will utilise the understanding gained from the Cheshire Victims Needs Assessment alongside national developments to prioritise areas for development. 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 through cope and recovery. This has recently been complemented through the provision of enhanced support to victims of Hate Crime through Remedi.
46. 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 victims' services commissioned are funded through an allocation provided from the Ministry of Justice. The core funding allocation for the 2023/24 Victims Grant is approximately £1.3m but as in previous years opportunities to attract further funding to support will be explored. Consequently, 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 2023/2024. As a result, of these efforts significant developments are anticipated this year in further developing the use of Restorative Justice and Mediation support services in particular the extension of those services to play a key role in the Criminal Justice System across Cheshire with an emphasis on reducing future offending.
47. During 2022/23, a further £1,752,748 was obtained to support front line Domestic Abuse and Sexual Abuse services, this not only supported front line victims but also delivered pan Cheshire Domestic Abuse Perpetrator interventions. These schemes were additional to anything that previously existed and have provided significant further support for victims. The commitment to support victims of Domestic Abuse will continue throughout 2023/2024.
48. In 2022/23, a further £1.5 (£1m 2022/23 FY and £500k 2023/24 FY) has been secured by the Commissioner under the Safer Streets 4; this year the Commissioner will continue to explore any opportunities to support Women and Girls who suffer from Violence. The forthcoming year's commissioning will build upon existing services and aim to maximise opportunities, both singularly and in partnership, to provide value for money and better outcomes for our communities.
49. In 2022/23 the Commissioner commissioned a pilot working in partnership with Warrington Borough Council and Halton Borough Council to address the needs of victims of Childhood Exploitation. This will continue into 2023/24, we will explore the benefits of this approach and if appropriate how we can spread benefits more widely.

CAPITAL PROGRAMME

50. In addition to the revenue budget, a programme of capital investment is proposed for 2023/24. This programme links to the major strategies such as Estates, Digital and Fleet together with the annual replacement cycle for assets such as equipment.
51. Funding for this investment, is longer supported through Government grants and therefore is now covered by capital receipts (the net proceeds from the sales of assets), reserves held by the Commissioner, contributions and borrowing. The contributions include funding set aside within the general budget each year. For 2023/24 and in support of the savings required, it is proposed to reduce it and adjust the capital programme accordingly. Given that borrowing will need to increase to support this level of investment specifically around the Estates Strategy, it is vital that capital expenditure is prioritised to generate savings for future years, to help protect local policing services. A summary of the proposed programme and associated funding is shown below.

| Table 8: Capital Strategy | 2023/24 £000 |
|---|-----------------|
| Annual Replacement Schemes: | |
| Fleet Vehicles | 1,970 |
| IT and Communications | 861 |
| New Schemes: | |
| Estates - Maintenance and Environmental | 1,375 |
| Estates Strategy 2021-2031 | 2,600 |
| IT and Communications | 657 |
| Operational Equipment | 352 |
| Collaboration/Funded Vehicles | 312 |
| Capital Expenditure | 8,127 |

52. 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 4. The proposed funding for the above capital investment is set out in the following table.

| Table 9: Capital Financing | 2023/24 £000 |
|-----------------------------------|-----------------|
| General/Specific capital grants | 60 |
| Capital Receipts | 2,600 |
| Revenue Contributions to Capital | 2,440 |
| Revenue and Capital Reserves | 325 |
| External Contributions to Capital | 96 |
| HQ IT Reserve | 231 |
| Borrowing | 2,375 |
| Total Funding | 8,127 |

ROBUSTNESS OF ESTIMATES

53. 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

54. 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.
55. 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 Reserves Strategy attached at Appendix 5.

CONSULTATION WITH THE PUBLIC AND BUSINESS RATEPAYERS

56. A formal consultation exercise on the public's priorities and the precept was undertaken between 3 January and 24 January 2023. The survey was carried out online and paper copies were also printed and distributed to people who requested them, as well as to local police stations so that local teams could distribute to residents who were not able to have their say online.
57. Residents were encouraged to complete the survey via social media platforms e.g. Facebook, Twitter, LinkedIn, Instagram and Nextdoor, as well as via Cheshire Police Alert, the Commissioner's newsletter and press activity.
58. Ten public consultation roadshow sessions were held around the county. Here people could complete the survey in person or take a copy to return via freepost if they wished. These events took place at the times/locations detailed below:

| Date | Location | Time |
|----------------------|---|---------------|
| Friday 6 January | Widnes – Morrisons | 10:00 - 11:30 |
| Friday 6 January | Runcorn – Shopping City | 13:00 - 14:30 |
| Saturday 7 January | Nantwich – Market Hall | 10:30 - 12:00 |
| Wednesday 11 January | Northwich – Barons Quay | 13:00 - 14:30 |
| Thursday 12 January | Chester – Tesco | 11:00 - 12:30 |
| Thursday 12 January | Ellesmere Port – Ellesmere Port Market | 13:30 - 15:00 |
| Friday 13 January | Crewe – Market Hall | 10:00 - 11:30 |
| Friday 13 January | Congleton – Bridestone Shopping Centre | 13:00 - 14:30 |
| Saturday 14 January | Macclesfield – Grosvenor Shopping Centre | 10:30 - 12:00 |
| Saturday 21 January | Warrington – Golden Square Shopping Centre | 10:30 - 12:00 |

59. The key message provided via the survey and at consultation roadshows was that the Commissioner wanted to protect key improvements made by Cheshire Police over the past year, and with the economic situation facing residents and the police service it was vital to get as many views as possible on their priorities and the precept.
60. The consultation ended at midday on Tuesday 24 January 2023. A total number of 4,059 responses were received, providing a 99% confidence level with a +/- 2% margin of error - This is the largest ever response to a budget consultation carried out by the PCC in Cheshire.
61. 3,978 respondents answered the question about the police precept. Beforehand, residents were provided with a table detailing the impact of each answer option on each Council Tax Band. A link and QR code were also provided so that people could check their Band if they were unsure. The following question was asked after the precept information was given:

Which of these options for next year's police budget would you support?

Option 1: No increase - This would require a reduction in services significantly beyond the £6.7 million in savings already identified.

Option 2: Increase up to 6.4% - A 6.4% increase would allow Cheshire Constabulary to maintain the improved level of service that has been achieved over the past year.

Option 3: Increase of 10.7% in line with inflation - This would allow further investment to be made. This option would require a referendum to be held.

62. 88% (3,513) of respondents to this question gave their views on the policing precept as part of the online survey and 12% (465) completed the survey at a consultation roadshow or returned the survey via freepost.
63. 76% (3,020) of respondents agreed to support some form of increase to the precept. The table below shows the breakdown of responses.

| Survey completed via: | Option 1 | Option 2 | Option 3 | Total |
|-----------------------|------------|--------------|--------------|--------------|
| Online | 886 | 1,536 | 1,091 | 3,513 |
| Paper | 72 | 201 | 192 | 465 |
| Total | 958 | 1,737 | 1,283 | 3,978 |
| Percentage | 24% | 44% | 32% | |

64. The full results of this survey including the responses to questions about policing priorities will be published on the Cheshire PCC website at www.cheshire-pcc.gov.uk/get-involved/have-your-say/outcomes-and-results/

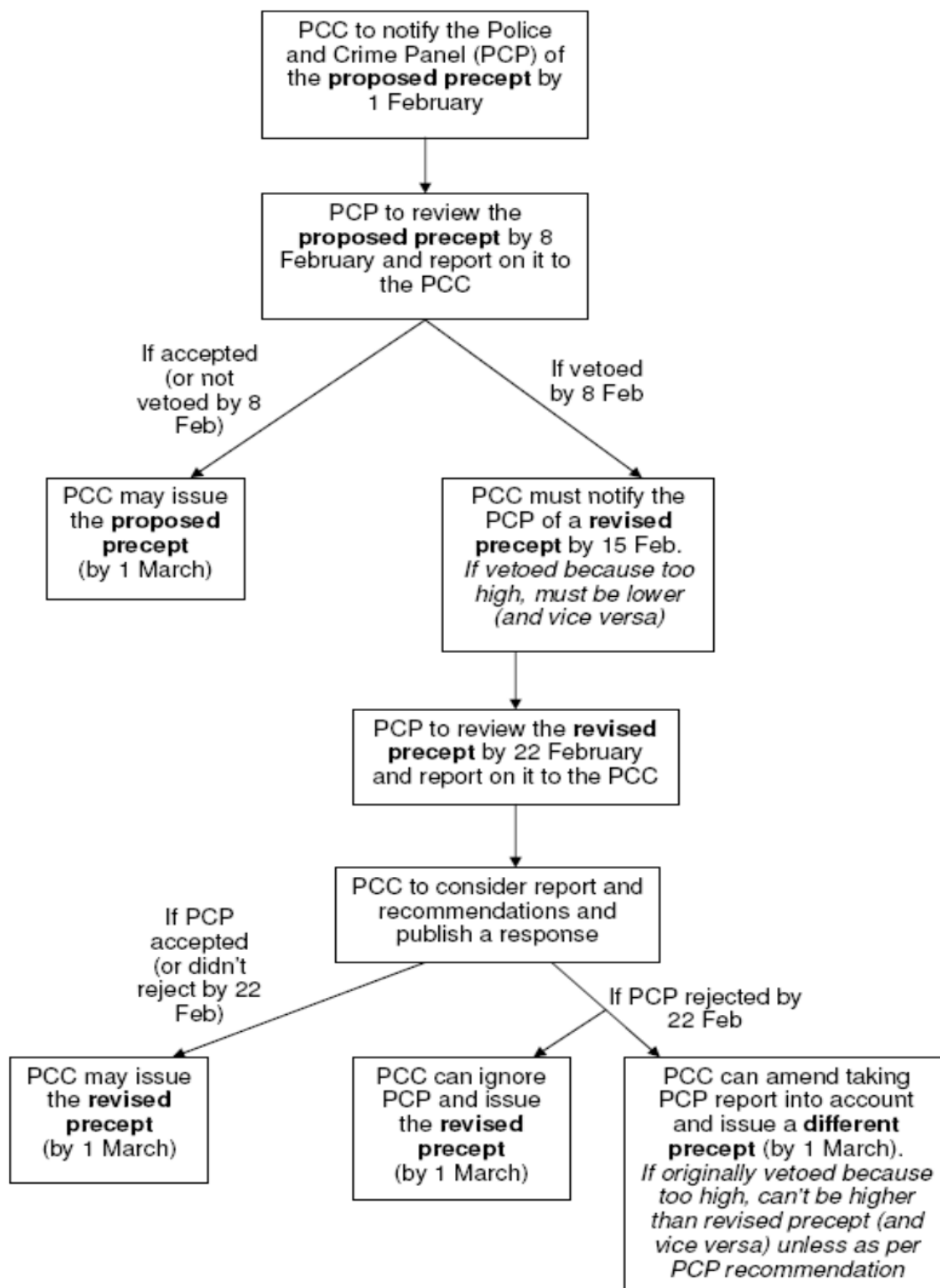
BUDGET AND PRECEPT SETTING TIMETABLE

PURPOSE

- a. 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

- b. 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.
- c. 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

- a. 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.
- b. The Commissioner has a policy and expenditure planning process that takes account of the service scenario and financial scenario in some detail for 2023/24. Alongside this, future capital programmes have been produced taking into account forecast Government funding, borrowing limits and council tax. For 2023/24 borrowing levels are also guided by the prudential indicators as set out in the Treasury Management Strategy.
- c. For 2023/24, 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 2023/24 capital programme.
- d. 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 principal 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
- e. 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 2023/24 £14.5m has been provided for pay and price increases.
- f. Many factors 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 prompt 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.
- g. 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. The Commissioner holds reserves to mitigate this as set out in the Reserves Strategy.

| <u>CAPITAL PROGRAMME</u> | 2023/24 £000 |
|--|-------------------------|
| <u>Prior Year Schemes</u> | |
| Helpdesk Private Space for Public Reporting | 75 |
| A/C, lighting and heating controls at Blacon DHQ | 30 |
| Macclesfield PS upgrade lighting to 3 floors | 50 |
| Building property management system (Estates) | 20 |
| Security Upgrade at HQ | 350 |
| Chiller replacement at 3 x Custody Suites | 250 |
| FCS - Final 3 x phase 2 SAAB milestones | 97 |
| ESN - Control room software (Balance) | 60 |
| Business Services Futures | 500 |
| Annual Vehicle Replacement Programme | 500 |
| UWSU Vehicles | 173 |
| | 2,105 |
| <u>New Scheme</u> | |
| Estates Essential Maintenance and Improvement Schemes | 100 |
| Custody Desk replacement project | 500 |
| Estates Strategy - Major Projects * | 2,600 |
| Technology Refresh – Network, Servers, Laptop, Desktop | 821 |
| Technology Refresh – E-Forensics | 40 |
| In-Car ANPR/Video Refresh - Cheshire Vehicles | 143 |
| In-Car ANPR/Video Refresh - Alliance Vehicles | 81 |
| Annual Vehicle Replacement Programme | 1,500 |
| LESS Saving due to Vehicle Telematics | -30 |
| Workshop Capital Equipment | 14 |
| Workshop Tools and Cabinets | 114 |
| Armed Vehicle Alliance Replacement Vehicles | 139 |
| | 8,127 |

Starred items – marked *. Any capital scheme 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. The Estates Strategy includes several major schemes which will be submitted for approval individually as and when details proposals are prepared.

Capital Strategy 2023-2028

Introduction

Welcome to the 2023-28 Capital Strategy.

This strategy sets out the proposed investments in assets over the next five years. It is fundamentally linked to the Estates; Fleet and Digital Strategies which form the detailed plans summarised within this Strategy.

Funding for these investments comes through specific grants; capital receipts (the sale proceeds from existing assets); reserves; contributions and borrowing. Borrowing will incur costs for interest payable and the need to set-aside sufficient funds to repay the loan. Therefore, borrowing is only used as a last resort or for long-term assets such as Estates.



A handwritten signature in black ink, appearing to read 'Mark Roberts'.

**Chief Constable
Mark Roberts QPM**



A handwritten signature in black ink, appearing to read 'John Dwyer'.

**Police and Crime Commissioner
John Dwyer**

1. INTRODUCTION

- 1.1. The CIPFA Prudential Code for Capital Finance in Local Authorities establishes 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 and upgrading essential operational assets (for example, Estate Facilities, Vehicles, Equipment and IT/Communications Infrastructure) together with individual ad-hoc capital investment schemes required to meet national demands (for example, the national Emergency Services Network project) or aimed at improving efficiency and operational performance/priorities.
- 3.2. In refreshing the Police and Crime Plan in 2022, the Commissioner stated 'I promised to review this Plan to ensure that it remains relevant and delivers on your key priorities for policing, community safety and making Cheshire even safer. The priorities and commitments set out here have come directly from what you have told me through public consultations, engagement activities and surveys, and as a result this refreshed Plan truly reflects what the people of Cheshire want to see from policing, community safety and criminal justice partners. In this refresh of my Plan, I have reflected on what we have achieved so far, how we have responded to your concerns, and what we need to do next to deliver an outstanding police service.' The full plan is available on the Commissioner's website (www.cheshire-pcc.gov.uk/what-the-commissioner-does/police-and-crime-plan).
- 3.3. The Police and Crime Plan sets out the priorities Cheshire Constabulary will deliver between 2021 to 2024, to make Cheshire even safer. These are set out in the following graphic:



- 3.4. The Commissioner maintains rolling medium term revenue and capital plans (summarised in a Medium-Term Financial Strategy – MTFS) that usually extend for 4-5 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 Strategic Policing Requirement and Home Office national priorities to achieve significant reductions in crime and restore the public's confidence in the criminal justice system, including the Beating Crime Plan.

- 3.5. Historically, capital grant funding of around £2m was received from the Government each year. This helped fund annual replacement of vehicles, IT and operational equipment and maintenance of police buildings. Over recent years, this grant reduced significantly and from 2022/23 was removed in totality. 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 and effectiveness.
- 3.6. Key focuses of the Capital Programme plans, all aligned to achieving the Commissioners priorities above are:
- To ensure the property estate remains fit for the future; at the heart of and connected with our communities, promoting effective collaborative working and being economic, efficient and sustainable.
 - To support front line operations by delivering high quality vehicles which are safe, fit for purpose and meet the needs of modern-day policing.
 - The replacement and upgrade of other core assets where necessary, e.g., 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.
- 3.7. The Commissioner maintains separate focussed long-term Estates, Environmental, Fleet and IT/Agile Working strategies setting out the overall direction of these key areas and priorities, all of which feed in to this overarching Capital Strategy.
- 3.8. 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 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 and the Constabulary's Plan on a Page.
- 4.2. Investment proposals must explicitly identify the organisational requirement, rationale, deliverables, benefits, links to the Commissioner's 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, investment proposals will be submitted for presentation to and scrutiny review by the Senior Command 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) and linked to the Force Management Statement;
 - 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 proposed 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 in January each year, reflecting the known funding position and any further developmental work on the plan. This formal 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 Senior Command Team. The Senior Command Team 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 at least 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 Senior Command Team and to the 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 Senior Command Team, 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 – *note general capital grants are no longer provided*;
- **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 except where specifically approved by central Government in line with strict flexible use of capital receipts rules for a limited period to 2025;
- **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 2023 to 2028. Please note that the figures quoted include both in-year approvals and schemes rolled forward from previous years. As such the table represents estimates of total capital expenditure in each year:

| Table 2 Capital Strategy | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | 2026/27 £000 | 2027/28 £000 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Annual Replacement Schemes: | | | | | |
| Fleet Vehicles | 1,970 | 1,980 | 2,500 | 2,500 | 2,500 |
| IT and Communications | 861 | 902 | 945 | 990 | 1,037 |
| New Schemes: | | | | | |
| Estates - Maintenance & Environmental | 1,375 | 1,178 | 500 | 600 | 300 |
| Estates Strategy 2021-2031 ^{*1} | 2,600 | 5,650 | 5,400 | 8,000 | 13,400 |
| IT and Communications ^{*2} | 657 | 0 | 0 | 0 | 0 |
| Operational Equipment | 352 | 818 | 150 | 150 | 150 |
| Collaboration/Funded Vehicles | 312 | 0 | 0 | 0 | 0 |
| Capital Expenditure | 8,127 | 10,528 | 9,495 | 12,240 | 17,387 |
| Financed by: | | | | | |
| General/Specific capital grants | 60 | 0 | 0 | 0 | 0 |
| Capital Receipts | 2,600 | 4,200 | 500 | 0 | 3,050 |
| Revenue Contributions to Capital | 2,440 | 3,000 | 3,000 | 3,000 | 3,000 |
| Revenue and Capital Reserves | 325 | 291 | 0 | 0 | 0 |
| External Contributions to Capital | 96 | 32 | 0 | 0 | 0 |
| HQ IT Reserve | 231 | 231 | 231 | 231 | 231 |
| Borrowing | 2,375 | 2,774 | 5,764 | 9,009 | 11,106 |
| Total Funding | 8,127 | 10,528 | 9,495 | 12,240 | 17,387 |

^{*1} The current Estates Strategy 2021-2031, jointly developed between the Commissioner and the Constabulary recognises that planned changes to the estate's footprint require additional capital financing. The indicative costs of Phase 1 and 1a of the strategy have been included in this overarching Capital Strategy and have been updated to take account of exceptional construction industry inflation and latest predicted timescales but will be the subject of individual business cases being approved through the appropriate governance structure. As specific business cases are approved actual financing requirements will be confirmed and the Strategy updated.

^{*2} The estimated cost of new National Emergency Services Network (ESN) devices is not included in this strategy. The original business case indicated an estimated £5m Cheshire cost. However, given current national uncertainty over timescales, deliverability and local costs, the above table does not currently include any ESN provision. Following completion of an agreed new business case by the national programme, expected in 2023, the Capital Strategy will be updated for any cost and funding implications.

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 need 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 2023/24. 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 2023/24

Table 5: Ratio of financing costs to net revenue funding

| 2021/22 Actual | 2022/23 Estimate | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate | 2027/28 Estimate |
|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| 1.14% | 0.98% | 1.13% | 1.22% | 1.27% | 1.38% | 1.47% |

- 7.3. 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.
- 7.4. The above ratio reduces slightly in 2022/23 due to the impact of increasing cashflow investment returns resulting from interest rate increases, but then is steadily increasing due to the cessation of capital grant funding and the requirement to increase borrowing in order to finance the ongoing capital programme, in particular the Estates Strategy. The affordability of this will therefore continue to be reviewed alongside the Medium-Term Financial Strategy.

8. RISK MANAGEMENT

- 8.1. Risk is the threat that an event or action will adversely affect the Commissioner's ability to achieve their desired outcomes and the Constabulary's ability to execute their 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 Chief Finance Officer 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. The 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. CONCLUSION AND FUTURE ACTIONS

- 9.1. This Capital Strategy currently looks ahead over the next five years to 2028. 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 that 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. The current Estates Strategy 2021-2031, jointly developed between the Commissioner and the Constabulary recognises that planned changes to the estates' footprint require additional capital financing. The indicative costs of Phase 1 and 1a of the strategy have been included in this overarching Capital Strategy and have been updated to take account of exceptional construction industry inflation and latest predicted timescales. Future phases will be subject to further review and will be included in future versions of this strategy as appropriate.
- 9.3. In view of the initial reduction and now removal of ongoing Government funding towards capital programme expenditure, investigation will continue aimed at identifying alternative potential funding sources which will include the extension of partnerships and collaborations.
- 9.4. All Capital expenditure will be subject to rigorous review to ensure that plans are affordable, prudent and sustainable.
- 9.5. The Strategy will be continually reviewed in light of emerging and changing local issues, circumstances and priorities and updated accordingly.

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Reserves Strategy 2023-2024

Introduction

Welcome to the 2023/24 Reserve Strategy.

Reserves are essentially savings accounts – they help manage financial risk and fund major future costs. As set out in the Strategy, we hold reserves for three main purposes:

- To cover unforeseen risks and expenditure that may be incurred outside of planned budgets – known as a general reserve
- To set-aside funds for specific purposes, known or predicted pressures or future liabilities – known as earmarked reserves
- To hold capital receipts from sale of assets. The use of which is restricted under legalisation to the purchase of new assets or the repayment of debt.

The Strategy 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.

Details of each reserve and how it will be used is explained in the Strategy together with a list of the reserves and the amount held in each.

A handwritten signature in black ink, appearing to read 'Mark Roberts'.

**Chief Constable
Mark Roberts QPM**

A handwritten signature in black ink, appearing to read 'John Dwyer'.

**Police and Crime Commissioner
John Dwyer**

RESERVE STRATEGY 2023/24

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, 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. The status of each reserve will be reported to Joint Management Board as part of the quarterly financial reports.
5. Based on the audited Statement of Accounts published in November 2022, £28.9m was held in reserves of which £3.3m 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 increase to £19.6m by the end of March 2023 and then fall to £14.4m by March 2027 (including collaborations reserves of £2.4m and £2.0m 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.

Basis of Transactions:

Best practice states that the prudent level for this reserve is 3% of the net revenue budget. Should the reserve fall below this level any underspends in the current financial year will be transferred up to the amount required to maintain the 3%. If such underspends are insufficient or not available, then a provision will be made in the next budget to cover any shortfall.

Use of this reserve is subject to approval by the Commissioner and is generally limited to funding unrecoverable overspends if they are not containable within existing funding and contingencies or other 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. This reserve also forms part of the 3% calculation as stated in the General Reserves above.

Basis of Transactions:

Any request for funding from this reserve will be subject to a business case setting out the proposal and the deliverable benefits, including wherever possible cashable savings. Such business cases will be presented to SCT Business Meeting for initial endorsement and then through Joint Management Board for approval from the Commissioner.

Earmarked Reserves:

Carry Forwards 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.

Basis of Transactions:

As all carry forward items are approved through the quarterly budget reports submitted to Joint Management Board via SCT Business Meeting, the funding is automatically returned to the relevant department as the start of the following financial year.

Proceeds of Crime Community Fund Reserve

Money seized under the Proceeds of Crime Act (POCA) 2002 is initially utilised to support the Economic Crime Unit funding of financial investigators. These investigators ensure that where possible, proceeds of crime are recovered. All proceeds in excess of this commitment will be held in this reserve and used to support the mission of delivering even safer communities for the whole of Cheshire.

Basis of Transactions:

As part of the approved budget, there is a first call on POCA to support the funding of the Economic Crime Unit, Community Action Fund, Innovation Fund and Community Initiatives. Any additional funding after these commitments has been covered, is placed into this reserve and agreement on its usage it subject to a report to Joint Management Board.

Hardship Loan 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 was 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.

Basis of Transactions:

Should a default arise on the repayment of any Hardship Loan, a report will be submitted to Deputy Chief Constable. If they approve the writing off of the debt, the funding will be applied and reported to the Commissioner in the next quarterly financial report.

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 once the funding position is clarified and to support the preparatory work.

Basis of Transactions:

Utilisation of this funding is linked to the costs and support required in both HR and Finance in resolving the McCloud issues. Approval is granted each year as part of the budget setting process. Additional use in year will be reported in the quarterly financial reports to Joint Management Board.

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 should the need arise.

Basis of Transactions:

Redundancies are managed through the relevant HR processes and approval routes. Only approved redundancies will be funded via this reserve and will be reported in the quarterly financial reports to Joint Management Board.

Major Investigations Reserve

This reserve holds funds to contribute towards the costs of ongoing and future Major Investigations.

Basis of Transactions:

This is restricted under the grant agreement to fund the specified operation.

Council Tax Deficit Reserve

This reserve holds funds received from Government towards irrecoverable Council Tax income losses associated with the Coronavirus pandemic. It is held to mitigate against future resulting Council Tax Collection Fund deficits as they are declared by billing authorities.

Basis of Transactions:

This reserve will be applied to council tax collection fund deficits until such times that the deficits have ceased, or the grant is fully utilised. Should the collection funds return to balanced or surplus before the grant is fully utilised, any balance will be transferred to general reserves if required to maintain the 3% or the Medium-Term Financial Strategy otherwise.

Estates Strategy Reserve

The Commissioner approved the Estates Strategy in 2021 that sets the direction over the next 10 years to ensure a modern, fit for purpose, environmentally efficient and cost-effective estate that meets the needs of police staff and officers and delivers for the public. As changes take place, there will be transitional costs and this reserve supports those interim costs.

Basis of Transactions:

Approval for the use of this funding is reserved to the Commissioner and restricted to supporting the delivery of the Estates Strategy. Any call on this reserve is subject to a report to Joint Management Board and Commissioner approval.

Road Safety Initiatives Reserve

One of the Commissioner's key Police and Crime Plan 2021-24 priorities is 'Making Cheshire's roads safer'. This reserve holds funds set aside to enable the commissioning of projects in line with this objective.

Basis of Transactions:

Use of this funding is subject to a report to Joint Management Board setting out the proposals and is subject to agreement from the Commissioner and Chief Constable.

Revenue Reserve for Capital

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

Basis of Transactions:

This reserve supports the funding of the approved capital programme. Its use is initially set out at the start of the financial year through the Investment Strategy and reported on throughout the year as part of the quarterly financial reports. Final actual application of the reserve is undertaken at year-end and reported in the outturn report.

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 expenditure.

Basis of Transactions:

The use of this reserve is restricted under the PFI contract arrangements and is applied to the IT refresh programme at part of the year-end process.

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. This is a national programme that is currently undergoing a new procurement process, which is expected to take some time to complete. A new full business case is expected in 2023 with an updated financial impact assessment. Airwave now remains viable to at least 2035 and therefore, this reserve is not expected to be required for the foreseeable future. As such, it may be released in the short-term subject to Commissioner approval.

Basis of Transactions:

Until a clear national business case is approved, this reserve is suspended.

Unapplied Capital Grants Reserve

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

Basis of Transactions:

The use of this reserve is restricted under the grant arrangements and is applied to the capital programme at part of the year-end process.

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.

Basis of Transactions:

The use of this reserve is restricted under legislation and regulations and is applied to the IT refresh programme at part of the year-end process.

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.

For all Collaboration Reserves – Basis of Transactions:

The use of any of the above collaborations' reserves are subject to approval by all relevant partners and the agreed governance routes as set out in the S.22 Agreements.

KEY RISKS

8. There are a number of uncertainties and risks over the next few years that hold the potential of significant financial impact including the on-going effect of the pandemic. Uncertainty over funding as a result 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 while the Spending Review in October 2021 provided very high-level options for the subsequent three years, the actual settlement provides details for one year only.
 - b. In 2022, more than any other year for some considerable time, inflation has hit the headlines with the UK reporting a 40-year high of 10.1% in July, increasing further to a reported 11.1% in October. Over the last decade, inflation has remained around the 2% target rate, accompanied by near-zero interest rates. As such, the rapid increase in inflation is challenging, unforeseen in most cases and generally un-funded. However, it is not just the UK, inflation is a huge problem on a global scale and the pressure is only set to increase with conflict detrimental to food, energy and commodity prices, making the outlook challenging to predict.
 - 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. Significant work is required to facilitate the fallout of this ruling and there is a degree of uncertainty over the costs and funding going forward.

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 SCT Business Meeting, 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 SCT Business Meeting 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 is 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. There has been no allocation of capital grants in the last two Government Settlements. It is, therefore, appropriate to forward plan on that basis. In order to meet the minimum asset replacement cycles, a revenue contribution is made each year into Revenue Reserve for Capital reserve and used towards financing that year's capital programme.

Annex 1

RESERVES HELD

| | 2021/22 | 2022/23 | | | 2023/24 | | | 2024/25 | | | 2025/26 | | | 2026/27 | | |
|------------------------------------|----------------|-----------------|-----------------|----------------|-----------------|-----------------|----------------|-----------------|-----------------|----------------|-----------------|-----------------|----------------|-----------------|-----------------|----------------|
| | 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 | 31-Mar £000 | Revenue £000 | Capital £000 | 31-Mar £000 |
| <u>General Reserves: Revenue</u> | | | | | | | | | | | | | | | | |
| Police Fund - General Reserve | £5,773 | £0 | £0 | £5,773 | £0 | £0 | £5,773 | £0 | £0 | £5,773 | £0 | £0 | £5,773 | £0 | £0 | £5,773 |
| MTFS Reserve | £3,253 | £0 | £0 | £3,253 | £0 | £0 | £3,253 | £0 | £0 | £3,253 | £0 | £0 | £3,253 | £0 | £0 | £3,253 |
| | £9,026 | £0 | £0 | £9,026 | £0 | £0 | £9,026 | £0 | £0 | £9,026 | £0 | £0 | £9,026 | £0 | £0 | £9,026 |
| <u>Earmarked Reserves: Revenue</u> | | | | | | | | | | | | | | | | |
| Carry Forwards Reserve | £3,874 | -£3,874 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 |
| POCA Reserve | £582 | -£390 | £0 | £192 | -£192 | £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 | £50 |
| Pay and Pensions Reserve | £886 | -£152 | £0 | £734 | -£180 | £0 | £554 | -£184 | £0 | £370 | -£187 | £0 | £183 | £0 | £0 | £183 |
| Redundancy Reserve | £546 | -£45 | £0 | £501 | £0 | £0 | £501 | £0 | £0 | £501 | £0 | £0 | £501 | £0 | £0 | £501 |
| Major Investigations Reserve | £1,019 | -£75 | £0 | £944 | -£242 | £0 | £702 | £0 | £0 | £702 | £0 | £0 | £702 | £0 | £0 | £702 |
| Council Tax Deficit Reserve | £1,615 | -£34 | £0 | £1,580 | -£580 | £0 | £1,000 | £0 | £0 | £1,000 | £0 | £0 | £1,000 | £0 | £0 | £1,000 |
| Estates Strategy Reserve | £500 | £0 | £0 | £500 | £0 | £0 | £500 | £0 | £0 | £500 | £0 | £0 | £500 | £0 | £0 | £500 |
| Road Safety Initiatives Reserve | £970 | -£970 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 |
| | £10,042 | -£5,540 | £0 | £4,501 | -£1,194 | £0 | £3,307 | -£184 | £0 | £3,123 | -£187 | £0 | £2,936 | £0 | £0 | £2,936 |
| <u>Earmarked Reserves: Capital</u> | | | | | | | | | | | | | | | | |
| Capital Receipts | £686 | £0 | -£686 | £0 | £0 | £0 | £0 | £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 | £0 |
| ESN Reserve | £2,810 | -£652 | £931 | £3,089 | -£1,671 | £0 | £1,418 | -£1,193 | £0 | £225 | £0 | £0 | £225 | £0 | £0 | £225 |
| HQ IT Reserve | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 |
| Revenue Reserve for Capital | £3,052 | £3,200 | -£5,888 | £364 | £2,520 | -£2,592 | £292 | £3,000 | -£3,292 | £0 | £3,000 | -£3,000 | £0 | £3,000 | -£3,000 | £0 |
| | £6,548 | £2,548 | -£5,643 | £3,453 | £849 | -£2,592 | £1,710 | £1,807 | -£3,292 | £225 | £3,000 | -£3,000 | £225 | £3,000 | -£3,000 | £225 |
| <u>Collaboration Reserves:</u> | | | | | | | | | | | | | | | | |
| Armed Police Alliance Reserve | £709 | £240 | £0 | £949 | -£360 | £0 | £589 | £0 | £0 | £589 | £0 | £0 | £589 | £0 | £0 | £589 |
| Dog Alliance Reserve | £361 | -£361 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 |
| Local Resilience Forum Reserve | £389 | £43 | £0 | £432 | £0 | £0 | £432 | £0 | £0 | £432 | £0 | £0 | £432 | £0 | £0 | £432 |
| MFSS Development Fund | £775 | -£775 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 |
| National Blue Light Procurement | £170 | -£170 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 |
| UWSU Reserve | £850 | £104 | £0 | £954 | £0 | £0 | £954 | £0 | £0 | £954 | £0 | £0 | £954 | £0 | £0 | £954 |
| NWAP Collaboration | £42 | -£21 | £0 | £21 | £0 | £0 | £21 | £0 | £0 | £21 | £0 | £0 | £21 | £0 | £0 | £21 |
| | £3,296 | -£940 | £0 | £2,356 | -£360 | £0 | £1,996 | £0 | £0 | £1,996 | £0 | £0 | £1,996 | £0 | £0 | £1,996 |
| TOTAL RESERVES | £28,912 | -£3,932 | -£5,643 | £19,336 | -£705 | -£2,592 | £16,039 | £1,623 | -£3,292 | £14,370 | £2,813 | -£3,000 | £14,183 | £3,000 | -£3,000 | £14,183 |

RESERVES HELD - Home Office classification

| | 2021/22 | | | 2022/23 | | | 2023/24 | | | 2024/25 | | | 2025/26 | | | 2026/27 | | |
|---|----------------|-----------------|-----------------|----------------|-----------------|-----------------|----------------|-----------------|-----------------|----------------|-----------------|-----------------|----------------|-----------------|-----------------|----------------|-----------------|-----------------|
| | 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 | 31-Mar £000 | Revenue £000 | Capital £000 | 31-Mar £000 | Revenue £000 | Capital £000 |
| General Reserve / Contingency: | | | | | | | | | | | | | | | | | | |
| Police Fund - General Reserve | £5,773 | £0 | £0 | £5,773 | £0 | £0 | £5,773 | £0 | £0 | £5,773 | £0 | £0 | £5,773 | £0 | £0 | £5,773 | £0 | £0 |
| MTFS Reserve | £3,253 | £0 | £0 | £3,253 | £0 | £0 | £3,253 | £0 | £0 | £3,253 | £0 | £0 | £3,253 | £0 | £0 | £3,253 | £0 | £0 |
| | £9,026 | £0 | £0 | £9,026 | £0 | £0 | £9,026 | £0 | £0 | £9,026 | £0 | £0 | £9,026 | £0 | £0 | £9,026 | £0 | £0 |
| Funding for Projects/Programmes - current MTFS | | | | | | | | | | | | | | | | | | |
| Armed Police Alliance Reserve | £709 | £240 | £0 | £949 | -£360 | £0 | £589 | £0 | £0 | £589 | £0 | £0 | £589 | £0 | £0 | £589 | £0 | £0 |
| Capital Receipts | £686 | £0 | -£686 | £0 | £0 | £0 | £0 | £0 | £0 | £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 | £0 | £0 | £0 |
| Carry Forwards Reserve | £3,874 | -£3,874 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 |
| Dog Alliance Reserve | £361 | -£361 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 |
| ESN Reserve | £2,810 | -£652 | £931 | £3,089 | -£1,671 | £0 | £1,418 | -£1,193 | £0 | £225 | £0 | £0 | £225 | £0 | £0 | £225 | £0 | £0 |
| POCA Reserve | £582 | -£390 | £0 | £192 | -£192 | £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 | £50 | £0 | £0 |
| Pay and Pensions Reserve | £886 | -£152 | £0 | £734 | -£180 | £0 | £554 | -£184 | £0 | £370 | -£187 | £0 | £183 | £0 | £0 | £183 | £0 | £0 |
| HQ IT Reserve | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 |
| Local Resilience Forum Reserve | £389 | £43 | £0 | £432 | £0 | £0 | £432 | £0 | £0 | £432 | £0 | £0 | £432 | £0 | £0 | £432 | £0 | £0 |
| MFSS Development Fund | £775 | -£775 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 |
| National Blue Light Procurement | £170 | -£170 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 |
| Redundancy Reserve | £546 | -£45 | £0 | £501 | £0 | £0 | £501 | £0 | £0 | £501 | £0 | £0 | £501 | £0 | £0 | £501 | £0 | £0 |
| Revenue Reserve for Capital | £3,052 | £3,200 | -£5,888 | £364 | £2,520 | -£2,592 | £292 | £3,000 | -£3,292 | £0 | £3,000 | -£3,000 | £0 | £3,000 | -£3,000 | £0 | £3,000 | -£3,000 |
| UWSU Reserve | £850 | £104 | £0 | £954 | £0 | £0 | £954 | £0 | £0 | £954 | £0 | £0 | £954 | £0 | £0 | £954 | £0 | £0 |
| Major Investigations Reserve | £1,019 | -£75 | £0 | £944 | -£242 | £0 | £702 | £0 | £0 | £702 | £0 | £0 | £702 | £0 | £0 | £702 | £0 | £0 |
| NWAP Collaboration | £42 | -£21 | £0 | £21 | £0 | £0 | £21 | £0 | £0 | £21 | £0 | £0 | £21 | £0 | £0 | £21 | £0 | £0 |
| Council Tax Deficit Reserve | £1,615 | -£34 | £0 | £1,580 | -£580 | £0 | £1,000 | £0 | £0 | £1,000 | £0 | £0 | £1,000 | £0 | £0 | £1,000 | £0 | £0 |
| Estates Strategy Reserve | £500 | £0 | £0 | £500 | £0 | £0 | £500 | £0 | £0 | £500 | £0 | £0 | £500 | £0 | £0 | £500 | £0 | £0 |
| Road Safety Initiatives Reserve | £970 | -£970 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 |
| | £19,886 | -£3,932 | -£5,643 | £10,310 | -£705 | -£2,592 | £7,013 | £1,623 | -£3,292 | £5,344 | £2,813 | -£3,000 | £5,157 | £3,000 | -£3,000 | £5,157 | £3,000 | -£3,000 |
| TOTAL RESERVES | £28,912 | -£3,932 | -£5,643 | £19,336 | -£705 | -£2,592 | £16,039 | £1,623 | -£3,292 | £14,370 | £2,813 | -£3,000 | £14,183 | £3,000 | -£3,000 | £14,183 | £3,000 | -£3,000 |

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