

# JOINT MANAGEMENT BOARD



Cheshire  
Constabulary



Date: Wednesday 08 November 2023

Time: 10am

Venue: Cheshire Constabulary HQ, Clemonds Hey, Oakmere Road, Winsford, CW7 2UA

Any member of the public who wishes to observe this meeting is asked to register their interest no later than midday on Monday 06 November 2023 via email [police.crime.commissioner@cheshire.police.uk](mailto:police.crime.commissioner@cheshire.police.uk).

## AGENDA

### Part 1 - Public Items

1	MINUTES OF MEETING HELD ON 04 OCTOBER 2023	2
2	FINANCIAL POSITION REPORT 2023/24: MID YEAR REVIEW	5
3	TREASURY MANAGEMENT 2023/24: MID YEAR REVIEW	19
4	MEDIUM-TERM FINANCIAL STRATEGY 2023-2028: 2023 MID YEAR REVIEW	30

### Part 2 - Private Items

*The following matters will be considered in private as they involve the likely disclosure of exempt information as defined in the Freedom of Information Act 2000, in accordance with the section indicated below:*

**Item**

Joint Management Board Action Log

**Section**

(31) Law Enforcement  
(43) Commercial Interests

Joint Management Board Forward Plan

(31) Law Enforcement  
(43) Commercial Interests

5	JOINT MANAGEMENT BOARD ACTION LOG	-
6	JOINT MANAGEMENT BOARD FORWARD PLAN	-

For further information about this Agenda, please contact:  
Matt Walton on 01606 364000

**MINUTES OF THE JOINT MANAGEMENT BOARD HELD ON 04 OCTOBER 2023 IN THE  
OPCC MEETING ROOM, CHESHIRE CONSTABULARY HQ, CLEMONDS HEY, OAKMERE  
ROAD, WINSFORD, CW7 2UA**

*Present:* J Dwyer, Police & Crime Commissioner  
M Roberts, Chief Constable

*Office of the Police & Crime Commissioner*

D McNeillage, Deputy Police & Crime Commissioner  
D Taylor, Chief Executive  
C Hodgson, Chief Finance Officer  
M Walton, Principal Governance & Compliance Officer

*Cheshire Constabulary*

C Armit, Deputy Chief Constable  
D Bryan, Head of Legal Services  
W Bebbington, Head of Finance

No members of the public observed Part 1 of the meeting.

***Part 1 - Public items***

**1. MINUTES OF MEETING HELD ON 13 SEPTEMBER 2023**

The minutes of the meeting held on 13 September 2023 were approved.

**2. MANAGEMENT DECISIONS**

The report explained that following the Joint Management Board meeting on 13 September 2023, one Management Decision had been approved by the Deputy Police & Crime Commissioner and the Chief Constable (in advance of the Joint Management Board scheduled for Wednesday 04 October 2023).

- *2023-05 Saab Infrastructure - Replacement Hardware for Telephony*

*The report was presented to the Deputy Police & Crime Commissioner and the Chief Constable and subsequently approved on 26 September 2023, outside of the formal Joint Management Board. The Deputy Police & Crime Commissioner was advised that there was a requirement to purchase hardware at the earliest opportunity to ensure that there is full hardware and software support in the event of any issues that could be experienced.*

The Police & Crime Commissioner and the Chief Constable approved the following recommendation:

- (1) The Police & Crime Commissioner and the Chief Constable note the Management Decision (*Saab Infrastructure - Replacement Hardware for Telephony*) previously approved outside of the formal Joint Management Board.

The rationale was that the noting of previous Management Decisions at Joint Management Board supports both the Commissioner's and Chief Constable's commitment to openness and transparency of decisions that are of significant public interest regarding policing, crime and community safety in Cheshire.

### **3. FEES & CHARGES HANDBOOK - SEPTEMBER 2023 UPDATE**

The report explained that the Fees & Charges Handbook for 2023/24 was approved in April 2023. Following the government's announcement of a 7% pay award, the NPCC has published a revised edition of the guidance which incorporates recalculated rates in relation to Special Police Services. It is necessary, therefore, to revise the Fees & Charges Handbook to reflect the new rates applicable from September 2023. It was noted that whilst the new rates will generate additional income, this will be offset by the additional costs incurred in providing these services.

The Police & Crime Commissioner approved the following recommendation submitted by the Chief Constable:

- (1) the revised extracts from the Fees and Charges Handbook as set out in Appendices 2 and 3 be approved.

The rationale was that the revised extracts from the Fees & Charges Handbook are in-line with the nationally agreed charging structure and reflect the nationally agreed 7% pay award.

### **4. VEHICLE SALARY SACRIFICE SCHEME**

The report explained that at the Joint Management Board on 13 September 2023, the Commissioner and Chief Constable approved a proposal, subject to a Constabulary policy being in place, for the introduction and implementation of a Vehicle Salary Sacrifice Scheme within Cheshire Constabulary. The policy was to be presented at Joint Management Board prior to implementation of the scheme.

The report presented the Constabulary policy to enable implementation of the scheme.

The Police & Crime Commissioner and the Chief Constable approved the following recommendation:

- (1) The Constabulary policy in relation to the implementation of a Vehicle Salary Sacrifice Scheme be noted.

The rationale was that the policy will enable the introduction of the scheme that will enhance the current benefits and wellbeing initiatives available to Constabulary employees, as well as supporting the Commissioner's ongoing commitment to the successful delivery of the Environmental Strategy 2021-2031.

### ***Part 2 - Private items***

### **5. STRATEGIC RISK REGISTER**

The Strategic Risk Register was presented for consideration and approval.

The Police & Crime Commissioner and the Chief Constable approved the following recommendations:

- (1) The Strategic Risk Register, risk analysis and action overview, be noted;
- (2) One Constabulary risk is closed; and
- (3) Three new risks are added to the Strategic Risk Register.

The rationale was that the decision will ensure that the effective management of strategic risk supports the delivery of high quality policing services.

## **6. SECTION 22A COLLABORATION AGREEMENT: CHRONICLE COLLABORATION**

The report sought approval in respect of a regional Chronicle Collaboration. It was noted that although this was the first S22a Collaboration Agreement in respect of this matter, the Collaboration has, in reality, been ongoing since August 2012 and led by Cumbria Constabulary.

The Police & Crime Commissioner and the Chief Constable approved the following recommendation:

- (1) The S22a Collaboration Agreement be approved and the Agreement signed by the Chief Constable and the Police & Crime Commissioner.

The rationale was that the continued collaboration will ensure continuity of regional services and a formal Collaboration Agreement on the approved APACE model is appropriate to regularise the legal basis for both the collaboration and associated governance structures.

## **7. SECTION 22A COLLABORATION AGREEMENT - MINERVA PROGRAMME**

The report sought approval in respect of a S22a Collaboration Agreement for the Minerva Programme, effectively converting the form of agreement from a membership / service level structure into a formal police collaboration.

The Police & Crime Commissioner and the Chief Constable approved the following recommendation:

- (1) The S22a Collaboration Agreement be approved and the Agreement signed by the Chief Constable and the Police & Crime Commissioner.

The rationale was that the continued collaboration will ensure continuity of services and a formal Collaboration Agreement on the approved APACE model is appropriate to regularise the legal basis for both the collaboration and associated governance structures.

## **8. JOINT MANAGEMENT BOARD ACTION LOG**

The Joint Management Board Action Log was noted.

## **9. JOINT MANAGEMENT BOARD FORWARD PLAN**

The Joint Management Board Forward Plan was noted.



**JOINT MANAGEMENT BOARD**

**DECISION NO. 2023/31**

**DATE: 08 NOVEMBER 2023**

**FINANCIAL POSITION REPORT 2023/24: MID YEAR REVIEW**

**Executive Summary:**

The purpose of this report is to provide the Commissioner with the forecast financial outturn for 2023/24 as at the end of September 2023.

On 25 January 2023, the Commissioner approved a gross revenue budget of £266.5m (net £236.8m) together with a capital programme of £8.127m. At the Joint Management Board meeting on 5 July 2023, the Commissioner approved carry forward requests of £1.2m and capital slippage of £6.9m of which £4.8m was confirmed after the original programme was set.

At the end of September 2023, there is a forecast revenue underspend of £1.1m (0.45%); together with a forecast capital underspend of £0.1m (1%).

**Recommendations:**

- (1) the forecast revenue and capital outturn positions be noted, and the proposal to use the identified budget surplus for the replacement of the Contact Centre digital equipment and to support additional activity in key demand areas is approved.

I submit this recommendation for approval.

**Signature**

**Date 08 November 2023**

**Chief Constable**

I have reached the following decision:

*Accept the above recommendations*

My rationale for this decision is:

The mid-year review demonstrates prudent management of the 2023/24 budget to date. The forecast includes the pay award of 7% and the government funding received to contribute towards this. The mid-year target for Police Uplift Programme has been met and significant work is ongoing to deliver performance outcome improvements against an increase in key demand areas.

**Signature**

**Date 08 November 2023**

**Police & Crime Commissioner**

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

### **INTRODUCTION AND BACKGROUND**

1. The purpose of this report is to provide the Commissioner with the forecast financial position for 2023/24 as at the end of September 2023. In addition, the report will provide details of performance against the agreed financial health targets.

### **BACKGROUND**

2. On 25 January 2023, the Commissioner approved a gross revenue budget of £266.5m (net £236.8) together with a capital programme of £8.1m. At the Joint Management Board meeting on 5 July 2023, the Commissioner approved carry forward requests of £1.2m and capital slippage of £6.9m of which £4.8m was confirmed after the original programme was set.

### **FORECAST REVENUE EXPENDITURE**

3. At the end of September 2023, there is a forecast revenue underspend of £1.1m (0.45%) which is within the financial health target of 1%. This forecast includes £5m of additional government funding received towards the 7% pay award.

### **FORECAST CAPITAL EXPENDITURE**

4. The latest forecast capital expenditure to be funded for 2023/24 stands at £12.1m against an approved budget of £14.3m.
5. There is currently forecast slippage of £2.1m which relates largely to reprofiling the timing of anticipated expenditure in respect of the Estates Strategy
6. This forecast remains within the capital expenditure financial health target that outturn should not vary from the Capital Programme by more than 20%.

### **FINANCIAL COMMENTS**

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

### **LEGAL COMMENTS**

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

### **EQUALITY COMMENTS**

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

**Public access to information**

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

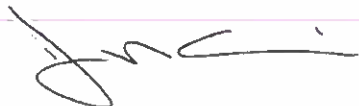
Is there a Part 2 form - No

Contact Officer: Wendy Bebbington, Head of Finance

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

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

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



Signature

Date 25 October 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 31 October 2023

**FINANCIAL POSITION REPORT: 2023/24 MID YEAR REVIEW****PURPOSE OF THE REPORT**

1. The purpose of this report is to provide the Commissioner with a forecast financial position for 2023/24 as at the end of September 2023. In addition, the report will provide details of performance against the agreed financial health targets.

**REVENUE**

2. The Commissioner and the Constabulary are working hard together to deliver significant performance outcome improvements and achieving Cheshire's establishment targets under the national uplift programme.
3. Overall, at the end of September 2023, there is a forecast underspend is £1.1m which is 0.45% of the net budget. This forecast includes £5m of additional Government funding received towards the 7% pay award.
4. A significant proportion of the underspend arises from the benefit of higher interest rates on current investments. As a result, there are two proposals for using this one-off windfall – replacement of the Contact Centre digital equipment and funds to support additional activity in key demand areas.
5. Within the Contact Centre desktop computers receive significantly more use than elsewhere due to the nature of the work, they are used 24hrs a day, 7 days a week and as such the performance has degraded over time. These devices are not standard desktops and are higher powered due to the nature of the requirements in that area. It is therefore proposed to commence a replacement programme this year.
6. As well as seeing an increase in the volume of crimes and incidents involving vulnerable victims over recent years, the expectations and standards of service have also increased, and this is coupled with a higher than usual cohort of less experienced officers. Additional activity to support improved service levels across a number of critical operational areas such as investigation standards, quality of case files, victim contact, supporting vulnerable victims and the use of proactive police powers such as 'stop and search' will enable the force to improve the quality of service to victims and the communities of Cheshire in general. To support this programme of work over the next twelve months, it is proposed to ring-fence the remaining underspend to support these activities.
7. Table 1 shows a summary provisional revenue outturn and funding details with a full breakdown against individual departments included in Appendix 2.

**Table 1: Summary Provisional Revenue Outturn 2023/24**

	Revised Budget	Forecast Outturn	Variance (under)/over	
	£'000	£'000	£'000	%
Constabulary	234,410	234,273	(138)	(0.06%)
Corporate Costs	4,865	3,932	(933)	(19.18%)
OPCC	1,062	1,039	(23)	(2.17%)
Commissioning	1,528	1,528	0	0.00%
<b>Net Budget</b>	<b>241,867</b>	<b>240,772</b>	<b>(1,094)</b>	<b>(0.45%)</b>
Funding:				
Government grant	(142,810)	(142,810)	0	
Council tax (precept)	(99,057)	(99,057)	0	
<b>Funding</b>	<b>(241,867)</b>	<b>(241,867)</b>	<b>0</b>	
<b>Total net (under)/overspend</b>			<b>(1,094)</b>	

8. The key areas of note are listed below with a full departmental breakdown in appendix 2.

**Significant areas of note are:**

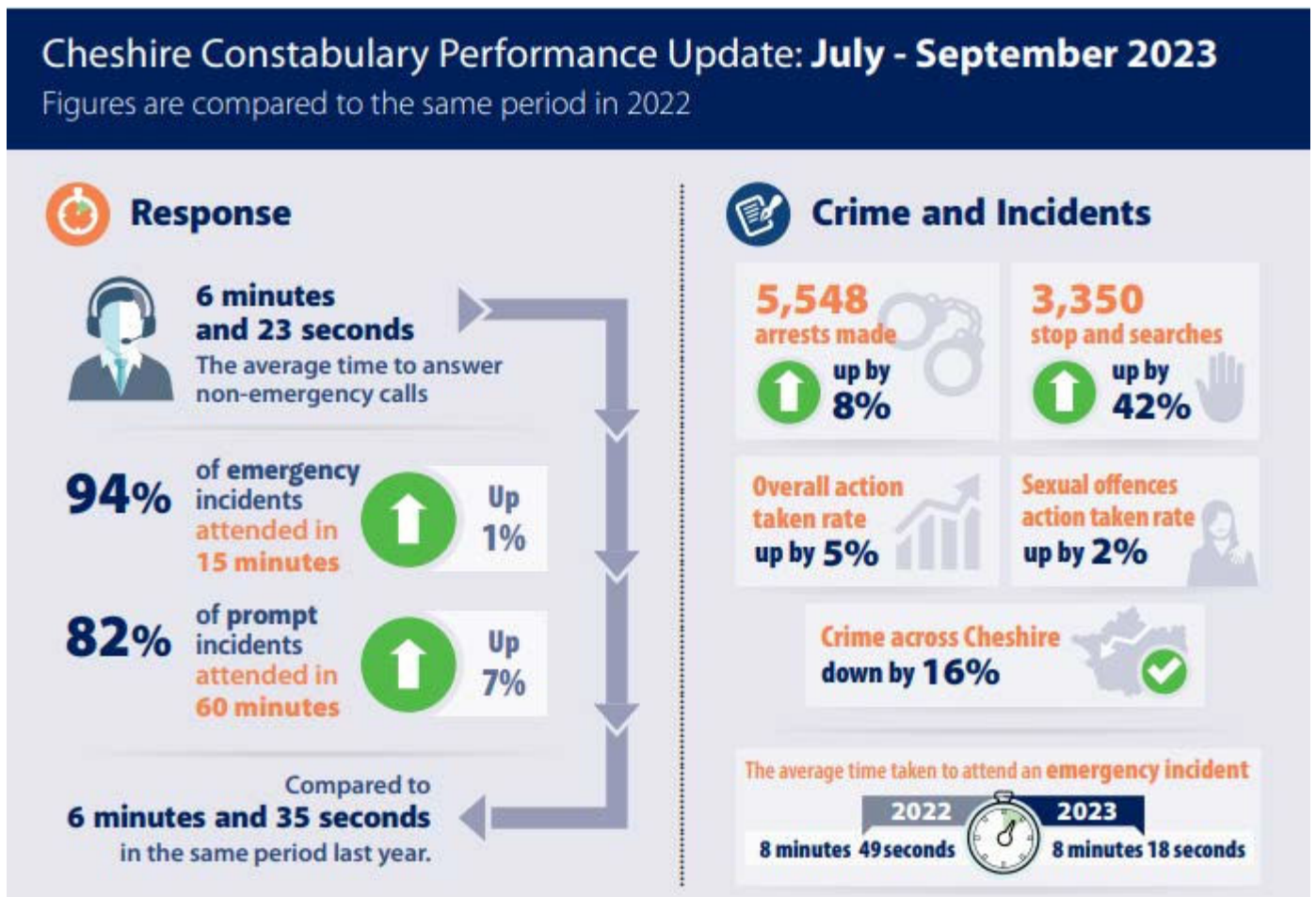
- 8.1 Police Pay – Under the police uplift programme, grant conditions stipulate that officer numbers must be maintained at an agreed level of 2395 to be eligible to receive the grant in September and March. The establishment at the end of September is 2397, confirming that the mid-year target has been achieved. The current forecast underspend of £700k reflects changes in the starters and leavers profile, and rank mix of officers. Additionally, it includes income received in relation to grant, mutual aid and partnership funding, plus refunds of employer pension contributions where officers have opted out of the pension scheme.
- 8.2 Police Overtime – As part of the first quarter review, approval was obtained to transfer available budget of £500k in relation to local policing vacancies to officer related pay. This budget has been allocated to Police Overtime and in addition, it is proposed to transfer a further £250k from Local Policing to ensure maximum support is provided to neighbourhood policing. This reduces the previously forecast overspend of £1m to a revised £250k.
- 8.3 Custodial Operations – There are increased costs in relation to the medical contract and detainee costs which have been alleviated by monies received through Op Safeguard. This funding stream may provide additional funding opportunities and work is underway to explore this further.

- 8.4 Local Policing – The current overspend forecast of £55k reflects increased costs of housing seized dogs following the recent upsurge in seizure of dangerous dogs which is expected to continue throughout the financial year.
- 8.5 Public Contact – There is a £78k reduction in the underspend forecast at first quarter to £112k following a decision to utilise this opportunity to add an intake of operators in January 2024.
- 8.6 Uniform Operations – The forecast overspend has increased since the first quarter by £79k to £147k. This is due to a reduction in firearms licensing renewals and new applications. The national firearms charges are currently under review with revised charges anticipated next financial year.
- 8.7 Roads and Crime – There is a favourable movement in the previous forecast overspend of £121k arising from temporary additional income received for accompanying abnormal loads which have seen an increase in demand this financial year. The result is a revised forecast underspend of £24k.
- 8.8 Driver Offender Retraining (NDORS) – The current forecast underspend of £186k is an increase of £87k since first quarter, due to higher than previously anticipated net income received from courses over the summer months.
- 8.9 Planning and Performance – The current forecast underspend has been reduced by £86k to reflect the proposal to carry forward budget originally brought forward from 2022/23 for the Digital Intelligence and Analysis Programme. This budget is not anticipated to be spent this financial year due to lack of consultancy availability, hence the request to carry forward subject to outturn.
- 8.10 Strategic Change – An underspend of £91k is currently forecast representing an increase of £78k since first quarter. This reflects a contribution from Safer Streets to project management costs and capitalisation of staffing costs associated with the Business Services Futures project.
- 8.11 People Services – There is a reduction of £139k in the forecast overspend to £22k which is predominantly due to lower ill health retirement lump sum payments being predicted.
- 8.12 Fleet – There is a significant increase of £597k in the forecast overspend reported at first quarter which has been revised to £636k. This is partly due to a rise in damaged vehicles from TPAC response, and collisions involving less experienced drivers which is impacting on the vehicle insurance excess budget. In addition, the forecast cost of fuel has increased based on demand trends and oil price rises.
- 8.13 Collaborations – An underspend of £80k is currently forecast which is mainly due to receiving Cheshire's share of the final MFSS reserve balance.

- 8.14 Corporate Costs – At the first quarter review, an underspend of £329k was forecast which has increased significantly to £933k. This is due to an increase in the investment interest surplus arising from current interest rates.
- 8.15 Contingency – The budget for Contingency this year is £518k and to date £136k has been allocated to Police Overtime in relation to several operations as approved by the Force Operations Manager. A further £274k is currently earmarked for approved bids leaving a balance of £108k yet to be allocated. It is anticipated that this will be utilised in full by the year end.

## 2023/24 PERFORMANCE

- 9. The 2023/24 budget, set by the Commissioner, prioritises protecting recent performance improvements including reduced call waiting times, quicker incident response times, and increased arrest and charge rates. The following demonstrates the positive impact that this is having on outcomes that protect the most vulnerable and provide justice to victims of crime during 2023.



## CAPITAL PROGRAMME

10. The capital budget is comprised as follows:

Table 2: Capital Budget 2023/24

	£000
Schemes commencing in 2023/24	6,022
Previous years' schemes	2,105
Capital Budget – approved at budget setting	8,127
Additional slippage identified at 2022/23 outturn	4,808
In-year budget movements	1,366
<b>Revised Capital Budget 2023/24</b>	<b>14,301</b>
Forecast Slippage	(2,054)
Forecast over/(underspend)	(127)
<b>Capital Programme to be funded 2023/24</b>	<b>12,120</b>

10.1 The forecast capital programme to be funded for 2023/24 is £12.1m. The total slippage brought forward from 2023/24 of £6.9m was approved via a combination of the 2023/24 Budget report and the 2022/23 Revenue & Capital Outturn report presented to Joint Management Board 5 July 2023.

10.2 The in-year budget reduction in the second quarter of £9k relates to:

- a) Estates Strategy – Given the current financial pressures facing the organisation, a review of planned estates capital schemes has been undertaken and a number of non-essential smaller schemes totalling £170k have been deferred and therefore removed from the programme. These proposals will be reconsidered alongside other capital programme priorities for potential inclusion in future years.
- b) An additional £70k has been added to the Technology refresh programme to enable the purchase of new IT Devices (tablets and laptops) to support the protection of vulnerable people, utilising funding already earmarked within the revenue budget for infrastructure improvements.
- c) The addition of £91k for Telephony Hardware which has reached the end of its life and needs to be replaced. This is partly funded by a refund of £56k on consultancy costs for the Enhanced IT Security project which was completed in 2022/23.

10.3 The increase in slippage from first quarter of £419k relates to:

- a) £114k for the scheme to update Workshop Tools and Cabinets in the Vehicle Management Unit. The project is progressing through procurement but is now expected to be completed in 2024/25.

- b) £185k for Alliance Vehicle Replacements where delivery is now expected to be in 2024/25. This means that the forecast overspend of £160k on these vehicles which was approved at first quarter will now move to 2024/25.
- c) £120k for Vehicles for the Underwater Search Unit which are now expected to be delivered in 2024/25.

10.4 There is currently an overall forecast underspend of £127k. This is an improvement of £320k from the first quarter forecast overspend of £193k. £161k of this relates to the forecast overspend on the Alliance vehicle replacements which will now materialise in 2024/25 and the other significant items are 1) an underspend of £56k relating to a refund of consultancy costs for the Enhanced Offline IT Backup Capability scheme from 2022/23. This refund will partly offset the costs of the new Telephony Hardware replacement referred to above, and 2) there is also a forecast underspend of £100k in respect of current Estates schemes for lighting upgrades and 2023/24 decarbonisation measures, although further funding for future projects covering decarbonisation is planned within the current Capital Strategy period.

10.5 Full details are included at Appendix 3.

### **2023/24 CAPITAL EXPENDITURE**

10.6 At the end of September, £2,258k had been spent. The main areas of spend were £862k for IT schemes, £739k relating to annual Fleet Vehicle replacements, £379k for ANPR (Automated Number Plate Recognition) schemes and £278k Estates Schemes.

### **PROGRESS ON KEY/ LARGER SCHEMES**

10.7 Estates Strategy – Wilmslow Police Station. A contract has now been awarded for the provision of a new police station at Wilmslow and construction will commence shortly. Completion is targeted by March 2024, however it is possible that there may be some slippage into April 2024.

10.8 Estates Strategy – Crewe Police Station. The land in respect of the planned new Crewe police station is expected to be purchased imminently and the build is anticipated in 2024/25.

10.9 Custody Desk Replacement project – Budget of £750k in total to upgrade the three custody suites at an estimated £250k each. Two custody suites are forecast to be completed during 2023/24 with the third one to be undertaken in 2024/25.

10.10 HQ Security Improvements – The remaining planned works have now been approved and an order has been placed. The cost of these final works is estimated to be £301k, so will result in a small overspend of £34k.

10.11 Fleet Vehicle Replacement Programme - £739k of the £1,278k slippage from 2022/23 has been spent during the first two quarters, with the balance expected by third quarter. Orders have been placed for the whole 2023/24 programme with delivery still currently expected before 31 March 2024.

10.12 Technology Refresh – Spend at mid-year is £685k, with the programme on target to be delivered during the year.

10.13 Business Services Futures (BSF) - £1,355k of the original budget was carried forward into 2023/24 to deliver the remaining go-live requirements and further developments. The project is currently scheduled to finish by March 2024. Any under or overspend against budget or any slippage into 2024/25 will be confirmed at third quarter.

10.14 ANPR Infrastructure - £500k funding to increase the number of national ANPR assets has been secured from the Home Office. Site visits are currently being undertaken and work is currently expected to be complete by the end of the financial year.

## CAPITAL FINANCING

11. The Financing of the 2023/24 Programme is shown in the table below.

Table 3: Capital Financing

	<b>£000</b>
Capital Receipts	3,406
General Grant	0
Specific Grant	557
Revenue Contributions	2,440
HQ IT Reserve	284
Additional contributions (Internal & External)	2,462
UWSU Reserve	53
Borrowing	2,918
<b>Total</b>	<b>12,120</b>

11.1 Although £2.9m of the capital spending in 2023/24 will be financed by borrowing, this relates to how capital financing is accounted for within existing target internal borrowing levels in line with the currently approved Treasury Management Strategy. The actual new external borrowing currently planned in 2023/24 is nil which is in line with the approved Treasury Management Strategy.

## TREASURY MANAGEMENT ACTIVITIES

12. The mid-year Treasury update is covered by a separate paper on the Management Board Agenda.

## RESERVES

13. The Reserves Strategy 2023/24 was approved as part of the Medium-Term Finance Strategy on 25 January 2023. Table 4 below shows the forecast year-end balances based on the impact of the capital financing proposals in Table 3.

Table 5: Revenue & Capital Reserves (as 31 March 2024)

	1 April 2023 £000	Movement £000	31 March 2024 £000
<b>General Reserves</b>			
General Fund	5,773	0	5,773
Medium Term Financial Strategy Reserve	3,400	0	3,400
<b>Earmarked Revenue Reserves</b>			
Carry Forward Reserve	1,519	(1,519)	0
Redundancy Reserve	467	(69)	398
POCA Reserve	435	(175)	260
Hardship Loan Reserve	50	0	50
Major Investigations Reserve	1,226	0	1,226
Estates Strategy Reserve	500	0	500
Road Safety Initiatives Reserve	566	(79)	487
Council Tax Deficit Reserve	1,580	(580)	1,000
Pay and Pension Reserve	734	(396)	338
Commissioning Reserve	228	35	263
ESN Reserve	3,090	(1,671)	1,419
<b>Earmarked Capital Reserves</b>			
Revenue Reserve for Capital Expenditure	2,359	(2,171)	189
Capital Receipts	0	108	108
<b>Total Cheshire Reserves</b>	<b>21,927</b>	<b>(6,515)</b>	<b>15,412</b>

14. One of the financial health target states that the level of general reserves, after allowing for potential financial risks be maintained, at no lower than 3% of the net budget. The current net budget is £241.9m and general reserves are forecast to be at £9.2m by the year end equating to 3.8%.
15. As lead force Cheshire holds a number of Collaboration Reserves on behalf of partner forces for which Cheshire has a share in line with the relevant collaboration agreements.
16. The Collaboration Reserves held by Cheshire equate to approximately 10% of the total reserves held.

Table 6: Collaboration Reserves (as 31 March 2024)

	£000
Underwater Search Unit (UWSU)	918
Armed Police Alliance	332
Cheshire Resilience Forum	429
<b>Total</b>	<b>1,678</b>

## OUTSTANDING DEBT

17. Monitoring outstanding debt and taking action to ensure efficient and timely recovery is an important function in the governance of the budget. The Constabulary has a financial health target to collect at least 50% of debtor income within one month of it being raised. The position on 30 September 2023 is as follows:

Table 7: Outstanding Invoiced Debt

	£000
Within 1 Month	276
Within 1 to 2 Months	61
2 Months or more	192
Other Public Sector	1,400
<b>Total Invoiced Debt</b>	<b>1,929</b>

18. The Constabulary collected 33% of debt within one month up to mid-year. This is lower than target due to a number of invoices being paid a few days later, 71% of debt was collected within 40 days. Much of this is due to recharging other forces as part of collaborations which requires all partner agreement prior to payment. Therefore, these can be slightly over the one month target. Debt is regularly monitored, with any outstanding debt pursued. Where appropriate payment plans are put in place to ensure payment is made and only when all avenues have been exhausted, or it is no longer economically viable to pursue is a request for the debt to be written off submitted.

## SUMMARY

19. In summary, the Constabulary is forecasting a revenue outturn of £1.1m underspend (0.45% variance to budget). A significant proportion of the underspend arises from the benefit of higher interest rates on current investments. It is proposed to utilise this additional funding to replace the Contact Centre digital equipment and set aside funds to support additional activity in key demand areas.
20. Capital expenditure of £12.1m is forecast during 2023/24 after taking into account forecast slippage of £2.1m and combined underspends totalling £0.1m.

JULIE GILL  
ASSISTANT CHIEF OFFICER

	Full Year Budget	Forecast Outturn	Forecast Variance (under)/over	
Police Officer Pay	£000	£000	£000	%
Police Pay	127,149	126,449	(700)	(1%)
Police Overtime	3,705	3,955	250	7%
<b>Total Police Officer Pay</b>	<b>130,855</b>	<b>130,405</b>	<b>(450)</b>	
<b>Crime</b>				
Forensic Investigation	5,206	5,275	70	1%
Force Intelligence	2,891	2,830	(61)	(2%)
Serious Organised Crime	2,529	2,651	122	5%
Major Investigations	1,373	1,201	(172)	(13%)
Custodial Operations	1,071	1,071	0	0%
Hummingbird	144	144	0	0%
<b>Total Crime</b>	<b>13,213</b>	<b>13,172</b>	<b>(41)</b>	
<b>Protecting Vulnerable Persons &amp; Criminal Justice</b>				
Protecting Vulnerable Persons	2,173	2,159	(14)	(1%)
Criminal Justice	3,281	3,267	(15)	(0%)
<b>Total PVP &amp; Criminal Justice</b>	<b>5,455</b>	<b>5,426</b>	<b>(29)</b>	
<b>Local Policing</b>				
Local Policing	6,922	6,977	55	1%
<b>Total Local Policing</b>	<b>6,922</b>	<b>6,977</b>	<b>55</b>	
<b>Force Operations</b>				
Public Contact	15,817	15,706	(112)	(1%)
Uniform Operations	1,215	1,362	147	12%
Roads and Crime	739	715	(24)	(3%)
Driver Offender Retraining (NDORS)	(1,718)	(1,905)	(186)	11%
<b>Total Force Operations</b>	<b>16,053</b>	<b>15,878</b>	<b>(175)</b>	
<b>Centrally Delivered Services</b>				
Planning & Performance	2,935	2,916	(19)	(1%)
Legal Services	1,603	1,715	112	7%
Corporate Communications	1,205	1,209	3	0%
Strategic Change	972	881	(91)	(9%)
Command	689	657	(32)	(5%)
<b>Total Centrally Delivered Services</b>	<b>7,403</b>	<b>7,378</b>	<b>(26)</b>	
<b>Business Services</b>				
Information & Technology	15,014	15,014	0	0%
Procurement	453	466	14	3%
Finance	1,402	1,430	28	2%
Estates & Facilities	13,581	13,462	(120)	(1%)
People Services	7,693	7,715	22	0%
Fleet	3,185	3,821	636	20%
Information Management	1,057	1,043	(14)	(1%)
Professional Standards	641	684	42	7%
<b>Total Business Services</b>	<b>43,027</b>	<b>43,635</b>	<b>607</b>	
<b>Collaborations</b>				
Collaborations - Force Operations	11,100	11,020	(80)	(1%)
<b>Total Collaborations</b>	<b>11,100</b>	<b>11,020</b>	<b>(80)</b>	
Contingency	382	382	0	0%
Corporate Costs	4,865	3,932	(933)	(19%)
<b>TOTAL CONSTABULARY COSTS</b>	<b>239,276</b>	<b>238,205</b>	<b>(1,072)</b>	
<b>Office of the Police &amp; Crime Commissioner</b>				
OPCC	1,062	1,039	(23)	(2%)
OPCC Commissioning	1,528	1,528	0	0%
<b>Total Office of the Police &amp; Crime Commissioner</b>	<b>2,591</b>	<b>2,568</b>	<b>(23)</b>	
<b>TOTAL SERVICE COSTS</b>	<b>241,867</b>	<b>240,772</b>	<b>(1,095)</b>	

## CAPITAL MONITORING 2023/24

<u>DETAILS OF CAPITAL SCHEMES</u>	Financial Year	Revised Budget £000	Spend @ Mid Year £000	2023/24 Out-turn £000	Total Slippage £000	Over/ - Under £000
Capital Scheme						
Estates Essential Maintenance	2023/24	100	0	55	0	(45)
Estates Strategy - Crewe (Build Costs) *	2023/24	1,848	0	248	1,600	(0)
Estates Strategy - Wilmslow	2023/24	1,552	5	1,552	0	0
Custody Desk replacement project	2023/24	500	0	500	0	0
Taser Cabinets	2023/24	75	0	75	0	0
Technology Refresh – Network, Servers, Laptop, Desktop	2023/24	891	685	891	0	0
SAAB Infrastructure - Replacement Hardware	2023/24	91	0	91	0	0
Technology Refresh – E-Forensics	2023/24	40	0	40	0	0
In-Car ANPR/Video Refresh - Cheshire Vehicles	2023/24	143	0	143	0	0
In-Car ANPR/Video Refresh - Alliance Vehicles	2023/24	81	0	81	0	0
ANPR County Lines - Home Office Funded	2023/24	500	0	500	0	0
Armed Alliance replacement dog vans x 4	2023/24	139	0	0	139	0
Annual Vehicle Replacement Programme	2023/24	1,500	0	1,500	0	0
Saving due to Vehicle Telematics	2023/24	(30)	0	(30)	0	0
Workshop capital equipment	2023/24	14	0	14	0	0
Workshop Tools and Cabinets	2023/24	114	0	0	114	0
<b>Total 2023/24 approvals</b>		<b>7,558</b>	<b>690</b>	<b>5,660</b>	<b>1,853</b>	<b>(45)</b>
<u>Multiple Year Schemes</u>						
General estate property upgrades – welfare improvements (various sites)	2022/23	57	64	67	0	10
TTC & Custody Suite Lighting Upgrade	2022/23	218	89	168	0	(50)
Centralised heating controls	2022/23	3	1	1	0	(2)
Macclesfield PS upgrade lighting to 3 floors	2022/23	50	0	50	0	0
Replacement of Body Armour	2022/23	286	17	286	0	0
Building property management system (Estates)	2022/23	20	0	20	0	0
Security Upgrade at HQ	2022/23	267	0	301	0	34
Congleton PS Works	2022/23	46	0	91	0	45
Replacement Chiller Units - Blacon PS	2022/23	86	0	86	0	0
Decarbonisation Measures *	2022/23	100	42	50	0	(50)
Estates Strategy - Crewe (Land Purchase)	2022/23	1,752	3	1,752	0	0
ESN - Control room software (Balance)	2022/23	60	0	60	0	0
FCS	2022/23	97	0	97	0	0
Network Refresh (Yr2 of 2)	2022/23	32	0	32	0	0
Additional Video Enabled Court End Points (Live Link)	2022/23	37	0	37	0	0
Additional Data Storage Hardware - Forensic Collision Investigation data.	2022/23	70	0	70	0	0
Enhanced Offline IT Backup Capability	2022/23	0	(56)	(56)	0	(56)
Business Services Futures	2022/23	1,355	223	1,355	0	0
Technology Refresh – E-Forensics	2022/23	8	8	8	0	0
Footwear Scanners - Custody	2022/23	2	2	2	0	(0)
ANPR Infrastructure Development	2022/23	21	4	25	0	4
ANPR Cameras Motorways	2022/23	57	25	57	0	0
ANPR Mobile and Motorway Infrastructure (County Lines)	2022/23	9	0	9	0	0
Cheshire EVOX ANPR Camera Refresh	2022/23	38	0	38	0	0
In-Car ANPR/Video Refresh - Cheshire Vehicles	2022/23	317	313	317	0	0
In-Car ANPR/Video Refresh - Alliance Vehicles	2022/23	53	0	53	0	0
ANPR expanded capability match funding	2022/23	30	0	14	0	(16)
ANPR County Lines - Home Office Funded	2022/23	60	38	60	0	0
Under Water Search Unit equipment	2022/23	173	0	53	120	0
Armed Policing Alliance Vehicles	2022/23	81	0	0	81	0
Annual Vehicle Replacement Programme	2022/23	1,278	739	1,278	0	0
Workshop capital equipment	2022/23	23	0	23	0	0
Fuel Tank	2022/23	59	57	57	0	(2)
<b>Total Prior Year Approvals</b>		<b>6,743</b>	<b>1,567</b>	<b>6,460</b>	<b>201</b>	<b>(82)</b>
<b>Total Capital Programme 2023/24</b>		<b>14,301</b>	<b>2,258</b>	<b>12,120</b>	<b>2,054</b>	<b>(127)</b>



**JOINT MANAGEMENT BOARD**

**DECISION NO. 2023/32**

**DATE: 08 NOVEMBER 2023**

**TREASURY MANAGEMENT: 2023/24 MID YEAR REVIEW**

**Executive Summary:**

CIPFA's (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that those charged with governance be updated on treasury management activities regularly, by way of a strategy at the start of the year followed by quarterly reviews and an outturn report.

This review sets out the mid-year position on all treasury management activities together with a review of the current economic environment and interest rate forecasts. In view of the sharp rise in interest rates over recent months, the approved Treasury Management Strategy currently defers the timing of required new long-term borrowing, supported by short periods of temporary external borrowing if required, until market rates return to more favourable levels. This remains a manageable and a sensible strategy in the current economic environment as interest rates remain high.

**Recommendation: That**

- (1) the report be noted; and
- (2) the future requirement for borrowing to support the ongoing capital programme is noted.

I have reached the following decision:

*Accept the above recommendations*

My rationale for this decision is:

The review sets out the mid-year position on all Treasury Management activities, as required by CIPFA's (Chartered Institute of Public Finance and Accountancy) Code, including a review of the current economic environment and interest rate forecasts. During the financial year to date, treasury management activities have operated within the approved indicators and limits and in compliance with the Treasury Management Practices.

**Signature**

**Date 08 November 2023**

**Police & Crime Commissioner**

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

### **INTRODUCTION AND BACKGROUND**

1. To update on performance against the Commissioner's Treasury Management Strategy (TMS).

### **BACKGROUND**

2. CIPFA (Chartered Institute of Public Finance and Accountancy) define Treasury Management as 'the management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'
3. The associated Code of Practice for Treasury Management recommends that those charged with governance be updated on treasury management activities regularly, by way of a strategy at the start of the year followed by quarterly reviews and an outturn report.
4. The mid-year review is attached in Appendix 1 and sets out the current investment and borrowing position, the prudential indicators and a brief review of the current economic climate.

### **FINANCIAL COMMENTS**

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

### **LEGAL COMMENTS**

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

### **EQUALITY COMMENTS**

7. 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

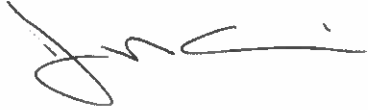
Contact Officer: Wendy Bebbington, Head of Finance

Tel. No.: 01606 362035

Email: [wendy.bebbington@cheshire.police.uk](mailto: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 October 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 31 October 2023**

## TREASURY MANAGEMENT 2023/24: MID-YEAR REVIEW

## PURPOSE OF THE REPORT

1. To update on performance against the Commissioner's Treasury Management Strategy (TMS).

## BACKGROUND

2. The first requirement for treasury management is to ensure that the organisational cash flow is adequately planned with cash being available when it is needed. Surplus monies are invested in low risk counter-parties or instruments commensurate with the low risk appetite, providing adequate liquidity initially before considering investment return. This means the order of priority for all investment decisions is Security, Liquidity (access to cash) and then Yield (interest earned).
3. The second main function of treasury management is the funding of capital plans. These capital plans provide a guide to the borrowing need, which is essentially the longer term cash flow planning to ensure that capital spending obligations can be met. The management of longer term cash may involve arranging long or short-term loans, or by using longer term cash flow surpluses. On occasion, any debt currently held may be re-structured in line with risk or cost objectives.
4. Accordingly, treasury management is defined as:
 

“The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
5. This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021) which recommends that those charged with governance are updated on treasury management activities regularly by way of a strategy at the start of the year, followed by quarterly reviews and an outturn report.
6. CIPFA published revised Prudential and Treasury Management Codes on 20 December 2021 with formal adoption being required for the 2023/24 financial year.
7. The Commissioner had regard to these changes when approving an annual Treasury Management Strategy and an associated Capital Strategy for 2023/24 on 25 January 2023.
8. This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
  - An economic update for the first part of the 2023/24 financial year;
  - A review of the Treasury Management Strategy Statement (including the Annual Investment Strategy);
  - The capital expenditure and borrowing position;

- A review of the investment portfolio for 2023/24;
- A review of compliance with Treasury and Prudential Limits for 2023/24.

## ECONOMIC BACKGROUND

9. The first half of 2023/24 saw:
  - Interest rates rise by a further 1%, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
  - A 0.5% month on month decline in real GDP in July.
  - CPI inflation falling from 8.7% in April to 6.7% in September, its lowest rate since February 2022, but still the highest in the G7.
  - Core CPI inflation declining to 6.1% in September from 7.1% in April and May, a then 31 years high.
10. As the growing drag from higher interest rates intensifies over the next six months, the economy is expected to continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year, but the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too as the Bank of England is expected to keep interest rates at the probable peak of 5.25% until the second half of 2024.
11. In its latest monetary policy meeting on 20 September, the Bank of England left interest rates unchanged at 5.25%. The weak August CPI inflation release, the recent loosening in the labour market and the downbeat activity surveys appear to have convinced the Bank of England that it has already raised rates far enough. The minutes, however, show that the decision was “finely balanced”.
12. The Bank of England did not say that rates have peaked and once again said if there was evidence of more persistent inflation pressures “further tightening in policy would be required”. Governor Bailey stated, “we’ll be watching closely to see if further increases are needed”. The Bank also retained the hawkish guidance that rates will stay “sufficiently restrictive for sufficiently long”.
13. The Commissioner has appointed Link Group as his treasury advisors and part of their service is to assist with formulating a view on interest rates. The latest forecast on 25th September sets out a view that short, medium and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy.

Link Group Interest Rate View	25.09.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

## TREASURY MANAGEMENT STRATEGY STATEMENT UPDATE

14. The Treasury Management Strategy Statement (TMSS) was approved by the Commissioner on 25 January 2023. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

### CAPITAL PROGRAMME & BORROWING

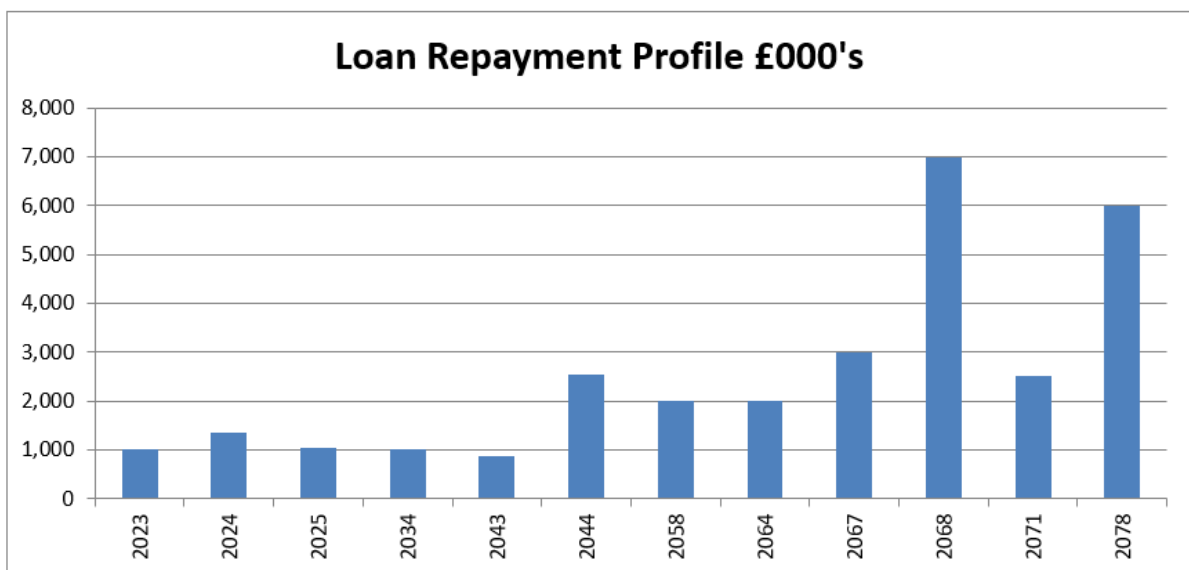
15. In preparing the capital programme, attention is given to understanding the potential liabilities and risks associated with the expenditure and funding of the annual capital programme. In particular, the combined impact on the overall financial position of the Commissioner in terms of revenue and capital budgets, to ensure that such activity remains proportionate. There is a relationship in anticipating that borrowing will be required to fund the capital programme and the associated Minimum Revenue Provision and Interest Payable revenue costs.
16. The table below provides an indication of the capital programme, the resulting amount of the annual borrowing requirement and the associated revenue financing costs over the next 3 years.

<b>Table 1: Capital Expenditure Forecasts</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>
1a Forecast Capital Programme <i>(n.b. 2023/24 figure is per table in Para 10 in the Mid-Year Review report 2023/24)</i>	12,120	7,492	20,200
1b To be funded by borrowing (estimate) <i>(n.b. 2023/24 figure is per table in Para 11 in the Mid-Year Review report 2023/24)</i>	2,918	1,620	15,116
Estimated associated revenue cost of existing plus new borrowing (MRP & Interest Payable)	2,807	3,008	3,307

17. The above table shows the amount of planned capital expenditure to be financed by an additional borrowing requirement (around £20m), with the majority of this forecast new borrowing requirement relating to delivery of the current Estates Strategy 2021-2031, jointly developed between the Commissioner and the Constabulary which recognises that planned changes to the estates footprint require additional capital financing.
18. This additional borrowing requirement is higher than anticipated in the approved Treasury Management Strategy because the latest forecast costs relating to proposed new police stations at Crewe and Wilmslow have increased by a combined £6.5m, compared to original indicative estimates, as a consequence of the exceptional construction industry inflation levels recently experienced in the UK.
19. Additional borrowing will therefore be required over the period, however, through proactive management of the cashflow position it is anticipated that the actual new external borrowing required over the period is £14m.
20. Historically the Commissioner has financed the majority of his capital programme from reserves and capital grants. Looking ahead, it is almost certain that there will

be very little, if any future capital grant funding and capital reserves are all committed to the existing programme. As a result, the ongoing requirement to fund an annual capital programme for essential vehicle, equipment and technology replacements along with future strategic building projects now requires the Commissioner to allocate significant levels of revenue funding to the programme and/or to enter into new external borrowing.

21. The Commissioner currently remains in an under borrowed position, which means that historically decisions have been made to finance expenditure internally as opposed to entering into new external borrowing. The position at 31 March 2024 is now forecast to be around £4m internally borrowed which is lower than the £6m originally planned. This is in part due to the rephasing of estates capital expenditure which has changed the timing of required borrowing. In addition, however, reducing reserve balances are beginning to place significant pressure on cash balances at certain points in the year and as a result, internal borrowing of £3m supported by short term external borrowing when needed is now a more prudent target going forward. The position will continue to be monitored closely throughout the remainder of 2023/24 and reviewed again as part of the 2024/25 Treasury Management Strategy.
22. The Commissioner had a loan portfolio of £30.274m at 30 September 2023. The approved Treasury Management Strategy included no provision for new external borrowing during 2023/24 as the timing of required new borrowing continues to be deferred due to current high interest rates and reduced immediate cashflow pressure from forecast capital expenditure rephasing. This will be kept under close review and balanced carefully against the actual timing of expenditure and prevailing and forecast market rates in order to secure the borrowing at the optimum point. Existing loan repayments of £2.4m are due to be made in 2023/24 as planned.
23. The following tables show the actual debt maturity profile of current borrowing as at 30 September 2023 and a comparison with approved Upper and Lower Limits.



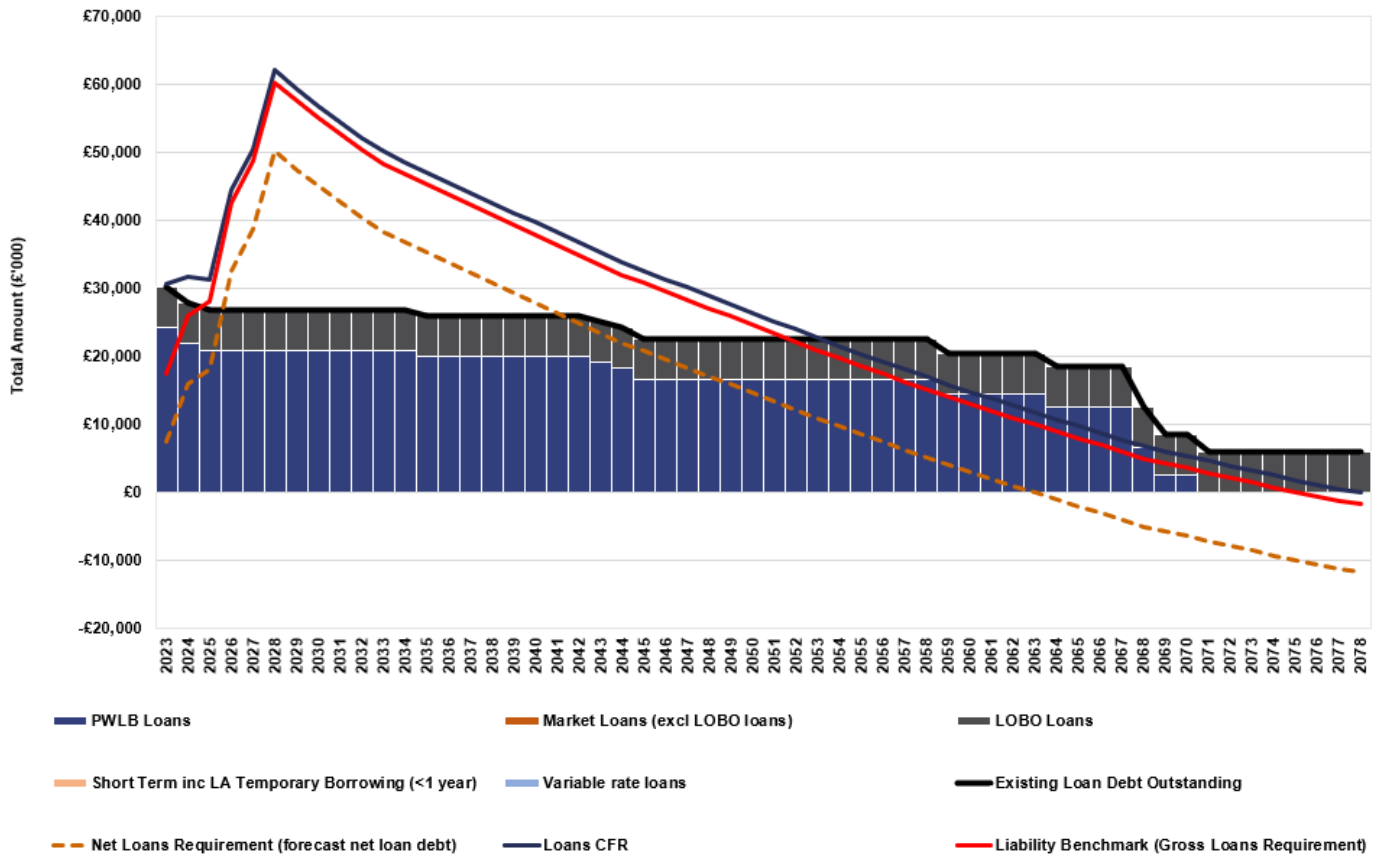
	<b>Lower Limit</b> %	<b>Upper Limit</b> %	<b>Actual 30/9/23</b> %	<b>Amount</b> £000
Under 12 months	0	15	7.8	2,356
12 months and within 24 months	0	15	3.4	1,029
24 months and within 5 years	0	25	0	0
5 years and 10 years	0	25	0	0
10 years and above	50	95	88.8	26,889
<b>Total</b>			100	30,274

24. Advice has again been sought from the Commissioner’s Treasury Management advisors who suggest that opportunities have been very limited in the current economic climate given the consequent structure of interest rates and associated early loan repayment penalties. No debt rescheduling has therefore been undertaken or is anticipated in the current financial year.

#### LIABILITY BENCHMARK

25. A new prudential indicator from 2023/24 is the Liability Benchmark (LB). The Commissioner is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum. However, CIPFA strongly recommends that the liability benchmark is produced for at least ten years and should ideally cover the full debt maturity profile of a public body. The chart below covers the Commissioners full debt maturity profile as recommended.
26. There are four components to the Liability Benchmark:
1. **Existing loan debt outstanding:** the Commissioner’s existing loans that are still outstanding in future years.
  2. **Loans Capital Financing Requirement (CFR):** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
  3. **Net loans requirement:** this shows the Commissioner’s gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on approved prudential borrowing, planned MRP and any other major cash flows forecast.
  4. **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.

## Liability Benchmark



27. The aim of the Liability Benchmark is to minimise/reduce refinancing, interest rate and credit risks by informing the timing and duration of new external borrowing.
28. The position is largely unchanged from that reported in the Treasury Management Strategy and shows that the Commissioner's LB is currently rising sharply to a peak in around 2028 indicating the additional borrowing requirement associated with delivery of the Estates Strategy. This requirement then reduces as provision is made to repay outstanding borrowing via the annual MRP charge whilst no further Capital Expenditure financed by borrowing is currently planned beyond 2028.
29. In view of this, by around 2051 (later than the 2047 date previously anticipated due to an increase in the borrowing requirement relating to proposed new police stations at Crewe and Wilmslow – para 18 refers) the LB will have reduced back down to the level of the existing loan portfolio, indicating that although there is a significant short to medium term requirement for new borrowing, this borrowing would ideally be for a range of durations up to around 28 years, i.e. filling the white triangular period in the chart between 2023 and 2051 where the LB (red line) exceeds the current loan portfolio (black line/bar chart).
30. The chart continues to show that that the existing loan debt portfolio will be fully repaid by 2078 and that the requirement to borrow (CFR) will also be reduced to nil by 2078, indicating that the Commissioner's current MRP policy remains prudent and appropriate.
31. The chart then indicates that without any further new approved borrowing beyond the period of the current Capital Strategy, the existing borrowing portfolio exceeds the LB

after around 2051. If this remains the case then it indicates either excess cash requiring investment or an opportunity to repay/restructure debt over this future period.

#### INVESTMENT PORTFOLIO 2023/24

32. The Annual Investment Strategy has the priorities of security, liquidity and yield. The aim to achieve the optimum yield within the approved investment counter-parties, which are scrutinised regularly for creditworthiness within the security principle. Liquidity is achieved within the forecast spending profile and cashflows.
33. Increasing interest rates and proactive cashflow management have enabled the Commissioner to secure significantly increased short to medium term rates of return over recent months and will again result in a surplus versus budget in 2023/24. It is however anticipated that the opportunity to generate ongoing investment returns at current levels will reduce significantly towards the end of 2023/24 as planned capital expenditure, and the deferral of approved borrowing, has a significant impact upon cashflow balances available for investment. Interest on balances earned to date is £721k to 30 September, with final 2023/24 outturn currently forecast to be above £1,300k (£768k 2022/23) compared with the annual budget (£100k) for investment income in 2023/24.
34. The Commissioner has continued with a cautious approach to its choice of counterparties. As at 30 September 2023, the Commissioner's investments were with Federated Hermes Money Market Fund, Aberdeen Liquidity Money Market Fund, BlackRock Money Market Fund, Lloyds Bank of Scotland, Santander, Handelsbanken and Barclays (flexible call account), all of which are used regularly to manage day to day cashflows. Other investment counterparties used during the year are the UK Debt Management Office. The current investment counterparty criteria selection approved in the Treasury Management Strategy is meeting the requirement of the treasury management function.
35. There have been no known instances of non-compliance with approved Annual Investment Strategy limits during the year.

#### REVIEW OF COMPLIANCE WITH PRUDENTIAL INDICATORS

36. It is a statutory duty for those charged with governance to determine and keep under review a range of prudential indicators and treasury limits. During the financial year to date, treasury management activities have operated within the approved indicators and limits and in compliance with the Treasury Management Practices. The following table compares the estimated performance on key prudential indicators in 2023/24 against those approved by the Commissioner in January 2023.

**Table 3: Prudential and Treasury Indicators**

Prudential Indicators	2023/24 Indicator £000	2023/24 Revised Estimate £000	Comment
Capital expenditure	8,127	12,120	Capital programme re-phasing due to continuing market/supply chain issues, extension of the Business Services Futures project into 2023/24 to deliver phase 2 and the timing of expenditure relating to the initial phase of the Estates Strategy.
<u>Capital financing requirement</u>			
- Borrowing requirement	33,895	31,734	
- Other long-term liabilities	13,643	13,643	
Total	47,538	45,377	
Annual change in capital financing requirement	(914)	(272)	
Gross borrowing requirement: (Under) / Over borrowing	(5,977)	(3,816)	Rephasing of Estates Strategy expenditure and the forecast timing of associated capital receipts results in reduction in 2023/24 borrowing requirement.
Ratio of financing costs to net revenue stream	1.23%	1.16%	Lower Capital Financing costs in 2023/24 as a result of lower capital expenditure in 2022/23.
Treasury Indicators	2023/24 Indicator £000	2023/24 Revised Estimate £000	
Authorised limit for external debt	53,917	53,917	Set 26/1/23, No change during 2023/24
Operational boundary for external debt	48,917	48,917	
Actual external debt			Current borrowing £30.274m less £2.356m to be repaid 2023/24 = £27.918m. New planned long-term borrowing currently deferred (para 22 refers)
- Borrowing	27,918	27,918	
- Other long-term liabilities (PFI)	13,643	13,643	
Total	41,561	41,561	
Upper limit of fixed interest rate exposure	100%	100%	
Upper limit of variable interest rate exposure	25%	0%	No variable rate loans held or planned
Upper limit for principal sums invested for over 364 days	£nil	£nil	No longer term investments held or planned.



**JOINT MANAGEMENT BOARD**

**DECISION NO. 2023/33**

**DATE: 08 NOVEMBER 2023**

**MEDIUM TERM FINANCIAL STRATEGY 2023-2028 - MID-YEAR REVIEW 2023**

**Executive Summary:**

The Commissioner is required to set an annual balanced budget and precept (the Commissioner's share of Council Tax) 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. This version of the MTFS is the mid-year update based on known data at September 2023.

The MTFS is supported by the Reserves Strategy which highlights the reserves held, their usage in support of delivering the Commissioner's Police & Crime Plan and the Chief Constable's Plan on a Page, and the appropriateness of the amounts held.

**Recommendation:**

- 1) That the Mid-Year Medium Term Financial Strategy update for 2023-2028 be approved.

I have reached the following decision:

*Accept the above recommendation*

My rationale for this decision is:

The Medium-Term Financial Strategy 2023-2028 is fundamental in promoting good financial planning, the delivery of value for money, ensuring operational threats and risks are addressed and managed to protect front line policing and make Cheshire's communities even safer.

**Signature**

**Date 08 November 2023**

**Police & Crime Commissioner**

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

### **INTRODUCTION AND BACKGROUND**

1. The Medium-Term Financial Strategy (MTFS) for 2023-2028 sets out the current financial scenario based on a series of assumptions including funding levels from Government grants and precepts; inflation and known commitments. This version of the MTFS is the mid-year update based on known data at September 2023.
2. The UPDATED Mid-Year MTFS is attached at Appendix 1.

### **LEGAL COMMENTS**

3. There are no legal implications directly arising from this report.

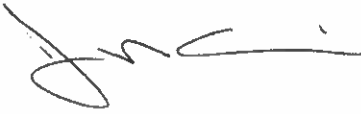
### **EQUALITY COMMENTS**

4. There are no equality issues identified.

### **BACKGROUND DOCUMENTS**

Document Titles
The 2022/23 Budget and Council Tax report
The 2022/23 Provisional Grant Settlement

<b>Public access to information</b> <i>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.</i>
Is there a Part 2 form - No
Contact Officer: Wendy Bebbington, Head of Finance Tel. No.: 01606 362035      Email: <a href="mailto:wendy.bebbington@cheshire.pnn.police.uk">wendy.bebbington@cheshire.pnn.police.uk</a>

<b>CHIEF OFFICER DECLARATION (Assistant Chief Officer - Julie Gill):</b> <i>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 &amp; Crime Commissioner.</i>

<b>Signature</b>
<b>Date 31 October 2023</b>

**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 01 November 2023**

# Medium-Term Financial Strategy 2023-2028

Mid-Year Review 2023



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# Foreword

*The medium-term financial strategy is a key document for the Constabulary as it underpins everything we do in keeping Cheshire even safer. Without the confidence of knowing what we can afford it is impossible to make balanced judgements about where we need to invest and where we can make efficiencies. After a decade of austerity, when the service was incrementally asked to do ever more with less resource, we had a fleeting window of financial optimism in the form of the Government's police uplift programme. This enabled us to shift the conversation and look to where we could enhance the service or soak up extra demand. Those gains have been baked into our way of working, guided by the analytical assessment of the Force Management Statement. Without that financial perspective we would not, for example, have been able to give a major uplift to our team tackling child abuse, drastically improve our performance in answering calls from the public and increase our officer numbers to their highest ever level.*

*As everyone will be aware, the national finances have hit another interesting period. We feel the effects of that volatility through increased costs driven by inflation and a degree of uncertainty which makes planning harder. As you will see from the detail in this report, the bulk of our budget is spent on people and the Government has been clear that elements of our funding are tied to maintaining the uplift numbers. Following ten years of making savings it is hopefully evident that we have little flexibility in making more. Cheshire is in the lowest ten forces nationally (out of 43) when it comes to the precept we charge to the public via their council tax. At the same time, we are top of Government league tables in key areas such as how many offenders we charge and bring to justice. The Office of the Police and Crime Commissioner has an outstanding record in attracting additional Government funding for Cheshire Constabulary which enables the Chief Officer team to give the best possible service to the people of Cheshire. Our aim is that Cheshire Constabulary will be the best Police force in the country and to achieve that we need a strong financial plan. This report articulates how we will maintain and enhance the significant performance improvements we have already made.*



*Mark Roberts*

**Chief Constable  
Mark Roberts QPM**



*John Dwyer*

**Police and Crime Commissioner  
John Dwyer**

## MEDIUM TERM FINANCIAL STRATEGY 2023 TO 2028

### 1. INTRODUCTION

- 1.1. The purpose of the Medium-Term Financial Strategy (MTFS) is to provide the Police & Crime Commissioner, Chief Constable, officers, staff, the public and other stakeholders with information on the financial outlook and the estimated available financing over the next five years. The strategy takes into account future high-level potential revenue and capital expenditure over the period based upon current information. This version is the mid-year update based on known data at September 2023.
- 1.2. The Commissioner undertook a refresh of his Police and Crime Plan during 2022. As part of the refresh the Commissioner consulted the public stating that 'Cheshire residents' views have been paramount in developing and refreshing this Plan'. The full plan is available on the Commissioner's website ([www.cheshire-pcc.gov.uk/what-i-do/making-cheshire-safer/police-and-crime-plan](http://www.cheshire-pcc.gov.uk/what-i-do/making-cheshire-safer/police-and-crime-plan)).
- 1.3. The Police and Crime Plan sets out the priorities Cheshire Constabulary will deliver between 2021 to 2024, to make Cheshire even safer.



- 1.4. In addition to the Commissioner's Police and Crime Plan there are two further key documents that support the MTFs. Firstly, is the Force Management Statement which is a self-assessment that Chief Constables prepare and give to Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) each year. It is the Chief Constable's statement and explanation of:
- the demand the force expects to face in the next four years;
  - how the Constabulary will change and improve its workforce and other assets to cope with that demand;
  - how the Constabulary will improve its efficiency to make sure the gap between future demand and future capability is as small as it can reasonably be; and
  - the money the Constabulary expects to have to do all this.
- 1.5. As such the Force Management Statement and MTFs are integral to each other. One to provide details on the demand and shape of the Constabulary going forward and the other to reflect the monetary impact.
- 1.6. Secondly, is the Strategic Policing Requirement (SPR). This was first issued in July 2012, in accordance with Section 77 of the Police Reform and Social Responsibility Act 2011. The Home Secretary has produced this strategy in regard to how Commissioners and Chief Constables should contribute to national policing issues. Due to the complexity of modern-day policing, there is a statutory requirement for all forces to deliver the SPR alongside problem solving local issues. It was last updated in 2015 to introduce Child Sexual Abuse (CSA) as an additional national threat. The latest SPR currently covers the following issues:
- Violence Against Women and Girls
  - Terrorism
  - Serious and organised crime
  - National Cyber Event
  - Child sexual abuse
  - Public disorder
  - Civil emergencies
- 1.7. As part of the overall budget process, the Chief Constable must satisfy himself and the Commissioner that the requirements of the SPR are achievable within the financial scenarios.
- 1.8. In the Chief Constable's plan on a page, he sets out his vision and priorities for the Constabulary as follows:

## Our purpose – the reason we are here

### "Delivering Even Safer Communities for the whole of Cheshire"

Prevent and  
tackle crime

Make Cheshire's  
roads safer

Deliver justice  
for victims of  
crime

Protect  
vulnerable and  
at-risk people

Modernise our  
police service



## Operationally how we will deliver our purpose

Delivering outstanding  
neighbourhood  
policing and protect  
the vulnerable

Proactively  
understand  
and prevent  
crime and harm

Tackle crime  
and antisocial  
behaviour

## 2. DEMAND AND PERFORMANCE

- 2.1. While the above set the priorities for the Constabulary both nationally and locally, there has to be a recognition within this Medium-Term Financial Strategy, of the demand placed on the service and the performance required to meet that demand.
- 2.2. In HMICFRS's State of Policing Annual Assessment 2022, it recognised that despite the overall reduction in crime, the police continue to face a long-term trend of rising demand: the public is calling more and more on the police. While the reasons for this rising demand are complex and not always understood, it is partially due to the changing nature of crime. Fraud and computer misuse have become prevalent together with a greater willingness for the public to report certain crimes and an expectation that the police will take action. These crimes include domestic abuse and violence against women and girls.
- 2.3. In Cheshire, these areas have always been a priority and resources have been allocated to meet this increased demand from the call taker at first contact, to officers working on Child Sexual Exploitation and victim support as examples. This can only be done through efficient and effective management of the limited resources available, strong performance data and accountability.

- 2.4. The Constabulary has an overarching performance management framework called 'Raising the Bar'. This describes the performance management arrangements including the performance meetings and structures and the use of performance information and analysis. The arrangements include regular scrutiny from the Commissioner, monthly Force Performance Days, Quarterly Performance Reviews and Area and Departmental performance meetings. Comprehensive performance information and analytical products are provided to support the meeting structures which include a wide variety of information, and this is further supported by a suite of dashboards which provide demand and performance information on a near live time basis.

### 3. THE MEDIUM-TERM FINANCIAL STRATEGY

- 3.1. With the above plans, statements and objectives in mind, the purpose of this strategy is to provide a basis for determining:

- The level of funding available in the future to deliver national and local priorities;
- The future demands upon the revenue budget;
- The impact of external factors;
- The financial implications of collaborations;
- The amount of capital investment which is required to achieve corporate objectives;
- The revenue consequences of such capital investment;
- The future reserve levels;
- The impact of additional demands on the level of council tax; and
- The main financial risks facing the organisation.

- 3.2. The above determines the level of funding and demands on finances over the MTF5 period enabling strategic financial planning processes to address the challenges and outcomes. The following set out the key principles for that planning process:

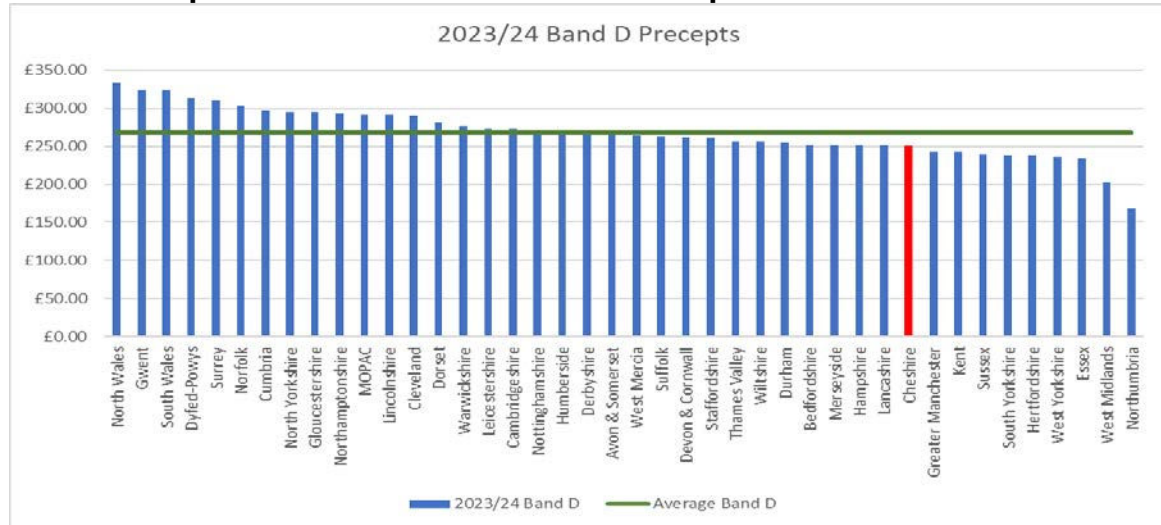
- Ensure that plans contribute to improved outcomes in support of set priorities;
- Set a comprehensive, timely, balanced and realistic budget;
- Take into account pay and price inflation and achievability of savings;
- Complies with the approved treasury management strategy;
- Complies with the approved reserves strategy;
- Raise awareness of and communicate key financial messages both internally and externally;
- Ensure budgets set are affordable and do not jeopardise financial stability either in the short or long term;
- All spending plans will need to demonstrate that they can achieve value for money;
- Spending will be agreed only when the necessary funding is identified and approved;
- External funding will be sought wherever it can be used in a sustainable manner that does not lead to unforeseen costs; and
- Budget proposals will be publicised and consulted upon with stakeholders in an open and transparent manner.

#### 4. FINANCIAL SCENARIO

- 4.1. It is imperative that the MTFS takes account of the regional, national and global economic climates and the short to medium term impact of the current inflationary pressures both in service delivery and financial outlook.
- 4.2. The Commissioner receives his main funding from two 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%. The following paragraphs sets out the current financial scenarios for both.
- 4.3. Government funding is the aggregate amount of grants for police purposes comprising of the Home Office Police Core Grant, the Ministry of Levelling Up, Communities, and Local Government (MLUCLG) Formula Funding Grant; and Legacy Council Tax Grants.
- 4.4. The Statement outlined the Government’s stance that for 2023/24, they will maintain settlement funding for programmes that prevent crime and help keep communities safe.
- 4.5. 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.’

- 4.6. On the 13 July 2023, the Prime Minister announced the Government’s acceptance of the pay review body’s recommendation of a 7% pay award for police officers. Additional funding is to be provided towards this, both in 2023/24 and 2024/25. The pay award for police staff has also been settled at 7%.
- 4.7. A precept is levied on the Council Tax for the policing in Cheshire and it is the responsibility of the Commissioner to set the level of precept as part of the annual budget setting process. To calculate the level of 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, discounts etc. These vary each year and the MTFS includes assumptions for these changes based on discussions and forecasts supplied by the local authorities.
- 4.8. To aid understanding of the context in which the precept is set, the actual level of council tax levied by each Police & Crime Commissioner for 2023/24 is shown below (Band D equivalent). Cheshire still has one of the lowest ten band D equivalent charges of all forces nationally and remains below the national average.

**Chart 1: Comparison of Police Force 2023/24 Precept Levels**

4.9. Each year Council Tax income is calculated based on assumed levels of collection rates by the local authorities. This means that, at the end of each year, an adjustment has to be made to reflect the actual collection rates. This can lead to a one-off surplus or deficit on the fund which is accounted for within the calculation of the following year's net budget requirement, but the actual amounts are not declared until mid-January each year. Prior to the pandemic, it was a reasonable assumption that there would be a surplus declared each year and include a modest amount within the MTFs. However, the pandemic impact on council tax collection is still present and as such, the appropriate assumption is that the collection funds will balance and at mid-year there is insufficient data to change this assumption. This will be monitored closely and in consultation with the four local authorities in Cheshire.

## 5. FINANCIAL ASSUMPTIONS

5.1. The level of expenditure incurred increases each year based on a number of factors such as pay awards, inflation, changing priorities and additional demands or burdens. The following lists the financial assumptions that are included within the current MTFs:

- Pay inflation – In July 2023, the Prime Minister announced the acceptance of the pay review bodies recommendation of a 7% pay award for police officers with funding towards this additional cost being provided. This has now been applied to police staff also. For Cheshire this has meant £8.8m additional cost compared to previous 2024/25 forecasts, funded by an estimated £7.7m (subject to confirmation as part of the Government's provisional settlement in December 2023) - a net cost impact of £1.1m. This impact has now been built into this MTFs and the figures in table 1. For September 2024, the forecast is 2.3% and beyond 2024, the assumption is that pay awards will return towards a 2% level. Cheshire is a Living Wage Foundation employer.

- Pensions - 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 at an increase of 0.5% with further increases over the next two years.
- Police Pension Scheme - Changes in the employer contribution rates were due to be implemented from April 2023 for the majority of unfunded public service pension schemes, including police officers. Due to interactions with wider pension policies, in particular the implementation of the McCloud remedy reforms, completion of the 2016 valuation process, and the review of the cost control mechanism, work would need to be undertaken in unprecedentedly short timetables to amend employer contribution rates in April 2023. Any changes to employer contribution rates resulting from the 2020 valuations will therefore be delayed from April 2023 to April 2024. It is fully expected that the rates will increase considerably, and it is further understood that funding will be provided to cover this for 2024/25, beyond then is uncertain.
- Price inflation – 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. Inflation applied within the forecast is based on the Office of National Statistics Inflation Report using the most applicable inflation factor. The MTFS 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.
- Borrowing – additional borrowing is required to meet the planned capital programme, although the exact timing will depend on spend and interest rate movement. Interest payable is based on forecast interest rates. Additionally, funding (known as the Minimum Revenue Provision or MRP) has to be set aside to repay debt over time and as new borrowing is undertaken this amount will increase. Estimated MRP amounts have also been built into the figures in this MTFS.
- Funding – indicative figures for policing were provided in the Spending Review 2021 and subsequent Government announcements and are included within this MTFS accordingly. For the final three years of the MTFS, it is assumed that funding will increase by 1% in line with Government's statement. Precept increases were also permitted in the Spending Review at £10 per year, with a further uplift flexibility for 2023/24 only of £15 at Band D. As 2024/25 is the final year of the Spending Review this MTFS anticipates a further Band D increase option of £10 as indicated in the Review, with a more speculative assumption that the 2% cap may return from 2025/26. These increases are all subject to Commissioner approval each year.

## 6. FINANCIAL CHALLENGES AND OPPORTUNITIES

- 6.1. In 2021, the Commissioner approved the Estates Strategy, Environmental Strategy and Fleet Strategy. The Estates Strategy sets the direction for the estate over the next 10 years to deliver the benefits of a modern, fit for purpose, environmentally efficient and cost-effective estate. The Environmental Strategy recognises and reflects Government targets and sets out enhanced targets for Cheshire Constabulary in line with the aspirations of the Constabulary and Commissioner to reduce the Constabulary's environmental footprint. The Fleet Strategy focuses on improved fleet utilisation, cost savings and vehicle emission reduction. It aims 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 financial impact of these strategies has been included in this MTFS. Since these were approved, the impact of inflation and supply chain issues have amended the profiling of expenditure and costs which are now reflected in this current MTFS.
- 6.2. In the Government's Autumn Statement 2022, the Chancellor states that 'to help get debt falling, for the years beyond the current Spending Review period, planned departmental resource spending will continue to grow, but slower than the economy, at 1% a year in real terms until 2027-28.' Should this translate into a 1% increase for police funding for those years and inflation, including pay awards, remains above that level the ability to maintain services at their current performance levels will be challenging. The income forecasts include the 2023/24 PUP Grant as it is assumed this will remain either as a grant or transferred into base funding. Without this, the retention of officers will be unsustainable.

## 7. FINANCIAL FORECASTS 2023 to 2028

- 7.1. It is important to note that the MTFS is a high-level strategy document that summarises plans over the medium term as they stand based upon current projections and assumptions. As additional updated information becomes available these plans will be subject to change and updated accordingly. A certain amount of detailed budget information is presented, and this should be regarded as indicative and illustrative only. Any budget shortfall is assumed to be cleared for the following year's budget. This document will inform the Commissioner's budget setting process, as will other tools such as consultation with residents.
- 7.2. Based on current information, priorities and assumptions, the following table sets out indicative budgets for 2023 to 2028 recognising the volatility and uncertainty of funding and the flexibility or not afforded to Commissioners to uplift the council tax.

	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
<b>Table 1 – MTFS Revenue Budgets</b>					
Base budget (Gross)	257,397	269,968	282,321	286,735	290,101
Inflation	14,517	16,126	5,904	5,434	5,586
Commitments & Unavoidable Demand	1,253	-1,038	1,357	2,483	2,166
Savings identified	-4,244	0	0	-76	-50
<b>Gross Expenditure</b>	<b>268,923</b>	<b>285,056</b>	<b>289,582</b>	<b>294,576</b>	<b>297,803</b>
Income and specific grants	-29,670	-37,459	-36,946	-36,994	-36,981
	239,253	247,597	252,636	257,582	260,822
Transfer to/(from) reserves	-2,407	-1,264	-1,500	0	0
<b>Net Budget to be funded</b>	<b>236,846</b>	<b>246,333</b>	<b>251,136</b>	<b>257,582</b>	<b>260,822</b>
Government grant	-129,533	-131,859	-133,178	-134,510	-135,855
Legacy Council Tax Grant	-8,256	-8,256	-8,256	-8,256	-8,256
Council tax – Precept	-98,469	-103,483	-106,855	-110,341	-113,937
Council tax – Collection Fund	-588	0	0	0	0
<b>Net Budget Requirement</b>	<b>-236,846</b>	<b>-243,598</b>	<b>-248,289</b>	<b>-253,107</b>	<b>-258,048</b>
<b>Budget Gap / (Surplus)</b>	<b>0</b>	<b>2,735</b>	<b>2,847</b>	<b>4,475</b>	<b>2,774</b>

- 7.3. Please note that all of the budget gaps or surpluses are prior to any additional growth or demands not currently identified and therefore these will increase when amounts are known and the MTFS updated accordingly. It is assumed that any significant growth will be matched by appropriate savings each year. With the current financial uncertainties, the final three years are speculative and subject to considerable change.
- 7.4. Each year there are commitments and unavoidable demands that require funding. These are in addition to inflation and form part of the standstill budget proposal. For example, the financial impact of borrowing – interest and repayment.
- 7.5. For 2024/25, the Priority Based Budget process is now well underway. All budgets have been subjected to rigorous review and challenge in order to balance the budget in line with forecast funding. In addition, full root and branch reviews have been undertaken to drive out efficiencies and savings as opportunities allow.

## 8. SENSITIVITY ANALYSIS

- 8.1. As with any assumptions, there are risks that the actual outcome will be different. There are three key assumptions included within this MTFS that could impact significantly upon the figures presented in table 1 above. These are the level of Government funding, the amount of council tax payable towards local police funding and the level of pay awards agreed nationally. As such, the following details the financial impact of changes to the levels assumed in these tables. It is also important to note that these changes would be cumulative as they represent a change to base level funding.

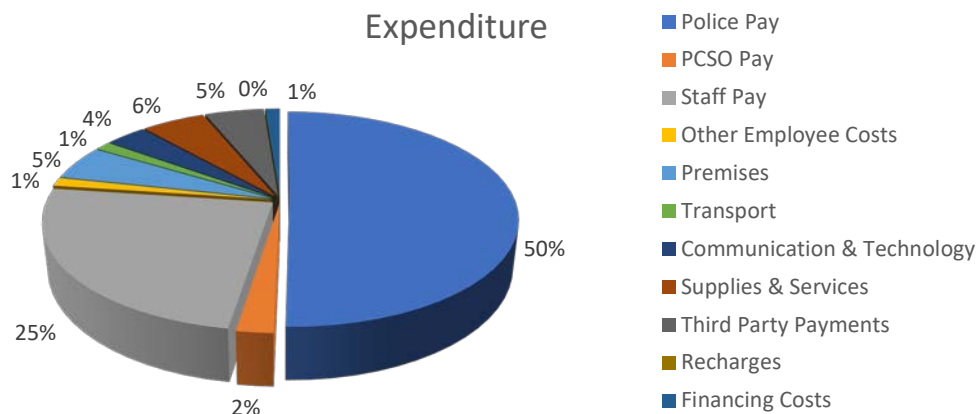
- For each change of 0.5% in the level of government funding, the impact would be either a reduction or increase in the budget gap of around £0.7m.
- For every 0.5% increase or decrease in council tax would have a potential impact of £0.5m per annum.
- Within the MTFs, it is assumed that the council taxbase will marginally increase each year in line with local authorities' forecasts. A 0.5% overall increase in the taxbase results in £0.5m of additional funding.
- A 0.5% movement in the pay award would have a potential £1.1m impact on the budget gap.

8.2. To put the above figures into context, a change in funding or additional costs of £0.5m per annum would equate to eight police constables per annum based upon average salary costs.

## 9. CONTEXT

9.1. As part of the ongoing review of expenditure and the search for further efficiencies and savings, it is important to understand how the Commissioner and Constabulary currently spend their funding. The following chart shows that 77% is spent on pay with the remaining funding spread over premises, transport etc.

**Chart 2: Cheshire Police and PCC 2023/24 Expenditure by Type**



## 10. PLANS TO ADDRESS THE FINANCIAL FORECASTS

10.1. Priority based budgeting (PBB) is a method of planning for and assigning effort and money to best achieve the Police & Crime Plan priorities for policing Cheshire and tackle the key areas of threat and demand as identified within the Force Management Statement. During PBB managers and staff consider the relative benefits of future expenditure to ensure money and effort are directed to achieve the required outcomes. To ensure efficiencies are driven out of the PBB process, HMICFRS's Value for Money Profiles are used to challenge and benchmark individual service areas and ensure best value is achieved, together with operational demand and performance data.

- 10.2. It is fully recognised that the current economic outlook is challenging and with limitations on reviewing officer numbers without punitive loss of grant, the Commissioner and Chief Constable will be undertaking a number of 'root and branch' reviews to ensure processes are efficient and effective alongside the standard PBB planning.
- 10.3. Using the priorities set in Commissioner's Police and Crime Plan; the Chief Constable's Plan on a Page; and the SPR, the outcome of the PBB process will allow resources to be allocated accordingly and within the legal requirement to balance the budget.
- 10.4. The delivery of efficiencies and savings have been part of budget planning from the beginning, but with austerity followed by the pandemic, it has brought challenges and opportunities previously unthinkable. However, this has meant that any easy wins have already been delivered and any future efficiencies and savings harder to achieve.
- 10.5. Despite these challenges, proposals are in place to review all non-pay budgets, contractual specifications and processes to ensure that they remain fit for purpose and current, offering value for money while preserving service performance and service delivery wherever possible. Alongside there is a robust vacancy management process lead by the Deputy Chief Constable and HR, which is now fully embedded within the Constabulary. This reviews all vacancies as they arise to understand the options available which, ultimately, may include the removal of the vacant post.
- 10.6. Looking forward, as it becomes clearer on both medium-term funding and the Government's support for the Police Uplift Programme beyond 2024, there is a need for a fundamental root and branch review of the Constabulary, its service delivery and its priorities to match ambition to actual funding levels, supported by the PBB process. This will be reflected within the MTFS as and when information becomes available.

## 11. ESTABLISHMENT

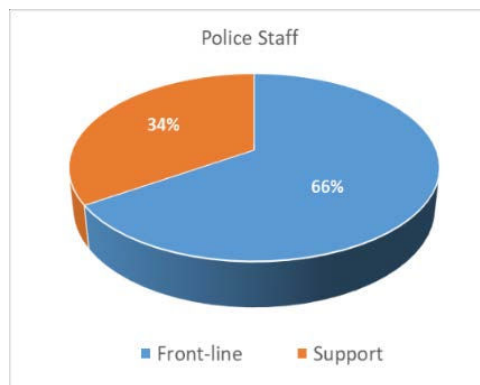
- 11.1. At the Joint Management Board in November 2022, the Commissioner approved the People Strategy. The Strategy has been developed to support the Chief Constable's strategic vision and the Commissioner's Police and Crime Plan and makes a clear statement about how the Constabulary values and treats its people, and the culture it wishes to foster to enable everyone to achieve outstanding and sustain excellence in all areas of policing activity. It aims to ensure that the Constabulary is an employer of choice with a culture, policies and procedures that set high performance expectations, whilst providing a stimulating and rewarding environment for its people and the communities it serves.
- 11.2. It is recognised that the people working for Cheshire Constabulary are our greatest asset. From police officers and PCSOs to police staff and volunteers, everyone plays a vital role in keeping Cheshire safe. The Government's Police Uplift Programme (PUP) has increased investment to the frontline. The Constabulary now has more officers than it has ever had, and the impact is being felt through improved incident response times and increased arrest and charge rates. The following paragraphs set out the key establishment details.

### Police Officers

For the 2023/24 financial year, the Constabulary starts the year with its officer establishment at 2347 FTE, the largest it has been since the modern boundaries of the Constabulary were created. It is not currently expected that this establishment will change during 2024/25 but will be subject to review dependent on Government funding and the implications of the PUP grant going forward.

### Police Staff

The police staff establishment comprises numerous roles including PCSOs, civilian investigators, emergency call takers and many others that work on front-line policing. These roles have continued to increase year on year with dedicated posts in areas such as analytical capabilities and specialist civilian investigators supporting our most complex cases. The Constabulary is supported by roles in the enabling services such as HR, Training and IT. Overall, the split of front-line staff to support staff 66% to 34% as shown in the following chart. However, due to the impact of inflation and the limited funding available, there is a robust vacancy management process in place that reviews all vacant posts with a view to making savings where possible without major impact on service delivery or performance.



### Specials and Volunteers

The Constabulary continues to strive to maximise the number of Special Constables that it maintains each year focusing to achieve a 10% ratio to budgeted officers. As the Constabulary are increasing Officer numbers to 2347, the focus is on achieving an establishment of 235 Specials in 2023/24. This will require a continual replacement and training programme across the year maximising intakes of 30 where possible.

## 12. RESERVES

- 12.1. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when preparing budgets. In establishing reserves, the Commissioner must comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Chief Finance Officer is required as part of the budget setting process to provide a statement on the adequacy of reserves.

- 12.2. In addition, the Home Office Financial Management Code of Practice requires the Commissioner to publish a Reserves Strategy on an annual basis. This Strategy provides an explanation for each reserve held along with details on the current and forecast values. The Reserve Strategy is published on the Commissioner's website as follows: [www.cheshire-pcc.gov.uk/commissioner-and-office/policies-and-strategies/strategies](http://www.cheshire-pcc.gov.uk/commissioner-and-office/policies-and-strategies/strategies)
- 12.3. In compliance with the above, the Reserves Strategy ensures that the Commissioner's reserves are sufficient to meet the known risks and issues facing the Constabulary without holding excessive amounts. The view of the Government is that reserves are a valid tool in sound financial management, but their steer is that they should be utilised and not held indefinitely.
- 12.4. The Strategy addresses specific (earmarked) and general reserves both for capital and revenue expenditure and considers the principles that should be applied that support the Police & Crime Plan. Reserves support the Police & Crime Plan by ensuring there is sufficient financial resilience to mitigate the impact of significant demands on funding. Such demands could include the cost of a prolonged major inquiry or an 'invest to save' capital programme.
- 12.5. The Strategy requires the transfer of monies between reserves in future periods in order that those identified risks and issues are adequately provided for. In considering future risks two horizons have been considered, a shorter-term horizon of three years where it is proposed all known issues and risks are provided for if sufficient funds are available and a longer horizon of five years where certain provisions may not be fully made but will be considered. A key principle should be the avoidance or minimisation of extreme changes to available funding arising from one-off costs. Therefore, whilst the strategy should not be subject to frequent change the specific reserves should be dynamic and responsive to changing circumstances. The dynamic use of reserves can be an effective tool in medium term financial planning, if maintained at reasonable levels reflective of the scale of risk.
- 12.6. It is recognised that use of reserves to support revenue budgets is short-term only, with permanent savings being required in the medium-term. The use of reserves in this manner allows for savings to be identified and implemented in a more controlled way that protects service delivery. However, it is also recognised that this is not an indefinite yearly option as the financial sustainability and resilience will be impaired otherwise. This has been considered and included within the MTFS and the Reserve Strategy.
- 12.7. The following table shows the level of reserves forecast over the MTFS period.

## **RESERVES FORECAST**

	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27
	£000	£000	£000	£000	£000
Revenue Reserve for Capital	-2,360	-189	-189	-189	-189
Capital Receipts	0	-108	0	0	0
ESN Reserve	-3,090	-1,419	-225	-225	-225
<b>Earmarked Capital Reserves</b>	<b>-5,450</b>	<b>-1,716</b>	<b>-414</b>	<b>-414</b>	<b>-414</b>
Carry forward Reserve	-1,519	0	0	0	0
Redundancy Reserve	-467	-398	-398	-398	-398
Medium Term Finance Strategy Reserve	-3,401	-3,401	-3,401	-3,401	-3,401
POCA Reserve	-435	-260	0	0	0
Hardship Loan Reserve	-50	-50	-50	-50	-50
Pay and Pensions Reserve	-734	-338	-113	0	0
Major Investigations Reserve	-1,226	-1,226	-1,226	-1,226	-1,226
Council Tax Deficit Reserve	-1,580	-1,000	-1,000	0	0
Estates Strategy Reserve	-500	-500	-500	0	0
Road Safety Initiatives Reserve	-566	-487	-187	-187	-187
Commissioning Reserve	-228	-263	-263	-263	-263
<b>Earmarked Revenue Reserves</b>	<b>-10,706</b>	<b>-7,923</b>	<b>-7,138</b>	<b>-5,525</b>	<b>-5,525</b>
Police Fund - General Reserve	-5,773	-5,773	-5,773	-5,773	-5,773
<b>Total Reserves</b>	<b>-21,929</b>	<b>-15,412</b>	<b>-13,325</b>	<b>-11,712</b>	<b>-11,712</b>

12.8. Cheshire Constabulary acts as lead force for a number of collaborations and where appropriate, holds reserves on behalf of all partners. Details can be found in the Reserves Strategy and Statement of Accounts.

### 13. HORIZON SCANNING

13.1. Although this current MTFs covers the period 2023 to 2028, there are a number of financial challenges that need to be considered within the context of this timeframe. The principal three are the Private Finance Initiative (PFI) contract for Headquarters, the delivery of the Estates Strategy and the Government's review of the formula funding.

13.2. The PFI contract ends in 2033 when the Headquarters building, and services are handed over to the Commissioner for a nominal fee. There are considerable estates, procurement, legal and financial work required in preparation for this and a PFI Board has been created to facilitate this change. PFI contracts when originally created were accompanied by specific Government grant and this will also conclude at the end of the contract. Provision will need to be made within the MTFs as it moves forward to recognise this and the change to associated costs.

- 13.3. As part of the funding proposals for the Estates Strategy, borrowing is required. The financial impact of this needs to be covered within the Capital, Medium Term Financial and Treasury Management Strategies going forward to ensure borrowing is taken at the optimum point and the consequential costs of interest and repayment built into the revenue budget.
- 13.4. The Minister for Crime, Policing and Fire has confirmed their commitment to the Police Funding Formula Review. The formula is the mechanism by which police funding is distributed to individual forces. It is anticipated that this review will issue a public consultation in early 2023. Should the review materially amend the share each force receives – which is anticipated, it is expected that transitional arrangements will be put in place to allow forces time to implement the changes. It is currently too early in the review to forecast what this may mean for Cheshire, therefore all assumptions included here are based on the current allocations.
- 13.5. Right Care Right Person is a national operating model for police and partners that seeks to ensure the public are provided with the right care, responded to by the right person with the right skills and training, and experience to best meet their needs. It aims to ensure people who call the police get the best possible support and service. Police Officers have often been required to offer support to those who really require specialist medical or psychological care. Under this model, officers will no longer be taking on this responsibility when it is not appropriate to do so. Indeed, police intervention can have a detrimental effect on vulnerable patients who feel they are being criminalised because of their health or social care issues. Their care will now be provided by the agency that can best meet the individual's needs. This transition will take place over two years with the Constabulary working closely with health partners to ensure that vulnerable people get the right support from the right emergency service.
14. INDICATIVE CAPITAL PROGRAMME
- 14.1. In addition to the revenue budget, there is a proposed capital investment programme to both maintain essential buildings, equipment, IT and vehicles together with new investment in priority areas. The funding of this programme comes from a number of sources including revenue funding set aside for capital purposes, use of reserves and other contributions. However, if this is not sufficient to fund the programme any shortfall can be met by borrowing – although there is an annual cost to this in terms of interest and Minimum Revenue Provision (MRP) - setting aside funds to repay the loan.
- 14.2. As with the revenue budget, assumptions are required over the level of funding available for capital investment. Over the last decade, the level of government grant allocated to Cheshire fell to £0.17m in 2020/21 with no generic capital grant provided since. Equally, with borrowing being required over the MTF period, assumptions are made on both the interest rates applicable at the time of the loan and the length of the loan. Both have direct impact on the revenue budget and have been included in the revenue projections earlier in this Strategy.

14.3. In line with the Capital Strategy, supported by specific strategies such as Estates and IT, the following table shows the proposed capital investment programme together with the associated funding. Final approval for each year's capital programme remains with the Commissioner as part of his budget setting process each January.

<b>Table 2 Capital Strategy</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>
Annual Replacement Schemes:					
Fleet Vehicles	2,748	1,980	2,500	2,500	2,500
IT and Communications	970	902	945	990	1,037
New Schemes:					
Estates - Maintenance & Environmental	1,464	1,100	500	600	300
Estates Strategy 2021-2031	3,552	2,000	16,105	8,000	13,366
IT and Communications	1,654	0	0	0	0
Operational Equipment	1,679	1,010	150	150	150
Collaboration/Funded Vehicles	53	500	0	0	0
<b>Capital Expenditure</b>	<b>12,120</b>	<b>7,492</b>	<b>20,200</b>	<b>12,240</b>	<b>17,353</b>
<u>Financed by:</u>					
Specific capital grants	557	48	0	0	0
Capital Receipts	3,406	2,108	1,800	500	0
Revenue Contributions to Capital	2,585	3,000	3,000	3,000	3,000
Revenue and Capital Reserves	2,229	304	0	0	0
External Contributions to Capital	146	128	0	0	0
HQ IT Reserve	284	284	284	284	284
Borrowing	2,913	1,620	15,116	8,456	14,069
<b>Total Funding</b>	<b>12,120</b>	<b>7,492</b>	<b>20,200</b>	<b>12,240</b>	<b>17,353</b>

14.4. The above figures include within the Estates Strategy a provisional £27m for the Northern Review. This will be subject to the approval of a full business case before any action is taken.

14.5. With no further grant funding forecast, the pressure of the capital programme is now significant. Borrowing costs have increased considerably due to interest rate rises and is now only practical for long-term assets. This in turn, puts pressure on the MTFS revenue budget to bridge the shortfall to fund short life assets such as vehicles and Information Technology.

14.6. Consideration will be given to this as part of the 2024/25 budget setting and beyond. All new capital bids are subject to the same rigour as revenue bids under PBB, together with challenge over existing capital programmes.

## 15. RISK ASSESSMENT

15.1. This Strategy contains the most up to date information and data available at the time of writing. However, it is important to note that the financial environment in which this is created is volatile and subject to material change. There are a number of financial risks that could alter key assumptions and therefore change the financial outlook. An assessment of these risks is set out below.

	<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigating Action</b>
1	Pay awards and inflation are higher than forecast	Possible	Very High	Budgets set based on latest information and updated when required. Reserves held for in-year mitigation
2	PUP Grant and Pension Grant not included in future funding	Possible	High	NPCC liaison with Home Office; review of establishments and use of reserves until permanent savings are achieved
3	Specific Government grants reduced or removed	Probable	High	Liaison with Home Office, review service provision linked to grants
4	Police Pension 2020 Valuation – impact of higher employer contributions funding	Probable	High	HM Treasury has stated that funding will be provided at government departmental level to cover these costs, but only for one year. No clarity after that point.
5	Formula Funding Review	Probable	High	Regular monitoring of the national review; transitional arrangement expected for any changes
6	Capital Strategy – costs higher than expected	Possible	Medium	Current building costs are higher than original strategy forecast. All projects reviewed to ensure costs are affordable. Borrowing costs are in line with current interest forecasts and closely monitored
7	Ability to deliver planned savings	Possible	Medium	Clear processes are in place to deliver and monitor planned savings. Monthly budget reports are provided to enable decision to be made in a timely manner as required

15.2. Not all risks are identified here, the Strategic Risk Register is the primary document for the organisational risks, and it is maintained and reported on a regular basis. The table shows the main risk areas currently identified that could materially impact on the MTFS only.

## 16. CONCLUSION AND NEXT STEPS

- 16.1. The use of priority-based budgeting with its flexibility to increase or decrease services to match funding, in a way that clearly links to the priorities of the Police and Crime Plan; Force Management Statement; demands and Strategic Policing Requirement, allowing more considered planning even in uncertain times. The provision of a three-year spending review has enabled a clearer direction of travel in the short-term, although there are a number of areas that still need to be refined and clarified. The Provisional Police Settlement for 2024/25 is due in December 2023, setting out the detailed funding at force level.
- 16.2. The 2024/25 budget setting process is well underway, and this updated MTFS reflects the latest information. A new MTFS will be produced as part of the formal budget setting process in January 2024. Should any major changes occur which impact on this Strategy in the meantime; further updates will be made accordingly and reported through Joint Management Board.

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