

Medium Term Financial Strategy 2013-14 to 2016-17

Annual Budget 2013-14



**Police and Crime Commissioner
for Devon and Cornwall**

The Medium Term Financial Strategy : 2013-14 to 2016-17

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Police and Crime Plan	
The Police and Crime Plan is included to provide context and further information on the PCC's objectives	
Available separately on request	
Police and Crime Commissioner's Report to the Police and Crime Panel	
Treasurers Report to Police and Crime Commissioner	

* All documents indicated were presented to the Police and Crime Panel on the 8 February 2013.

At that meeting, having considered the evidence presented to them, the Panel agreed the 2% increase in the precept proposed.

Following this approval, the Police and Crime Commissioner decided to increase the precept by 2%. This is recorded as decision number: 9-14/2/2013 in the Office of the Police and Crime Commissioner decision log.

Police and Crime Plan Priorities

Relationship between the Medium Term Financial Strategy and the Police and Crime Plan

The Police and Crime Commissioner (PCC) has a statutory duty to produce a Police and Crime Plan. It is the Commissioner's prime planning document and it outlines his police and crime objectives and the resources required to deliver them.

The Medium Term Financial Strategy is created to support delivery of the Police and Crime Plan. It sets out both the funding available and the forecast spending required to deliver the plan. The Police and Crime Plan itself can be found at <http://www.devonandcornwall-pcc.gov.uk/Document-Library/Police-and-Crime-Plan-2013-17-130408.pdf>.

Police and Crime Plan and the Detailed Delivery Plan

The Police and Crime plan is underpinned by a detailed Delivery Plan from the PCC and Chief Constable that highlights actions that will be undertaken to support the PCCs priorities. Many of these actions will be undertaken as part of the day to day work of the force and so the numbers of police officers and police staff available for the Chief Constable to deploy are crucial to his delivery of the PCCs plan. Therefore the maintenance of police and PCSO numbers during the next four years is a key underpinning for the delivery of the plan.

Of course the current financial circumstances mean year on year cuts and the ability to grow the service is extremely limited. Nevertheless the Strategy supports the plan through budget prioritisation, the prudent use of reserves and assumed ongoing below inflation increases in the council tax. The medium term strategy contains specific support for the priorities which are as follows:

Reducing crime and bringing offenders to justice

Key resources available in the plan to deliver this priority:

- Maintenance of officer numbers
- Increase in numbers of special constabulary
- Commissioning budget
- On going investment in buildings, vehicles, and specialised operational equipment
- Support for recruitment and training functions for police officers, PCSOs and specials

Giving victims and witnesses a stronger voice

Key resources available:

- Maintaining current station opening
- Investment in improving the call centre in Plymouth
- Investment in dealing with domestic violence
- Recruitment of Specials dedicated to particular communities

Listening and responding to the public

Key resources available:

- Increased investment in volunteers
- Implementation of the Respond to Incidents review which includes a review of call handling
- Resourcing the office of the Police and Crime Commissioner to ensure public have access to PCC

Strong leadership at every level

Key resources available:

- Recommencing police recruitment
- Investment in training
- Development of the Specials

Investing in policing for the future

Key resources available:

- Investment in the ICT Programme to deliver key new operational systems
- Exploration of mobile data
- Review of key operational processes to deliver improved service and efficiency e.g. crime investigation, response to incidents
- Creation of a replacement criminal justice centre and operational hub at headquarters

Summary of Funding Changes and Calculation of Council Tax Requirement

	2012-13 £000	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000
Council Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%
Gross Annual Expenditure	294,161	294,007	293,339	295,950	299,454
Appropriation to/(from) reserves	939	4,251	569	(3,396)	(7,428)
Gross Budget Requirement	295,100	298,258	293,908	292,554	292,026
Funding before Council Tax					
Formula Funding	(178,403)	(182,972)	(176,793)	(175,662)	(172,880)
Home Office Grants now included in formula funding	(7,485)	0	0	0	0
	(185,888)	(182,972)	(176,793)	(175,662)	(172,880)
Percentage change in formula funding		-1.6%	-3.4%	-0.6%	-1.6%
Council Tax Benefit Grant	0	(13,075)	(13,028)	(13,028)	(13,028)
Council Tax Freeze Grant 2011-12	(2,392)	(2,392)	(2,392)	0	0
Other Central Government Grants	(2,009)	(3,222)	(3,172)	(3,172)	(3,172)
Total Central Government Funding	(190,289)	(201,661)	(195,385)	(191,862)	(189,080)
Surplus on Council Tax Collection Fund	(1,507)	(845)	(400)	(300)	(200)
Other income	(5,041)	(6,504)	(6,634)	(6,609)	(6,609)
Total Funding before Council Tax	(196,837)	(209,010)	(202,419)	(198,771)	(195,889)
Council Tax Requirement	98,263	89,248	91,489	93,783	96,137

	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000
Summary of Budget Changes				
Gross Budget previous Year	295,100	298,258	293,908	292,554
Inflation	2,560	3,785	6,655	8,700
Pay Commitments	(1,060)	30	980	880
Non-Pay Commitments	2,096	3,606	539	748
Total Commitments	3,596	7,421	8,174	10,328
Revenue Costs Funded from Reserves	2,070	(2,404)	(826)	(692)
Changes in appropriations to funds and reserves	3,312	(3,682)	(3,965)	(4,032)
Changes in externally funded expenditure	1,627	0	0	0
	7,009	(6,086)	(4,791)	(4,724)
Gross Budget before Savings Requirement	305,705	299,593	297,291	298,158
Savings Plan 13-17 : Police Officers	(5,300)	(5,900)	(6,900)	(6,600)
Savings Plan 13-17 : Police Staff	(1,330)	(650)	(650)	(3,000)
Savings Plan 13-17 : Non Pay	(3,682)	(1,095)	(472)	(317)
Reinvestment	2,865	1,960	3,285	3,785
Gross Budget Requirement	298,258	293,908	292,554	292,026
Deduct specific grant and other income	(9,726)	(9,806)	(9,781)	(9,781)
Net Budget Requirement	288,532	284,102	282,773	282,245

Main Components of the Budget

	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000
Chief Constable				
Force Budget Requirement	277,650	276,761	279,489	282,861
Office of Police and Crime Commissioner	1,611	1,632	1,670	1,720
Capital Financing				
Minimum Revenue Provision and interest payments	2,734	2,720	2,714	2,736
Interest Receipts	(360)	(283)	(488)	(512)
Support for collection of council tax	22	0	0	0
Commissioning and Partnership Working				
Commissioning Budget of the Police and Crime Commissioner	2,624	2,703	2,784	2,868
Net budget before contribution to/from Reserves	284,281	283,533	286,169	289,673
Contribution to/(from) Reserves	4,251	569	(3,396)	(7,428)
Total Budget	288,532	284,102	282,773	282,245

Revenue Budget Movements

	< - - - - CSR 2010 - - - - >		< - - - - CSR 2014 - - - - >	
	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000
Funding				
Police Grant	182,972	176,793	175,662	172,880
RSG				
NNDR				
Council Tax Freeze Grant (transfer from core funding)	2,392	2,392		
Council Tax Benefit Grant	13,027	13,028	13,028	13,028
Council Tax Benefit Transitional Grant	48			
Council Tax	89,248	91,489	93,783	96,137
Surplus on Collection Fund	845	400	300	200
Specific grant	3,222	3,172	3,172	3,172
Other Income	6,504	6,634	6,609	6,609
Total Funding	298,258	293,908	292,554	292,026
Council Tax Increase	2.00%	2.00%	2.00%	2.00%
Budget Requirement				
Base Budget Previous Year	295,100	298,258	293,908	292,554
External Funding Changes				
Gross expenditure and income adjustment	1,627	0	0	0
	1,627	0	0	0
Inflation				
Full-year effect pay awards	(500)	985	995	3,000
Provision for Pay and Price Increases	2,860	2,800	5,660	5,700
Flat-rate increase for staff paid less than £21k per year	200	0	0	0
	2,560	3,785	6,655	8,700
Pay Commitments				
Increments	500	1,300	1,900	1,800
Police Staff Pensions Actuarial Review	0	0	0	0
Turnover Allowance	(500)	0	0	0
New PCC Structure	0	0	0	0
Winsor 2 Changes	(320)	(920)	(620)	(620)
Additional Bank Holidays	(175)	0	0	0
Rent & Housing Allowances / Competency Based Payments	(565)	(350)	(300)	(300)
	(1,060)	30	980	880
Non-Pay Commitments				
Interest Receipts	78	77	(205)	(24)
Interest Payments	0	(58)	(6)	22
Minimum Revenue Provision (based on planned capital expenditure)	58	44	0	0
Major Equipment Replacement	(22)	(184)	0	0
Community Safety Fund	1,604	0	0	0
Resource Management Unit	0	0	0	0
Support for council tax collection	22	(22)	0	0
NPOIU Charges	(60)	0	0	0
NPIA Charges	150	150	0	0
Partnership & Regional Initiatives	190	0	0	0
Devon Property Store	(66)	0	0	0
Injury Awards and Ill Health Retirements	300	0	0	0
Operational Estates Strategy	0	0	0	0
Firearms Licensing income profile	0	0	0	0
Job Evaluation	(152)	2,599	0	0
Other minor changes	(6)	0	0	0
Policing Plan priorities	0	1,000	750	750
	2,096	3,606	539	748
Revenue Costs Funded from Reserves				
Core Programme revenue implementation costs	696	(1,524)	123	(227)
Job Evaluation revenue implementation costs	1,661	(779)	(1,337)	(120)
Additional Severance costs	0	0	0	0
Estates Development	(54)	(101)	388	(345)
Police Authority Transition	(233)	0	0	0
	2,070	(2,404)	(826)	(692)
Base Budget before Savings and Service Reviews	302,393	303,275	301,256	302,190

Revenue Budget Movements

	< - - - - CSR 2010 - - - - >		< - - - - CSR 2014 - - - - >	
	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000
Identified Budget Reductions and Savings				
Reduction in Police Officer Numbers ¹	(5,300)	(5,900)	(6,900)	(6,600)
Reduction in Police Staff Numbers ²	(1,330)	(650)	(650)	(3,000)
Non-Pay Budget Reductions ³	(3,682)	(1,095)	(472)	(317)
	<u>(10,312)</u>	<u>(7,645)</u>	<u>(8,022)</u>	<u>(9,917)</u>
Further Savings to be identified	0	0	0	0
Reinvestment ⁴	2,865	1,960	3,285	3,785
Total Net Savings	<u>(7,447)</u>	<u>(5,685)</u>	<u>(4,737)</u>	<u>(6,132)</u>
Changes in appropriations to funds and reserves ⁵	<u>3,312</u>	<u>(3,682)</u>	<u>(3,965)</u>	<u>(4,032)</u>
Gross Budget Requirement	298,258	293,908	292,554	292,026
External Income and Specific Grants	<u>(9,726)</u>	<u>(9,806)</u>	<u>(9,781)</u>	<u>(9,781)</u>
Net Budget Requirement	288,532	284,102	282,773	282,245
Savings Plan 2012-16				
1. Reduction in Police Officer Numbers / Rank Profile	(5,300)	(5,900)	(6,900)	(6,600)
2. Reduction in Police Staff Numbers				
Vacancy Disestablishment	(580)			
Full year effect of completed Reviews	(100)			
Savings from Police Staff Reviews	(650)	(650)	(650)	(3,000)
3. Non-Pay Budget Reductions				
ICT Budget Savings	(810)	(16)		
Command and Control System Licences	(350)			
Vehicle / Travel Reductions	(200)	(200)		
External Training and Conferences	(100)			
Premises	(317)	127		
Medical Examiners	(50)			
National Aviation Service (NPAS)	(275)	(95)		
Estates Strategy	(203)	(306)	28	(317)
Procurement		(300)	(500)	
Forensics	(200)			
Overtime	(125)			
Severance Costs	(600)			
Uniforms		(100)		
Other Locally Managed Budgets	(522)	(205)		
Police Authority Budget	70			
Total Identified Savings	<u>(10,312)</u>	<u>(7,645)</u>	<u>(8,022)</u>	<u>(9,917)</u>
4. Reinvestment				
Police Officer Recruitment	830	3,575	3,500	3,750
PCSO Recruitment	900	(650)	(250)	
Specials Recruitment	135	35	35	35
Policing plan implementation	1,000	(1,000)		
Total Savings Plan	(7,447)	(5,685)	(4,737)	(6,132)
5. Use of Reserves - See Detailed Analysis				
Workforce Modernisation Reserve	63	(1,457)	(120)	0
Capital Financing Reserve	250	250	250	250
Estates Development Reserve	(58)	43	(345)	0
Programme & Projects Reserve	(1,494)	30	(93)	134
Police Authority Transition Fund	0	0	0	0
	<u>(1,239)</u>	<u>(1,134)</u>	<u>(308)</u>	<u>384</u>
Revenue Smoothing Fund	5,490	1,703	(3,088)	(7,812)
Total Use of Reserves	4,251	569	(3,396)	(7,428)

Key Budget Headings 2013-14

Cost Type	Key Budgets (strategic tier 1)	Budget Metrics (Number or price)	2013-14
			Budget £000
Police Officer costs	Police Officer pay and oncosts - Existing Posts	2,970	149,010
	Police Officer pay and oncosts - New Recruits	120	1,560
	Police Officer pay and oncosts - Allowances		7,826
	Police Officer pay and oncosts - operational overtime	8	3,293
Police Staff costs	PCSO pay, allowances and oncosts	384	11,859
	Police Staff pay, allowances and oncosts	1,764	55,918
	Turnover allowance & vacancy savings	-60	-1,500
	Police Staff overtime		769
Change	Severance costs		0
Training	Training		1,126
Operational	Major Operations including police officer overtime		1,420
Premises	Premises		12,403
Contract based	ICT FM Contract - ICT Costs		10,668
	Programme and Projects		2,752
	Forensics and Scientific Equipment		1,905
	Outsourced Services		2,987
Transport	Vehicles and Travel		3,350
	Fuel	*1.48	2,910
Legal	Legal		890
Contributions	Regional Collaboration and National Contributions		2,327
Pensions	Injury Awards and Ill Health Retirement	12	2,002
Other Costs	All other budget costs		13,555
Income	Specific Grants		-3,222
	Income		-6,158
Force Revenue Budget 2013-14			277,650

* Price of Diesel per litre

Key Budget Headings 2013-14

Cost Type	Key Budgets (strategic tier 1)	Budget Metrics (Number or price)	2013-14 Budget £000
Non-Operational Budgets	Office of the Police and Crime Commissioner		1,633
	Capital Financing and Treasury Management	0.7% return	2,374
	Commissioning and Partnership Working		2,624
	Contributions to / from Reserves		4,251
Total Revenue Budget 2013-14			288,532

Staffing Analysis (FTE)

Police Officers :	31st March 2013		3,090
	- Planned Changes 2013-14	0	
	- Planned Changes 2014-15	0	
	- Planned Changes 2015-16	(20)	
	- Planned Changes 2016-17	<u>(10)</u>	
			(30)
	31st March 2017		<u>3,060</u>
PCSO's :	31st March 2013 (including 4 externally funded)		414
	- Planned Changes 2013-14	(30)	
	- Planned Changes 2014-15	(24)	
	- Planned Changes 2015-16	0	
	- Planned Changes 2016-17	<u>0</u>	
			(54)
	31st March 2017		<u>360</u>
Police Staff :	31st March 2013		1,810
	- Planned Reductions 2013-14	(46)	
	- Planned Reductions 2014-15	(25)	
	- Planned Reductions 2015-16	(25)	
	- Planned Reductions 2016-17	<u>(120)</u>	
			(216)
	31st March 2017		<u>1,594</u>

Specific Grants 2013-14

	£000	£000
Counter Terrorism (final confirmation outstanding)	1,318	
Community Safety Fund	1,604	
Proceeds of Crime Act	<u>300</u>	
		<u>3,222</u>

Balances, Reserves & Provisions

	Forecast 2012-13 Closing Balance	In-Year Movement Revenue	2013-14 In-Year Movement Capital	Closing Balance	In-Year Movement Revenue	2014-15 In-Year Movement Capital	Closing Balance	In-Year Movement Revenue	2015-16 In-Year Movement Capital	Closing Balance	In-Year Movement Revenue	2016-17 In-Year Movement Capital	Closing Balance
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
General Balances	6,198	0	0	6,198	0	0	6,198	0	0	6,198	0	0	6,198
General reserves:													
Helicopter Replacement	0	0	0	0	0	0	0	0	0	0	0	0	0
Programmes & Projects Reserve	3,554	(1,494)	0	2,060	30	0	2,090	(93)	0	1,997	134	0	2,131
Estates Development Reserve	533	(58)	0	475	43	0	518	(345)	0	173	0	0	173
Capital Financing Reserve	5,825	250	(2,426)	3,649	250	(567)	3,332	250	(1,441)	2,141	250	(661)	1,730
Workforce Modernisation Reserve	7,530	63	0	7,593	(1,457)	0	6,136	(120)	0	6,016	0	0	6,016
Police Officer Ill Health	500	0	0	500	0	0	500	0	0	500	0	0	500
Police Authority Transition Fund	20	0	0	20	0	0	20	0	0	20	0	0	20
Major Operations Reserve	2,376	0	0	2,376	0	0	2,376	0	0	2,376	0	0	2,376
Budget Management Fund	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue Smoothing Fund	14,375	5,490	0	19,865	1,703	0	21,568	(3,088)	0	18,480	(7,812)	0	10,668
Sub-total - general reserves	34,713	4,251	(2,426)	36,538	569	(567)	36,540	(3,396)	(1,441)	31,703	(7,428)	(661)	23,614
Specific Capital Reserves / Grants:													
Capital Grant	3,361	0	(2,249)	1,112	0	(413)	699	0	(355)	344	0	(27)	317
Capital Receipts	1,948	0	185	2,133	0	5,458	7,591	0	(6,781)	810	0	2,649	3,459
Sub-total - specific reserves	5,309	0	(2,064)	3,245	0	5,045	8,290	0	(7,136)	1,154	0	2,622	3,776
Total - Reserves	40,022	4,251	(4,490)	39,783	569	4,478	44,830	(3,396)	(8,577)	32,857	(7,428)	1,961	27,390
Provisions													
Insurance	1,127	0	0	1,127	0	0	1,127	0	0	1,127	0	0	1,127
Remuneration	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0
Total - Provisions	1,127	0	0	1,127	0	0	1,127	0	0	1,127	0	0	1,127
Total Balances, Reserves & Provisions	47,347	4,251	(4,490)	47,108	569	4,478	52,155	(3,396)	(8,577)	40,182	(7,428)	1,961	34,715

The Forecast closing balance is based on the quarter 2 monitoring position and may vary when actual outturn expenditure levels for 2012-13 are known

Sensitivity of Budget Assumptions

OPCC Corporate Risk Register	Uncertainty	Cause	Basis of calculation	Financial Risk Mitigation	Assessed Impact * 2013/14 £000
CR03	Winsor 2	Variation to Winsor 2 costs and savings in particular on call allowance	50% increase in cost on call allowance	Assessment of future costs reflects national guidance	125
CR03	Pay award 2013/14	Employer not able to agree 1% pay award for Sept 2013 and September 2014	Pay award agreed at 2% which is closer to forecast of CPI		270
CR14	Stage 2 transition costs	Complexities of transition process are greater than expected or unforeseen costs arise	Stage 2 transition cost are higher 50% than estimated	Detailed assessment of stage 2 costs	23
CR03	Inflation on non-pay budget lines	Non pay inflation varies from OBR forecast	Inflation on non-pay budget lines 1% above OBR forecast		125
CR03	Major Operations	Is the Major Operations reserve sufficient to fund a number of major operations/	Reserve stands at £2.4m which is close to the Bellwin Threshold - a number of smaller incidents could have an impact		250
CR06/CR15	Force Capacity and Capability	Force unable to deliver Police and Crime Plan within resources available	Temporary requirement for funding pending realignment of resources to meet plan		250
CR05/CR15	Force Change Management capacity and capability	Force unable to deliver change management and ICT developments within resources available	To be met from Programme and Projects Reserves	Programme and Projects Reserve	0
CR15	OPCC Capacity and Capability	OPCC unable to deliver Police and Crime Plan within resources available	Temporary requirement for funding pending realignment of resources to meet plan		25
CR18	Employer responsibilities	Poor HR decisions lead to an increase in legal costs/settlements			63
N/A	Investments returns	Inaccurate forecasting of investment returns leads to receipts being less than forecast	Returns 20% lower than forecast in 2013-14 and 2014-15 and 50% lower in 2051-16 and 2016-17	Forecasts based on independent advisers forecast rates	10
N/A	Timing of capital receipts	Slippage of capital receipts leads to reduced capital programme	Slippage on receipts delays rationalisation programme - leading to lower savings on ongoing runnings costs of 50% per annum	Balance on capital receipts reserve allow for some slippage on receipts	43
N/A	Ability of level of reserves to support internal borrowing	Increased cost of borrowing if capacity for internal borrowing reduced	£10m internal borrowing substituted for external borrowing 5 year maturity	Careful modelling of cashflow	40
Total Impact					1224

* assessed impact is based on a quantification of the total financial risk and a likelihood assessment

Commissioning and Partnership Working Allocations

Area	Devon	Cornwall	Plymouth	Torbay	IOS	Other	Totals
	£	£	£	£	£	£	£
Community Safety Fund Allocations							
Community Safety Partnerships	466,515	389,685	379,680	165,378	16,987	0	1,418,245
Youth Offending Teams	102,591	79,358	54,727	30,410	0	0	267,086
Total	569,106	469,043	434,407	195,788	16,987	0	1,685,331
Police Partnership Fund							
Safeguarding Children Boards	14,025	19,948	14,025	10,708	0	0	58,706
Safeguarding Adult Boards	4,675	6,543	4,675	4,675	0	0	20,568
Domestic Abuse	37,399	23,374	23,374	16,822	0	0	100,969
Drug and Alcohol Teams	51,611	37,395	37,395	25,799	0	0	152,200
Youth Offending Services	133,251	79,462	63,093	18,607	0	0	294,413
Multi Agency Risk Assessment Centre	23,503	0	0	0	0	0	23,503
Isles of Scilly Medical Launch	0	0	0	0	1,500	0	1,500
Sexual Assault Referral Centres (SARCs)		(centralised allocation)				200,000	200,000
Integrated Offender Management		(centralised allocation)				44,696	44,696
Acorn Fund						30,000	30,000
Street Pastors						500	500
Unallocated						11,614	11,614
Total	264,464	166,722	142,562	76,611	1,500	286,810	938,669
Total Allocation	833,570	635,765	576,969	272,399	18,487	286,810	2,624,000

Council Tax Information and Precept 2013-14

Tax base, collection variations and precepts

	Tax Base declared by Councils	Total Precept payable by Councils £	Surplus (Deficit) on collection £	Amount due from Councils £	% share payable by Councils
East Devon	52,962.00	£8,628,569.04	£75,331.00	£8,703,900.04	9.7%
Exeter	33,820.00	£5,509,954.40	£0.00	£5,509,954.40	6.1%
Mid Devon	26,153.80	£4,260,977.10	£93,799.00	£4,354,776.10	4.8%
North Devon	30,839.54	£5,024,377.86	-£11,482.85	£5,012,895.01	5.6%
Plymouth	66,958.00	£10,908,797.36	£23,446.00	£10,932,243.36	12.1%
South Hams	35,434.09	£5,772,921.94	£27,000.00	£5,799,921.94	6.5%
Teignbridge	43,848.00	£7,143,716.16	-£30,971.00	£7,112,745.16	7.9%
Torbay	41,586.58	£6,775,285.61	£230,000.00	£7,005,285.61	7.8%
Torridge	21,659.79	£3,528,812.99	£22,703.00	£3,551,515.99	3.9%
West Devon	18,920.79	£3,082,575.11	£49,454.00	£3,132,029.11	3.5%
Cornwall	174,255.58	£28,389,719.09	£369,000.00	£28,758,719.09	31.9%
Isles of Scilly	1,364.30	£222,271.76	-£3,757.00	£218,514.76	0.2%
	<u>547,802.47</u>	<u>89,247,978.42</u>	<u>844,522.15</u>	<u>90,092,500.57</u>	<u>100.0%</u>

Police element of Council Tax due for each Property Valuation Band

Valuation band	Government multiplier		Council Tax by band		Increase per week	%
	Ratio		2013-14	2012-13		
A	6 / 9	0.667	£108.61	£106.49	+ 4.1 p	
B	7 / 9	0.778	£126.72	£124.23	+ 4.8 p	
C	8 / 9	0.889	£144.82	£141.98	+ 5.5 p	
D	1	1.000	£162.92	£159.73	+ 6.1 p	2.00%
E	11 / 9	1.222	£199.12	£195.23	+ 7.5 p	
F	13 / 9	1.444	£235.33	£230.72	+ 8.9 p	
G	15 / 9	1.667	£271.53	£266.22	+ 10.2 p	
H	18 / 9	2.000	£325.84	£319.46	+ 12.3 p	

Calculation of relevant basic amount of Council Tax

	£		Band D Council Tax
Council Tax Requirement	89,247,978.42		
		=	£162.92
Tax Base	<u>547,802.47</u>		

Four Year Capital Programme 2013-14 to 2016-17

Recommendations:

- (i) The proposed four year programme 2013-14 to 2016-17 as set out at table 1 in Annex 1 is approved;
- (ii) That the financing of the four year programme 2013 -14 to 2016 -17 as set out at table 2 in Annex 1 is approved, this to include a £1.9m contribution to the Capital Financing Reserve in 2012-13 funded from revenue budget under-spends to fund the projects set out in paragraph 8 below;
- (iii) That the 2012-13 programme is increased by £636,000 to fund urgent work to custody accommodation as described in paragraph 8.

Introduction

1. The proposed capital programme reflects the investment priorities of the Force and the Police and Crime Commissioner. It is constrained by the capital finance available and the overriding factors are:
 - the availability of revenue funding to meet the ongoing costs of borrowing;
 - the availability of capital receipts from the disposal of surplus property to fund the Exeter and HQ rationalisation Programme and the Force-wide estates rationalisation programme;
 - and the availability of capital grant and revenue reserves to fund the vehicle replacement programme the capital spending relating to the Force Programme and replacement of ICT infrastructure.

Proposed Programme

2. The overall programme and the capital finance available are summarised in Annex 1 and described in detail below.

Property Schemes

3. The main elements of the property programme are summarised in the table 1.

Table 1

	Property Programme	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000
	Capital Spending				
1	Completion of existing projects	125			
2	Exeter Criminal Justice Centre and related works	221	9,779	7,642	
3	Estates rationalisation programme	1,156	2,257	1,634	1,576
4	Custody refurbishment programme	1,202	0		
5	Other priority projects	1,900			
6	Refurbishment schemes				700
7	Sub total	4,604	12,036	9,276	2,276
8	Carry-forward from 2012-13	2,087			
9	Total Spending	6,691	12,036	9,276	2,276
	Financing				
10	Long-term borrowing	826			700
11	Temporary Borrowing	1,470			
12	Revenue Reserves	2,090			
13	Capital Receipts	2,305	12,036	9,276	1,576
14	Total Financing	6,691	12,036	9,276	2,276

4. The property programme is in line with the current Estates Strategy that was approved in February 2010.
5. **Completion of Existing Projects** - this part of the programme relates to the completion of the scheme to refurbish the second Force Enquiry Centre in Crownhill, Plymouth. This scheme which is funded from borrowing was included in the 2012-13 programme and has been delayed.
6. **Exeter criminal justice Centre and related works** – this major project replaces the custody facilities currently provided at Heavitree Road Police Station in Exeter with a new 40 cell criminal justice centre on the Middlemoor site. It is funded by the disposal of a portion of the Middlemoor site and a conditional contract for the sale of 8 acres of the the land To Morrisons Plc has been obtained. Temporary borrowing is required to fund enabling works in advance of the receipt of the sale proceeds. The overall project includes the relocation of the Air Support Unit and the Devon Air Ambulance including the helicopters and landing facilities to Exeter Airport and this part of the project is due for completion in the early summer 2013.
7. **Estates rationalisation programme** – this part of the programme aims to rationalise Force accommodation and reduce the overall footprint by 12% and at the same time reduce the running costs of the estate by £500,000 before the end of 2016. The programme is self funding as receipts from disposal of current property are used to fund the re-provision of more efficient accommodation. Details of the rationalisation projects and the properties that will be disposed of are listed at Annex 2.

8. **Custody refurbishment** – there is an urgent requirement to undertake refurbishment of cells across the Force area. This work (which was reported to the Police Authority Resources Committee in September 2012) has been prioritised. The total cost of the high priority work is estimated at £1.920m. The forecast spending profile and funding sources are as follows:

	2012-13 £000	2013-14 £000
Additional capital grant received in 2011-12	360	
Revenue budget contribution from maintenance budget	190	190
Capital receipts	86	529
Sub total	636	673
Financing released by capital programme under-spends	82	483
Total	718	1,202

9. **Other priority projects** – two projects need to be included in the programme to meet urgent needs.
- Cabling for the Middlemoor site – the cabling and the sub ground duct work for the Middlemoor site does not meet Force requirements and needs to be upgraded at an estimated cost of £0.4m
 - The Plympton Property Store and the Force Records Management Centre is not fit for purpose and need to be re-provisioned at an estimated cost of £1.5m
10. Detailed business cases for the projects included the Force-wide estates rationalisation programme, the Exeter and HQ custody refurbishment programme and for the two other priority projects will be presented to the Commissioner's Management Team for consideration once they have been completed.

Risk Factors within the Property Programme

11. The main risk factors with the property programme are as follows:
- Realisation of the Capital Receipts – of a total programme of £30.3m, £25.6m is funded from capital receipts from the disposal of property. Total forecast receipts are greater than the £25.6m forecast requirement and the current spending and disposal profiles mean that there is a balance of available receipts at the end of each financial year as shown in table 3 of Annex1. The property programme and the disposal schedule will however require careful management and monitoring to ensure that commitment are not entered into that exceed the guaranteed receipts available. This is particularly the case for the new police infrastructure included within the Exeter and HQ rationalisation programme due to the size of the project in relation to the overall programme and the lack of alternative funding for this project.

- Changing requirements in relation to the Force's policing delivery model – it may be necessary to make changes to the programme to provide accommodation to fit the Force's integrated policing delivery model. It should be noted that the scope for changes is very limited without introducing additional borrowing at a cost to the revenue budget.

Information and Communication Technology

- The Information and Communication Technology comprises the programme to replace core ICT infra-structure as it come to end of life and the programme to fund the capital elements of the Force Programme.
- The ICT programme reflects the Force ICT roadmap and includes the rolling programme to replace Airwave handsets and related infrastructure. Replacement for all equipment and infrastructure is on an end of life basis.
- The capital programme provisions for the Force programme is on the basis of existing approved projects only. It allow the completion of the projects to replace the Command and Control and the Crime and Intelligence systems and provision upgrade interview room recording systems.

Table 3

	Information and Communication Technology Programme	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000
	Capital Spending				
1	ICT Infrastructure Replacement	1,810	1,462	1,941	1,503
2	Force Programme	307			
3	Total Spending	2,117	1,462	1,941	1,503
4	Capital Grant	1,781	895	500	8,42
5	Revenue Reserves	336	567	1,441	661
6	Total Financing	2,117	1,462	1,941	1,503

Vehicles and Workshops

- Vehicle numbers are planned to fall broadly in line with the staffing reductions made in the revenue budget. The life of police vehicles has been extended in recent years to reduce capital expenditure. Nevertheless it is important to ensure that the on-going cost of maintaining a more elderly fleet does not outweigh the one-off savings

Table 3

	Vehicle Replacement Programme	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000
	Capital Spending				
1	New capital spending	2,386	2,327	2,664	2,164
2	Carry forward from 2012-13	786			
3	Total Spending	3,172	2,327	2,664	2,164
4	Capital Grant	3172	2,327	2,664	2,164
5	Total Financing	3,172	2,327	2,664	2,164

Revenue Implications of the Propose Programme

- 16 There are no significant additional capital financing implications from the above programme. The carry-forward of under-spends from the 2012-13 programme, the completion of existing projects in 2013-14 and the application of financing capacity arising from programme under-spends to the custody refurbishment project result in forecast borrowing of £826,000 in 2013-14. The costs of this borrowing was already included within the Medium Term Financial Strategy

						Annex 1	
	Capital Programme 2013-14 Onwards						
			2013-14	2014-15	2015-16	2016-17	Total
	1. Capital Expenditure		£000	£000	£000	£000	£000
1	Estates Investment		4,604	12,036	9,276	2,276	28,192
2	Total Long Term Property Assets		4,604	12,036	9,276	2,276	28,192
3	Vehicle Replacement		2,386	2,327	2,664	2,164	9,541
4	ICT Infrastructure		1,810	1,523	2,002	1,394	6,729
5	Force Programme		307	0	0	0	307
6	Total Short Life Assets		4,503	3,850	4,666	3,558	16,577
7	Total Long and Short Life Assets		9,107	15,886	13,942	5,834	44,769
8	2012-13 Programme Bfwd		2,873				2,873
9	Total Programme		11,980	15,886	13,942	5,834	47,642
	2. Capital Financing						
1	Long Term Borrowing		826	-	-	700	1,526
2	Temporary Borrowing		1,470				1,470
2	Home Office Capital Grant		4,953	3,283	3,225	2,897	14,358
3	Reserves		2,426	567	1,441	661	5,095
4	Capital Receipts		2,305	12,036	9,276	1,576	25,193
5	Total Financing for Current Capital Programme		11,980	15,886	13,942	5,834	47,642
6	Repay temporary borrowing with regard to the Exeter Criminal Justice Hub		-	3,566			3,566
7	Total Financing Requirement		11,980	19,452	13,942	5,834	51,208
	3. Financing Resources	Bal as at					
		March 13	March 14	March 15	March 16	March 17	
1	Capital Receipts	1,948	2,133	7,591	810	3,459	
2	Home Office Grant Unapplied	3,361	1,112	699	344	317	
3	Capital Financing Reserve	5,825	3,649	3,332	2,141	1,730	
		11,134	6,894	11,622	3,295	5,506	

Capital Programme 2013-14 Onwards

		2013-14	2014-15	2015-16	2016-17	Total
	1. Capital Expenditure	£000	£000	£000	£000	£000
1	Estates Investment	4,604	12,036	9,276	2,276	28,192
2	Total Long Term Property Assets	4,604	12,036	9,276	2,276	28,192
3	Vehicle Replacement	2,386	2,327	2,664	2,164	9,541
4	ICT Infrastructure	1,810	1,523	2,002	1,394	6,729
5	Force Programme	307	0	0	0	307
6	Total Short Life Assets	4,503	3,850	4,666	3,558	16,577
7	Total Long and Short Life Assets	9,107	15,886	13,942	5,834	44,769
8	2012-13 Programme Bfwd	2,873				2,873
9	Total Programme	11,980	15,886	13,942	5,834	47,642
	2. Capital Financing					
1	Long Term Borrowing	826	-	-	700	1,526
2	Temporary Borrowing	1,470				1,470
2	Home Office Capital Grant	4,953	3,283	3,225	2,897	14,358
3	Reserves	2,426	567	1,441	661	5,095
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5	Total Financing for Current Capital Programme	11,980	15,886	13,942	5,834	47,642
6	Repay temporary borrowing with regard to the Exeter Criminal Justice Hub	-	3,566			3,566
7	Total Financing Requirement	11,980	19,452	13,942	5,834	51,208
	3. Financing Resources	Bal as at				
		March 13	March 14	March 15	March 16	March 17
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3	Capital Financing Reserve	5,825	3,649	3,332	2,141	1,730
		11,134	6,894	11,622	3,295	5,506

1 Estates Investment

2 Total Long Term Property Assets

3 Vehicle Replacement

4 ICT Infrastructure

5 Force Programme

6 Total Short Life Assets

7 Total Long and Short Life Assets

8 2012-13 Programme Bfwd

9 Total Programme

2. Capital Financing

1 Long Term Borrowing

2 Temporary Borrowing

2 Home Office Capital Grant

3 Reserves

4 Capital Receipts

5 Total Financing for Current Capital Programme

Repay temporary borrowing with regard to the
6 Exeter Criminal Justice Hub

7 Total Financing Requirement

3. Financing Resources

Bal as at

March 13

1 Capital Receipts

2 Home Office Grant Unapplied

3 Capital Financing Reserve

Estates Rationalisation Programme

New Start Projects	Year	Disposals	Year
Redruth Local Police Base (LPB)	2013-14		
Tregony LPB	2013-14	Tregony Police Station (FH)	2013-14
New Truro Police Office	2013-14	Truro Police Station	2014-15
Hayle LPB	2013-14	Hayle Police Station (FH)	2013-14
Dartmouth LPB	2013-14	Dartmouth Police Station	2014-15
Perranporth LI PB	2013-14	Perranporth Police Station (FH)	2013-14
Braunton LPBase	2013-14	Braunton Police Station (FH)	2013-14
Axminster LPB	2013-14	Axminster Police Station (FH)	2013-14
Chudleigh LPB	2013-14	Chudleigh Police Station Paignton Police Station (FH)*	2014-15 2013-14
		Newton Abbot Public Protection Unit (FH) *	2013-14
		St Austell Police Station Annex (FH)	2013-14
		St Andrews Court, Plymouth (LH) *	2013-14
New Liskeard Police Station	2014-15		
South Brent LPB	2014-15	South Brent Police Station	2014-15
St Blazey LPB	2014-15	St Blazey Police Station	2014-15
Wadebridge LPB	2014-15	Wadebridge Police Station	2016-17
Torpoint LPB	2014-15	Torpoint Police Station Pryn Court, Plymouth *	2014-15 2014-15
		Crediton Police Station *	2014-15
		Teignmouth Shopfront (LH)*	2014-15
Plympton LPB	2015-16	Plympton Police Station & Plympton Alder Court (LH)	2015-16
Torrington LPB	2015-16	Torrington Police Station	2015-16
Budleigh Salterton LPB	2015-16	Budleigh Salterton Police Station (LH)	2015-16
Looe LPB	2015-16	Looe Police Station (FH)	2015-16
New Exmouth Police Station	2015-16	Exmouth Police Station (FH)	2016-17
New Okehampton Police Station	2015-16	Okehampton Police Station (FH)	2016-17
Ilfracombe LPB	2015-16	Ilfracombe Police Station (FH)	2016-17
Helston LPB	2015-16	Helston Police Station (FH)	2016-17
Saltash LPB	2015-16	Saltash Police Station (FH)	2015-16
Callington LPB	2015-16	Callington Police Station (FH)	2015-16
Exeter Central LPB	2015-16	Rosemoor Court, Pynes Hill (LH) Exeter Heavitree Rd Police Station	2015-16 2016-17
St Ives LPB			2016-17

* These properties were replaced by schemes included in previous years programmes

2012-13											
	(1) Opening Balance £000	(2) External Grants & receipts £000	(3) Budgeted Contributions £000	(4) Budgeted Applications £000	(5) Other Internal Financing £000	(6) Total before Financing £000	(7) Financing Cap Prog £000	(8) Budget balance £000	(9) In-Year Policy Decisions £000	(10) Forecast budget variations £000	(11) Closing Balance £000
General Balances	6,198					6,198		6,198			6,198
Earmarked revenue reserves:											
Investment in Assets and Service Transformation											
Helicopter Replacement	500		250			750		750	(750)		0
Programmes & Projects Reserve	5,646			(798)		4,848		4,848	(1,294)		3,554
Estates Development Reserve	645		160	(272)		533		533			533
Capital Financing Reserve	4,986					4,986	(2,191)	2,795	1,130	1,900	5,825
Reserves for Exceptional Costs											
Workforce Modernisation Reserve	6,108		1,847	(575)		7,380		7,380	150		7,530
Reserves for Unpredictable Costs											
Police Officer Ill Health	500					500		500			500
Police Authority Transition Fund	183		70	(233)		20		20			20
Major Operations Reserve	2,376					2,376		2,376			2,376
Revenue Smoothing and Budget Mgt											
Budget Management Fund	2,016					2,016		2,016	(2,016)		0
Revenue Smoothing Fund	9,120			(450)	940	9,610		9,610		4,765	14,375
Sub-total - general reserves	32,080	0	2,327	(2,328)	940	33,019	(2,191)	30,828	(2,780)	6,665	34,713
Specific Capital Reserves / Grants:											
Capital Grant	3,943	2,800				6,743	(3,382)	3,361			3,361
Capital Receipts	2,695	1,417				4,112	(2,164)	1,948			1,948
Sub-total - specific reserves	6,638	4,217	0	0	0	10,855	(5,546)	5,309	0	0	5,309
Total - Balance sheet "Reserves"	38,718	4,217	2,327	(2,328)	940	43,874	(7,737)	36,137	(2,780)	6,665	40,022
Provisions											
Insurance	1,127		385	(385)		1,127		1,127			1,127
Remuneration	1,111					1,111		1,111	(1,111)		0
Other	674					674		674	(674)		0
Sub-total - Balance Sheet "Provisions"	2,912	0	385	(385)	0	2,912	0	2,912	(1,785)	0	1,127
Total - Balances and Reserves 2012-13	47,828	4,217	2,712	(2,713)	940	52,984	(7,737)	45,247	(4,565)	6,665	47,347
			Borrowing (including Minimum Revenue Provision)				(4,153)				
						Capital Funding	(11,890)				

-----2013-14----->											
	(1) Opening Balance £000	(2) External Grants & receipts £000	(3) Budgeted Contributions £000	(4) Budgeted Applications £000	(5) Other Internal Financing £000	(6) Total before Financing £000	(7) Financing Cap Prog £000	(8) Budget balance £000	(9) In-Year Policy Decisions £000	(10) Forecast budget variations £000	(11) Closing Balance £000
General Balances	6,198					6,198		6,198			6,198
Earmarked revenue reserves:											
Investment in Assets and Service Transformation											
Programmes & Projects Reserve	3,554			(1,494)		2,060		2,060			2,060
Estates Development Reserve	533		160	(218)		475		475			475
Capital Financing Reserve	5,825		250			6,075	(2,426)	3,649			3,649
Reserves for Exceptional Costs			*								
Workforce Modernisation Reserve	7,530		2,299	(2,236)		7,593		7,593			7,593
Reserves for Unpredictable Costs											
Police Officer Ill Health	500					500		500			500
Police Authority Transition Fund	20					20		20			20
Major Operations Reserve	2,376					2,376		2,376			2,376
Revenue Smoothing and Budget Mgt											
Revenue Smoothing Fund	14,375		5,490			19,865		19,865			19,865
Sub-total - general reserves	34,713	0	8,199	(3,948)	0	38,964	(2,426)	36,538	0	0	36,538
Specific Capital Reserves / Grants:											
Capital Grant	3,361	2,704				6,065	(4,953)	1,112			1,112
Capital Receipts	1,948	2,490				4,438	(2,305)	2,133			2,133
Sub-total - specific reserves	5,309	5,194	0	0	0	10,503	(7,258)	3,245	0	0	3,245
Total - Balance sheet "Reserves"	40,022	5,194	8,199	(3,948)	0	49,467	(9,684)	39,783	0	0	39,783
Provisions											
Insurance	1,127		385	(385)		1,127		1,127			1,127
Remuneration	0					0		0			0
Other	0					0		0			0
Sub-total - Balance Sheet "Provisions"	1,127	0	385	(385)	0	1,127	0	1,127	0	0	1,127
Total - Balances and Reserves 2013-14	47,347	5,194	8,584	(4,333)	0	56,792	(9,684)	47,108	0	0	47,108
							Borrowing (including Minimum Revenue Provision)				
							(2,296)				
							Capital Funding				
							(11,980)				

←-----2014-15-----→											
	(1) Opening Balance £000	(2) External Grants & receipts £000	(3) Budgeted Contributions £000	(4) Budgeted Applications £000	(5) Other Internal Financing £000	(6) Total before Financing £000 (1 : 5)	(7) Financing Cap Prog £000	(8) Budget balance £000 (6 : 7)	(9) In-Year Policy Decisions £000	(10) Forecast budget variations £000	(11) Closing Balance £000 (8 : 10)
General Balances	6,198					6,198		6,198			6,198
Earmarked revenue reserves:											
Investment in Assets and Service Transformation											
Programmes & Projects Reserve	2,060		30			2,090		2,090			2,090
Estates Development Reserve	475		160	(117)		518		518			518
Capital Financing Reserve	3,649		250			3,899	(567)	3,332			3,332
Reserves for Exceptional Costs											
Workforce Modernisation Reserve	7,593			(1,457)		6,136		6,136			6,136
Reserves for Unpredictable Costs											
Police Officer Ill Health	500					500		500			500
Police Authority Transition Fund	20					20		20			20
Major Operations Reserve	2,376					2,376		2,376			2,376
Revenue Smoothing and Budget Mgt											
Revenue Smoothing Fund	19,865		1,703			21,568		21,568			21,568
Sub-total - general reserves	36,538	0	2,143	(1,574)	0	37,107	(567)	36,540	0	0	36,540
Specific Capital Reserves / Grants:											
Capital Grant	1,112	2,870				3,982	(3,283)	699			699
Capital Receipts	2,133	21,060			(3,566)	19,627	(12,036)	7,591			7,591
Sub-total - specific reserves	3,245	23,930	0	0	(3,566)	23,609	(15,319)	8,290	0	0	8,290
Total - Balance sheet "Reserves"	39,783	23,930	2,143	(1,574)	(3,566)	60,716	(15,886)	44,830	0	0	44,830
Provisions											
Insurance	1,127		385	(385)		1,127		1,127			1,127
Remuneration	0					0		0			0
Other	0					0		0			0
Sub-total - Balance sheet "Provisions"	1,127	0	385	(385)	0	1,127	0	1,127	0	0	1,127
Total - Balances and Reserves 2014-15	47,108	23,930	2,528	(1,959)	(3,566)	68,041	(15,886)	52,155	0	0	52,155

Capital Funding (15,886)

←-----2015-16-----→											
	(1) Opening Balance £000	(2) External Grants & receipts £000	(3) Budgeted Contributions £000	(4) Budgeted Applications £000	(5) Other Internal Financing £000	(6) Total before Financing £000 (1 : 5)	(7) Financing Cap Prog £000	(8) Budget balance £000 (6 : 7)	(9) In-Year Policy Decisions £000	(10) Forecast budget variations £000	(11) Closing Balance £000 (8 : 10)
General Balances	6,198					6,198		6,198			6,198
Earmarked revenue reserves:											
Transformation											
Programmes & Projects Reserve	2,090			(93)		1,997		1,997			1,997
Estates Development Reserve	518		160	(505)		173		173			173
Capital Financing Reserve	3,332		250			3,582	(1,441)	2,141			2,141
Reserves for Exceptional Costs											
Workforce Modernisation Reserve	6,136			(120)		6,016		6,016			6,016
Reserves for Unpredictable Costs											
Police Officer Ill Health	500					500		500			500
Police Authority Transition Fund	20					20		20			20
Major Operations Reserve	2,376					2,376		2,376			2,376
Revenue Smoothing and Budget Mgt											
Revenue Smoothing Fund	21,568			(3,088)		18,480		18,480			18,480
Sub-total - general reserves	36,540	0	410	(3,806)	0	33,144	(1,441)	31,703	0	0	31,703
Specific Capital Reserves / Grants:											
Capital Grant	699	2,870				3,569	(3,225)	344			344
Capital Receipts	7,591	2,495				10,086	(9,276)	810			810
Sub-total - specific reserves	8,290	5,365	0	0	0	13,655	(12,501)	1,154	0	0	1,154
Total - Balance sheet "Reserves"	44,830	5,365	410	(3,806)	0	46,799	(13,942)	32,857	0	0	32,857
Provisions											
Insurance	1,127		385	(385)		1,127		1,127			1,127
Remuneration	0					0		0			0
Other	0					0		0			0
Sub-total - Balance sheet "Provisions"	1,127	0	385	(385)	0	1,127	0	1,127	0	0	1,127
Total - Balances and Reserves 2015-16	52,155	5,365	795	(4,191)	0	54,124	(13,942)	40,182	0	0	40,182

Capital Funding (13,942)

2016-17											
	(1) Opening Balance £000	(2) External Grants & receipts £000	(3) Budgeted Contributions £000	(4) Budgeted Applications £000	(5) Other Internal Financing £000	(6) Total before Financing £000 (1 : 5)	(7) Financing Cap Prog £000	(8) Budget balance £000 (6 : 7)	(9) In-Year Policy Decisions £000	(10) Forecast budget variations £000	(11) Closing Balance £000 (8 : 10)
General Balances	6,198					6,198		6,198			6,198
Earmarked revenue reserves:											
Transformation											
Programmes & Projects Reserve	1,997		134			2,131		2,131			2,131
Estates Development Reserve	173					173		173			173
Capital Financing Reserve	2,141		250			2,391	(661)	1,730			1,730
Reserves for Exceptional Costs											
Workforce Modernisation Reserve	6,016					6,016		6,016			6,016
Reserves for Unpredictable Costs											
Police Officer Ill Health	500					500		500			500
Police Authority Transition Fund	20					20		20			20
Major Operations Reserve	2,376					2,376		2,376			2,376
Revenue Smoothing and Budget Mgt											
Revenue Smoothing Fund	18,480			(7,812)		10,668		10,668			10,668
Sub-total - general reserves	31,703	0	384	(7,812)	0	24,275	(661)	23,614	0	0	23,614
Specific Capital Reserves / Grants:											
Capital Grant	344	2,870				3,214	(2,897)	317			317
Capital Receipts	810	4,225				5,035	(1,576)	3,459			3,459
Sub-total - specific reserves	1,154	7,095	0	0	0	8,249	(4,473)	3,776	0	0	3,776
Total - Balance sheet "Reserves"	32,857	7,095	384	(7,812)	0	32,524	(5,134)	27,390	0	0	27,390
Provisions											
Insurance	1,127		385	(385)		1,127		1,127			1,127
Remuneration	0					0		0			0
Other	0					0		0			0
Sub-total - Balance sheet "Provisions"	1,127	0	385	(385)	0	1,127	0	1,127	0	0	1,127
Total - Balances and Reserves 2015-16	40,182	7,095	769	(8,197)	0	39,849	(5,134)	34,715	0	0	34,715
							Borrowing (including Minimum Revenue Provision)	(700)			
							Capital Funding	(5,834)			

Force Value for Money Statement

Since 2009/10 we have had to make significant cash savings in order to balance budgets. We have imposed significant cuts. Police staff posts have reduced by 515; we have reduced vehicles, buildings and IT and we have reduced police officer numbers by 400.

The next four years present further cash cuts. It is estimated that savings of around £24m are required over the next four years just to balance the budget.

The budget for 2013/14 seeks to maintain officer numbers, increase special and volunteer numbers, have greater visibility of policing, and protect the vulnerable. In order to invest in these areas, a further £12m of savings will need to be found over four years. This comes on top of the budget balancing adjustments needed.

Budget Division	2013/14	2014/15	2015/16	2016/17	Total
	£m	£m	£m	£m	£m
Projected savings	-10.3	-7.7	-8	-9.9	-35.9
Reinvestment	2.8	2	3.3	3.8	11.9
Total	-7.5	-5.7	-4.7	-6.1	-24

Details of the savings, and reinvestments contained in the 2013/14 budget and the medium term plan are as follows:

Savings Plan 2012-16

Arrest the decline in numbers and maintain visibility

	2013/14	2014/15	2015/16	2016/17	Total
Leavers	(5,300)	(5,900)	(6,900)	(6,600)	(24,700)
Police Officer Recruitment	830	3,575	3,500	3,750	11,655
PCSO Recruitment	900	(650)	(250)		0
Specials Recruitment	135	35	35	35	240
Vacancy Disestablishment	(580)				(580)
Full year effect of completed Reviews	(100)				(100)
Savings from Police Staff Post Reductions	(650)	(650)	(650)	(3,000)	(4,950)
	(4,765)	(3,590)	(4,265)	(5,815)	(18,435)

Supporting the budget

ICT Budget Savings	(1,160)	(16)	0	0	(1,176)
National Aviation Service (NPAS)	(275)	(95)			(370)
Estates	(520)	(179)	28	(317)	(988)
Procurement	(250)	(400)	(500)	0	(1,150)
Overtime	(125)				(125)

Other Locally Managed Budgets	(752)	(405)	0	0	(1,157)
Severance Costs	(600)				(600)
Policing plan implementation	1,000	(1,000)			0
	(2,682)	(2,095)	(472)	(317)	(4,390)
Total Savings	(7,447)	(5,685)	(4,737)	(6,132)	(22,825)

Staff Numbers

Policing is a people based service and the numbers of officers, police staff and volunteers it has are vital to the delivery of the Police and Crime Plan targets. The value for money plan shows the financial detail of the workforce plans that lie within the medium term financial strategy. The key issues are:

- Replacement of leavers with new start police officers.
- A short term peak in PCSO numbers.
- Additional investment in the recruitment of Specials and volunteers.
- Further reductions in police staff post and people numbers.
- A significant reduction in the proportion of officers in supervisory ranks has already been achieved.

Police staff reductions are based on some reduction in vacancies and some active reviews of police staff functions. Significant further reductions in staff following reviews are anticipated in 2016/17. Back office functions costs – HR, Finance, Administration and related, were significantly reduced in 2010 and 2011.

ICT budget savings

The Value for Money inspections of HMIC have consistently indicated that Devon and Cornwall IT costs are above the average for the service. Significant work has been undertaken in the first part of the CSR to reduce the costs of our outsourced IT provision and Devon and Cornwall costs are now much reduced. For 2013/14, there has been a thorough review of a range of IT budgets and further work is being undertaken to deliver significant savings when the outsource contract is renewed. Terminal numbers have been reduced and work is ongoing to reduce telecommunications costs following a regional review.

National Aviation Service

All forces in England and Wales have been party to a national collaboration agreement for the provision of a national air support service. This provides overall savings to the service and to Devon and Cornwall Police.

Estates

The Estate Strategy is to continue to modernise and re-provide police buildings, without the need to borrow, through selling parts of the estate. A medium term plan has been drawn up and savings in running costs as well as borrowing costs built into the budget. A significant project sees the sale of part of the Headquarters site and the reinvestment of that in the provision of much needed new operational buildings for the Exeter conurbation.

Procurement

In the last two years, a regional procurement department has been set up, delivering improved procurement at a lower overall cost across four forces. The process has already delivered significant financial savings through better joined up procurement and more are anticipated over the next few years. A typical example of the savings delivered is a renegotiation of cleaning contracts across the region following an analysis and alignment of cleaning standards and resources.

Overtime

At the start of the CSR, reductions in overtime were a significant feature in the value for money reviews. Over £500,000 has already been removed from Devon and Cornwall overtime budgets. Overtime is, however, an important and cost effective tool for a responsive service such as policing and at this stage no further cuts are planned beyond 2013/14.

Other budgets

Each individual budget line has been reviewed. Forensic, transport, training and income budgets have been subject to zero based budgeting and scrutiny.

Non financial value for money work

The significant value for money savings in the budget need to be embedded and delivered during the year and in order to reduce costs, lose experienced officers and staff, and yet deliver improved performance, we need to change our processes and technology. The budget supports ongoing investment in new operational systems but there is much work being undertaken to review the way we police, interact with our customers, and control demand for our services. We have introduced streamlined back office processes, including self service for routine tasks such as overtime claims, sickness absence and location changes and we have introduced schemes to improve vehicle utilisation.

Treasury Management Strategy for 2013-14

1.0 Purpose of the Treasury Management Strategy

1.1 The purpose of the Treasury Management Strategy is that:

Revenue Cashflow is Adequately Planned

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

Funding is Available to meet Capital Expenditure Plans

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

1.2 The Treasury Management Strategy is integrated with the Medium Term Financial Strategy and this document should be read in conjunction with the report on the Medium Term Financial Strategy 2013-14 to 2016-17.

2.0 Treasury Management Strategy 2013-14

2.1 The strategy for 2013-14 covers two main areas:

2.2 Capital issues:

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

2.3 Treasury management issues:

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

- policy on use of external service providers.

2.4 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Department for Communities and Local Government's (DCLG) MRP Guidance, the CIPFA Treasury Management Code and DCLG Investment Guidance.

2.5 The PCC's objectives for treasury management both investing and borrowing are as follows:

- effective management and control of risk is the prime objective;
- the PCC attaches a high priority to revenue cost stability. This aids stable financial planning and avoids a stop-start approach to service delivery. This means a relatively low-risk attitude to treasury management is adopted, and accepts that this may come at a cost;
- the main risks with regard to treasury management activities are security, liquidity and yield risk. The PCC's treasury management policies will prioritise the risks in that order of importance, that is highest priority will be given to security, followed by liquidity and then yield;
- the PCC will pursue best value in treasury management within the context of effective risk management.

3.0 The Capital Prudential Indicators 2013-14 to 2016-17

3.1 The PCC's capital expenditure plans are set out in detail in the Medium Term Financial Strategy and are summarised in table 1.

Table 1

	2012-13 £000	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000
Capital Expenditure	16,100	11,980	15,886	13,942	5,834
Funded By					
Gross Borrowing	4,153	2,296	0	0	700
Other capital resources	11,947	9,684	15,886	13,942	5,134

The gross borrowing in 2012-13 and 2013-14 includes £3.303m of temporary borrowing to fund the Exeter Criminal Justice centre and related works pending the receipt of the proceeds of the sale of land at Middlemoor.

3.2 This indicator that sets out the PCC's capital financing requirement is a measure of the Commissioners underlying need to borrow.

Table 2
Capital Financing Requirement

	2012-13 £000	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000
Opening Capital Financing Requirement	39,381	42,216	43,107	38,102	36,653
Capital expenditure to be financed from borrowing	4,153	2,296	0	0	700
Less application of capital receipts to reduce borrowing	0	0	(3,556)	0	0
Less minimum revenue provision	(1,318)	(1,405)	(1,449)	(1,449)	(1,449)
Closing Capital Financing Requirement	42,216	43,107	38,102	36,653	35,904

Capitalisation of Equal Pay Issues

- 3.3 Capital Finance Regulations have in the past allowed Local Authorities to borrow in order to manage the one off liabilities that may arise from back dated equal pay claims. The DCLG is currently consulting on changes to the regulations that withdraw this dispensation. The proposed legislation will however allow local authorities to use capital receipts to fund one off costs in relation to equal pay claims. This means that, should the PCC incur such costs, it may be necessary to make changes to the financing of the capital programme in order to release capital receipts and this would mean that it would be necessary either to reduce capital expenditure or increase the level of borrowing. This Treasury Management Strategy and in particular the calculation of the Capital Financing Requirement as set out in table 2 above and the borrowing strategy as set out in paragraph 5.9 below assume that there will be no need to apply capital receipts to cover the one off costs of equal pay claims over the period of this strategy.

Minimum Revenue Provision (MRP) Policy Statement

- 3.4 The PCC is required to pay off an element of the Capital Financing Requirement each year through a charge to revenue. CLG regulations have been issued which require the PCC to approve an MRP Statement in advance of each year. The proposed statement is attached at Appendix 1.

Core Funds and Expected Investment Balances

- 3.5 Budget decisions with regard to contributions to and from revenue reserves and the application of resources (capital receipts, reserves etc.) to finance capital expenditure have an ongoing impact on investments. The 2013-14 Medium Term Financial Strategy includes a temporary increase to revenue reserves in the period 2012-13 to 2014-15 and an increase in capital reserves as at 31 March 2015. Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Table 3
Core Funds and Expected Investment Balances

	31/3/12	31/3/13	31/3/14	31/3/15	31/3/16	31/3/17
	£000	£000	£000	£000	£000	£000
Fund balances / reserves	38,278	40,900	42,400	41,800	36,300	27,400
Unapplied capital grant/ receipts	6,638	5,300	3,400	8,500	1,400	3,900
Provisions	2,911	1,100	1,100	1,100	1,100	1,100
Total core funds	47,827	47,300	46,900	51,400	38,800	32,400
Working capital*	683	13,100	5,000	5,000	5,000	5,000
(Under)/over borrowing	(6,603)	(9,400)	(10,300)	(7,300)	(5,900)	(5,100)
Actual/Expected investments	41,907	51,000	41,600	49,100	37,900	32,300

*Working capital balances shown are estimated year end; these may be higher or lower mid year

Under Borrowing

- 3.6 Current market conditions are such that the cheapest source of borrowing for new capital expenditure is using revenue cash balances. This approach also has the benefit that it minimises credit risk. Using revenue cash balances to fund capital expenditure means that external debt levels are lower than the underlying need to borrow (see table 6 below) and this is described as under borrowing.
- 3.7 Decisions with regard to under borrowing need to be based on detailed modelling of cash balances. Table 3 illustrates cash balances (represented by actual/expected investments) are maintained at a reasonable level throughout the period of the strategy.

4.0 Affordability Indicators 2013-14 to 2016-17

- 4.1 The previous sections cover the overall capital and control of borrowing prudential indicators, but within the framework prudential indicators are also required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the PCC's overall finances.

Estimate of the ratio of net capital financing costs to revenue budget

- 4.2 Capital financing costs comprise minimum repayment of "loan principal" and interest paid on loans, offset by interest received.

Table 4
Ratio of Net Capital Financing Costs to Revenue Budget

	2012-13 £000	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000
Minimum Revenue Provision	1,318	1,405	1,449	1,449	1,449
Interest payable on Long Term Borrowing	1,329	1,329	1,271	1,265	1,287
Interest Received (net)	(694)	(360)	(283)	(488)	(512)
Capital Financing Costs	1,953	2,374	2,437	2,226	2,224
Net Budget Requirement	280,565	288,532	284,102	282,773	282,245
Ratio of financing costs to net revenue stream	0.69%	0.82%	0.85%	0.79%	0.79%

Incremental Impact on Council Tax

- 4.3 This indicator shows the incremental impact on the Band D council tax payer of the additional capital expenditure funded from borrowing included in the 2013-14 capital programme.

Table 5
Incremental Impact on Council Tax

	2013-14	2014-15	2015-16	2016-17
Incremental increase in Council Tax arising from Capital Expenditure Plans	£0.03p	£0.15p	£0.18p	£0.21p

5 Borrowing

- 5.1 The capital expenditure plans set out in Section 3 above provide detail of the service activity of the PCC. This section shows how those plans impact on the need to borrow and the forecast level of external borrowing.

5.2 Current Position

The PCC's borrowing position at 31 March 2012, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 6
External Debt

	2012-13	2013-14	2014-15	2015-16	2015-16
	Act	Est	Est	Est	Est
	£000	£000	£000	£000	£000
1 Debt at 1 April	32,778	32,778	32,778	30,778	30,778
2 Debt maturing	0	0	(2,000)	0	
3 Debt as at 31 March	32,778	32,778	30,778	30,778	30,778
4 Capital Financing Requirement	42,216	43,107	38,104	36,657	35,910
5 (Under)/over borrowing	(9,438)	(10,329)	(7,326)	(5,879)	(5,132)

5.3 Within the prudential indicators there are a number of key indicators to ensure that the PCC operates its activities within well defined limits. One of these is that the PCC needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2013-14 and the following two financial years.

5.4 The Treasurer reports that the PCC complied with this prudential indicator in the current year and does not envisage difficulties for the future (row 3 of table 6 above is always lower than row 4). This view takes into account current commitments, existing plans, and the proposals in the Medium Term Financial Strategy.

Prudential Indicators for External Debt

5.5 **The operational boundary** is the limit beyond which external debt is not normally expected to exceed.

5.6 **The Authorised Limit** represents the maximum level at which the Commissioner is able to borrow and enter into other long term liabilities. Additional borrowing beyond this level is prohibited unless the limit is revised by the Commissioner.

Table 7
Prudential Indicators for External Debt

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
Long term borrowing for capital purposes	43,107	38,104	36,657	35,910
Maximum cash-flow deficit arising from revenue budget operations	10,000	10,000	10,000	10,000
Operational Boundary	53,107	48,104	46,657	45,910
Additional margin for unforeseen circumstances	3,000	3,000	3,000	3,000
Authorised Limit	56,107	51,104	49,657	48,910

Prospects for Long Term Interest Rates

- 5.7 The PCC has appointed Sector as its treasury advisor and part of their service is to assist the Commissioner to formulate a view on interest rates. The Appendix 3 gives the Sector's central view with regards to long term interest rates.

Borrowing Strategy 2013-14 to 2016-17

- 5.8 The overall aims of the borrowing strategy are:
- borrowing at the lowest possible rates in the most appropriate periods
 - minimising borrowing costs and expenses
 - the management of debt maturities to avoid large levels of maturities in any one year.
- 5.9 The capital programme, forecast cash-flow requirements and likely level of capital and reserves have been evaluated (see table 3). This has indicated that no new external borrowing is necessary to fund the capital programme over the next four years. Over this period, internal borrowing is forecast to increase to a maximum of £10.329m in 2014-15 and then decline to £5.132m by 31 March 2017. This strategy is prudent as investment returns are low relative to long term interest rates and counterparty risk is relatively high.
- 5.10 This strategy is dependent on
- the progress of capital spending
 - the level of the PCC's revenue reserves
 - relative interest rates

The revenue and capital cash-flows and interest rates in financial markets will be monitored closely. Any significant change in cash-flows or markets may require a revision to the strategy.

Debt Rescheduling

- 5.11 Opportunities to restructure the existing debt have been reviewed. This has shown that the cost of debt repayment in terms of premiums incurred exceeds the savings in interest. Restructuring would not therefore generate any savings at the present time.

Policy on Borrowing in Advance of Need

- 5.12 The debt strategy is based on internal borrowing (or under borrowing). Borrowing in advance of need will not occur under this strategy. For the purposes of clarity this strategy makes clear that the PCC will not borrow more than or in advance of needs, purely in order to profit from the investment of the extra sums borrowed.

Treasury Management Limits on Activity

5.13 Interest Rate Exposures

Upper limit on fixed and variable interest rate exposures for 2013-14 to 2016-17 are:-

This indicator sets a limit for the exposure to change in interest rates.

	Upper Limit
Upper limit on fixed rate exposures - debt	100%
Upper limit on variable rate exposures - debt	20%

This means 80% - 100% of borrowing will be at rates fixed until the loan is repayable, while no more than 20% will be at variable rates and so liable to change at short notice.

5.14 Maturity Structure of Borrowing

Maturity Structure of Fixed Interest Rate Borrowing

	Lower Limit	Upper Limit
	%	%
Under 12 Months	0	10
12 Months to 2 Years	0	15
2 years to 5 Years	0	25
5 Years to 10 Years	0	33
10 Years and Above	67	100

This indicator shows a maximum of 33% of the Commissioner's borrowing may be taken out for period of less than 10 years. The remaining debt will be for periods of 10 years or more.

5.15 The actual maturity profile of the PCC debt is provided in Appendix 9.

6 Annual Investment Strategy

6.1 The PCCs investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA Treasury Management Code").

6.2 The overall aims of the PCC's investment strategy are:

- to limit the risk of the loss of capital
- ensure funds are always available to meet cash-flow requirements
- to maximise investment returns consistent with the first two aims.

The overriding objective will be to invest prudently, with priority being given to security and liquidity before yield.

- 6.3 The PCC's risk appetite can be characterised as follows:
- the PCC looks to invest in banks and building societies of a high credit quality and sets lending limits against each one;
 - lending to other Local Authorities and Public Bodies can be undertaken;
 - the PCC may lend to the Debt Management Office (central government), this lending is seen as having the highest level of security;
 - the PCC may use Treasury Bills and Certificates of Deposit;
 - the PCC may invest in money market funds with a AAA credit rating;
 - The PCC may use a fund manager to invest surplus funds, the investment criteria to be operated by the fund manager will match the overall risk appetite of the PCC
- 6.4 The PCC has three different mechanisms for investing surplus funds:
- Investments managed by Investec Asset Management, the external fund managers
 - The OPCC's Investment Fund managed by the Treasurer - this fund is invested solely in fixed interest deposits. The remit of the fund is contained at Appendix 2
 - Very short term deposits varying from overnight to 3 months which are used to facilitate short term cash management.
- 6.5 The permitted counterparties contained on the counterparty list of the PCC's Investment Fund are also permitted on the counterparty list of the external fund manager. This means that the combined exposure to any given counterparty or group is the sum of the maximum limit for internally managed funds and the limit for the external fund manager.
- 6.6 The PCC has determined that he will only use approved counterparties from countries with a minimum sovereign credit rating of AA from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 4. This list will be added to, or deducted from by officers should ratings change in accordance with this policy.
- 6.7 It should be borne in mind that it would be impossible for the PCC to mitigate all of the possible risks inherent in investing cash balances. Further economic or banking problems could impact on the security or returns achieved from the investment strategy.
- 6.8 In exceptional circumstances, the Treasurer will be empowered to invest in foreign currencies but only with the explicit approval of the PCC.

Allocation of Funds

- 6.9 Allocation of funds as at 31 December 2012 between the different mechanisms is set out in table 8 below.

Table 8

	Investments as at 31 December 2012 £m	Forecast Annual Interest Rate %
Devon and Cornwall Police Investment Fund	29.0	2.20
Short term cash investment	9.3	0.50
Funds managed by Investec	24.2	0.75
Total	62.5	

- 6.10 The performance of the cash fund manager Investec Asset Management has been below that of the in-house managed funds for a number of years. Sector provide a cash fund manager monitoring service and this has been used for the first time in 2012-13. This monitoring shows that many cash fund managers have provided disappointing returns in recent years and this is due to the interest rate environment prevailing since 2008. More detailed analysis shows that Investec Asset Management have under-performed the industry average over the period March 2010 to September 2012 by 0.21%, most of the underperformance has occurred in the last 6 months.
- 6.11 The current method of investing with Investec Asset Management is via a segregated fund. For the reasons outlined in paragraph 6.10 above it is recommended that consideration is given to alternatives to current segregated fund approach. The main alternatives are:
- Use Investec Asset Management Pooled Funds instead of or in conjunction with the segregated fund
 - Seek an alternative / additional fund manager
 - Change the counter party limits for the internal fund to increase the capacity for in-house management
- 6.12 It is recommended that the alternative approaches are investigated in detail and a proposal is brought to the Commissioner's Team Meeting for decision.

Investment Strategy Principles

External Fund Manager - Segregated Fund Management Principles

- 6.13 The PCC employs Investec Asset Management to invest surplus funds. The agreement with the fund manager makes clear that the security of the fund is of paramount importance and the manager's priority will be to minimise risk to capital values. Compliance with the criteria laid down within the Annual Treasury Management Strategy is reviewed on a monthly basis. Ultimate responsibility for the security of the fund lies with the PCC.

- 6.14 Investec will use counterparties rated A or above. The credit ratings agencies used are Fitch and Standard and Poor's. Investec use other information including credit default swap prices and market information to supplement their use of credit ratings.
- 6.15 The Department of Communities and Local Government classifies investments as either specified or non-specified. Specified investments are lower risk whereas non-specified investments are higher risk. All investments will be specified investments (as defined in the Local Authority Investment Regulations) with the following exception:
- Non-specified investments up to a limit of 30% of their overall portfolio may be used. These must be in UK government bonds with maturity period above one year and/or certificates of deposit with maturity periods between one year and two years and/or supranational bonds. The Treasurer has instructed the manager that any trades in supranational bonds must be discussed with him in advance.
- 6.16 The maximum average duration for the portfolio held by the investment manager will be 5 years. The maximum percentage of the portfolio, which the fund manager can invest with any one institution, is 15%.
- 6.17 The current lending list is attached at Appendix 5.

The Police and Crime Commissioner's Investment Fund and Short Term Cash Deposits

- 6.18 The investment strategy for the PCC is set out in Appendix 2. The investment fund will hold all internally managed cash investments with durations of more than 3 months.

Creditworthiness Policy

- 6.19 The PCC will utilise a creditworthiness policy that:
- i. fully accounts for the ratings and outlook watches published by all three ratings agencies with a full understanding of what they reflect in the eyes of each agency
 - ii. recognises that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate
 - iii. takes account of information that reflects the opinion of the market, such as "Credit Default Swaps"
 - iv. Uses other information sources, for example, the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties
- 6.20 To comply with the above the PCC will utilise the creditworthiness service supplied by Sector which meets all of the requirements set out above. When using this service the PCC will be aware that the ultimate responsibility for ensuring the creditworthiness of counter parties will lie with the PCC.

- 6.21 For ease of reference the Sector approach uses colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the PCC to determine the duration for investments. The PCC will therefore use counterparties within the durational bands set out in table 9.

	Table 9
Yellow	5 years *
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK Banks)
Orange	1 year
Red	6 months
Green	3 months
No Colour	not to be used

* This category is for AAA rated Government debt or its equivalent

- 6.22 Should Barclays, the PCC's bankers, be removed from the Sector list the threshold for new deposits will be reduced to £250,000 to allow the current account to operate in the short term.
- 6.23 When using durational bands set out above the PCC will also apply credit limits as set out in table 10 below. The proposed counter party list is set out in Appendix 5.

Table 10
Counterparty Limits Investment Fund and Short Term cash Deposits

Counterparty type		Long Term Rating			Credit Limit
		Fitch	Moody's	Standard and Poor's	
Banks					
UK Banks	not below	A	A2	A	£12m
Foreign Banks	not below	A	A2	A	£12m
Building Societies					
UK Building Societies	not below	A	A2	A	£4m
Public Bodies					
Central Government					
Debt Management Office					No limit
Local Government					
All Local Authorities, Fire Authorities and Police and Crime Commissioners					£4m
Money Market Funds					£10m

All counter parties will also have a minimum short-term rating of F1. UK banks may include foreign banks with a UK banking licence. The part nationalised banks(Lloyds Banking Group and Royal Bank of Scotland) will remain on the

lending list at the level indicated in table 10 so long as they have a colour coding from Sector irrespective of their rating from the ratings agencies.

- 6.24 The 'Approved List of Counterparties' is formally reviewed at least monthly. In the current environment, monitoring takes place on a daily basis. Notification of credit rating downgrades (or other market intelligence) is acted upon immediately, resulting in any further lending being suspended.
- 6.25 All additions, to the approved counterparty list will be approved by the Commissioners Team Meeting.
- 6.26 The Department of Communities and Local Government classifies investments as either specified or non-specified. Specified investments are lower risk whereas non-specified investments are higher risk. All investments will be specified investments with the following exception:

Non-specified investments up to a limit of the lesser of £10m or 50% of the overall portfolio may be used. These must be fixed interest deposits with UK banks and UK Building Societies, the Debt Management Deposit Facility, Local Authorities or pooled money market funds for more than 364 days.

Investment Return Expectations

- 6.27 Sector have provided a detailed forecast for Bank of England (BoE) bank rates and market rates which is provided at Appendix 3. The BoE bank rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 1 of 2015. BoE bank rate forecasts for financial year ends (March) are:
- 2013-14 0.50%
 - 2013-14 0.50%
 - 2014-15 0.75%
 - 2015-16 1.75%
- 6.28 The rates used to calculate the interest receipts budget are as contained in table 11 below.

Table 11

Forecast Rates for Budget Purposes (Interest receipts)	Average 2013-14
Short Term Cash	0.5
Devon and Cornwall Police Investment Fund	0.7
Investec	0.7

- 6.29 The risk factor for these forecasts is the timing of the return of the economy to economic growth. The economic data and commentary that underpins these forecasts is provided at Appendix 7. If the economy were to recover more quickly than Sector forecast then the investment returns would be higher than included in the Medium Term Financial Strategy. Conversely if the pace of economic recovery is slower than forecast then returns, particularly in the later years of the Medium Term Financial Strategy, will be lower than forecast.

Performance

- 6.30 The benchmark for performance for the external fund manager and the Investment fund will be the 7 day LIBID (London Interbank Bid Rate).

Investment Treasury Indicator

- 6.31 **Upper limit for principal sums invested for period of over 364 days.**

This indicator sets a limit on the level of investments that are held for more than 364 days.

The Treasury Management Strategy imposes the following controls on sums invested for more than 364 days:

Funds Invested by the external fund manager - no more than 30% of the fund may be invested for a period of more than 364 days

Police and Crime Commissioner's Investment Fund - no more than the lesser of £10m or 50% of the fund may be invested for more than 364 days

The total for forecast investments as at 31 March 2013 is £37.1m

Limits on investments to mature beyond:

31 March 2013 £37.1m

31 March 2014 £10.0m

31 March 2015 £5.0m

7.0 Monitoring & Benchmarking

- 7.1 Income and expenditure will be monitored monthly to ascertain performance against the budget. Performance and changes in borrowing and lending will be reported regularly to the Commissioners Team Meeting.
- 7.2 During 2013-14 the PCC will participate in the Sector benchmarking club. The aim of this benchmarking will be to determine, whether, given the risk appetite of the PCC the rate of return on internally managed funds has been maximised.

8 Governance Structure

- 8.1 The governance arrangements for the Treasury Management Strategy are set out in Appendix 8. It is suggested that the Treasury Management Strategy is considered by the Joint Audit Committee at their earliest convenience. It is also recommended that at this point the members of the Joint Audit Committee consider whether they require any specific training in order to carry out their role of scrutiny of the strategy.

9 Banking Arrangements

- 9.1 The Commissioner's bankers are Barclays PLC. In October 2012 the former Police Authority Strategic Planning and Co-ordination Committee approved an extension of the current contract for one year until 31 March 2014.

10 Treasury Management Consultants

- 10.1 The PCC uses Sector as its external treasury management advisors.
- 10.2 The PCC recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon external service providers. The PCC also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The PCC will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

11.0 Conclusion

- 11.1 The continuation of the low bank rate of 0.5% and the introduction of the Bank of England's "Lending for Borrowing Scheme" mean that forecast interest returns from investments for 2013-14 are lower than for 2012-13. Returns on investments are expected to continue at this low level in 2014-15 and start to rise in 2015-16. The nature of the PCC's debt means that no rescheduling or repayment is possible and in these circumstances the most advantageous strategy is for the PCC to use cash balances to finance any unfinanced capital expenditure and to avoid external borrowing.
- 11.2 The strategy has been reviewed by the treasury management advisers, Sector, and their view is; that it complies with all the legislative requirements and is sound in terms of the current and forecast interest rates.
- 11.2 This Strategy is compliant with all the relevant statutory and regulatory requirements including; the CIPFA Code of Practice on Treasury Management, the CIPFA Prudential Code, the Local Government Act 2003 and the Department for Communities and Local Government investment guidance.

Duncan Walton
Treasurer

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Appendices

- 1 MRP Policy
- 2 Objectives of the PCC's Investment Fund
- 3 Interest Rate Forecasts
- 4 Countries Approved for Investment
- 5 Police and Crime Commissioner for Devon and Cornwall - Approved List of Borrowers
- 6 Lending List for External Fund Manager
- 7 Economic Background
- 8 Treasury Management Governance Arrangements
 - Role of the PCC Senior Management Team
 - Role of the Joint Audit Committee
 - The treasury management role of Treasurer (the section 151 officer)
- 9 External Borrowing

Minimum Revenue Provision Policy Statement 2013-14

Department for Communities and Local Government Regulations have been issued which require The Police and Crime Commissioner to approve **an MRP Statement** in advance of each year. A variety of options are provided to Police and Crime Commissioner UK banks may include foreign banks with a UK banking licence.

1. 's, so long as there is a prudent provision. The Commissioner is recommended to approve the following MRP Statement

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Existing practice** - MRP will follow the existing practice outlined in former CLG Regulations (Option 1);

This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

2. For expenditure incurred after 1 April 2008 for the MRP policy will be:

- **Asset Life Method** – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (Option 3);

This option provides for a reduction in the borrowing need over approximately the asset's life.

Devon and Cornwall Police Investment Fund

Purpose

To invest cash balances to achieve best value in terms of return whilst giving primacy to the effective management and control of risk. This means that the security of the principal sums invested and the liquidity of funds will be given priority over yield.

Investment Strategy

1. Investments will be limited to fixed interest deposits with UK and Overseas banks and UK building societies; the Debt Management Account Deposit Facility provided by central government and pooled money market funds. Other than in exceptional circumstances the focus will be on investments for 28 days or over.
2. The fund may invest in certificates of deposit, no more than 20% of the fund will be held in this type of investment.
3. All investment to be countries with a sovereign rating of AA or above. Banks with a UK banking licence will be deemed to be rated according to the UK sovereign rating.
4. Funds to be invested only with counterparties on the approved list.
5. The fund will not invest directly in government bonds, foreign currency or international bonds.
6. Investments for more than one year are classified as non-specified investments. A limit of 50% of the overall portfolio will be placed on the amount of the fund that can be invested for a period of more than 1 year.
7. The benchmark for performance will be the 7 day LIBID (London Inter Bank Bid Rate).
8. Investment decisions within the policy will be taken by the Treasurer.

Sector Interest Rate Forecasts

Annual Average %	Bank Rate	Money Rates		PWLB Borrowing Rates	
		3 month	1 year	5 year	25 year
March 2013	0.50	0.50	1.00	1.50	3.80
June 2013	0.50	0.50	1.00	1.50	3.80
Sept 2013	0.50	0.50	1.00	1.60	3.80
Dec 2013	0.50	0.50	1.00	1.60	3.80
March 2014	0.50	0.50	1.00	1.70	3.90
June 2014	0.50	0.50	1.10	1.70	3.90
Sept 2014	0.50	0.60	1.10	1.80	4.00
Dec 2014	0.50	0.60	1.20	2.00	4.10
Mar 2015	0.75	0.70	1.30	2.20	4.30
June 2015	1.00	0.80	1.30	2.30	4.40
Sept 2015	1.25	1.10	1.50	2.50	4.60
Dec 2015	1.50	1.40	1.80	2.70	4.80
March 2016	1.75	1.70	2.10	2.90	5.00

Countries Approved for Investment

AAA

- Australia
- Canada
- Denmark
- Finland
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.K.

AA+

- France
- Hong Kong
- U.S.A.

AA

- Belgium
- UAE

**POLICE AND CRIME COMMISSIONER FOR DEVON AND CORNWALL
APPROVED LIST OF BORROWERS**

		PCC Lending Limits		Sector Classification
		Counterparty £ millions	Group Limit	
1	CLEARING BANKS & SUBSIDIARIES (GROUP Limit £)			
	BARCLAYS BANK-			Green
	FIBCA Account	12	12.25	
	Current Account	0.25	12.25	
	HSBC BANK	12	12	Green
	LLOYDS BANKING GROUP	12	12	Blue
	ROYAL BANK OF SCOTLAND	12	12	Blue
	STANDARD CHARTERED	12	12	Orange
	NORDEA FINLAND	12	12	Red
	SVENSKA HANDELSBANKEN	12	12	Green
2.	BUILDING SOCIETIES			
	NATIONWIDE	4	4	Green
3.	LOCAL AUTHORITIES	4	4	*
4.	DEBT MANAGEMENT ACCOUNT (CENTRAL GOVERNMENT)			
	DMA Deposit Facility (DMADF)	Unlimited		Yellow
	Treasury Bills & CD's	Unlimited		Yellow
5.	MONEY MARKET FUNDS			N/A
	IGNIS	10		N/A
	Prime Rate	10		N/A

Key to Sector Classification

Colour	Maximum Length of Deposit
Yellow	Up to 5 years
Purple	Up to 2 years
Blue	Up to 1 year
Orange	Up to 1 year
Red	Up to 6 months
Green	Up to 3 months
* - Not classified by Sector	Up to 1 year

Lending List for External Fund Manager

As at 30 January 2013

Counterparty	Country	Limit
United Kingdom		
UK Government Bonds	UK	No limit on short dated bonds, bonds of over 364 days constrained by 30% limit on non-specified investments
Deposits with the Management Office	UK	No limit
<u>Banks</u>		
Santander *	UK	15% of Investec Fund
Barclays	UK	15% of Investec Fund
HSBC	UK	15% of Investec Fund
Lloyds TSB	UK	15% of Investec Fund
Royal Bank of Scotland	UK	15% of Investec Fund
Standard Chartered Bank	UK	15% of Investec Fund
<u>Building Societies</u>		
Nationwide	UK	15% of Investec Fund
Overseas Institutions		
National Bank of Australia	Australia	15% of Investec Fund
ANZ Banking Group	Australia	15% of Investec Fund
Commonwealth Bank of Australia	Australia	15% of Investec Fund
BNP Paribas	France	15% of Investec Fund
Bank of Montreal	Canada	15% of Investec Fund
Bank of Nova Scotia	Canada	15% of Investec Fund
Royal Bank of Canada	Canada	15% of Investec Fund
Toronto Dominion Bank	Canada	15% of Investec Fund
Svenska Handelsbanken	Sweden	15% of Investec Fund
Nordea	Finland	15% of Investec Fund
Deutsche Bank	Germany	15% of Investec Fund
Rabobank	Netherlands	15% of Investec Fund
Credit Suisse	Switzerland	15% of Investec Fund
Den Norske	Norway	15% of Investec Fund
DZ AG (Deutsche Zentral-Genossenschaftsbank)	Germany	15% of Investec Fund
ING	Netherlands	15% of Investec Fund
JP Morgan Chase	USA	15% of Investec Fund

Investec the external fund manager may also invest in supranational bonds and in other overseas institutions after specific agreement by the Treasurer of the OPCC.

*UK subsidiary of the Spanish bank, Banco Santander Central Hispano – maximum duration of 7 days

Economic Background

The Global Economy

The **Eurozone sovereign debt crisis** has abated somewhat following the ECB's pledge to buy unlimited amounts of bonds of countries which ask for a bailout. Sentiment in financial markets has improved considerably since this ECB action and recent Eurozone renewed commitment to support Greece and to keep the Eurozone intact. However, the foundations to this "solution" to the Eurozone debt crisis are still weak and events could easily conspire to put this into reverse.

The US economy has only been able to manage weak growth in 2012 despite huge efforts by the Federal Reserve to stimulate the economy by liberal amounts of quantitative easing (QE) combined with a commitment to a continuation of ultra low interest rates into 2015. Unemployment levels have been slowly reducing but against a background of a fall in the numbers of those available for work. The fiscal cliff facing the President at the start of 2013 has been a major dampener discouraging business from spending on investment and increasing employment more significantly in case there is a sharp contraction in the economy in the pipeline. However, the housing market does look as if it has, at long last, reached the bottom and house prices are now on the up.

Hopes for a broad based recovery have, therefore, focused on the **emerging markets**. However, there are increasing concerns over flashing warning signs in various parts of the Chinese economy that indicate it may be heading for a hard landing rather than a gradual slow down.

The UK Economy

The Government's austerity measures, aimed at getting the public sector deficit into order over the next four years, now look as if they will fail to achieve their objectives within the original planned timeframe. Achieving this target is dependent on the UK economy growing at a reasonable pace but recession in the Eurozone, our biggest trading partner, has depressed growth whilst tax receipts have not kept pace with additional welfare benefit payments. It will be important for the Government to retain investor confidence in UK gilts so there is little room for it to change course other than to move back the timeframe.

Currently, the UK is enjoying a major financial benefit from some of the lowest sovereign borrowing costs in the world as the UK is seen as a safe haven from Eurozone debt. There is, though, little evidence that consumer confidence levels are recovering nor that the manufacturing sector is picking up. On the positive side, growth in the services sector has rebounded in Q3 and banks have made huge progress since 2008 in shrinking their balance sheets to more manageable levels and also in reducing their dependency on wholesale funding. However, availability of credit remains tight in the economy and the Funding for Lending scheme, which started in August 2012, has not yet had the time to make a significant impact. Finally, the housing market remains tepid and the outlook is for house prices to be little changed for a prolonged period.

Unemployment. The Government's austerity strategy has resulted in a substantial reduction in employment in the public sector. Despite this, total employment has

increased to the highest level for four years as over one million jobs have been created in the private sector in the last two years.

Inflation and Bank Rate. Inflation has fallen sharply during 2012 from a peak of 5.2% in September 2011 to 2.2% in September 2012. However, inflation increased back to 2.7% in October though it is expected to fall back to reach the 2% target level within the two year horizon.

AAA rating. The UK continues to enjoy an AAA sovereign rating. However, the credit rating agencies will be carefully monitoring the rate of growth in the economy as a disappointing performance in that area could lead to a major derailment of the plans to contain the growth in the total amount of Government debt over the next few years. Moody's has stated that it will review the UK's Aaa rating at the start of 2013.

Sector's forward view

Economic forecasting remains difficult with so many external influences weighing on the UK. There does, however, appear to be consensus among analysts that the economy remains relatively fragile and whilst there is still a broad range of views as to potential performance, expectations have all been downgraded during 2012. Key areas of uncertainty include:

- the potential for the Eurozone to withdraw support for Greece at some point if the costs of such support escalate were to become prohibitive, so causing a worsening of the Eurozone debt crisis and heightened risk of the breakdown of the bloc or even of the currency itself;
- inter government agreement on how to deal with the overall Eurozone debt crisis could fragment; the impact of the Eurozone crisis on financial markets and the banking sector;
- the impact of the Government's austerity plan on confidence and growth and the need to rebalance the economy from services to manufactured goods;
- the under-performance of the UK economy which could undermine the Government's policies that have been based upon levels of growth that are unlikely to be achieved;
- the risk of the UK's main trading partners, in particular the EU and US, falling into recession ;
- stimulus packages failing to stimulate growth;
- elections due in Germany in 2013;
- Potential for protectionism i.e. an escalation of the currency war / trade dispute between the US and China.
- the potential for action to curtail the Iranian nuclear programme
- the situation in Syria deteriorating and impacting other countries in the Middle East

The focus of so many consumers, corporates and banks on reducing their borrowings, rather than spending, will continue to act as a major headwind to a return to robust growth in western economies.

Given the weak outlook for economic growth, Sector sees the prospects for any changes in Bank Rate before 2015 as very limited. There is potential for the start of Bank Rate increases to be even further delayed if growth disappoints.

Sector believes that the longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries. The interest rate forecast in this report represents a balance of downside and upside risks. The downside risks have already been commented on. However, there are specific identifiable upside risks as follows to PWLB rates and gilt yields, and especially to longer term rates and yields: -

- UK inflation being significantly higher than in the wider EU and US causing an increase in the inflation premium in gilt yields
- Reversal of QE; this could initially be allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held
- Reversal of Sterling's safe haven status on an improvement in financial stresses in the Eurozone
- Investors reverse de-risking by moving money from government bonds into shares in anticipation of a return to worldwide economic growth
- The possibility of a UK credit rating downgrade (Moody's has stated that it will review the UK's Aaa rating at the start of 2013).

Treasury Management Governance Arrangements

The Commissioner's Team Meeting is responsible for:

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.
- approval of/amendments to the treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

The Joint Audit Committee is responsible for:

- scrutinising the treasury management policy and procedures and making recommendations to the PCC Senior Management Team

The Treasurer is responsible for:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

Police and Crime Commissioner for Devon and Cornwall - External Borrowing

Lender	Term Years	Maturity Date	Amount Borrowed £	Period Outstanding as at 31/3/2013 Years
PWLB	5	03/05/2014	2,000,000	1.09
PWLB	8	02/11/2016	4,500,000	3.60
PWLB	15	01/10/2025	2,000,000	12.52
PWLB	26	03/05/2029	1,697,070	16.10
PWLB	26	03/05/2029	168,930	16.10
PWLB	26	03/05/2029	461,600	16.10
PWLB	26	03/11/2029	2,000,000	16.61
PWLB	20	01/10/2030	2,000,000	17.52
PWLB	26	23/11/2030	2,500,000	17.66
PWLB	25	16/12/2034	2,500,000	21.73
PWLB	31	03/05/2036	6,200,000	23.11
PWLB	31	23/11/2036	2,000,000	23.67
PWLB	30	03/05/2037	4,750,000	24.11
			<hr/> 32,777,600	

SAFER TOGETHER

My plan to make our communities safer through a collective approach to tackling crime and anti-social behaviour

Police and Crime Commissioner for Devon and Cornwall

My VISION

“Devon, Cornwall and the Isles of Scilly as the safest area of the country, served by the best police force”

Introduction from Tony Hogg, Police and Crime Commissioner for Devon and Cornwall

I am honoured to be elected as the Police and Crime Commissioner for Devon, Cornwall and the Isles of Scilly. For the first time, the public has somebody singularly accountable for an efficient and effective police force for Devon and Cornwall. I will hold the Chief Constable to account on your behalf and work closely with him to develop and deliver this Police and Crime Plan.

By working together and everyone playing their part, we can make Devon, Cornwall and the Isles of Scilly the safest area of the country and enable communities to flourish. Together the public and the police can make a real difference by working more closely together to prevent and reduce crime and challenge unacceptable behaviour.

I know the public value the visibility and accessibility of their police officers. The aim of this Police and Crime Plan is to cut both crime and the fear of crime by bringing policing closer to the people. I will do this by halting the further decline in police officer numbers and focus particular attention on my five objectives: reducing crime and bringing offenders to justice, giving victims and witnesses a stronger voice, listening and responding to the public, providing strong leadership at all levels and investing in policing for the future.

We should be proud of the Devon and Cornwall police force. On your behalf, I will obtain the best value from our police. Please support your police and play an active part in your community's safety.



Tony Hogg

Devon and Cornwall and the Isles of Scilly

Devon and Cornwall and the Isles of Scilly is home to a population of 1.7 million residents spread across 4,000 square miles of urban, coastal and rural communities bordered by over 700 miles of coastline. An area of this size and particularly the rural isolation of some communities, provide specific challenges for policing.

Devon and Cornwall is one of the safest areas of England and Wales with overall levels of crime amongst the lowest in the country.

The police do not, and cannot work alone. Keeping people safe, reducing crime and catching criminals is an intensive, round the clock activity that relies on the co-ordinated response of a wide range of organisations both public and voluntary working together. The police are supported by a network of public organisations, partnerships and voluntary groups to keep people safe and protect the vulnerable.

This Police and Crime Plan will be achieved by working in partnership. As Police and Crime Commissioner, I will be expecting the police, Community Safety Partnerships, the Criminal Justice sector, Health and Wellbeing Boards, Local Enterprise Partnerships, voluntary agencies and charitable organisations to work with and further develop the breadth of provision that already exists. In an area the size of Devon, Cornwall and the Isles of Scilly it is essential to ensure that the wide network of people and agencies working to improve community safety is as joined up and co-ordinated as possible to ensure the best service and value to the public and victims.

In preparing this Police and Crime Plan, I have sought the views of the public and victims of crime; The Plan has been developed with the close co-operation of the police, Community Safety Partnerships and criminal justice agencies. I support the four priorities of the Community Safety Partnerships' Strategic Peninsula Assessment and have built them into this Plan.

Community Safety Partnerships' Peninsula Strategic Assessment priorities:

*Domestic, family and sexual abuse,
Alcohol, violence and the night time economy,
Anti social behaviour and
Reoffending.*

My pledge to respect the operational independence of the police

My role as Police and Crime Commissioner is to set out the strategic direction and budget and to hold the Chief Constable to account. I will do this by taking into account the requirements of the [Policing Protocol](#) and respect the Operational Independence of the Chief Constable.

My Values and principles

I have publicly sworn a [Declaration](#) of Acceptance of Office in which I declared how I would undertake the role of Police and Crime Commissioner. This is an important and open pledge which demonstrates how I will act on behalf of the public in a way that is impartial and accords with the importance of this office.

My values are those of the well recognised standards of holding public office, these are

Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership

As Police and Crime Commissioner, I am also accountable to the public for the financial stewardship of a multi-million pound budget, and the propriety of a large and complex organisation of enormous community and social value. I fully acknowledge this responsibility and promise to adopt, wherever possible, sustainable approaches that are socially and economically responsible for the long term benefit of the public and policing.

My Commitment to Equality

I will carry out the duties of Police and Crime Commissioner with a commitment to ensuring equality and respecting diversity. I will aim to eliminate discrimination, and advance equality of opportunity. I intend to positively contribute to the advancement of equality and good community relations and will integrate equality considerations into the day-to-day business of the Office of the Police and Crime Commissioner. I will also hold the Chief Constable to account for the exercise of his duties relating to equality and diversity within the police force. I will publish an Equality, Diversity and Human Rights framework shortly.

My police and crime objectives

My Vision:

Devon, Cornwall and the Isles of Scilly as the safest area of the country, served by the best police force

My Mission:

To cut crime and the fear of crime by bringing policing closer to the public

My Objectives:

Reducing crime and bringing offenders to justice

- Reducing crime by finding lasting solutions
- Reducing re-offending and bringing offenders to justice
- Focusing on alcohol related violence
- Protecting the most vulnerable with a focus on domestic, family and sexual abuse and better awareness and response to so called hidden crimes
- Working to better understand and respond to crimes motivated by prejudice against someone's beliefs or circumstances, such as hate and mate crime
- Improving road safety through education and enforcement
- Reducing anti social behaviour
- Increasing the safety of the vulnerable , young and victims by protection from those posing the most serious harm
- Supporting early intervention programmes that address drug and alcohol misuse, mental health issues and young offenders

Giving victims and witnesses a stronger voice

- Being a champion for victims and witnesses through the criminal justice system
- Supporting the criminal justice system to deliver a simpler, swifter and more transparent service
- Better aligning the help and assistance offered by the police, other agencies and the voluntary and charitable sector
- Giving victims a greater say, particularly in how offenders are dealt with through the criminal justice system and restorative justice
- Keeping victims better informed as a crime is investigated

Listening and responding to the public

- Promoting equality and respecting diversity by ensuring the police service responds effectively to the needs of all communities
- Addressing rural, coastal and urban community priorities through neighbourhood policing and greater visibility.
- Improving the service received by callers with non-emergency enquiries
- Giving people a greater say in how policing is delivered
- Being more accountable to the public by providing new opportunities to have your say

Investing in policing for the future

Investing in people

- Developing the skills and expertise of officers and staff
- Increasing the use of special constables and volunteers

Investing in technology

- Updating technology to make key policing activities more efficient
- Using technology to improve public contact with the police

Investing in improving processes and systems

- Continually reviewing the way we work to improve service to the public
- Playing our part in national and international policing
- Working towards a sustainable policing model that continues to meet the needs of local people and better serves rural and coastal communities

Providing strong leadership at all levels

Leadership as the Police and Crime Commissioner

- Holding the Chief Constable to account
- Bringing partners together to work more closely
- Making responsible decisions and speaking up for policing
- Being open and accountable about what I do and why

Leadership in partnerships

- Mitigating the impact of reducing budgets on the community together
- Working together to innovate and reduce demand
- Agreeing and delivering against common priorities

Leadership in the community

- Encouraging local people to help keep their communities safe by supporting the police
- Working to solve problems within communities and keep everyone safe

These priorities will be supported by an OPCC Action Plan, available [here](#), and complemented by the Chief Constable's Delivery Plan

How I will deliver these objectives

My objectives are supported by an action plan to be delivered by the Office of the Police and Crime Commissioner. The Chief Constable will prepare a Delivery Plan for the Force which must have regard to this Police and Crime Plan.

The OPCC Action Plan will be available shortly but can be broadly summarised by the following actions:

- I will keep this Police and Crime Plan and financial strategy under regular review
- I will hold the Chief Constable to account for the totality of policing
- I will provide funding to Community Safety Partnerships and other organisations to reduce crime and improve safety in line with the priorities and intentions in this Police and Crime Plan
- I will maintain an establishment of at least 3,000 police officers
- I will meet with the public regularly at events and surgeries to hear their views first hand and take action where appropriate.
- I will increase the number of Special Constables to help increase visibility and reduce the fear of crime
- I will provide targeted funding to the voluntary and charitable sectors to work with the community safety agencies to reduce crime through sustainable answers
- I will appoint an advisor to ensure victims' views are heard and taken into account by the police and partners
- I will work with practitioners, the licensed trade, business sector to challenge irresponsible behaviours, in particular alcohol abuse and to raise awareness of the impact it has on crime and health.

Working with the Chief Constable

I will be working closely with a range of partners to deliver this Police and Crime Plan and secure value for money. However, my working relationship with the Chief Constable is paramount. It is important to be clear about the distinction and legal status of the role of Police and Crime Commissioner and that of the Chief Constable.

The Police and Crime Commissioner is accountable to the public for an efficient and effective police force. The Commissioner must prepare a Police and Crime Plan containing policing objectives, hold the Chief Constable to account for the delivery of the Plan, agree the police element of the council tax, provide funds to the police and partners and commission services in a way that provides value for money.

The role of the Chief Constable is to lead the Force in delivering operational policing in fulfilment of the Police and Crime Plan within the constraints of the agreed budget. The Chief Constable has command and control over police officers and staff and exercises the management of police resources and assets under a delegation from the Police and Crime Commissioner to whom he remains accountable.

How I will measure success and hold the Chief Constable to account

I will hold the Chief Constable to account for the totality of policing. In order to focus on my objectives, I have set a small number of four-year, high-level improvement targets for the Force. These will be incorporated into a wider performance framework which will be finalised shortly. This framework will explain how I will hold open meetings at which the public will be able to question me and the Chief Constable about the performance of the police.

Reducing crime and bringing offenders to justice	Measure
<p>To reduce crime I am determined to reduce total crime over the next four years. The Peninsula Strategic Assessment (PSA) recognises that some crimes of domestic, family and sexual abuse and hate crime, by their very nature, go unreported. I want to encourage victims to come forward so that the police can take action. Therefore, I expect the number of some offences reported to the police will rise. I do not expect that any such increases will be greater than the overall reduction in total crime.</p>	<p>% reduction in total crime. as measured by police recorded crime</p>
<p>To reduce violence against the person (<i>this includes but is not restricted to grievous bodily harm, death by dangerous driving, harassment, child cruelty & harm to a vulnerable person</i>) Current measures of alcohol related violence are inadequate in helping agencies to fully understand the nature of this problem and reduce crime. The police and partners will continue to tackle violence whilst developing a more meaningful means of illustrating the impact that is being made by police and other agencies.</p>	<p>For 2013/14 - a reduction in violence against the person. A new alcohol-related violence measure will be developed for implementation in 2014/15</p>
Giving victims and witnesses a stronger voice	Measure
<p>To increase the percentage of crimes which result in a positive outcome A positive outcome is an offence resulting in an Offence Brought to Justice or through Restorative Justice. An offence is described as having been brought to justice where an offender has been cautioned, convicted or had offences taken into consideration by a court. Restorative justice is a victim-led approach where an offender is held to account for their actions, takes responsibility for the harm they have caused and takes steps to make amends</p>	<p>% increase in positive outcomes as measured by the police</p>
<p>To increase victims' satisfaction with the police A police survey of victims of burglary, vehicle crime and violent crime of their satisfaction with the service they have received from the police. In time, I intend to develop this measure to include witness satisfaction.</p>	<p>% increase in victim satisfaction as measured by the police</p>

Listening and responding to the public		Measure
To increase public confidence in the police Assessed using a survey asking the public <i>'In general how good a job do you think the police in your local area are doing?'</i>		% increase in those responding 'good' or 'excellent' as measured by the Crime Survey for England and Wales
To increase satisfaction with the police response to a non emergency matter In 2013/14, work will begin to improve the response received by the public to non emergency matters. This will include exploring how the police can work more effectively with its partners to provide a more joined-up and comprehensive service to the public.		Measure in development and to be in place by end of April 2013
Providing strong leadership at all levels		Measure
To increase the percentage of the workforce who state they are well led		Measure in development and to be in place by end of April 2013
Investing in policing for the future		Measure
To begin recruitment in order to maintain an establishment of least 3,000 police officers		Maintaining an establishment of at least 3,000 police officers.
To begin recruitment in order to maintain an establishment of at least 800 Specials		Reaching an establishment of at least 800 Specials by March 2017

Strategic Policing Requirement

Police and Crime Commissioners are expected to work closely with their Chief Constables to ensure their Forces are able to contribute to the capacity and capability of the national policing requirement. This should be achieved in a way that is as consistent and joined-up across police force areas as possible. As Commissioner, my priority centres on the people of Devon, Cornwall and the Isles of Scilly. The policing service that keeps the public safe is provided and enhanced by a range of local, regional and national agencies. Devon and Cornwall Police play their part in contributing to this national policing capacity, so that the public can be kept safe wherever they are.

Workforce - halting the decline in police officer numbers

People tell me of how much they value their local police officers. Central Government cuts have placed a strain on police budgets. In an organisation that spends the majority of its budget on people, invariably these cuts have meant reductions in police officer and police staff numbers.

As Police and Crime Commissioner, I am committed to listening to the public and doing all I can to retain the highest number of police officers. The funding model I have developed with the Chief Constable aims to halt the decline in police numbers by sustaining police officer numbers above 3,000.

Subject to any further Government cuts, I am able to provide the Chief Constable with sufficient funds to recruit approximately 534 police officers between 2014 and 2017. This will effectively offset the number of officers we expect will retire from the Force during that same period.

Actual FTE	31 Mar 13	31 Mar 14	31 Mar 15	31 Mar 16	31 Mar 17
Police Officers	3,090	3,090	3,090	3,070	3,060
PCSOs	414	384	360	360	360
Police Staff	1,810	1,764	1,739	1,714	1,594
Specials	600	650	700	750	800

An increase in the number of Specials

Special Constables play an important role in forging strong links between the police and local people. Specials are volunteers who work alongside Police Officers and Police Community Support Officers to deal with local policing issues and help prevent crime and the fear of crime. Specials enjoy the same powers as a full time police officer including the power of arrest. PCSOs are full time staff who have the power to detain people for a short time. They provide an invaluable role in providing public reassurance by being highly visible and engaging with the public.

I believe that there is great potential to increase the number of Specials in the Force and benefit from the skills and backgrounds they have to benefit the police in serving the public.

The resources and assets I will make available to the Chief Constable

As Police and Crime Commissioner, I receive all Government police grant funding directly. Following consultation with the Chief Constable and the public, I decide upon the level of council tax revenue I intend to raise in order to meet the necessary budget requirement for maintaining an efficient and effective police force.

I will provide the Chief Constable with sufficient resource to recruit 200 additional Special Constables by April 2017. In order to fund these increases, I will draw on money set aside in a contingency fund to help cope with fluctuations in Government funding decisions. This financial plan will also require an increase in the council tax precept of 2% in 2013/14. This is equivalent to 6 pence a week on council tax bills for a band D property. In order to increase the number of uniformed frontline officers, it will be necessary to continue with the planned reduction of police staff numbers through workforce reviews and the disestablishment of vacant posts.

My Medium Term Financial Strategy sets out my spending plans, budget forecasts and intentions for balances and reserves.

The budget requirement for the four years 2013/14 to 2016/17 is illustrated below

Summary	2013-14	2014-15	2015-16	2016-17
Funding	£288.6m	£284.1m	£282.8m	£282.2m
Net Budget before contribution from reserves	£284.3m	£283.5m	£286.2m	£289.6m
Contribution to/(from) reserves	£4.3m	£0.6m	(£3.4m)	(£7.4m)

My Medium Term Financial Plan can be viewed [here](#).

Efficiencies

The Force has a history of delivering value for money savings. In the next four years of this plan, further reductions of £35.9m are anticipated. I am committed to work with the Force to deliver savings on all areas of the budget. A joint Value for Money strategy has been developed to support this. The planned savings divide into those which are based upon staff and officer numbers and non pay budgets. This is illustrated below.

Budget Division	2013/14	2014/15	2015/16	2016/17	Total
	£m	£m	£m	£m	£m
Projected savings	(10.3)	(7.7)	(8.0)	(9.9)	(35.9)
Reinvestment	2.8	2.0	3.3	3.8	11.9
Total	(7.5)	(5.7)	(4.7)	(6.1)	(24)

Collaboration

I am committed to working more closely with other Police and Crime Commissioners and police forces, particularly in the south west, in order to make the police Force more efficient and effective and to better meet the needs of our communities. There are already a range of services that are delivered in partnership with other Forces. One example is the joint taskforce to tackle serious and organised crime across the south west.

As well as a more effective way of working, these shared services and collaboration arrangements make financial sense. For example, significant savings have already been made by introducing a central purchasing facility for police forces in the south west of England.

There is more to be done, in particular to make it easier for forces to be able to work with each other more cohesively in order to reduce the threats to the public from crime and reduce the impact of financial uncertainty.

I am open to other collaborative ventures where it can be proven that they best serve the interests of the people of Devon and Cornwall. I will be working with the Chief Constable to explore the options available.

Community Safety and Commissioning

From 2013, in addition to core police funding including those funds currently allocated to 'police partnership funding, the Police and Crime Commissioner will receive all community safety funding albeit at a lower level than was previously provided. In previous years, this money was directed from central Government to Community Safety Partnerships.

I recognise the good work of the range of partnerships and stakeholders working to keep people safe and acknowledge the importance of maintaining a sustainable funding base.

In order to minimise disruption to services, for 2013/14 I will endeavour to fund the existing 2012/13 recipients of this money. To mitigate future reductions from Government, I intend to treat this as a single Community Safety Grant and police partnership fund.

During 2013, I will expect the recipients of this community safety and police partnership funding to be able to demonstrate how they contribute to community safety and crime reduction and support this Police and Crime Plan. I will work closely with partners to review current arrangements for the use of resources and consult with stakeholders in developing future proposals in order to ensure a smooth transition to any new arrangements in April 2014.

Buildings and assets

My Police and Crime Plan has an objective of investing in policing for the future. This includes making the best use of our buildings, technology and other assets to ensure that our police officers and staff are able to work as effectively as possible.

Making sensible investment decisions now will have long term benefits for the future and as Police and Crime Commissioner I will make the best use of existing assets. I will be seeking assurance from the Chief Constable that the Force estate is put to the best use by working in partnership and with due regard to the plans of local authorities and other partners. Following this, I will publish a refreshed Estate Strategy.

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