

Police and Crime Board, 10th November 2016, 08:30 – 12:30

Venue: OPCC Meeting Room

Attendees

- **PCC**
- **Chief Constable**
- **Deputy Chief Constable**
- **Constabulary CFO**
- **OPCC CEO**
- **OPCC CFO**
- **OPCC Head of Commissioning and Partnerships**
- **OPCC Strategic Planning and Performance Officer**

To support the carrying out of the PCC's statutory functions including overseeing delivery of the Police and Crime Plan, being the forum for formal decision making by the PCC and otherwise allowing for the PCC to scrutinise the work, performance, key projects and budget of the Constabulary and other partners.

AGENDA

1. Apologies

2. Minutes and Actions

3. Decisions (to be signed at the meeting)

- **CSE Victims Service**
- **AIRS – Decision to Extend for 1 Year**
- **17/18 Commissioning Budget Review**
- **Project 400**
- **External Governance**
- **Estates Strategy**
- **Public Sector Audit Appointments**

4. Key Organisational Risks and Issues

5. Scrutiny – Planned:

- a) Performance against New Police and Crime Plan** (Performance Overview to focus on the high areas of concern and where progress is being made – 3 of each, Deep Dive on 'protect the most vulnerable from harm' update on outstanding HMIC recommendations from the vulnerability inspection and update on RASSO and FGM)
- b) HR** (Specials Recruitment, Police Officer Recruitment Update)
- c) Major Projects** (SW1 succession, Digital Mobilisation Project Update)
- d) Finance** (Q2 Outturn executive summary, Draft MTFP, Half Year Treasury Management Outturn, OPCC Mid-Year Budget Report)

6. Scrutiny – Dynamic: COG Peer Review (Enabling Services) (discussion on the paper to the continuous improvement board)

7. Yeovil Custody Provision Discussion

8. Tri-Force Progress Discussion

9. Updates for the Joint Audit Committee (agree updates to be reported to the Joint Audit Committee on 2nd December 2016)

10. Publication (agree any items for publication other than the Minutes and Decision Notices)

11. A.O.B

Date of the Next Meeting: 20th December 2016, 10:00-14:00

DRAFT Minutes of the Police and Crime Board, 10th November 2016

Attendees:

Sue Mountstevens, Police and Crime Commissioner
Andy Marsh, Chief Constable
Gareth Morgan, Deputy Chief Constable
Julian Kern, OCC CFO
John Smith, OPCC Chief Executive Officer
Mark Simmonds, OPCC CFO
Marc Hole, Head of Commissioning
Karin Takel, OPCC Strategic Planning and Performance Officer
Alaina Davies, Resources Officer

1. Apologies

None

2. Minutes and Action Update

Communications Department 101 Service

An update regarding improvements to the 101 service and preparation for the new IT solution was given. Staffing of the switchboard function was discussed – it is not yet clear if this can be extended to cover the weekend. The PCC was assured that the Constabulary are clear on the demand and will plan the most appropriate flexible approach to staffing in order to meet this.

The Constabulary recognise that the average wait time is not acceptable but planned improvements will reduce this. The PCC was assured that the Constabulary are planning to make the best use of technology available e.g. use of the function for callers to be able to choose if they would like to stay in a queue or request a call back.

The Chief Constable requested that the volume of online reporting be reported. Other initiatives to reduce demand on the Communications Department include Enquiry Office staff handling emails usually dealt with by Communications Centre staff.

The PCC will carry out a visit to the FSC in March when the effects of implementing these improvements can be measured and reviewed.

The National Campaign regarding 101 was discussed, Avon and Somerset decided not to be a part of this because it did not include information promoting other channels. The PCC was assured that the Constabulary will sign up to a national campaign if it includes other reporting tools – other police areas also commented that the campaign should include other reporting methods.

There have been some stakeholder visits to the Communications Centre in the last couple of months and those that have visited generally have a different view of the work of the Communications Centre when they leave. Learning for officers on the work of the Communications Department is also positive in giving an understanding and appreciation of the work of call handlers.

Public Confidence

The PCC was assured regarding the high level of time reported that PCSOs spend outside police stations.

A discussion followed regarding the reduction in public confidence and how this can be understood as the number of people reporting feeling safe is static. This is a worrying trend which does not reflect the national picture. Public confidence and visibility are linked but what these terms means to people will vary. How an internet search will shape public view was discussed.

The Office of the PCC (OPCC) has developed a delivery plan to track progress against the Police and Crime Plan and will be engaging with the Constabulary on this.

Speed Enforcement Unit

Improvements to communications with the Speed Enforcement Unit are ongoing and the Chief Constable will provide assurance to the PCC once work is complete.

The PCC raised concerns regarding the low number of people caught using their phones whilst driving and how the law on this makes it difficult.

Other Action Updates

The use of overtime within Tri-Force Black Rock Specialist Training was considered along with the need to discuss this with the other two forces.

The PCC still requires assurance regarding the use of overtime and the Health and Wellbeing of officers.

The PCC was given an update on the back record conversion from Guardian to Niche and the connectivity between Niche and the Police National Database.

3. Decisions

Please note that Decision Notices are published on the PCC website on the Decisions page under the Openness section.

CSE Victims Services – The Child Sexual Exploitation (CSE) interim service was agreed. The PCC and local authority partners have agreed to extend the specialist support service to support victims of child sexual exploitation for a period of six months. The Decision Notice will be signed and published on the PCC's website.

AIRS – Decision to Extend for 1 Year – Extending the contract with Swanswell for delivery of the Arrest Intervention Referral Service in custody by one year was agreed. Funding will be reduced by 15% in 2017/18 as agreed with the provider as part of the remodelling of the PCC's Commissioning budget allowing for the funding of addition services. The core elements of this service will not be affected. The Decision Notice will be signed and published on the PCC's website.

17/18 Commissioning Budget Review – The review of the PCC's commissioning budget for 2017/18 was discussed. Savings across some of the services have been identified in order to fund the Child Sexual Exploitation (CSE) Support Service, support services for victims of Child Sexual Abuse (CSA) and the Mental Health Control Room Triage for the remainder of the PCC's term. It was agreed that a further period of engagement with RJ delivery partners is required and the opportunity for partners to propose alternative delivery models before a decision regarding the PCC's commissioning budget for 2017/18 can be agreed.

Project 400 – It was agreed to engage the Benson Brothers as contractors for the fit-out and refurbishment of premises in relation to Project 400. The Decision Notice will be signed and published on the PCC's website.

External Governance – The revised approach to External Governance as set out in the supporting paper was agreed. The Decision Notice will be signed and published along with the supporting Board paper.

Estates Strategy – The 2016-2020 Estates Strategy was agreed and should be published at the same time as a decision regarding Yeovil police station. The Decision Notice will be signed, subject to some agreed wording amendments, and published on the PCC's website along with the Estates Strategy 2016-2020. This should be published at the same time as the decision regarding Yeovil police station is announced.

Public Sector Audit Appointments – The decision to join the Public Sector Appointments (PSAA) Limited was agreed. The Decision Notice will be signed and published on the PCC's website along with the Joint Audit Committee report.

4. Key Organisational Risks and Issues

Demand reduction was discussed and the deficit was addressed at item 5d on the agenda. Morale was discussed and the effect leadership has on this. The National Framework for the staff survey is being adopted going forward and this will be done in November, although there is a risk that comparison with previous years will be difficult. The Constabulary assured the PCC that they are confident about making the required savings and will work with the PCC regarding savings, delivering the plan and communications with stakeholders.

5. Scrutiny – Planned:

a) Performance against the New Police and Crime Plan

Section A of the report submitted to the Board on performance against the Police and Crime Plan focused on three areas of concern (Outcomes of performance, 101 performance and public confidence) and three areas of progress (HMIC Efficiency Inspection 2016, HMIC Legitimacy Inspection 2016 and Force approach to domestic abuse thematic). Section B focused on progress against the HMIC Effectiveness (vulnerability Inspection 2015 recommendations. Section C provided an update from the Force Continuous Improvement Board (CIB) with a FGM and SSO thematic.

Section A

The PCC queried how the Constabulary intend to address poor performance. New technology allows the Constabulary to look at workloads, one to ones between staff and managers on a continuous basis is important and the use of Independent Performance Review (IPR). The Leadership Programme focuses on attendance, sickness and poor performance.

The Back to Basic initiative has been positive and the PCC asked how the Constabulary intend to keep up the momentum for this past the initial 12 weeks. The technology is now available for this way of working to become business as usual.

The Force made the completion of DASH risk assessments mandatory and are currently over 80% compliant. The PCC agreed that the 20% non-compliance needs to be understood and reported back. This could be a case of logic and judgment in relation to individual cases. Assurance needs to be provided to the PCC and evidence of the reasons for non-compliance.

Section B

The PCC was assured that the Constabulary have had no recent feedback from partners regarding non-attendance at case conferences.

The report on the latest HMIC Inspection is expected to be published in February 2017.

The performance report will be more detailed next time and include performance data for publication.

Section C

More assurance is required by the PCC regarding FGM. The Head of Prevention and Protect and his team should discuss PCC involvement in communication with partners. Discussions need to be had at national and local levels regarding charging decisions.

b) HR

Special Constabulary

The drop in numbers since 2012 was discussed and the high numbers leaving every month. The numbers have dropped largely due to Specials who were not putting in any/very little hours leaving. A Special will need to remain in the role for three years for the Constabulary to have a return on the investment of recruiting and training.

Going forward it would be helpful to be clear with applicants about the role. A review of the leadership is to be done.

Many officers see the Special Constabulary as a stepping stone to becoming a regular police officer and so that can be a reason for leaving. Those who fail the process for becoming a regular police officer are invited to apply to become a Special. The length of the training is being reviewed. The new approach to the Special Constabulary will be discussed at Force Executive and the Police and Crime Board following that.

The PCC asked if more people would be encouraged to apply if they could work in their local area. The risk of this was discussed and it was felt that there wouldn't be much enthusiasm for this from those looking to apply but it could be considered with caution.

Police Officer Recruitment

Police Officer recruitment and BME representation was discussed. Ways to increase this were discussed such as advocacy, working with communities and use of cards when engaging with the public and internal communications regarding this. Retention and progression is also important. Potential partnership with local universities was discussed. The PCC gave a clear message supported by the Chief Constable that there should be a real push on BME recruitment and the PCC would like to see recruitment of BME officers increase. The Chief Constable reiterated that he is happy to provide support and attend events.

c) Major Projects

SW1 Exit Arrangements

The PCC now feels more sighted on the SW1 exit plans and thanked the OCC CFO and Exit Board for this. The OPCC CFO has assured the PCC the project management of the SW1 exit is being well managed. Risks and issues were highlighted to the PCC. Tri-Force are being kept up to date with plans.

Digital Mobilisation Project Update

The Digital Mobilisation project is on track for the business case to be presented at Force Executive meeting in December. The PCC was

assured that the Constabulary are considering every aspect to get the implementation right.

d) Finance

2016/17 Q2 Financial Performance Report

The PCC was assured that despite reporting a small forecast overspend the OCC CFO does not believe this will be the case and that the overtime forecast is thought to be too high. The additional cost pressure of the Government change of incapacity benefits to ESA in 2008 was discussed and the potential for interest to be applied to this – this is a large one off cost with smaller annual costs ongoing until legislation is changed.

The PCC raised concerns regarding the forecast overspend on the non-pay part of the budget. Overspend in Purchasing and Supply is due to new uniforms. Timescales for savings relating to regional forensics was discussed. Governance of Regional Organised Crime Unit (ROCU) was raised by the PCC – the PCC wants increased regional oversight of ROCU.

Medium Term Financial Planning

The deficit of £8.3m in 2017/18 was discussed and potential savings from the Tri-Force programme. The Constabulary are due to start Priority Based Resourcing reviews (PBR) which should result in savings and an update on this will be provided at the next Police and Crime Board. South West One services were discussed and savings to be made when these come back in-house. The Capital Programme will need to be reviewed and agreed at the Police and Crime Board.

Treasury Management Mid-Year Report 2016/17

The PCC was assured that all prudential indicators are being operated within and the strategy is being met. Level of funding through reserves was highlighted. Recommendation will be submitted to the Police and Crime Board by the end of 2016 regarding borrowing.

Budget Issues, OPCC Budget 2017/18 and OPCC Budget Half-Year Outturn

The PCC's proposed core budget remains flat for 2017/18 as does the PCC's commissioning budget once the saving from reducing the Commissioners Community Action Fund by £50,000 is taken into account – this has not previously been shown in the PCC's commissioning budget.

The PCC would look to increase the OPCC budget should she take on more responsibility in the future.

6. Scrutiny – Dynamic: COG Peer Review (Enabling Services)

Enabling Services will be looked at on an ongoing basis.

7. Yeovil Custody Provision Discussion

Options for the future of Yeovil police station were discussed and the PCC agreed recommendations put forward by the Constabulary in the business case. Nailsea and Taunton estates discussion were also had and risks with Taunton options highlighted.

The PCC highlighted the need for both internal and external communications to be good and for the change to be managed well.

8. Tri-Force Progress Discussion

A Tri-Force Enabling meeting was being held after the Police and Crime Board and an update will be discussed at the next meeting in December.

9. Update for the Joint Audit Committee

The minutes of the September Police and Crime Board will be included on the December Joint Audit Committee agenda.

10. Publication

The following items were agreed for publication:

- Agenda for 22nd September 2016 Police and Crime Board
- Minutes for 22nd September 2016 Police and Crime Board

11. A.O.B

None

Actions List:

See Exempt Actions List

Date of the Next Meeting: 20th December 2016

| APPENDIX A Subjective Revenue Outturn September 2016 - Q2 16/17 | YTD Actual | | | | Forecast Outturn | | | |
|---|------------------------|------------------------|------------------|------------------|-------------------------------|---------------------------|------------------|------------------|
| | 16/17 YTD Actual | 16/17 YTD Budget | Over/ (Under) | Over/ (Under) | 16/17 Projected Outturn | 16/17 Annual Budget | Over/ (Under) | Over/ (Under) |
| | £'000 | £'000 | £'000 | % | £'000 | £'000 | £'000 | % |
| Police Officer pay and allowances | 65,381 | 67,729 | (2,348) | (3.5%) | 131,840 | 135,930 | (4,090) | (3.0%) |
| Police Officer Overtime | 2,385 | 1,816 | 569 | 31.3% | 5,432 | 3,631 | 1,801 | 49.6% |
| Police Staff pay and allowances | 29,551 | 31,126 | (1,575) | (5.1%) | 60,795 | 62,735 | (1,940) | (3.1%) |
| Police Staff Overtime | 789 | 467 | 322 | 68.9% | 1,726 | 926 | 800 | 86.4% |
| PCSO pay and allowances | 5,024 | 5,598 | (574) | (10.3%) | 10,472 | 11,076 | (604) | (5.5%) |
| PCSO Overtime | 8 | 2 | 6 | 271.7% | 16 | 4 | 12 | 271.7% |
| Indirect Employee Expenses | 248 | 136 | 112 | 82.7% | 401 | 271 | 130 | 48.1% |
| Pensions | 3,760 | 4,080 | (320) | (7.8%) | 8,422 | 7,152 | 1,270 | 17.8% |
| EMPLOYEE COSTS | 107,146 | 110,953 | (3,807) | (3.4%) | 219,105 | 221,725 | (2,620) | (1.2%) |
| PREMISES COSTS | 5,817 | 5,970 | (153) | (2.6%) | 11,716 | 11,532 | 185 | 1.6% |
| TRANSPORT COSTS | 2,368 | 2,520 | (152) | (6.0%) | 4,669 | 4,844 | (175) | (3.6%) |
| S&S - COMMUNICATIONS AND COMPUTING COSTS | 5,227 | 5,749 | (522) | (9.1%) | 9,275 | 9,027 | 249 | 2.8% |
| S&S - FORENSICS COSTS | 733 | 825 | (92) | (11.1%) | 1,742 | 1,624 | 118 | 7.3% |
| S&S - OTHER COSTS | 5,565 | 6,383 | (817) | (12.8%) | 12,363 | 11,777 | 586 | 5.0% |
| PARTNERSHIP COSTS (3RD PARTY PAYMENTS) | 15,462 | 14,831 | 630 | 4.2% | 28,040 | 27,728 | 312 | 1.1% |
| TRANSFERS TO/(FROM) RESERVES | (4,357) | (4,282) | (75) | (1.8%) | (3,870) | (4,026) | 156 | 3.9% |
| CAPITAL FINANCING COSTS | 5,189 | 5,296 | (107) | (2.0%) | 10,571 | 10,517 | 54 | 0.5% |
| OUTSTANDING SAVINGS TARGET | 0 | (1,206) | 1,206 | 100.0% | 0 | (1,235) | 1,235 | 100.0% |
| TOTAL CONSTABULARY EXPENDITURE | 143,149 | 147,039 | (3,889) | (2.6%) | 293,612 | 293,513 | 99 | 0.0% |
| INCOME - SPECIAL GRANTS | (15) | (0) | (15) | 0.0% | (6) | (0) | (6) | 0.0% |
| INCOME - OTHER | (11,729) | (11,731) | 2 | (0.0%) | (21,855) | (22,222) | 367 | 1.7% |
| TOTAL CONSTABULARY INCOME | (11,744) | (11,732) | (12) | 0.1% | (21,861) | (22,222) | 361 | 1.6% |
| TOTAL CONSTABULARY (exc Misc/Grants/Secondees) | 131,405 | 135,307 | (3,902) | (2.9%) | 271,751 | 271,290 | 460 | 0.2% |
| MISCELLANEOUS | (33) | 0 | (33) | 0.0% | 0 | 0 | 0 | |
| GRANTS | 0 | 75 | (75) | 0.0% | 0 | 0 | 0 | |
| SECONDEES | 8 | (0) | 8 | 0.0% | 0 | 0 | 0 | |
| TOTAL CONSTABULARY | 131,380 | 135,382 | (4,002) | (3.0%) | 271,751 | 271,290 | 460 | 0.2% |
| OFFICE OF THE POLICE AND CRIME COMMISSIONER | 548 | 645 | (97) | (15.1%) | 1,312 | 1,354 | (42) | (3.1%) |
| COMMISSIONING COSTS | 891 | 1,715 | (824) | (48.0%) | 3,278 | 3,430 | (152) | (4.4%) |
| TOTAL OPCC AND COMMISSIONING | 1,439 | 2,361 | (921) | (39.0%) | 4,591 | 4,785 | (194) | (4.1%) |
| TOTAL REVENUE EXPENDITURE | 132,819 | 137,742 | (4,923) | (3.6%) | 276,341 | 276,075 | 266 | 0.1% |

| APPENDIX B Mgt Structure Revenue Outturn September 2016 - Q2 16/17 | YTD Actual | | | | Forecast Outturn | | | |
|--|------------------------|------------------------|------------------|------------------|-------------------------------|---------------------------|------------------|------------------|
| | 16/17 YTD Actual | 16/17 YTD Budget | Over/ (Under) | Over/ (Under) | 16/17 Projected Outturn | 16/17 Annual Budget | Over/ (Under) | Over/ (Under) |
| | £'000 | £'000 | £'000 | % | £'000 | £'000 | £'000 | % |
| Bristol Area | 12,535 | 13,145 | (610) | (4.6%) | 25,883 | 26,606 | (723) | (2.7%) |
| Somerset Area | 15,487 | 16,467 | (980) | (5.9%) | 32,204 | 33,548 | (1,344) | (4.0%) |
| North East Area | 8,152 | 8,705 | (553) | (6.3%) | 16,794 | 17,601 | (807) | (4.6%) |
| Local Policing Directorate | 351 | 342 | 10 | 2.9% | 738 | 687 | 51 | 7.4% |
| LOCAL POLICING | 36,526 | 38,658 | (2,133) | (5.5%) | 75,618 | 78,442 | (2,824) | (3.6%) |
| Investigations | 14,934 | 14,865 | 68 | 0.5% | 30,652 | 30,060 | 592 | 2.0% |
| Catch & Disrupt | 5,977 | 6,135 | (157) | (2.6%) | 12,022 | 12,142 | (120) | (1.0%) |
| Investigations Policy and Support | 1,433 | 1,469 | (35) | (2.4%) | 2,892 | 2,917 | (25) | (0.9%) |
| Regional Collaboration - Tri-Force | 6,007 | 5,906 | 101 | 1.7% | 12,098 | 12,098 | 0 | 0.0% |
| Regional Collaboration - Scientific Investigations | 2,441 | 2,261 | 180 | 8.0% | 4,891 | 4,599 | 292 | 6.4% |
| Regional Collaboration - Major Crime Investigation | 2,218 | 2,337 | (119) | (5.1%) | 4,500 | 4,704 | (203) | (4.3%) |
| Regional Collaboration - SWROCU | 2,270 | 2,214 | 56 | 2.5% | 2,270 | 2,214 | 56 | 2.5% |
| Regional Collaboration - Special Branch | 518 | 541 | (23) | (4.3%) | 1,001 | 1,029 | (28) | (2.7%) |
| Major Incidents | 647 | 994 | (347) | (34.9%) | 994 | 994 | 0 | 0.0% |
| SPECIALIST OPERATIONS | 36,445 | 36,722 | (277) | (0.8%) | 71,320 | 70,757 | 563 | 0.8% |
| Command & Control | 8,765 | 8,432 | 333 | 3.9% | 17,605 | 16,962 | 643 | 3.8% |
| Criminal Justice | 5,836 | 6,518 | (683) | (10.5%) | 12,661 | 12,836 | (175) | (1.4%) |
| Intelligence | 3,810 | 4,109 | (298) | (7.3%) | 7,622 | 8,151 | (528) | (6.5%) |
| Manage | 3,232 | 3,119 | 113 | 3.6% | 6,651 | 6,586 | 65 | 1.0% |
| Victim & Witness Care | 1,100 | 1,241 | (141) | (11.4%) | 2,371 | 2,493 | (123) | (4.9%) |
| PREVENTION, PROTECTION AND PROSECUTION | 22,744 | 23,420 | (676) | (2.9%) | 46,910 | 47,028 | (118) | (0.3%) |
| Chief Officers & Staff Office | 1,048 | 968 | 81 | 8.3% | 1,969 | 1,806 | 163 | 9.0% |
| Southwest One Unitary Charge | 9,170 | 8,968 | 202 | 2.3% | 18,105 | 17,929 | 177 | 1.0% |
| Estates | 5,375 | 5,513 | (137) | (2.5%) | 10,913 | 10,809 | 104 | 1.0% |
| Technology Services | 4,007 | 4,668 | (660) | (14.1%) | 7,095 | 7,138 | (43) | (0.6%) |
| Transport Services | 2,182 | 2,228 | (46) | (2.1%) | 4,419 | 4,473 | (53) | (1.2%) |
| Professional Standards | 766 | 732 | 34 | 4.6% | 1,495 | 1,457 | 38 | 2.6% |
| Human Resources | 467 | 341 | 126 | 36.9% | 883 | 686 | 197 | 28.7% |
| Occupational Health & Safety | 368 | 409 | (42) | (10.2%) | 801 | 795 | 6 | 0.8% |
| Corporate Learning & Development | 2,755 | 2,890 | (135) | (4.7%) | 6,101 | 6,025 | 75 | 1.2% |
| Staff Associations & Support Groups | 277 | 279 | (2) | (0.8%) | 522 | 574 | (52) | (9.0%) |
| Strategic Service Improvement | 944 | 957 | (13) | (1.4%) | 1,974 | 1,924 | 50 | 2.6% |
| Purchasing & Supply | 696 | 616 | 80 | 12.9% | 1,504 | 1,339 | 164 | 12.3% |
| Corporate Information Management | 511 | 480 | 31 | 6.4% | 1,030 | 1,051 | (21) | (2.0%) |
| Corporate Communications | 391 | 418 | (27) | (6.4%) | 817 | 833 | (16) | (2.0%) |
| Legal Services | 339 | 359 | (20) | (5.6%) | 573 | 703 | (130) | (18.5%) |
| Detained Property | 274 | 249 | 25 | 10.1% | 525 | 501 | 24 | 4.7% |
| Admin & Facilities | 165 | 242 | (76) | (31.5%) | 371 | 453 | (82) | (18.1%) |
| Finance & Business Services | 500 | 604 | (104) | (17.2%) | 1,054 | 1,213 | (158) | (13.1%) |
| ENABLING SERVICES | 30,235 | 30,921 | (686) | (2.2%) | 60,150 | 59,708 | 442 | 0.7% |
| Pensions | 3,749 | 4,045 | (295) | (7.3%) | 8,352 | 7,082 | 1,270 | 17.9% |
| Officer & Staff Allowances | 2,110 | 2,673 | (564) | (21.1%) | 4,501 | 5,016 | (515) | (10.3%) |
| Central Costs | (2,958) | (3,098) | 139 | (4.5%) | (612) | (1,178) | 566 | (48.0%) |
| Central Savings | 0 | (1,202) | 1,202 | (100.0%) | 0 | (1,231) | 1,231 | (100.0%) |
| Student Officers | 740 | 623 | 118 | 18.9% | 1,401 | 1,314 | 87 | 6.6% |
| CENTRAL COSTS | 3,641 | 3,041 | 600 | 19.7% | 13,642 | 11,003 | 2,639 | 24.0% |
| STRATEGIC PROJECTS | 1,814 | 2,545 | (730) | (28.7%) | 4,109 | 4,352 | (242) | (5.6%) |
| TOTAL CONSTABULARY (exc Misc/Grants/Secondees) | 131,405 | 135,307 | (3,902) | (2.9%) | 271,751 | 271,290 | 460 | 0.2% |
| MISCELLANEOUS | (33) | 0 | (33) | | 0 | 0 | 0 | |
| GRANTS | 0 | 75 | (75) | | 0 | 0 | 0 | |
| SECONDEES | 8 | (0) | 8 | | 0 | 0 | 0 | |
| TOTAL CONSTABULARY | 131,380 | 135,382 | (4,002) | (3.0%) | 271,751 | 271,290 | 460 | 0.2% |
| OFFICE OF THE POLICE AND CRIME COMMISSIONER | 548 | 645 | (97) | (15.1%) | 1,312 | 1,354 | (42) | (3.1%) |
| COMMISSIONING COSTS | 891 | 1,715 | (824) | (48.0%) | 3,278 | 3,430 | (152) | (4.4%) |
| TOTAL OPCC AND COMMISSIONING | 1,439 | 2,361 | (921) | (39.0%) | 4,591 | 4,785 | (194) | (4.1%) |
| TOTAL REVENUE EXPENDITURE | 132,819 | 137,742 | (4,923) | (3.6%) | 276,341 | 276,075 | 266 | 0.1% |

| APPENDIX C Capital Programme September 2016 - Q2 16/17 | PLANNED EXPENDITURE | | | | ACTUAL EXPENDITURE | | | | |
|---|---------------------|---------------|---------------|----------------|--------------------|-------------------|----------------|--------------------------------|---------------------------|
| | B/Fwd £'000 | New £'000 | Adj's £000 | TOTAL £'000 | Actual £'000 | Forecast £'000 | TOTAL £'000 | Carry forward to 2017/18 | Over/ (Under) £'000 |
| INFORMATION AND COMMUNICATIONS SYSTEMS | | | | | | | | | |
| Rolling Replacement and renewal programme (inc contingency for unforeseen security upgrades as required) | 0 | 515 | 19 | 534 | 134 | 404 | 538 | 0 | 4 |
| PROJECTS - Corporate Systems | 1,452 | 465 | 394 | 2,311 | 1,098 | 871 | 1,969 | 0 | (342) |
| PROJECTS - National Systems | 0 | 1,516 | 0 | 1,516 | 4 | 0 | 4 | 0 | (1,512) |
| PROJECTS - Regional Systems | 200 | 2,694 | 369 | 3,263 | 29 | (117) | (88) | 0 | (3,351) |
| PROJECTS - Mobile and Fixed Line Telephony/Data | 1,278 | 1,541 | 0 | 2,819 | 128 | 1,812 | 1,940 | 0 | (879) |
| PROJECTS - Custody Technology | 0 | 0 | 0 | 0 | 10 | 0 | 10 | 0 | 10 |
| PROJECTS - Digital Evidencing (DEMS) | 337 | 2,056 | (45) | 2,348 | 226 | 1,065 | 1,291 | 1,012 | (45) |
| PROJECTS - Other | 22 | 199 | 38 | 259 | 110 | 69 | 179 | 68 | (12) |
| INFORMATION & COMMUNICATION SYSTEMS TOTAL | 3,289 | 8,986 | 775 | 13,050 | 1,739 | 4,104 | 5,843 | 1,080 | (6,127) |
| ESTATES | | | | | | | | | |
| Rolling replacement and renewal programme (electrics, fire precaution, accessibility and central heating upgrades) | 195 | 400 | 0 | 595 | 63 | 198 | 261 | 0 | (334) |
| PROJECTS - HQ Site refurbishment and projects (including Central Store) | 2,799 | 5,510 | 1,406 | 9,715 | 1,202 | 2,917 | 4,119 | 4,092 | (1,504) |
| PROJECTS - Estate rationalisation programme | 1,984 | 12,377 | 1,085 | 15,446 | 868 | 5,183 | 6,051 | 2,120 | (7,275) |
| PROJECTS - PFI Buildings Programme | 58 | 0 | 0 | 58 | 21 | 58 | 79 | 0 | 21 |
| Feasibility costs | 0 | 0 | 124 | 124 | 0 | 124 | 124 | 0 | 0 |
| ESTATES TOTAL | 5,036 | 18,287 | 2,615 | 25,938 | 2,154 | 8,480 | 10,634 | 6,212 | (9,092) |
| TRANSPORT SERVICES | | | | | | | | | |
| Rolling replacement and renewal programme | 3,047 | 2,445 | 374 | 5,866 | 949 | 3,846 | 4,795 | 0 | (1,071) |
| PROJECTS - In-vehicle tracking | 114 | 0 | 0 | 114 | 9 | 102 | 111 | 0 | (3) |
| PROJECTS - Pool Car Infrastructure | 14 | 0 | 0 | 14 | 13 | 0 | 13 | 0 | (1) |
| PROJECTS - Community resilience Task Force | 0 | 104 | 0 | 104 | 0 | 0 | 0 | 0 | (104) |
| PROJECTS - Detainee Transport Solutions | 0 | 140 | 0 | 140 | 0 | 0 | 0 | 0 | (140) |
| TRANSPORT SERVICES TOTAL | 3,175 | 2,689 | 374 | 6,238 | 971 | 3,948 | 4,919 | 0 | (1,319) |
| PLANT, MACHINERY AND EQUIPMENT | | | | | | | | | |
| Rolling replacement and renewal programme - ANPR | 5 | 215 | (31) | 189 | 8 | 167 | 175 | 0 | (14) |
| Rolling replacement and renewal programme - Other | 6 | 100 | 13 | 119 | 42 | 77 | 119 | 0 | 0 |
| PLANT, MACHINERY AND EQUIPMENT TOTAL | 11 | 315 | (18) | 308 | 50 | 244 | 294 | 0 | (14) |
| TOTAL CAPITAL PROGRAMME | 11,511 | 30,277 | 3,746 | 45,534 | 4,914 | 16,776 | 21,690 | 7,292 | (16,552) |

| MEMORANDUM ACCOUNTS - Excluded from above as held on behalf of others, not just for benefit of A&S | | | | | | | | | |
|--|-------|---|---|-------|-----|-------|-------|-----|---|
| AIRCRAFT BASE - Funding received in 2012/13 which is ring-fenced for capital/revenue costs associated with securing a permanent base for the National Police Air Service helicopter within our region. This is excluded from the above as it is funding we're holding on behalf of the national organisation. | 295 | 0 | 0 | 295 | -2 | 27 | 25 | 270 | 0 |
| REGIONAL ORGANISED CRIME UNIT - This is excluded from above as funding to be received from the Home Office for the regional organised crime unit. | 3,309 | 0 | 0 | 3,309 | 287 | 3,022 | 3,309 | 0 | 0 |

| | | |
|---|---|------------------------------------|
| MEETING: Police and Crime Board | Date: 10 th November 2016 | Agenda No |
| DEPARTMENT: Finance and Business Services | AUTHOR: Nick Adams | 5d – Part 1 |
| NAME OF PAPER: 2016/17 Q2 Summary Financial Performance Report | | COG Sponsor: Julian Kern |

1. PURPOSE OF REPORT AND BACKGROUND

The purpose of this report is to provide a summary on the revenue budget and capital programme performance against the plan for 16/17. The attached Appendices A and B includes details of the outturn revenue position as at 30th September 2016, and Appendices C and D provide more detailed information about overtime spend against budget, Appendix E provides the position in relation to the delivery of savings, and Appendix F provides the forecast position for the capital programme. These are then summarised in our dashboard format at Appendix G, alongside other key financial performance information.

2. EXECUTIVE SUMMARY

Our revenue position is **forecasting an overspend of £0.27m/0.1% by the end of the financial year**. Of this, an overspend of £0.46m/0.2% relates to the performance against Constabulary managed budgets, and an underspend of £0.19m/4.1% relates to the performance against PCC managed budgets.

This forecast is significantly impacted by the inclusion of an exceptional cost of £1.3m. This cost, which relates to pensions, is outside of our control and is substantially a one-off cost relating to a historic liability. A verbal update will be provided in the meeting.

Were it not for this exceptional cost, we would be reporting a forecast underspend of £1.1m/0.3%. This underlying position is an improvement on that reported at Q1, when an overspend was forecast.

The net forecast position includes the following highlights:-

- Police officer pay and allowances are forecasting to underspend by £4.1m/3.0%, but officer overtime is forecasting to overspend by £1.8m/49.6% - creating a **combined forecast underspend of £2.3m on police officers**. The underspend on police officer pay is forecast to continue to reduce from the current YTD position, reflecting the recruitment of new police officers and the impact of transferees into the Constabulary. Police officer pay underspends are predominantly focussed in local policing areas (£2.7m/4.1%), Investigations (£0.8m/3.5%), and Catch and Disrupt (£0.4m/3.5%), offset by some small overspends in Command and Control (£0.2m/12.7%), and Intelligence (£0.1m/4.4%). The trend on police officer overtime suggests that this is forecast to increase over the remainder of the year. Whilst some increase is to be expected owing to delay in payment of overtime from when worked, and the concentration of bank holidays still to come this year, the forecast position suggests that the forecast reduction in officer vacancies is not yet impacting on the use for overtime. Police Officer overtime overspends are largely falling in our Local policing areas (£0.5m/36.4%), Investigations (£0.6m/119.5%), Tri-Force (£0.4m/121.9%);
- Staff pay and allowances are forecasting to underspend by £1.9m/3.1%, but staff overtime is forecasting to overspend by £0.8m/86.4% - creating a **combined forecast underspend of £1.1m on staff**. The underspend on staff pay is forecast to reduce significantly from the current YTD position. Whilst this is the forecast position put forward on behalf of budget holders across the Constabulary, the forecast here should be viewed as optimistic, and we would expect the actual underspend to be greater than currently forecast – particularly as we increasingly seek to hold staff vacancies rather than fill them in order to support our future financial challenges. Staff pay includes a number of underspending areas, including Strategic Projects (£0.8m/23.2%), Intelligence (£0.7m/11.1%), Criminal Justice (£0.3m/3.5%) and Finance and Business Services (£0.2m/16.9%).

These are offset by a forecast overspend in Command and Control (£0.5m/3.2%). The trend on Staff overtime forecast also suggests a slight increase in spend towards the end of the financial year, although this is less pronounced than is forecast for police officers and would therefore be consistent with the YTD position. Police Staff overtime overspends are occurring in Investigations (£0.5m/2,542.9%), Catch and Disrupt (£0.1m/787.5%), and Criminal Justice (£0.1m/101%);

- PCSO pay and allowances are forecasting to underspend by £0.6m/5.5% across our local policing areas. The trend here suggests a reduction in the underspend position by the end of the year from the current YTD position, in recognition of current recruitment activity as well as the withdrawal of local authority funding in South Gloucestershire;
- Non-Pay budgets are forecasting to overspend by £1.5m/2.0%, with pressures being felt in almost all areas with exception of transport costs where underspends on fuel are the dominant factor here. Other areas of non-pay to highlight are:-
 - Other Supplies and Services costs are forecast to overspend by £0.59m/5.0% which is a consequence of a number of areas of including Purchasing and Supply (£0.33m/23.4%), Investigations (£0.12m/41.7%), Estates (£0.10m/124.4%), HR (£0.11m/ 103.9%);
 - Partnership costs are forecast to overspend by £0.3m/1.1%, with overspends in our regional forensics collaboration (£0.35m/7.6%), our Chief Officer Group (£0.15m/123.8% - which is driven by requirement to fund contributions towards regional ACC roles) and in our SWOne Unitary Charge (£0.18m/1.0% - largely reflecting cost of additional resource unit costs);
- Our savings balance stands at £1.24m as at the end of Q2, with £0.5m of this relating to regional forensics collaboration which has now been added to the general savings target as it is no longer possible to realise this separate budget reduction from the forensics collaboration (a fuller briefing on this will be provided to Chief Officers and the PCC in due course);
- Income is forecasting to under-achieve budget by £0.36m/1.6%, with the key areas here being shortfall on investment income (reflecting reducing cash on deposit balances and lower interest rate achievable on investments), as well as shortfalls against other central income budgets.

The capital programme is forecasting **£21.7m of expenditure** this financial year on Avon & Somerset projects, reflecting 47.6% of our plan. This forecast rises to £25.0m forecast when the spend on the NPAS airbase and SWROCU accommodation projects, which are being managed by Avon & Somerset on behalf of national/region collaborations, is included. This forecast reflects current uncertainties around spend on mobilisation projects, as well as a number of decisions regarding our estate which will determine both the value and timing of spend.

The underlying financial position is generally an improving one from that presented at the end of Q1. The inclusion of the exceptional item outlined above was unforeseen until this point, and will impact on our financial position this year. We should expect some continued movement in the forecast position through until the end of the year, and in particular we would again encourage budget holders and managers throughout the organisation to:-

- Continue to hold vacancies in less priority areas in support of need to manage the in-year budget pressures, ensuring that this is understood and captured in future forecasts;
- Continue to ensure that overtime is used effectively and efficiently, and where the need is being driven by officer vacancies that the use of overtime reflects the narrowing position here;
- Ensure focus and scrutiny over areas of non-pay is happening, and where possible spend avoided.

Appendix A – Revenue Budget Outturn Report (Subjective Structure)

Appendix B – Revenue Budget Outturn Report (Management Structure)

Appendix C – Capital Programme Outturn Report

| | | |
|---|--|----------------------------|
| MEETING: Police and Crime Board | Date: 10th November 2016 | Agenda No |
| DEPARTMENT: OPCC | AUTHOR: Mark Simmonds, OPCC CFO | 5d – Part 3 |
| NAME OF PAPER: Treasury Management Mid-Year Report 2016-17 | | COG Sponsor: N/A |

1. Summary

- 1.1. The Treasury Management Strategy for 2016-17 is underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (Revised 2011), which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year. The Code also recommends that the Police and Crime Commissioner (PCC) is informed of Treasury Management activities at least twice a year.
- 1.2. This report gives a summarised account of Treasury Management activity and outturn for the first half of the year, and ensures the PCC is embracing Best Practice in accordance with CIPFA recommendations.

2. Background

2.1. Economic Background

The preliminary estimate of UK Q2 GDP showed reasonably strong growth as the economy grew 0.7% quarter-on-quarter, compared to 0.4% in Q1; with annual growth running at a healthy 2.2%. However, the UK economic outlook changed significantly on 23rd June 2016. Growth forecasts had already been downgraded as the EU membership referendum loomed, dampening business investment. The surprise result of the referendum, and the subsequent political turmoil, prompted a sharp decline in household, business and investor sentiment.

The repercussions of this plunge in sentiment on economic growth were judged by the Bank of England to be severe, prompting the Monetary Policy Committee to initiate substantial monetary policy easing at its August meeting to mitigate the worst of the downside risks. This included a cut in Bank Rate to 0.25%, further gilt and corporate bond purchases (QE) and cheap funding for banks (Term Funding Scheme) to maintain the supply of credit to the economy. The minutes of the August meeting also suggested that many members of the Committee supported a further cut in Bank Rate to near-zero levels (the Bank, however, does not appear keen to follow peers into negative rate territory) and more QE should the economic outlook worsen.

In response to the Bank of England's policy announcement, money market rates and bond yields declined to new record lows. Since the onset of the financial crisis over eight years ago, the rate outlook has progressed from 'lower for longer' to 'even lower for even longer' to the current 'even lower for the

indeterminable future’.

Whilst the economic growth consequences of BREXIT remain speculative, there is uniformity in expectations that uncertainty over the UK’s future trade relations with the EU and the rest of the world will weigh on economic activity and business investment, dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment. These effects will dampen economic growth through the second half of 2016 and into 2017.

Inflation is expected to pick up due to a rise in import prices, reducing real wage growth and real investment returns. The August Quarterly Inflation Report from the Bank of England forecasts a rise in CPI to 0.9% by the end of 2016, and thereafter a rise closer to the Bank’s 2% target over the coming year, as previous rises in commodity prices and the sharp depreciation in sterling begin to drive up imported material costs for companies.

The rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPI spikes.

Following the referendum result gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. The yield on the 10-year gilt fell from 1.37% on 23rd June to a low of 0.52% in August, a quarter of what it was at the start of 2016. The 10-year gilt yield has since risen to 0.69% at the end of September. The yield on 2- and 3-year gilts briefly dipped into negative territory intra-day on 10th August to -0.1% as prices were driven higher by the Bank of England’s bond repurchase programme. However both yields have since recovered to 0.07% and 0.08% respectively. The fall in gilt yields was reflected in the fall in PWLB borrowing rates, as evidenced in Tables 2 and 3 in Appendix A.

The most noticeable fall in money market rates was for very short-dated periods (overnight to 1-month) where rates fell to between 0.1% and 0.2%.

LIBID rates supplied by the British Bankers’ Association show that there was barely any movement in rates before the base rate reduction and accompanying MPC actions. Rates have since followed base rate down across all periods, and rates paid by banks to Local Authorities have been volatile and non-uniform, being based on individual institutions’ wholesale funding requirements at the time. Some counterparties have quoted negative yields for periods up to 3-months.

Tables showing the effect that economic conditions had on money market and PWLB borrowing rates during the period, can be seen in Table 1, Appendix A

2.2. Debt Management

The limited capital spending that has been incurred has been funded using internal resources in lieu of borrowing as it has been the most cost effective means of financing capital expenditure. This has lowered overall treasury risk by reducing both external debt and temporary investments.

£463k of EIP PWLB Loans has been repaid during the period.

Barclays stated they had removed the 'Lenders Option' element of the LOBO loan borrowed from them. This means the £6.5m loan is effectively now a 19-year fixed loan. The debt position at the beginning and end of the period are shown below: -

| | Balance on 31/03/2016 £m | Debt Matured / Repaid £m | New Borrowing £m | Balance on 30/09/2016 £m | Increase/ Decrease in Borrowing |
|------------------------|---|---|---------------------------------|---|--|
| Short Term Borrowing | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| PWLB | 25.134 | 0.463 | 0.00 | 24.671 | -0.463 |
| LOBOs | 11.775 | 0.00 | 0.00 | 5.275 | -6.50 |
| Other Market Loans | 0.00 | 0.00 | 0.00 | 6.50 | +6.50 |
| Total Borrowing | 36.909 | 0.463 | 0.00 | 36.446 | -0.463 |

The overall rate paid on PWLB loans has increased marginally from 4.02% at 31st March to 4.03% at 30th September. This is as a result of repayment of EIP loans at a lower rate than the average. The average market loan rate at 30th September remained the same at 4.30%.

The average rate of interest payable across the total debt portfolio of £36.4m was 4.12% at 30th September, up from 4.09% from the same time last year.

2.3. Investment Activity

The Guidance on Local Government Investments in England gives priority to security and liquidity and the PCC's aim is to achieve a yield commensurate with these principles.

Security of capital remained the PCC's main investment objective. This was maintained by following the counterparty policy as set out in the Annual Investment Strategy, and by the approval method set out in the Treasury Management Practices. Current approved counterparties are listed below. Those used during the first half of the year are denoted with a star.

| Bank or Building Society | | | |
|---|---|-----------------------------|---|
| Australia & NZ Bank | * | National Westminster | * |
| Bank of Scotland | * | Nationwide BS | * |
| Barclays Bank Plc | | Nordea Bank AB | |
| Close Brothers Ltd | | OP Corporate Bank (Pohjola) | * |
| DBS Bank | * | Rabobank | * |
| Goldman Sachs Inv Bank | * | Santander UK | * |
| HSBC Bank | | Standard Chartered Bank | * |
| Lloyds Bank | * | Svenska Handelsbanken | * |
| Landesbank Hessen-Thuringen | * | Toronto-Dominion Bank | * |
| Oversea-Chinese Banking | | United Overseas Bank | * |
| Sterling CNAV Money Market Funds | | Other Counterparties | |
| ICS (was Blackrock) | | Debt Management Office | |
| Goldman Sachs | | Local Authorities | * |
| Deutsche | * | | |
| Invesco Aim | * | | |
| Federated Prime Rate | * | | |
| JP Morgan | | | |
| Insight | * | | |
| Standard Life (was Ignis) | * | | |

SCC, as Treasury Management contractor, has continuously monitored counterparties, and all ratings of proposed counterparties have been subject to verification on the day, immediately prior to investment. Other indicators taken into account have been:-

- Credit Default Swaps and Government Bond Spreads.
- GDP and Net Debt as a Percentage of GDP for sovereign countries.
- Likelihood and strength of Parental Support.
- Government Guarantees and Support, including ability to support.
- Share Price.
- Market information on corporate developments and market sentiment towards the counterparties and sovereigns.

Counterparty Update

Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune

although the fall in their share prices was less pronounced.

Fitch downgraded the UK's sovereign rating by one notch to AA from AA+, and Standard & Poor's downgraded its corresponding rating by two notches to AA from AAA. Fitch, S&P and Moody's have a negative outlook on the UK. Moody's affirmed the ratings of nine UK banks and building societies but revised the outlook to negative for those that it perceived to be exposed to a more challenging operating environment arising from the 'leave' outcome.

The European Banking Authority released the results of its 2016 round of stress tests on the single market's 51 largest banks on Friday 29th July. No bank was said to have failed the tests, although The Royal Bank of Scotland was one of the worst performers as its ratios fell by some of the largest amounts, albeit from a relatively high base. Barclays Bank and Deutsche Bank ended the test with Common Equity Tier 1 (CET1) ratios below the 8% threshold, and would be required to raise more capital should the stressed scenario be realised. The tests justify our cautious approach on these banks.

We only use National Westminster (part of the RBS group) for operational and overnight deposits only. RBS and Deutsche are not currently authorised, and Barclays are limited to a 100-day duration.

Fitch upgraded Svenska Handelsbanken's long-term rating from AA- to AA reflecting the agency's view that the bank's earnings and profitability will remain strong, driven by robust income generation, good cost efficiency and low loan impairments.

During the period, counterparties and durations remained the same, although Toronto-Dominion Bank was used for the first time, as the strategy of greater diversification continued.

Standard Chartered Bank remained suspended due to concerns over a volatile share price and a comparably elevated CDS level.

Maturities for new investments with financial institutions on the PCC's list at 30th September are currently limited by our independent treasury advisors Arlingclose as follows :-

UK Institutions

National Westminster Bank – **a maximum period of 35 Days (but in practice we limit this further to manage operational and overnight deposits only);**

Barclays Bank and Goldman Sachs International Bank - **a maximum period of 100 days;**

Close Brothers Ltd, Nationwide Building Society, and Santander UK - **a maximum period of 6 months;**

Bank of Scotland, HSBC Bank and Lloyds Bank - **a maximum period of 13 months.**

Standard Chartered Bank – **Currently Suspended**

Non-UK Institutions

Australian & New Zealand Bank, Landesbank Hessen-Thuringen, and OP Corporate Bank - **a maximum period of 6 months.**

Nordea Bank, Rabobank, Svenska Handelsbanken, Toronto-Dominion, DBS Bank, OCBC, and UOB - **a maximum period of 13 months.**

Longer-term deposits with UK Local Authorities were sought, in order to diversify the portfolio and provide a level of protection against continuing low rates, but suitable opportunities did not arise during the period due to ultra-low PWLB rates.

Liquidity: In keeping with the CLG guidance, the PCC maintained a sufficient level of liquidity through the use of call accounts, Money Market Funds, and short-term deposits. No short-term loans were necessary during the period.

Eighty eight deposits totalling over £227m were made during the first half of the year. The average weighted maturity, or duration of investments as at 30th September was 153 days, or approximately 5 months.

Yield: As at 30th September cash balances stood at £65.92m (£81.8m in 2015-16) and had averaged just over £63.6m for the year-to-date (£83.4m 2015-16). The average return for the year-to-date was 0.68% (0.69% 2015-16). When compared to the target (BBA 7-day LIBID + 50 bps) returns have under-performed by 0.1%. This has produced investment income in excess of £217k during the period (£68k less than for the same period 2015-16 on average balances of nearly £20m less).

By comparing returns with money market rates in Table 1 of Appendix A, it can be seen that investment performance has out-performed the average market rate for 6-month LIBID of 0.51%, by 0.17% for the period, and is only 0.8% below the average 12-month LIBID rate. Returns have been achieved with a conservative portfolio that averaged approximately 4-months duration.

The significant one-off pension top-up payment of £44.9m in July again had a significant effect, meaning that short-term (and thereby lesser paying) counterparties had to be used. As the top-up is more or less uniformly spent during the year, it also limits the maturity options for deposits, i.e. only a proportion can be lent in longer periods where rates are better.

The table below sets out changes in the lending portfolio over the period: -

| | Balance on 31/03/2016 £m | Percentage of portfolio / Rate | Balance on 30/09/2016 £m | Percentage of portfolio / Rate | Increase/ Decrease in Lending |
|--|---|---|---|---|--|
| Call & Notice A/cs & MMFs (Short-term) | 11.47 | 22.4% | 10.92 | 16.6% | +£6.45m |
| Deposits (Longer-term) | 39.75 | 77.6% | 55.00 | 83.4% | +£8.25m |
| Total Lending | 51.22 | 0.80% | 65.92 | 0.63% | +£14.7m |

2.4 Compliance with Prudential Indicators

The PCC can confirm that it has complied with its Prudential Indicators for 2016-17, with the exception of one band within the Maturity Structure of Borrowing Indicator. This is a technical breach as it was not due to Treasury activity, but was due to the fact that the Barclays LOBO has become a fixed-term loan. Prudential guidance treats this differently, and the loan has moved between bands intra-year. The lower limit on loans maturing between 0-1 year was set at 10%, but reached 2.54% in June as the £6.5m loan moved to the 10 to 20-year band. Indicators agreed by the Finance Committee and actual figures as at 30th September are included below: -

| | 2016-17 £m | As at 30-09 £m | |
|---|---------------|-------------------|----------------|
| Authorised limit (Excludes PFI) | 58 | 36.45 | |
| Operational boundary (borrowing only) | 55 | 36.45 | |
| Upper limit on fixed interest rate exposure - Debt | 100% | 100% | |
| Upper limit on variable interest rate exposure - Debt | 20% | 0% | |
| Upper limit on fixed interest rate exposure - Investments | 45% | 4.55% | |
| Upper limit on variable interest rate exposure - Investments | 100% | 95.45% | |
| Maturity structure of borrowing | | | |
| | Upper Limit | Lower Limit | As at 30-09-16 |
| Under 12 months | 45% | 10% | 2.5% |
| >12 months and within 24 months | 30% | 0% | 9.4% |
| >24 months and within 5 years | 35% | 10% | 13.8% |
| >5 years and within 10 years | 25% | 0% | 7.6% |
| >10 years and within 20 years | 25% | 0% | 21.4% |
| >20 years and within 30 years | 25% | 0% | 0.0% |
| >30 years and within 40 years | 30% | 10% | 17.8% |
| >40 years and within 50 years | 45% | 15% | 27.5% |
| 50 years and within 75 years | 00% | 0% | 0% |
| | 2016-17 £m | As at 30-09 £m | |
| Prudential Limit for principal sums invested for periods longer than 364 days | 30 | 13 | |

2.5 Outlook for Quarters 3 & 4

The economic outlook for the UK has immeasurably altered following the vote to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU, particularly with regard to Single Market access.

The short to medium-term outlook has been more downbeat due to the uncertainty generated by the result and the forthcoming negotiations. Economic and political uncertainty will likely dampen or delay investment intentions, prompting lower activity levels and potentially a rise in unemployment. The downward trend in growth apparent on the run up to the referendum may continue through the second half of 2016, although some economic data has held up better than was initially expected, suggesting a less severe slowdown than feared.

The central case for the path of Bank Rate over the next three years has done an about face, and even with the action already taken by the MPC, the next move in interest rates is likely to be lower. It is likely that any currency-driven inflationary pressure will be looked through by Bank of England policymakers, and whilst central case is for Bank Rate to remain at 0.25%, there is a distinct possibility of a drop to close to zero, with a small chance of a reduction below zero. Gilt yields are forecast to be broadly flat from current levels, albeit experiencing short-term volatility.

Global interest rate expectations have been pared back considerably. There remains a possibility that the Federal Reserve will wait until after November's presidential election, and probably hike interest rates in in December 2016 but only if economic conditions warrant.

The cautious approach to creditworthiness means that the banks currently on the PCC's counterparty list have sufficient equity buffers to deal with any localised problems in the short term.

A table of forecast rates to September 2019 is shown below.

| | Dec 16 | Mar 17 | Jun 17 | Sep 17 | Dec 17 | Mar 18 | Jun 18 |
|---------------|--------|--------|--------|--------|--------|--------|--------|
| Upside Risk | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Base Rate | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Downside Risk | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.50 | -0.75 |

| | Sep 18 | Dec 18 | Mar 19 | Jun 19 | Sept 19 | Average |
|---------------|--------|--------|--------|--------|---------|---------|
| Upside Risk | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.10 |
| Base Rate | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Downside Risk | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | -0.40 |

Summary

2.6

In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during the first six months of 2016-17. As indicated in this report all treasury activity was conducted within the benchmarks set as Prudential limits for prudent (with the technical exception noted above) and sustainable capital plans, financing, and investment. A risk-averse approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

Investment returns are well above the average rate for 6-month LIBID, and are only 8 basis points lower than the average 12-month LIBID return. This has been achieved with a conservative portfolio that averaged approximately 4-months duration.

The PCC has pursued a passive borrowing strategy. The limited capital spending that has been incurred to date has been funded using internal resources in lieu of borrowing as it has been the most cost effective means of financing capital expenditure.

Monthly performance papers are produced by SCC Treasury Officers and meetings were held in April and July to discuss performance, the economic and financial environment, and any tactical and strategic responses to be implemented.

Appendix A

Money Market Data and PWLB Rates

The average low and high rates correspond to the rates during the financial year-to-date, rather than those in the tables below.

Table 1: Bank Rate, Money Market Rates (LIBID Rates from BBA)

| Date | Bank Rate | O/N LIBID | 7-day LIBID | 1-month LIBID | 3-month LIBID | 6-month LIBID | 12-month LIBID | 2-yr SWAP Bid | 3-yr SWAP Bid | 5-yr SWAP Bid |
|------------|-----------|-----------|-------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|
| 01/04/2016 | 0.50 | 0.36 | 0.36 | 0.39 | 0.46 | 0.61 | 0.88 | 0.78 | 0.83 | 0.98 |
| 30/04/2016 | 0.50 | 0.36 | 0.36 | 0.38 | 0.47 | 0.62 | 0.90 | 0.86 | 0.95 | 1.13 |
| 31/05/2016 | 0.50 | 0.35 | 0.37 | 0.39 | 0.46 | 0.61 | 0.89 | 0.82 | 0.92 | 1.09 |
| 30/06/2016 | 0.50 | 0.35 | 0.36 | 0.39 | 0.43 | 0.55 | 0.80 | 0.49 | 0.49 | 0.60 |
| 31/07/2016 | 0.50 | 0.35 | 0.34 | 0.31 | 0.37 | 0.46 | 0.68 | 0.47 | 0.47 | 0.54 |
| 31/08/2016 | 0.25 | 0.10 | 0.12 | 0.15 | 0.26 | 0.40 | 0.61 | 0.42 | 0.42 | 0.48 |
| 30/09/2016 | 0.25 | 0.10 | 0.12 | 0.14 | 0.26 | 0.41 | 0.63 | 0.43 | 0.42 | 0.47 |
| | | | | | | | | | | |
| Average | 0.43 | 0.28 | 0.28 | 0.30 | 0.38 | 0.51 | 0.76 | 0.61 | 0.64 | 0.75 |
| Maximum | 0.50 | 0.36 | 0.37 | 0.39 | 0.47 | 0.62 | 0.90 | 0.88 | 0.99 | 1.20 |
| Minimum | 0.25 | 0.10 | 0.12 | 0.14 | 0.25 | 0.38 | 0.59 | 0.38 | 0.37 | 0.42 |
| Spread | 0.25 | 0.26 | 0.25 | 0.25 | 0.22 | 0.24 | 0.31 | 0.50 | 0.62 | 0.78 |

Table 2: PWLB Borrowing Rates – Fixed Rate, Maturity Loans

| Change Date | Notice No | 1 year | 4½-5 yrs | 9½-10 yrs | 19½-20 yrs | 29½-30 yrs | 39½-40 yrs | 49½-50 yrs |
|-------------|-----------|--------|----------|-----------|------------|------------|------------|------------|
| 01/04/2016 | 125/16 | 1.33 | 1.82 | 2.51 | 3.24 | 3.33 | 3.19 | 3.15 |
| 30/04/2016 | 165/16 | 1.37 | 1.95 | 2.65 | 3.34 | 3.40 | 3.25 | 3.21 |
| 31/05/2016 | 205/16 | 1.36 | 1.93 | 2.56 | 3.22 | 3.27 | 3.11 | 3.07 |
| 30/06/2016 | 249/16 | 1.17 | 1.48 | 2.09 | 2.79 | 2.82 | 2.61 | 2.57 |
| 31/07/2016 | 292/16 | 1.07 | 1.31 | 1.84 | 2.57 | 2.65 | 2.48 | 2.44 |
| 31/08/2016 | 336/16 | 1.09 | 1.23 | 1.65 | 2.22 | 2.29 | 2.12 | 2.08 |
| 30/09/2016 | 380/16 | 1.02 | 1.20 | 1.70 | 2.34 | 2.43 | 2.29 | 2.27 |
| | | | | | | | | |
| Low | | 1.01 | 1.15 | 1.62 | 2.20 | 2.27 | 2.10 | 2.07 |
| Average | | 1.20 | 1.54 | 2.12 | 2.81 | 2.87 | 2.70 | 2.67 |
| High | | 1.40 | 2.00 | 2.71 | 3.40 | 3.46 | 3.31 | 3.28 |
| Spread | | 0.39 | 0.85 | 1.09 | 1.20 | 1.19 | 1.21 | 1.21 |

Table 3: PWLB Borrowing Rates – Fixed Rate, Equal Instalment of Principal (EIP) Loans

| Change Date | Notice No | 4½-5 yrs | 9½-10 yrs | 19½-20 yrs | 29½-30 yrs | 39½-40 yrs | 49½-50 yrs |
|-------------|----------------|----------|-----------|------------|------------|------------|------------|
| 01/04/2016 | 125/16 | 1.50 | 1.86 | 2.54 | 2.99 | 3.25 | 3.34 |
| 30/04/2016 | 165/16 | 1.59 | 1.99 | 2.68 | 3.11 | 3.34 | 3.42 |
| 31/05/2016 | 205/16 | 1.58 | 1.97 | 2.58 | 2.99 | 3.23 | 3.30 |
| 30/06/2016 | 249/16 | 1.24 | 1.51 | 2.11 | 2.55 | 2.79 | 2.86 |
| 31/07/2016 | 292/16 | 1.13 | 1.34 | 1.87 | 2.31 | 2.58 | 2.67 |
| 31/08/2016 | 336/16 | 1.12 | 1.25 | 1.67 | 2.02 | 2.23 | 2.31 |
| 30/09/2016 | 380/16 | 1.05 | 1.22 | 1.72 | 2.13 | 2.36 | 2.44 |
| | | | | | | | |
| | Low | 1.03 | 1.17 | 1.64 | 2.00 | 2.20 | 2.28 |
| | Average | 1.30 | 1.57 | 2.15 | 2.58 | 2.82 | 2.89 |
| | High | 1.63 | 2.04 | 2.73 | 3.17 | 3.41 | 3.48 |
| | Spread | 0.60 | 0.87 | 1.09 | 1.17 | 1.21 | 1.20 |

| | | |
|---|--|---------------------|
| MEETING: Police and Crime Board | Date: 10th November 2016 | Agenda No |
| DEPARTMENT: OPCC | AUTHOR: | 5d – Part 4 |
| NAME OF PAPER: Budget Issues, OPCC Budget Report 2017-18 and OPCC Budget 2016-17 Half-Year Outturn | Mark Simmonds | COG Sponsor: |

PURPOSE OF THE REPORT

1. This report sets out an overview of the strategic issues arising in connection with the 2017/18 budget setting and MTFP and sets out the outturn position for the Office of the PCC (“OPCC”) in 2016/17 and a proposed budget for the OPCC in 2017/18.

2. MTFP strategic issues

The medium term financial planning for the Constabulary is covered in separate papers and the PCC and Chief Constable are working to address the forecast funding deficits in the coming years, caused by the small CSR reductions to main police grant and increasing costs (especially payroll, pension, rates review and inflation).

With savings already made since 2010 in excess of £60 million the PCC and Chief require a further £18 million savings to balance the budget over the next three years and generate £5 million for reinvestment. There are additional budget risks from roads income and pensions funding that are being monitored by CFOs.

The immediate pressure is to find over £8 million of savings in 2017/18.

The Tri Force Enabling Services work has a strategic plan that aims to find £9.5m of savings for A&S over the next 3-4 years but may not deliver material savings in 2017/18. The assessment of savings possible from this programme is ongoing but has been made more challenging by narrowing the scope of the programme to circa £73 million. In addition, a detailed analysis of the baseline costs for the three forces shows that there is a £1 million risk for ASC as their in scope baseline costs are less than the currently agreed future funding split. These factors mean that 25% savings would be required from the in scope enabling services to generate £9.5 million required by ASC.

This puts the onus for savings next year onto assessment of making unilateral (early) savings to enabling services and onto a priority based review of Constabulary budgets to identify areas for possible savings and seek to address areas requiring more resource. Finding savings is made more challenging at a time when Constabulary performance is under pressure and has dropped to bottom quartile in many areas. There appears to be a need to manage vacancies and possibly recruitment to generate room to make savings next year.

3. Police Funding Formula

The Policing Minister has announced that work will begin again on reviewing the policing funding formula used to distribute the Police Main Grant, with the aim of introducing a new formula for 2018/19. The suggested building blocks for the new formula are: Population; Socio Economic factors; and “Geography/Environment”.

Avon & Somerset is currently underfunded per head of population under the existing arrangements by £17million per annum (HMIC VFM profiles 2016), but may not benefit from the new formula unless population is sufficiently weighted.

A letter drafted by the OPCC CFO setting out the PCC's views on this has been approved by the PCC and supported by the Chief Constable's CFO and issued to local MPs and the Panel. The PCC and Chief are arranging to meet the Minister.

4. **Precept 2017/18**

Last year, the PCC increased the policing precept by 1.99% for 2016/17 to £178 per band D household which is the median level amongst PCCs in England.

The current proposal for 17/18 precept is a further increase of 1.99% to £181.8 per band D household.

This is subject to ongoing review by the PCC and could change if the amount of increase that would trigger a referendum ("cap") is raised above 2% by the Government.

5. **OPCC Outturn 2016/17**

The PCC is forecasting to slightly underspend her core OPCC budget and this is set out in more detail in this report. Where possible, underspending areas have been cashed as savings for 2017/18 to cover expected cost increases from national staff pay awards.

A small underspend in commissioning is forecast in the year which will be transferred to the Victims and Commissioning reserve.

6. **OPCC Commissioning and Grants**

6.1. The PCC's community safety and grant budget for 2016/17 was agreed as £3.4 million plus £1m for Lighthouse IVC unit and is based on the new MoJ funding for Victims services and the continuation of Home Office funding previously given to Local Authorities for community safety, Youth Offending Teams, Positive Futures and Drugs and Alcohol Teams.

6.2. **Grants and commissioning - Outturn 2016/17**

The PCC has commissioned (in addition to Lighthouse) projects and services to £3.4 million of the planned spend as published on the PCC website. The summary items are:

- Drugs & Alcohol referral services = £725k
- Community safety and Youth Offending and Appropriate Adults services = £860k
- Mental health triage service new of partner contributions = £158k funded for one year only from reserves
- Victims services including CSA, CSE, enhanced support, restorative justice, ISVA and SARC services for victims of sexual violence/abuse = £1,766k

6.3. **Grants and commissioning - Budget for 2017/18**

The PCC has conducted a priority based review of the grants and commissioning budget for 2017 18.

This review has encompassed the need to introduce new services for CSE and CSA and Mental Health triage but not utilise reserves to fund these areas. This has resulted in reducing some other budget areas on the basis of priorities linked to the Police & crime Plan. There will be no planned reserve draw in 2017 18.

The following revised grants and commissioning budget has re-allocated the £3.4 million net budget for 2017/18 as follows:

- Drugs & Alcohol referral services = £620k
- Mental Health Triage service net of partner contributions = £158k
- Community safety and Youth offending and Appropriate Adults services net of partner contributions = £778k
- Victims services including CSA, CSE, enhanced support, restorative justice, ISVA and SARC services for victims of sexual violence/abuse = £1.93 million
- Reduction of CCAF budget from £200k to £150k = £50k saving to support a larger grants and commissioning budget

The Victims services budget in 2016/17 and 2017/18 is stated net of £1.94 million funding from the MoJ for victims services of which £1 million has in previous years been a contribution to the IVC Lighthouse service provided by the Constabulary and the balance used to commission third party support and advocacy services.

The Lighthouse budget is under review at time of writing.

OFFICE OF THE PCC BUDGET

7. The PCC set a budget for 2016/17 of £1.35 million which has been reduced from the level inherited of £1.41 million from the Police Authority in 2012.
8. The OPCC's out-turn spend in 2016/17 is forecast to slightly underspend (see table below).
9. The latest (October 2015) HMIC value for money profiles show that the Avon & Somerset PCC's Office cost per head of population is 84 pence/person per annum. The average across all PCC's offices is 118 and the average for the 'most similar group' is 111.
10. If the average cost per head of population of 1.18 was applied to Avon & Somerset's 1.65 million population then the OPCC costs would be £2 million. The Avon and Somerset PCC office is being run at just below £1.4 million per annum which over half a million pounds less cost (over 25% less cost) than the average Office of PCC in England & Wales.

11. The PCC proposes to retain the same overall OPCC budget in 2017/18, absorbing pay awards for staff based on national awards with savings in non-pay budget lines.

OPCC Budget report and 2017 18 proposals:

| Cost Area | Budget 2016/17 | Outturn 2016/17 | Draft Budget 2017/18 |
|---|-----------------------|------------------------|-----------------------------|
| 1. Staff costs incl. PCC and training. | 977 | 970 | 990 |
| 2. Transport & travel | 18 | 20 | 16 |
| 3. Audit, annual accounts and joint audit committee | 125 | 123 | 122 |
| 4. Subscriptions: APCC, APACE, PaCCTS, ICT co | 30 | 25 | 30 |
| 5. Communications, media, PR | 55 | 55 | 55 |
| 6. Treasury mngt | 67 | 67 | 67 |
| 7. Legal & other fees | 40 | 43 | 40 |
| 8. Office stationary, ICT, events | 26 | 9 | 19 |
| 9. Custody visiting & volunteers | 16 | 9 | 15 |
| Total | 1,354 | 1,321 | 1,354 |

RECOMMENDATIONS and ACTION

12. The PCC is invited to review and discuss the OPCC budget outturn for 2016/17; the strategic budget and MTFP issues; and proposals for the OPCC and commissioning for 2017/18.

MARK SIMMONDS

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