

**Penallta House**  
Tredomen Park  
Ystrad Mynach  
Hengoed  
CF82 7PG

**Tŷ Penallta**  
Parc Tredomen  
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**Gwent Police  
and Crime Panel**

**Panel Heddlu  
a Throseddu Gwent**

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**Date: 4th December 2014**

Dear Sir/Madam,

A meeting of the **Gwent Police and Crime Panel** will be held at **Newport City Council, Civic Centre (Committee Room 1), Newport, NP20 4UR** on **Friday, 12th December 2014 at 10.00 a.m.** to consider the matters contained in the following agenda.

### **A G E N D A**

1. Declarations of Interest.
2. Apologies for Absence.
3. To approve and note the minutes of the meeting held on 12th September 2014.
4. Verbal Update - Gwent Police and Crime Commissioner.
5. Verbal Update- Deputy Gwent Police and Crime Commissioner (Victims Hub)
6. 2014/15 Treasury Management Six-Month Update Report
7. Treasury Management Strategy 2015/16 to 2017/18
8. Medium Term Financial Plan 2015/16 to 2018/19
9. HMIC Report- Police Effectiveness, Efficiency and Legitimacy (PEEL) Review of Gwent Police 2014.

### **MEMBERSHIP:**

Blaenau Gwent County Borough Council - Councillors M. Lewis and J. Morgan

Caerphilly County Borough Council - Councillors C.P. Mann, Mrs C. Forehead and Mrs G.D. Oliver

Torfaen County Borough Council - Councillors L. Jones and P. Seabourne

Monmouthshire County Council - Councillors P. Clarke and Mrs F. Taylor

Newport City Council - Councillors O. Ali, J. Guy and D. Williams

Co-opted Member - Mr P. Nuttall and Ms J. Smith

### **By Invitation:**

Gwent Police and Crime Commissioner - Mr I. Johnston

Deputy Gwent Police and Crime Commissioner - Mr P. Harris

Chief Executive of the Office of the Police and Crime Commissioner for Gwent - Mrs S. Bosson

Chief Constable - Mr J. Farrar

Gwent Police  
and Crime Panel

Panel Heddlu  
Gwent a Throseddu

## **GWENT POLICE AND CRIME PANEL**

### **MINUTES OF THE MEETING HELD AT CIVIC CENTRE, NEWPORT ON FRIDAY 12TH SEPTEMBER 2014 AT 10AM**

Present:

Councillor J. Guy - Newport City Council - Chair  
Councillor Mrs F. Taylor - Monmouthshire County Council - Vice Chair

Councillors C Mann and Mrs G.D. Oliver - Caerphilly County Borough Council  
Councillor P. Clarke - Monmouthshire County Council  
Councillor D. Williams - Newport City Council  
Councillor P. Seabourne - Torfaen County Borough Council  
Councillor J. Morgan- Blaenau Gwent County Borough Council (Observer)  
Mr P. Nuttall and Ms J. Smith - Co-opted Member

By invitation:

Mr I. Johnston - Police and Crime Commissioner for Gwent  
Mr J. Farrar- Chief Constable, Gwent Police  
Mr D. Garwood-Pask - Chief Finance Officer/Deputy Chief Executive, Office of the Police and Crime Commissioner for Gwent  
Mr N. Taylor- Head of Performance, Planning and Partnerships, Office of the Police and Crime Commissioner for Gwent  
Mr O. Hughes - Communications Manager, Officer of the Police and Crime Commissioner for Gwent

Together with:

J. Jones (Democratic Services Manager), C. Evans (Clerk to the Panel).

#### **1. DECLARATIONS OF INTEREST**

Councillor J. Guy wished it be noted that he is the Treasurer of both Newport and Gwent Neighbourhood Watch Associations and the Chair of Gwent NARPO Association.

Councillor P. Seabourne wished it be noted that he is the Chair of the South Torfaen Action Group.

Mr P. Nuttall wished it be noted that he is a trustee of the Bridge to Cross Charitable Trust.

Ms J. Smith wished it be noted that she is an Independent Member of the Aneurin Bevan University Health Board.

Councillor J. Morgan wished it be noted that he is a member of PACE which received grant funding from the Commissioner's office during 2014/15 and has made a similar bid for 2015/16.

## **2. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors O. Ali (Newport City Council), C. Forehead (Caerphilly County Borough Council) and L. Jones (Torfaen County Borough Council).

## **3. MINUTES – 11TH JULY 2014**

Resolved that, subject to it being noted that Councillor John Guy declared an interest as Chair of Gwent NARPO Association, the minutes of the 11th July 2014 were approved as a correct record.

## **4. VERBAL UPDATE- GWENT POLICE AND CRIME COMMISSIONER**

Mr Ian Johnston, Police and Crime Commissioner for Gwent provided the Panel with an update on Public Access to Police Stations and Public Engagement. The Commissioner highlighted that survey responses and public feedback for the first quarter showed an improvement in public confidence. The Panel noted that results of quarter 2 would be available in October. The Commissioner also confirmed that the message that police stations were open was spreading and as a result an increased footfall was being recorded.

The Partnership Fund Shortlisting Assessment was conducted on 8th and 9th September 2014. The Police Commissioners Partnership Fund was initially established to provide grant funding to organisations involved in activities to reduce crime and anti-social behaviour. The 2014/15 fund would focus on projects aimed at benefiting and improving communities.

The Partnership Fund totals £150,000, however, applications from community projects and Schemes were in excess of £2m. The Panel noted that visits were made to half of the applicants (252 organisations).

Mr P. Nuttall, Co-opted Member of the Gwent Police and Crime Panel observed the shortlisting process and added that the process was rigorous and well managed.

The Commissioner added that, the successful bidders would be notified in the coming weeks and, where possible, the organisations that were not successful would be signposted to alternative funding sources.

The Panel thanked the Commissioner for the update and expressed their gratitude for enabling an observer from the Panel to attend the short-listing process and enhancing transparency.

The Commissioner advised that on 31st July 2014, the Strategic Commissioning Board approved the proposal to develop a multi-agency Victim and Witness Care Hub for Gwent, which would be funded by the Ministry of Justice, located at Blackwood Police Station and operational from April 2015.

The Commissioner added that, a change of culture for Victim Support Services was identified, as victims of crime and Anti-Social Behaviour (ASB) in Gwent were experiencing varying, duplicated and inconsistent levels of service provision. In order to address this, a multi-agency Victims Hub (Hub) would provide a flexible, victim-focused mechanism that supports and informs individuals to make decisions about their needs, at the most appropriate time for them.

The Panel sought information on the monitoring and evaluation processes to determine the level of success of the Hub and public confidence. Officers highlighted that victim focussed

reporting and performance measures would be implemented, along with a victim satisfaction survey, which would provide valuable feedback on a quarterly basis and would be used as a key success indicator.

The Panel discussed the Community Safety Programme within Local Authorities and the implications of continuing council budget cuts on the delivery of Community Safety Projects. It was added that Community Safety is a valued service within Gwent and works are underway to develop a suitable solution, such as developing a coordinated approach to strategic community safety across Gwent.

The Commissioner provided the Panel with an update on an initiative, 'restorative approaches', which encourages pupils to discuss and explore the impact of their actions, in an attempt to reduce crime and prevent school exclusions. The initiative has been trialled in Monmouthshire Comprehensive School and it was reported that, since the scheme has been introduced exclusions for inappropriate behaviour have reduced by 93%, referrals to the youth offending teams are down by 78% and levels of anti-social behaviour have dropped by 48%, which in part are attributable to the climate and ethos created by the approach of the school.

In addition, the Panel noted that the Commissioner has provided funding over the last 2 years, which has provided training, support and development for Gwent Police and other partner organisations in the methods of restorative approaches. The aim is to enable those who have received training to become qualified trainers themselves and to extend the project beyond the borders of Gwent.

The Panel thanked the Commissioner for the detailed update and were pleased to note the initiatives.

## **5. VERBAL UPDATE- CHIEF CONSTABLE (NATO SUMMIT)**

Jeff Farrar, Chief Constable, Gwent Police provided the Panel with an update on the NATO Summit, which was hosted at the Celtic Manor on 4th and 5th September 2014. The event was supported by over 9,000 Police Officers to ensure that key areas were properly policed and secure during the event. Officers from forces across the UK assisted to support the event and provided positive feedback for the welcome and hospitality they experienced from the residents of Newport.

The Panel were pleased to note that, as a result of public forewarning, planning and organising, the event caused minimal disruption to traffic and the residents of Newport and Cardiff. It was pleasing to note that there were very few instances of public disorder during the summit.

The Chief Constable expressed his special thanks to Chris Armit (Assistant Chief Constable, Merseyside) and Alun Thomas (Chief Superintendent) as well as to the Logistics team and all the officers involved, who worked together to ensure that the event was successful and provided a positive image of the UK and Wales in particular.

The Panel thanked the Chief Constable for the update on the event. In addition, the Panel requested that their gratitude be expressed to those officers conducting their day-to-day duties, alongside additional responsibilities of the NATO Summit.

A Panel Member queried whether there were any financial benefits as a result of the NATO Summit. The Chief Constable highlighted that the Summit was very positive for South Wales and Gwent, however, due to the size of the event, works are still continuing and therefore the benefits were still not clear at this time, but the Panel would be updated in due course.

The Chief Constable provided an update on Force performance, and it was noted that Gwent has seen an increase of 5% in overall recorded Crime, which he attributed to the review of crime recording, along with an increase in miscellaneous reports such as wheelie bin theft

within a specific local authority area. However, there has been a decrease in the levels of car crime, metal theft and burglary as a result of joint agency initiatives and intervention projects.

A Panel Member queried the system for recording Crimes. The Chief Constable highlighted that, under the Home Office Counting Rules, all instances of crimes are recorded. The Home Office Counting Rules are clear and Officers are compliant, however, the interpretation is complex and lengthy discussions have taken place in order to decipher some of the interpretation issues and remove inconsistency where possible.

The Panel noted the increase (locally and nationally) in historic crime recording, which were largely around sex offences. The Chief Constable considered the historical crime reporting demonstrated an improvement in public confidence. It was also highlighted that there is a risk of criminal activity increasing through the Internet.

The Panel discussed the incidents and offences in Rotherham and sought further information around the systems and procedures in place within Gwent. The Chief Constable explained that a robust multi-agency approach was in place in Gwent in order to identify and tackle the reasons for which children go missing. The Panel noted that, the 'Gwent approach' had attracted interest at ministerial levels due to the effectiveness of the model, which is being shared across other areas.

## **6. HMIC VALUING THE POLICE – VERBAL REPORT BY THE COMMISSIONER ON HIS ACTIONS**

The Chief Constable provided the Panel with an update on the review conducted by the Her Majesty's Inspectorate of Constabulary (HMIC). The review highlighted that improvement is required within the Force and clear plans to tackle issues must be implemented.

The Chief Constable highlighted that a key issue within the review was the lack of plans to mitigate the financial challenges in future years. The Panel noted that detailed explanations were provided to HMIC demonstrating the context of the challenges and the Force were confident that detailed plans demonstrated the mitigation strategy to alleviate the financial impact of the cuts.

The Commissioner added that he was disappointed with the feedback received from HMIC, and felt that there are sufficient plans and options in place. HMIC however, felt that these were not sufficiently demonstrated.

The Panel thanked the Officers for the update and discussions ensued. The Panel expressed their disappointment in the possibility for negative press as a result of the review, following the success of the NATO Summit and requested further information on how the Commissioner would be holding the Chief Constable to account in relation to HMIC Reviews and inspectorate intension, as and when available.

## **7. HALF YEAR UPDATE ON PROGRESS AGAINST THE PROGRAMME OF WORK FOR THE OFFICE OF THE POLICE AND CRIME COMMISSIONER**

In April 2014, the Police and Crime Commissioner published an annual refresh of the Police and Crime Plan including a Programme of Work for the Office of the Police and Crime Commissioner (OPCC). The work programme focuses on a number of priorities, which supplement the statutory duties placed on the Commissioner by the Police Reform and Social Responsibility Act 2011 and supports the police and crime priorities contained within the Plan.

The Panel discussed the initiative OWL, which has provided a valued service to many residents within Gwent and has assisted in the reduction of farm crime. Councillor Frances Taylor highlighted a need to expand the service to include feedback and outcomes on

activities and has arranged to meet with Neil Taylor, Office of the Gwent Police and Crime Commissioner, to discuss further. In addition, it was noted that plans to provide an All Wales service were being considered, which would expand the model further and reduce costs.

The Panel noted the continued work towards preventing crime and ASB in Gwent, which included reopening five police stations and the extension of opening hours in two stations as a result of public feedback. Local Commanders and Superintendents were increasing public engagement through the Commissioners public surgeries and a trial of the effectiveness of a 'walkabout' approach to engagement was conducted in Tredegar, where the Commissioner met community members to find out more about how Gwent Police has improved community links in the last 18 months and how this has contributed to tackling crime and ASB in the town. Local feedback was very positive and due to the success of this initiative more are being planned.

Members noted an event for Community Councillors arranged by the Commissioner with One Voice Wales on 6th November 2014. The Event would focus on Community Engagement and be held at Penallta House in Caerphilly. Members of the Panel were invited to attend.

## **8. DOMESTIC ABUSE – OVERSIGHT OF THE FORCE RESPONSE TO THE HMIC INSPECTION AND RELATED ACTIVITY BY THE OFFICE OF THE POLICE AND CRIME COMMISSIONER (OPCC).**

In March 2014 the HMIC published a national thematic report on tackling domestic abuse, entitled Everyone's Business: Improving the police response to domestic abuse. At the same time, a 'detailed force feedback' report was provided to Gwent.

The Gwent specific HMIC report contained a total of 10 recommendations for improvement, with an additional 3 recommendations aimed at "all forces", totalling 13 recommendations for the force to tackle. An Action Plan was devised in order to address the recommendations, which is regularly updated. It was noted that, of the 13 total HMIC recommendations, 6 have now been marked as 'complete' and the 7 remaining are being progressed.

The Panel were advised of the Commissioner's involvement with the Gwent Domestic Abuse Pathfinder Project; work is underway to ensure parity with the plans for a Gwent-wide Victim and Witness Care Hub, which would provide support to standard and medium risk victims that are currently not supported by services of Independent Domestic Abuse Advocates.

In addition, the Panel noted that the Commissioner supported the production of "the Devils Vice" film, which was launched in February 2014. The aim of the film was to raise awareness and educate people in Gwent and beyond about the real issues of domestic abuse.

The Panel thanked the Officer for the report and a full discussion ensued with the Panel demonstrating an eagerness to have further information on the relationship between Victims of crime and the hub, with the consideration of the barriers. Officers assured the Panel that regular updates would be provided on the progress of the Hub. The process has been mapped and there is a triage of support planned. This would ascertain the level of support required and signpost to other services where required.

A Member queried the funding, due to the complexity of the area and a large number of users requiring service. Officers clarified that there are gaps in the service; however, it is the intention that the Hub will have the support and involvement of the right people to offer the best and most suitable support to victims.

Members queried the Domestic Abuse programme and whether any work had been done to address the reluctance of men reporting domestic abuse. The Chief Constable acknowledged that there this is an issue with a lack of service provision being targeted specifically at men. The Panel were assured that the Hub aims to provide gender-neutral services and offer

service provision to male victims of Domestic Abuse in the same way as women.

## **9. POLICE AND CRIME COMMISSIONER FOR GWENT RESERVES POSITION**

Darren Garwood-Pask, Chief Finance Officer, provided the Panel with information to support future consideration of the Police and Crime Commissioner's (Commissioner) Precept proposal for 2015/16.

The Report provided Members with an understanding of the Commissioner's reserves strategy and an understanding of elements of the overall financial landscape that impact upon the precept deliberations and degrees of impact.

The Panel were advised that, at the December 2014 meeting, the Commissioner would present his budget and precept proposals for 2015/16, which would include the extent of the Commissioner's reserves position as a key component.

The Wales Audit Office have conducted an audit of the 2013/14 Statement of Accounts and indicated that they were satisfied with the levels of the Commissioners Reserves.

The Panel were advised that by the end of the 2017/18 financial year, it is forecast that the Commissioner will have reserves totalling £26.353m. However, taking into account the two sinking Funds (£15.765m), whose use is unavoidable, the Commissioner's reserves are realistically £10.548m in 2017/18.

Continuing the theme, it was noted that, after removing the General Reserve (£6.41m), the Commissioner's underlying reserve position is £4.137m, which does not take into account any surpluses arising from accelerated efficiency schemes in financial years 2014/15 to 2016/17, additional sales of capital assets than those already identified and under spending in the capital programme or slippage, which defers spend to future financial years.

In addition, the underlying reserve position of £4.137m does not take into account future significant investment in the Estate (in particular the Headquarters Provision), Pump-priming for Phase 8 of Staying Ahead or overspending in the capital programme or acceleration which brings forward spend. The Panel noted that, if the underlying reserve position is true a reflection of the future, then the affordability of the capital programme beyond 2017/18 would be questionable without the need to undertake borrowing.

The Officer highlighted that the management of the Commissioner's Reserves' portfolio holds significant inherent risks, as by their nature, reserves reflect the risk profile of local circumstances. However, as previously articulated, the reserves' portfolio are formally scrutinised twice a year and are also subject to regular review during monthly management reporting and also during periodic revisions to the MTFP.

The Commissioner added that the report demonstrated all the current financial detail available. A more detailed and full report can be expected at the meeting in December to ensure the Panel are fully sighted on the outturn and financial position.

The Panel thanked the Officer for the detailed report and appendix and discussion ensued. The reports and appendices provided at the previous meeting were discussed, in particular the capital programme budget variances, and further information was sought on the monies being banked in advance. The Officer assured the Panel that this was a one off as a result of slippages.

The Panel were pleased to note that, when benchmarking against other Commissioners, the Gwent Police and Crime Commissioner is in a good financial position.

The Panel thanked the Officer and Commissioner for the report, were happy to note the contents and looked forward to wider financial information in December.

#### **10. FORWARD WORK PROGRAMME**

The Panel and Commissioner discussed future reports. It was agreed that the Forward Work Programme would be developed and discussed with the Panel.

The Chair thanked those in attendance for their contributions to the meeting.

The meeting closed at 12.35 pm.





**PCC Verbal Update, 12<sup>th</sup> December 2014:**

To include:

- • **Community Engagement Activity**
- • **Estates**
- • **LSB Funding Meetings**
- • **CSP Funding**
- • **Meetings with Local Authority Leaders**

OFFICE OF THE POLICE & CRIME COMMISSIONER																	
TITLE:		2014/15 Treasury Management Six Month Update Report															
DATE:		12 <sup>th</sup> December 2014															
TIMING:		Routine															
PURPOSE:		For Information															
1.	<u>RECOMMENDATION</u>																
1.1	To inform the Police and Crime Panel of the Treasury Management Activity for the period 1 <sup>st</sup> April 2014 to 31 <sup>st</sup> October 2014.																
2.	<u>INTRODUCTION &amp; BACKGROUND</u>																
2.1	This is the first Treasury Management Activity report in 2014/15. Treasury Management Activity includes investment and borrowing transactions.																
3.	<u>ISSUES FOR CONSIDERATION</u>																
3.1	<u>INVESTMENTS</u>																
3.1.1	Appendix 1 summarises investments on deposit with counterparties as at 31 <sup>st</sup> October 2014. The listing shows that our current investment portfolio totals £48.9m. On maturity these deposits will earn a weighted average rate of return of 0.31%, which will amount to £0.075m.																
3.1.2	The current investment portfolio composition is shown in Table 1 below; <u>Table 1</u> <table><tr><th><u>Counterparty</u></th><th><u>Deposit £'m</u></th><th><u>Portfolio %</u></th></tr><tr><td>UK DMO</td><td>6.90</td><td>14.1</td></tr><tr><td>Banks &amp; Building Societies</td><td>3.00</td><td>6.1</td></tr><tr><td>Local Authorities</td><td>39.00</td><td>79.8</td></tr><tr><td></td><td><b>48.90</b></td><td><b>100.00</b></td></tr></table>		<u>Counterparty</u>	<u>Deposit £'m</u>	<u>Portfolio %</u>	UK DMO	6.90	14.1	Banks & Building Societies	3.00	6.1	Local Authorities	39.00	79.8		<b>48.90</b>	<b>100.00</b>
<u>Counterparty</u>	<u>Deposit £'m</u>	<u>Portfolio %</u>															
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Banks & Building Societies	3.00	6.1															
Local Authorities	39.00	79.8															
	<b>48.90</b>	<b>100.00</b>															
3.1.3	As per the 2014/15 Treasury Management Strategy all investment deposits are with counterparties that have at least an “F1/P1/A1” short term credit rating (Fitch, Moody’s and Standard and Poor’s).  No single deposit exceeds a time limit of 365 days. The longest current deposit stands at £5m with Aberdeen City Council, which on maturity will have been on deposit for 364 days and on maturity will earn interest of £0.025m.  In addition no single or multiple deposits, with a single counterparty exceeded the money limit of £3m for Banks and Building Societies and £10m for Local Authorities. There is no money limit for investments with the UK DMO.																

3.1.4	Appendix 2 details investment deposits made and repaid during the period 1 <sup>st</sup> April 2014 to 31 <sup>st</sup> October 2014. Investment interest earned on matured deposits during this period totalled £0.095m on a cash basis. The weighted average rate of return on these deposits was 0.32%. For the financial year 2013/14 the weighted average rate of return on investment deposits was 0.42%.												
3.2	<b><u>BORROWING</u></b>												
3.2.1	<p>The borrowing position and portfolio as at 31<sup>st</sup> October 2014 is shown in Table 2 below:</p> <p><b><u>Table 2</u></b></p> <table><tr><td><b><u>Lender</u></b></td><td><b><u>Amount Borrowed £'m</u></b></td><td><b><u>Annual Interest Rate %</u></b></td></tr><tr><td>Public Works Loan Board (PWLB)</td><td>4.26</td><td>5.85</td></tr><tr><td>Newport City Council</td><td>0.88</td><td>6.37</td></tr><tr><td></td><td><b>5.14</b></td><td></td></tr></table>	<b><u>Lender</u></b>	<b><u>Amount Borrowed £'m</u></b>	<b><u>Annual Interest Rate %</u></b>	Public Works Loan Board (PWLB)	4.26	5.85	Newport City Council	0.88	6.37		<b>5.14</b>	
<b><u>Lender</u></b>	<b><u>Amount Borrowed £'m</u></b>	<b><u>Annual Interest Rate %</u></b>											
Public Works Loan Board (PWLB)	4.26	5.85											
Newport City Council	0.88	6.37											
	<b>5.14</b>												
3.2.2	<p>The Office of the Police and Crime Commissioner is repaying the interest on a quarterly basis, on the principal amount due on each of the 13 PWLB loans outstanding. Repayment of the first principal amount is due on the 13<sup>th</sup> June 2020.</p> <p>With regard to the loan with Newport City Council, repayments of both the principal and interest amount outstanding are made twice a year on 30<sup>th</sup> September and 31<sup>st</sup> March.</p>												
3.2.3	<p>The Police and Crime Commissioner continues to monitor opportunities for the early repayment of debt, but the early redemption penalties that would be charged mean that this is currently not worthwhile. On the 7<sup>th</sup> January 2014 the Police and Crime Commissioners Treasury Management advisors Capita Asset Services calculated an early redemption charge of £1.02m on the PWLB loans.</p> <p>No new borrowing has been taken out during the period 1<sup>st</sup> April 2014 to 31<sup>st</sup> October 2014.</p>												
4.	<b><u>NEXT STEPS</u></b>												
4.1	That Members note the Treasury Management Activity.												
5.	<b><u>FINANCIAL CONSIDERATIONS</u></b>												
5.1	These are detailed in the report.												
6.	<b><u>PERSONNEL CONSIDERATIONS</u></b>												
6.1	There are no staffing/personnel implications arising from this report.												
7.	<b><u>LEGAL IMPLICATIONS</u></b>												
7.1	There are no legal implications arising from this report.												

<b>8.</b>	<b><u>EQUALITIES AND HUMAN RIGHTS CONSIDERATIONS</u></b>
8.1	The content of this report has been considered against the general duty to promote equality, as stipulated under the Gwent Police Equality Schemes, and has been assessed not to discriminate against any particular group.
8.2	This report has been considered against the general duty to promote equality, as stipulated under the Single Equality Plan and has been assessed not to discriminate against any particular group.
8.3	In preparing this report, consideration has been given to requirements of the Articles contained in the European Convention on Human Rights and the Human Rights Act 1998.
<b>9.</b>	<b><u>RISK</u></b>
9.1	Treasury Management can never be risk free. In borrowing, the risk is that interest payable might be higher than necessary and in lending there is the risk of default on repayment and the risk that a better rate of return could have been achieved. Adherence to the CIPFA Code of Practice on Treasury Management is best practice in terms of balancing risk and return.
<b>10.</b>	<b><u>PUBLIC INTEREST</u></b>
10.1	This is a public document.
<b>11.</b>	<b><u>CONTACT OFFICER</u></b>
11.1	David Young, Principal Financial Accountant.
<b>12.</b>	<b><u>APPENDICES</u></b>
12.1	<p>Appendix 1 – Investments as at 31<sup>st</sup> October 2014</p>  <p>Appendix 1 - Investments as at 31st</p>
12.2	<p>Appendix 2 – Analysis of Investments Made and Repaid</p>  <p>Appendix 2 - Loans made and repaid 2014</p>

## Police and Crime Commissioner for Gwent

## Investments as at 31st October 2014

Borrower	Principal (£)	Interest Rate	Interest at Maturity (£)	Start Date	Maturity Date
ABERDEEN CITY COUNCIL	5,000,000	0.50%	24,932	24/02/2014	23/02/2015
PLYMOUTH CITY COUNCIL	2,500,000	0.29%	3,516	04/06/2014	28/11/2014
CORNWALL CITY COUNCIL	2,000,000	0.30%	3,041	17/06/2014	19/12/2014
SWINDON BOROUGH COUNCIL	2,500,000	0.29%	2,860	07/07/2014	28/11/2014
CORNWALL CITY COUNCIL	2,000,000	0.29%	2,765	10/07/2014	31/12/2014
DUMFRIES & GALLOWAY COUNCIL	2,000,000	0.28%	2,025	10/07/2014	19/11/2014
DUMFRIES & GALLOWAY COUNCIL	1,000,000	0.28%	1,082	10/07/2014	28/11/2014
THURROCK BOROUGH COUNCIL	5,000,000	0.35%	10,021	03/09/2014	31/03/2015
SWINDON BOROUGH COUNCIL	3,000,000	0.29%	4,004	16/07/2014	31/12/2014
NATIONWIDE BUILDING SOCIETY	2,000,000	0.50%	2,521	06/08/2014	06/11/2014
SWINDON BOROUGH COUNCIL	3,000,000	0.30%	5,005	08/08/2014	27/02/2015
PLYMOUTH CITY COUNCIL	1,500,000	0.30%	2,281	26/08/2014	27/02/2015
THURROCK BOROUGH COUNCIL	2,000,000	0.30%	1,923	05/09/2014	31/12/2014
PLYMOUTH CITY COUNCIL	2,000,000	0.29%	2,256	10/09/2014	30/01/2015
CONWY BOROUGH COUNCIL	1,000,000	0.29%	1,128	10/09/2014	30/01/2015
THURROCK BOROUGH COUNCIL	2,000,000	0.29%	2,145	17/09/2014	30/01/2015
NATIONWIDE BUILDING SOCIETY	1,000,000	0.40%	307	06/10/2014	03/11/2014
DMO	2,500,000	0.25%	479	06/10/2014	03/11/2014
DMO	1,750,000	0.25%	324	07/10/2014	03/11/2014
PLYMOUTH CITY COUNCIL	1,000,000	0.30%	896	14/10/2014	31/01/2015
THURROCK BOROUGH COUNCIL	1,000,000	0.30%	896	14/10/2014	31/01/2015
DMO	500,000	0.25%	89	15/10/2014	10/11/2014
DMO	750,000	0.25%	159	17/10/2014	17/11/2014
SWINDON BOROUGH COUNCIL	500,000	0.33%	696	28/10/2014	31/03/2015
DMO	1,400,000	0.25%	29	31/10/2014	03/11/2014
<b>Total Investments</b>	<b>48,900,000</b>	<b>0.31%</b>	<b>75,380</b>		

## Police and Crime Commissioner for Gwent

## Analysis of Investments Made and Repaid

Schedule of transactions relating to temporary lending of monies surplus to immediate requirements which took place during the period 1st April 2014 to 31st October 2014.  
(This analysis excludes Landsbanki transactions)

Date	Borrower	Agency ratings (short term)		Rate %	Terms	Loans Made	Loans Repaid	Interest Received	Maturity date
		at time of investment	as at 31/10/2014						
	Balance b/f					£ 45,300,000	£	£	
<b>April 2014</b>									
<b>Loans made</b>									
01/04/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,000,000			Repaid
03/04/2014	LLOYDS CORPORATE	F1, P-1, A-1	F1, P-1, A-1	0.600%	Fixed	3,000,000			Repaid
03/04/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,500,000			Repaid
08/04/2014	SWINDON BOROUGH COUNCIL	-	-	0.280%	Fixed	1,000,000			Repaid
08/04/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,250,000			Repaid
10/04/2014	DUMFRIES & GALLOWAY COUNCIL	-	-	0.290%	Fixed	2,000,000			Repaid
10/04/2014	CORNWALL CITY COUNCIL	-	-	0.300%	Fixed	1,500,000			Repaid
10/04/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	250,000			Repaid
10/04/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	750,000			Repaid
14/04/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	250,000			Repaid
14/04/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	750,000			Repaid
15/04/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,500,000			Repaid
17/04/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,500,000			Repaid
23/04/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	500,000			Repaid
28/04/2014	GLASGOW CITY COUNCIL	-	-	0.310%	Fixed	2,000,000			Repaid
28/04/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	3,000,000			Repaid
30/04/2014	PLYMOUTH CITY COUNCIL	-	-	0.300%	Fixed	3,000,000			Repaid
25/04/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	750,000			Repaid
29/04/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,750,000			Repaid
<b>Loans repaid</b>									
01/04/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,500,000	188	
03/04/2014	LLOYDS CORPORATE	F1, P-1, A-1	F1, P-1, A-1	0.700%	Fixed		3,000,000	5,178	
10/04/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,250,000	31	
17/04/2014	KIRKLEES COUNCIL	-	-	0.300%	Fixed		2,000,000	2,630	
17/04/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,500,000	34	
22/04/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		250,000	21	
23/04/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		750,000	67	
28/04/2014	THURROCK BOROUGH COUNCIL	-	-	0.340%	Fixed		5,000,000	8,477	
29/04/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		250,000	26	
29/04/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,500,000	205	
30/04/2014	SWINDON BOROUGH COUNCIL	-	-	0.400%	Fixed		2,800,000	3,467	
30/04/2014	PLYMOUTH CITY COUNCIL	-	-	0.300%	Fixed		1,000,000	814	
30/04/2014	PLYMOUTH CITY COUNCIL	-	-	0.280%	Fixed		2,000,000	1,289	
30/04/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		3,000,000	41	
<b>May 2014</b>									
<b>Loans made</b>									
06/05/2014	NATIONWIDE BUILDING SOCIETY	F1, P-1, A-1	F1, P-1, A-1	0.480%	Fixed	2,000,000			Repaid
06/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,000,000			Repaid
07/05/2014	SWINDON BOROUGH COUNCIL	-	-	0.270%	Fixed	2,000,000			Repaid
08/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	4,500,000			Repaid
09/05/2014	CORNWALL CITY COUNCIL	-	-	0.280%	Fixed	4,500,000			Repaid
09/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,000,000			Repaid
09/05/2014	SANTANDER UK PLC	F1, P-1, A-1	F1, P-1, A-1	0.410%	Fixed	1,500,000			Repaid
12/05/2014	SANTANDER UK PLC	F1, P-1, A-1	F1, P-1, A-1	0.480%	Fixed	1,500,000			Repaid
12/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,500,000			Repaid
14/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	850,000			Repaid
19/05/2014	NATIONWIDE BUILDING SOCIETY	F1, P-1, A-1	F1, P-1, A-1	0.480%	Fixed	1,000,000			Repaid
19/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	400,000			Repaid
20/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,000,000			Repaid
23/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	3,000,000			Repaid
27/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	3,000,000			Repaid
28/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	3,000,000			Repaid
29/05/2014	PLYMOUTH CITY COUNCIL	-	-	0.280%	Fixed	1,000,000			Repaid
29/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,000,000			Repaid
<b>Loans repaid</b>									
06/05/2014	NATIONWIDE BUILDING SOCIETY	F1, P-1, A-1	F1, P-1, A-1	0.470%	Fixed		2,000,000	2,318	
07/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		750,000	118	
07/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,000,000	14	
09/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,750,000	188	
09/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		4,500,000	31	
12/05/2014	BARCLAYS BANK	F1, P-1, A-1	F1, P-1, A-1	0.380%	Fixed		3,000,000	2,811	
13/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		500,000	68	
13/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,000,000	27	
19/05/2014	PLYMOUTH CITY COUNCIL	-	-	0.300%	Fixed		1,000,000	682	
19/05/2014	NATIONWIDE BUILDING SOCIETY	F1, P-1, A-1	F1, P-1, A-1	0.430%	Fixed		1,000,000	825	
19/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,500,000	72	
23/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,000,000	41	
27/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		3,000,000	82	
28/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		750,000	170	
28/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		3,000,000	21	
29/05/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		3,000,000	21	
30/05/2014	SWINDON BOROUGH COUNCIL	-	-	0.370%	Fixed		3,000,000	4,288	
30/05/2014	PLYMOUTH CITY COUNCIL	-	-	0.300%	Fixed		3,000,000	2,663	
<b>June 2014</b>									
<b>Loans made</b>									
02/06/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	300,000			Repaid
04/06/2014	PLYMOUTH CITY COUNCIL	-	-	0.290%	Fixed	2,500,000			28 November 2014
06/06/2014	DUMFRIES & GALLOWAY COUNCIL	-	-	0.280%	Fixed	2,000,000			Repaid
06/06/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,000,000			Repaid

Date	Borrower	Agency ratings (short term)		Rate	Terms	Loans Made	Loans Repaid	Interest Received	Maturity date
		at time of investment	as at 31/10/2014						
06/06/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	500,000			Repaid
17/06/2014	CORNWALL CITY COUNCIL	-	-	0.300%	Fixed	2,000,000			19 December 2014
17/06/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	750,000			Repaid
25/06/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	500,000			Repaid
30/06/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	800,000			Repaid
<b>Loans repaid</b>									
03/06/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		400,000	41	
04/06/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,000,000	82	
10/06/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,000,000	27	
19/06/2014	SWINDON BOROUGH COUNCIL	-	-	0.320%	Fixed		2,000,000	1,859	
19/06/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		850,000	210	
20/06/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		300,000	37	
24/06/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		500,000	62	
30/06/2014	DUMFRIES & GALLOWAY COUNCIL	-	-	0.310%	Fixed		3,000,000	2,854	
30/06/2014	SWINDON BOROUGH COUNCIL	-	-	0.280%	Fixed		1,000,000	798	
30/06/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,000,000	616	
30/06/2014	SANTANDER UK PLC	F1, P-1, A-1	F1, P-1, A-1	0.410%	Fixed		1,500,000	876	
<b>July 2014</b>									
<b>Loans made</b>									
03/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,000,000			Repaid
03/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	10,750,000			Repaid
03/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	500,000			Repaid
03/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	500,000			Repaid
03/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,000,000			Repaid
03/07/2014	LLOYDS CORPORATE	F1, P-1, A-1	F1, P-1, A-1	0.570%	Fixed	3,000,000			Repaid
07/07/2014	SWINDON BOROUGH COUNCIL	-	-	0.290%	Fixed	1,500,000			Repaid
07/07/2014	SWINDON BOROUGH COUNCIL	-	-	0.290%	Fixed	2,500,000			28 November 2014
10/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,000,000			Repaid
10/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	3,000,000			Repaid
10/07/2014	CONWY BOROUGH COUNCIL	-	-	0.270%	Fixed	1,000,000			Repaid
10/07/2014	DUMFRIES & GALLOWAY COUNCIL	-	-	0.280%	Fixed	2,000,000			19 November 2014
10/07/2014	DUMFRIES & GALLOWAY COUNCIL	-	-	0.280%	Fixed	1,000,000			28 November 2014
10/07/2014	CORNWALL CITY COUNCIL	-	-	0.290%	Fixed	2,000,000			31 December 2014
11/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	300,000			Repaid
16/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	500,000			Repaid
16/07/2014	SWINDON BOROUGH COUNCIL	-	-	0.290%	Fixed	3,000,000			31 December 2014
24/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,000,000			Repaid
25/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,000,000			Repaid
28/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,000,000			Repaid
<b>Loans repaid</b>									
01/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		750,000	72	
03/07/2014	LLOYDS CORPORATE	F1, P-1, A-1	F1, P-1, A-1	0.600%	Fixed		3,000,000	4,488	
08/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,000,000	34	
10/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		10,750,000	515	
16/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,000,000	82	
18/07/2014	SWINDON BOROUGH COUNCIL	-	-	0.270%	Fixed		2,000,000	1,065	
22/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		500,000	92	
22/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		500,000	65	
24/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		500,000	27	
25/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,000,000	7	
28/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,000,000	21	
29/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		800,000	159	
31/07/2014	PLYMOUTH CITY COUNCIL	-	-	0.300%	Fixed		3,000,000	4,019	
31/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,500,000	1,223	
31/07/2014	SWINDON BOROUGH COUNCIL	-	-	0.280%	Fixed		1,000,000	875	
31/07/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		500,000	96	
<b>August 2014</b>									
<b>Loans made</b>									
01/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	750,000			Repaid
05/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,000,000			Repaid
05/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	600,000			Repaid
06/08/2014	NATIONWIDE BUILDING SOCIETY	F1, P-1, A-1	F1, P-1, A-1	0.500%	Fixed	2,000,000			06 November 2014
08/08/2014	SWINDON BOROUGH COUNCIL	-	-	0.300%	Fixed	3,000,000			Repaid
08/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,500,000			Repaid
26/08/2014	PLYMOUTH CITY COUNCIL	-	-	0.300%	Fixed	1,500,000			27 February 2015
12/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,750,000			Repaid
12/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,000,000			Repaid
14/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,500,000			Repaid
15/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,500,000			Repaid
18/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	4,000,000			Repaid
18/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	5,000,000			Repaid
18/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	5,000,000			Repaid
19/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,900,000			Repaid
20/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,500,000			Repaid
22/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,000,000			Repaid
27/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	3,500,000			Repaid
29/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	3,500,000			Repaid
<b>Loans repaid</b>									
05/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,000,000	55	
05/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		750,000	21	
06/08/2014	NATIONWIDE BUILDING SOCIETY	F1, P-1, A-1	F1, P-1, A-1	0.480%	Fixed		2,000,000	2,420	
12/08/2014	SANTANDER UK PLC	F1, P-1, A-1	F1, P-1, A-1	0.480%	Fixed		1,500,000	1,815	
12/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,000,000	96	
14/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,750,000	38	
15/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,500,000	17	
18/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,500,000	51	
19/08/2014	NATIONWIDE BUILDING SOCIETY	F1, P-1, A-1	F1, P-1, A-1	0.480%	Fixed		1,000,000	1,210	
20/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,900,000	13	
21/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,500,000	10	
22/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		300,000	86	
22/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		4,000,000	110	
26/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,500,000	185	
27/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		600,000	90	
27/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		5,000,000	308	
28/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		3,500,000	24	
29/08/2014	DUMFRIES & GALLOWAY COUNCIL	-	-	0.290%	Fixed		2,000,000	2,241	
29/08/2014	DUMFRIES & GALLOWAY COUNCIL	-	-	0.280%	Fixed		2,000,000	1,289	
29/08/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,000,000	781	

Date	Borrower	Agency ratings (short term)		Rate	Terms	Loans Made	Loans Repaid	Interest Received	Maturity date
		at time of investment	as at 31/10/2014						
September 2014									
Loans made									
01/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	3,000,000			Repaid
02/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,000,000			Repaid
02/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	3,500,000			Repaid
03/09/2014	THURROCK BOROUGH COUNCIL	-	-	0.350%	Fixed	5,000,000			Repaid
05/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,000,000			Repaid
05/09/2014	THURROCK BOROUGH COUNCIL	-	-	0.300%	Fixed	2,000,000			31 December 2014
08/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,000,000			Repaid
09/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	4,800,000			Repaid
10/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,500,000			Repaid
10/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	500,000			Repaid
10/09/2014	PLYMOUTH CITY COUNCIL	-	-	0.290%	Fixed	2,000,000			30 January 2015
10/09/2014	CONWY BOROUGH COUNCIL	-	-	0.290%	Fixed	1,000,000			30 January 2015
11/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,400,000			Repaid
12/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,400,000			Repaid
15/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,600,000			Repaid
16/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	4,200,000			Repaid
16/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,000,000			Repaid
17/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,000,000			Repaid
17/09/2014	THURROCK BOROUGH COUNCIL	-	-	0.290%	Fixed	2,000,000			30 January 2015
18/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,000,000			Repaid
18/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	750,000			Repaid
19/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,000,000			Repaid
22/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,250,000			Repaid
23/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	500,000			Repaid
24/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	500,000			Repaid
24/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	700,000			Repaid
25/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,400,000			Repaid
29/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,500,000			Repaid
30/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,000,000			Repaid
30/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	500,000			Repaid
30/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	500,000			Repaid
Loans repaid									
01/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		3,500,000	72	
02/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,000,000	144	
02/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		5,000,000	514	
03/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		3,000,000	1,130	
04/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,000,000	27	
08/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,000,000	41	
09/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,000,000	247	
09/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		3,000,000	164	
10/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		4,800,000	33	
11/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,500,000	10	
12/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,400,000	10	
15/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,400,000	29	
16/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		3,500,000	336	
16/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,600,000	11	
17/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		4,200,000	29	
18/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,000,000	14	
19/09/2014	CONWY BOROUGH COUNCIL	-	-	0.270%	Fixed		1,000,000	525	
19/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,000,000	14	
22/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		500,000	41	
22/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,000,000	21	
23/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,000,000	96	
24/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,250,000	17	
29/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,400,000	38	
30/09/2014	CORNWALL CITY COUNCIL	-	-	0.300%	Fixed		1,500,000	2,133	
30/09/2014	CORNWALL CITY COUNCIL	-	-	0.280%	Fixed		4,500,000	4,971	
30/09/2014	PLYMOUTH CITY COUNCIL	-	-	0.280%	Fixed		1,000,000	951	
30/09/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,000,000	301	
October 2014									
Loans made									
02/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,000,000			Repaid
03/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	3,000,000			Repaid
03/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,500,000			Repaid
06/10/2014	NATIONWIDE BUILDING SOCIETY	F1, P-1, A-1	F1, P-1, A-1	0.400%	Fixed	1,000,000			03 November 2014
06/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	2,500,000			03 November 2014
06/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	250,000			Repaid
07/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,750,000			03 November 2014
08/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	3,750,000			Repaid
10/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	500,000			Repaid
14/10/2014	PLYMOUTH CITY COUNCIL	-	-	0.300%	Fixed	1,000,000			31 January 2015
14/10/2014	THURROCK BOROUGH COUNCIL	-	-	0.300%	Fixed	1,000,000			31 January 2015
14/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,000,000			Repaid
14/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,000,000			Repaid
15/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	500,000			10 November 2014
17/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	750,000			17 November 2014
21/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,750,000			Repaid
28/10/2014	SWINDON BOROUGH COUNCIL	-	-	0.330%	Fixed	500,000			31 March 2015
31/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed	1,400,000			03 November 2014
Loans repaid									
02/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,000,000	14	
03/10/2014	LLOYDS CORPORATE	F1, P-1, A-1	F1, P-1, A-1	0.570%	Fixed		3,000,000	4,310	
06/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		3,000,000	62	
07/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		750,000	98	
07/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,500,000	82	
10/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		500,000	34	
14/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		500,000	72	
14/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		500,000	68	
14/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		3,750,000	154	
17/10/2014	SWINDON BOROUGH COUNCIL	-	-	0.290%	Fixed		1,500,000	1,216	
17/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		700,000	110	
17/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,000,000	21	
21/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,000,000	48	
22/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		250,000	27	
28/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		500,000	96	
28/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		500,000	62	
28/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,750,000	84	
31/10/2014	GLASGOW CITY COUNCIL	-	-	0.310%	Fixed		2,000,000	3,159	
31/10/2014	PLYMOUTH CITY COUNCIL	-	-	0.300%	Fixed		3,000,000	4,537	
31/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		1,000,000	199	
31/10/2014	DEBT MANAGEMENT OFFICE	-	-	0.250%	Fixed		2,500,000	479	



Date	Borrower	Agency ratings (short term)		Rate %	Terms	Loans	Loans	Interest	Maturity date
		at time of investment	as at 31/10/2014			Made	Repaid	Received	
	Balance C/F					290,350,000	241,450,000	94,917	
							48,900,000		
							290,350,000	290,350,000	
Average rate of interest received in financial year								0.31760%	

**Explanation of Credit Ratings**

- F1 (Fitch) Indicates the strongest capacity for timely repayment of financial commitments; may have an added '+' to denote an exceptionally strong credit feature.
- A1 (S&P) The obligator's capacity to meet its financial commitment on the obligation is strong. With this category, certain obligations are designated with a plus '+' sign. This indicates that the obligator's capacity to meet its financial commitment is extremely strong.
- P1 (Moody's) Issuers (or supporting institutions) rated Prime - 1 have a superior ability to pay short term debt obligations.

## **OFFICE OF POLICE AND CRIME COMMISSIONER**

**TITLE:** Treasury Management Strategy 2015/16 to 2017/18

**DATE:** 12th December 2014

**TIMING:** Routine

**PURPOSE:** For Information

<b>1.</b>	<b><u>RECOMMENDATION</u></b> For the information of the Police and Crime Panel.
<b>2.</b>	<b><u>INTRODUCTION &amp; BACKGROUND</u></b> Treasury Management covers borrowing, investing, banking and cash flow management. This report fulfils four key annual legislative requirements: (i) The setting of the Prudential Indicators relating to capital expenditure; (ii) The Minimum Revenue Provision policy; (iii) The Treasury Management Strategy; and (iv) The Investment Strategy in accordance with the Welsh Government's Guidance on Local Government Investments.
<b>3.</b>	<b><u>ISSUES FOR CONSIDERATION</u></b> The Commissioner is required to adopt and comply with the CIPFA Prudential Code for Capital Finance in Local Authorities and the CIPFA Code of Practice on Treasury Management. The Treasury Management strategy 2015/16 to 2017/18 (Appendix A) and the Treasury Management Practices (Appendix B) are submitted for the information of the Police and Crime Panel prior to approval by the Police and Crime Commissioner.
<b>4.</b>	<b><u>NEXT STEPS</u></b> The capital prudential indicators demonstrate that the capital programme is affordable, prudent and sustainable and it is essential that the Commissioner is satisfied of this situation prior to formally setting the budget and council tax precept for 2015/16.
<b>5.</b>	<b><u>FINANCIAL CONSIDERATIONS</u></b> This is a financial report required prior to setting the budget and council tax precept for 2015/16.
<b>6.</b>	<b><u>PERSONNEL CONSIDERATIONS</u></b> There are no additional staff requirements stemming from this report.
<b>7.</b>	<b><u>LEGAL IMPLICATIONS</u></b> Approval of the Treasury Management Strategy by the Commissioner is a statutory responsibility.
<b>8.</b>	<b><u>EQUALITIES AND HUMAN RIGHTS CONSIDERATIONS</u></b> This report has been considered against the general duty to promote equality, as stipulated under the Strategic Equality Plan and has been assessed not to discriminate against any particular group.

	Consideration has been given to requirements of the Articles contained in the European Convention on Human Rights and the Human Rights Act 1998 in preparing this report.
<b>9.</b>	<b><u>RISK</u></b> Treasury Management can never be risk free. In borrowing, the risk is that interest payable might be higher than necessary and in lending there is the risk of default on repayment and the risk that a better rate of return could have been achieved. Adherence to the CIPFA Code of Practice on Treasury Management is best practice in terms of balancing risk and return.
<b>10.</b>	<b><u>PUBLIC INTEREST</u></b> Once approved the Treasury Management Strategy will be published on the website.
<b>11.</b>	<b><u>CONTACT OFFICER</u></b> Darren Garwood-Pask, Chief Finance Officer and Deputy Chief Executive to the Commissioner.
<b>12.</b>	<b><u>ANNEXES</u></b> The Appendices to this report provides more details on the proposal.

**OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR GWENT**

**Treasury Management Strategy 2015/16 to 2017/18**

**1 INTRODUCTION**

- 1.1 Treasury Management is the management of cash flows, banking, money market and capital market transactions; the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks. The treasury management service is an important part of the overall financial management of the Commissioner's affairs. The Commissioner 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 low risk counterparties or instruments commensurate with the Commissioner's low risk appetite, providing adequate liquidity initially before considering investment return. The second main function of the treasury management service is the funding of the Commissioner's capital plans. These capital plans provide a guide to the borrowing need of the Commissioner, essentially the longer term cash flow planning to ensure that the Commissioner 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 Commissioner's risk or cost objectives.
- 1.2 The Commissioner's treasury activities are strictly regulated by statutory requirements and a professional code of practice, the CIPFA Code of Practice on Treasury Management. Under the Code, the Commissioner is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.
- 1.3 The adoption of a Treasury Management Strategy for 2015/16, prior to the start of the financial year, is the first of the three reporting requirements in respect of that year. This will be followed in due course by a mid year Treasury Management report and an Annual Treasury Report before 30<sup>th</sup> September 2016, providing a selection of actual prudential and treasury indicators.

- 1.4 The Treasury Management Strategy for 2015/16 covers two main areas:

**Capital Issues**

- (i) The capital plans and the prudential indicators; and
- (ii) The Minimum Revenue Provision (MRP) strategy.

**Treasury Management Issues**

- (i) Debt and investment projections;
- (ii) Limits on borrowing activity;
- (iii) The expected movement in interest rates;
- (iv) Borrowing and investment strategies;
- (v) Treasury performance indicators; and
- (vi) Specific limits on treasury activities.

**2. CAPITAL PRUDENTIAL INDICATORS 2015/16 to 2017/18**

- 2.1 The Local Government Act 2003 requires the Commissioner to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity, and reflects the outcome of the underlying capital appraisal systems. This document updates currently approved indicators and introduces new indicators for 2017/18.

- 2.2 Within this overall prudential framework there is an impact on the Commissioner's treasury management activity, as it will directly impact on borrowing or investment activity.

**2.3 Capital Expenditure Plans**

- 2.3.1 The capital expenditure plans are summarised below and this forms the first of the prudential indicators. A certain level of capital expenditure is grant supported by the Government; any decisions by the Commissioner to spend above this level will be considered unsupported capital expenditure.

- 2.3.2 This unsupported capital expenditure needs to have regard to:

- (i) Service objectives (e.g. strategic planning);
- (ii) Stewardship of assets (e.g. asset management planning);
- (iii) Value for money (e.g. option appraisal);
- (iv) Prudence and sustainability (e.g. implications for external borrowing and whole life costing);
- (v) Affordability (e.g. implications for the council tax); and
- (vi) Practicality (e.g. the achievability of longer term plans).

- 2.3.3 The revenue consequences of capital expenditure, particularly the unsupported capital expenditure, will need to be paid for from the Commissioner's own resources.

- 2.3.4 This capital expenditure can be paid for immediately (by applying capital resources such as capital receipts, capital grants etc., or revenue resources), but if these resources are insufficient any residual capital expenditure will add to the Commissioner's borrowing need.
- 2.3.5 A key risk to the plans are that the level of Government support has been estimated and could therefore be subject to change.
- 2.3.6 The Commissioner is asked to approve the following summary capital expenditure projections which is the first prudential indicator:

First Prudential Indicator - Estimates of Capital Expenditure					
	2014/15 Original £000's	2014/15 Revised £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's
<b>Capital Expenditure</b>	<b>4,371</b>	<b>2,871</b>	<b>6,110</b>	<b>5,167</b>	<b>2,078</b>
Financed by:					
Capital Receipts	480	380	0	0	0
Capital Grants	1,100	1,100	1,100	1,100	1,100
Reserves	2,791	1,391	5,010	4,067	978
Revenue	0	0	0	0	0
<b>Net Financing Need for Year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 2.3.7 The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.
- 2.4 **The Commissioner's Borrowing Need (the Capital Financing Requirement)**
- 2.4.1 The second prudential indicator is the Commissioner's Capital Financing Requirement (CFR) which is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Commissioner's underlying borrowing need. Any capital expenditure in the table in paragraph 2.3.6 above which has not immediately been paid for will increase the CFR.
- 2.4.2 Following accounting changes, the CFR now includes any other long term liabilities (e.g. PFI schemes) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Commissioner's borrowing requirement, these types of scheme include a borrowing facility and so the Commissioner is not required to borrow separately for this scheme. The Commissioner currently has £5.02m of such schemes within the CFR.

2.4.3 The Commissioner is asked to approve the CFR projections below:

Second Prudential Indicator - the Capital Financing Requirement (CFR)					
	2014/15 Original £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
<b>CFR as at 1st April</b>	<b>8,582</b>	<b>8,350</b>	<b>8,217</b>	<b>8,085</b>	<b>7,953</b>
Movement in CFR during year	(138)	(133)	(132)	(132)	(128)
Represented by Net Financing Need for the year	0	0	0	0	0
Less MRP/VRP Other Financing Movements	138	133	132	132	128
<b>Movement in CFR</b>	<b>138</b>	<b>133</b>	<b>132</b>	<b>132</b>	<b>128</b>

### 3. MINIMUM REVENUE PROVISION POLICY

3.1 The Commissioner is required to pay off an element of outstanding capital borrowing each year through a revenue charge known as the Minimum Revenue Provision (MRP). It is also permissible to pay an additional amount known as a Voluntary Revenue Provision (VRP). Under Welsh Government (WG) Regulations the Commissioner has to approve an MRP Statement in advance of each year. The Commissioner is recommended to adopt the following MRP policy for 2015/16:

- (i) for all capital expenditure incurred before 1<sup>st</sup> April 2008 and all supported capital expenditure incurred since that date or in the future, the MRP policy will be 4% of the Capital Financing Requirement. This is consistent with the practice in place prior to the current regulations; and
- (ii) for all unsupported borrowing since 1<sup>st</sup> April 2008 and in the future, the asset life method will be used, i.e., the amount borrowed will be divided by the life of the asset.

#### 4. THE USE OF THE COMMISSIONER'S RESOURCES AND INVESTMENT POSITION

- 4.1 The application of resources (capital receipts, reserves etc.) will have an on-going impact on investments. Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Investment Position - Year end Resources					
	2014/15 Original £000's	2014/15 Revised £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's
Police Fund	11,002	11,122	10,117	9,015	9,015
Earmarked Reserves	24,582	32,196	24,990	20,500	18,883
Provisions	2,335	1,791	1,791	1,791	1,791
Total Core Funds	37,919	45,109	36,898	31,306	29,689
Working Capital	4,500	4,500	4,500	4,500	4,500
Expected Investments	42,419	49,609	41,398	35,806	34,189

\*Working capital balances shown are estimated year end; these may be higher mid year.

#### 5. AFFORDABILITY PRUDENTIAL INDICATORS

- 5.1 The previous sections cover the overall capital and control of borrowing prudential indicators. Prudential indicators are also required to assess the affordability of the capital investment plans. The Commissioner is asked to approve the third and fourth prudential indicators, which assess affordability in terms of the impact of the capital investment plans on the Commissioner's overall finances.
- 5.2 The third prudential indicator is the ratio of financing costs to net revenue stream. This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Third Prudential Indicator - Ratio of Financing Costs to Net Revenue Stream					
	2014/15 Original %	2014/15 Revised %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
<b>Ratio</b>	<b>0.24%</b>	<b>0.24%</b>	<b>0.25%</b>	<b>0.25%</b>	<b>0.25%</b>

- 5.3 The estimates of financing costs include current commitments and the proposals in the budget report.



- 5.4 The fourth prudential indicator identifies the increased revenue costs associated with the approved three year capital programme and expresses these in terms of the increase in Band D council tax. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which is not published over a three year period.

Fourth Prudential Indicator - Incremental Increase in Council Tax Precept			
	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
<b>Ratio</b>	<b>0.99</b>	<b>0.81</b>	<b>0.19</b>

## 6. BORROWING

- 6.1 The capital expenditure plans are set out in Section 2.3.6. The treasury management function ensures that the cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet the capital expenditure requirements. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury prudential indicators, the current and projected debt positions and the annual investment strategy.

### 6.2 Current portfolio position

The treasury portfolio position at 1<sup>st</sup> April 2014, 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.

Borrowing Position					
	2014/15 Original £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
<b>External Debt</b>					
Debt at 1st April	5,231	5,231	5,070	4,909	4,748
Expected Change in Debt	(161)	(161)	(161)	(161)	(161)
Other Long Term Liabilities (Finance Lease Liability - PFI)	5,024	5,024	4,910	4,788	4,752
Expected Change in OLTL	(114)	(114)	(122)	(36)	(66)
<b>Gross Debt at 31st March</b>	<b>9,980</b>	<b>9,980</b>	<b>9,697</b>	<b>9,500</b>	<b>9,273</b>
Capital Financing Requirement	8,582	8,350	8,217	8,085	7,953
<b>Under/(Over) Borrowing</b>	<b>(1,398)</b>	<b>(1,630)</b>	<b>(1,480)</b>	<b>(1,415)</b>	<b>(1,320)</b>

- 6.3 The related impact of the above movements on the revenue budget is shown below:

Impact on Revenue Budgets					
Revenue Budget Heading	2014/15 Original £000's	2014/15 Revised £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's
Interest on Borrowing	310	313	302	291	281
Investment Income	(161)	(162)	(145)	(125)	(120)
<b>Net Police Fund Borrowing Cost</b>	<b>149</b>	<b>151</b>	<b>157</b>	<b>166</b>	<b>161</b>

## 7. LIMITS ON BORROWING ACTIVITY

- 7.1 Within the prudential indicators there are a number of key indicators to ensure that the Commissioner operates activities within well-defined limits. For the first of these the Commissioner needs to ensure that 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 2015/16 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes. The following table is relevant for this indicator.

Limits on Borrowing Activity - Year End Position					
	2014/15 Original £000's	2014/15 Revised £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's
Gross Debt	9,980	9,980	9,697	9,500	9,273
Investments	(42,419)	(49,609)	(41,398)	(35,806)	(34,189)
Net Borrowing	(32,439)	(39,629)	(31,701)	(26,306)	(24,916)
Capital Financing Requirement	8,582	8,350	8,217	8,085	7,953
Gross Debt < CFR	No	No	No	No	No

- 7.2 In previous years this prudential indicator was calculated by deducting investments from gross debt and comparing this figure with the Capital Financing Requirement. The new requirement to exclude investments shows that gross debt needs to be reduced below the CFR. Resources are available from investments to do this, but such action would incur penalties for early repayment of debt.
- 7.3 The next key indicator is the operational boundary. This is the limit beyond which external debt is not normally expected to exceed.

Operational Boundary for Debt					
	2014/15 Original £000's	2014/15 Revised £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's
Debt	5,231	5,231	5,070	4,909	4,748
Other Long Term Liabilities	5,024	5,024	4,910	4,788	4,752
Operational Boundary	10,255	10,255	9,980	9,697	9,500

- 7.4 A further key prudential indicator representing a control on the overall level of borrowing is the Authorised Limit for External Debt. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Commissioner. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total plans of all local authorities and commissioners, or those of a specific authority or commissioner, although no control has yet been exercised. The Commissioner is asked to approve the following Authorised Limit:

Authorised Limit for Debt					
	2014/15 Original £000's	2014/15 Revised £000's	2015/16 Estimate £000's	2016/17 Estimate £000's	2017/18 Estimate £000's
Debt	5,231	5,231	5,070	4,909	4,748
Other Long Term Liabilities	5,024	5,024	4,910	4,788	4,752
Working Capital Requirement	3,000	3,000	3,000	3,000	3,000
Authorised Limit	13,255	13,255	12,980	12,697	12,500

- 7.5 Risks associated with any advance borrowing activity will be subject to appraisal in advance and subsequent reporting through the mid-year or annual reporting mechanism.

## 8. PROSPECTS FOR INTEREST RATES

- 8.1 The Commissioner uses Capita Asset Services as treasury management advisor and part of their service is to provide a view on the prospects for interest rates. The following table gives the Capita Asset Services view on the prospects for interest rates.

Annual Average %	Bank Rate	Money Rates		PWLB Borrowing Rates		
		3 month	1 year	5 year	25 year	50 year
Dec 2014	0.50	0.50	0.90	2.50	3.90	3.90
March 2015	0.50	0.60	1.00	2.70	4.00	4.00
June 2015	0.75	0.80	1.20	2.70	4.10	4.10
Sept 2015	0.75	0.90	1.30	2.80	4.30	4.30
Dec 2015	1.00	1.10	1.40	2.90	4.40	4.40
Mar 2016	1.00	1.30	1.70	3.00	4.50	4.50
June 2016	1.25	1.40	1.80	3.10	4.60	4.60
Sept 2016	1.25	1.60	2.10	3.20	4.70	4.70
Dec 2016	1.50	1.90	2.20	3.30	4.70	4.70
Mar 2017	1.50	2.10	2.30	3.40	4.80	4.80

Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

The overall longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Over time, an increase in investor confidence in world economic recovery is also likely to compound this effect as recovery will further encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly weighted. However, only time will tell just how long this period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the Eurozone (EZ) debt crisis, or a break-up of the EZ, but rather that there will be a managed, albeit painful and tortuous, resolution of the debt crisis where EZ institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the EZ will be tepid for the next couple of years and some EZ countries experiencing low or negative growth, will, over that time period, see an increase in total government debt to Gross Domestic Product (GDP) ratios. There is a significant danger that these ratios could rise to the point where markets lose

confidence in the financial viability of one, or more, countries, especially if growth disappoints and / or efforts to reduce government deficits fail to deliver the necessary reductions. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a sharp resurgence of the EZ debt crisis. While the European Central Bank (ECB) has adequate resources to manage a debt crisis in a small EZ country, if one, or more, of the large countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to EZ politicians.

Downside risks currently include:

- The situation over Ukraine poses a major threat to EZ and world growth if it was to deteriorate into economic warfare between the West and Russia where Russia resorted to using its control over gas supplies to Europe.
- Fears generated by the potential impact of Ebola around the world
- UK strong economic growth is currently mainly dependent on consumer spending and the potentially unsustainable boom in the housing market. The boost from these sources is likely to fade after 2014.
- A weak rebalancing of UK growth to exporting and business investment causing a weakening of overall economic growth beyond 2014.
- Weak growth or recession in the UK's main trading partner - the EU, inhibiting economic recovery in the UK.
- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations.
- A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis.
- Recapitalisation of European banks requiring considerable government financial support.
- Lack of support by populaces in Eurozone countries for austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.

- Italy: the political situation has improved but it remains to be seen whether the new government is able to deliver the austerity programme required and a programme of overdue reforms. Italy has the third highest government debt mountain in the world.
- France: after being elected on an anti-austerity platform, President Hollande has embraced a €50bn programme of public sector cuts over the next three years. However, there could be major obstacles in implementing this programme. Major overdue reforms of employment practices and an increase in competitiveness are also urgently required to lift the economy out of stagnation.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Heightened political risks in the Middle East and East Asia could trigger safe haven flows back into bonds.
- There are also increasing concerns at the reluctance of western central banks to raise interest rates significantly for some years, plus the huge Quantitative Easing (QE) measures which remain in place (and may be added to by the ECB in the near future). This has created potentially unstable flows of liquidity searching for yield and, therefore, heightened the potential for an increase in risks in order to get higher returns. This is a return to a similar environment to the one which led to the 2008 financial crisis.

The potential for upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- A further surge in investor confidence that robust world economic growth is firmly expected, causing a flow of funds out of bonds into equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

## **9. BORROWING STRATEGY 2015/16 – 2017/18**

- 9.1 The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Commissioner will continue a cautious approach to treasury strategy.
- 9.2 The Chief Finance Officer & Deputy Chief Executive (hereafter referred to as the CFO), under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that shorter term fixed rates may provide lower cost opportunities in the short/medium term.

- 9.3 With the likelihood of long term rates increasing, debt restructuring is likely to focus on switching from longer term fixed rates to cheaper shorter term debt, although the CFO and treasury consultants will monitor prevailing rates for any opportunities during the year.
- 9.4 The option of postponing borrowing and running down investment balances will also be considered, reducing cost and counterparty risk.

## **10. INVESTMENT STRATEGY 2015/16 – 2017/18**

- 10.1 **Key Objectives** - The Commissioner's primary investment strategy objectives are, firstly, safeguarding the re-payment of the principal and interest of its investments on time and, secondly, ensuring adequate liquidity. The investment return is an important third objective, but not as important as the first two objectives. Following the economic background outlined above, the current investment climate has one over-riding risk consideration; that of counterparty security risk.
- 10.2 **Risk Benchmarking** – A development in the revised 2011 Codes and the WG Investment Guidance is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are new requirements in the revised Code, although the application of these is more subjective in nature.
- 10.3 These benchmarks are simple guides (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report.
- 10.4 **Security** - The Commissioner's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:
  - (i) 0.9% historic risk of default when compared to the whole portfolio.
- 10.5 **Liquidity** – In respect of this area the Commissioner seeks to maintain:
  - (i) Bank overdraft facility of £0.5m;
  - (ii) Liquid short term deposits of at least £2m available with a week's notice; and

- (iii) Weighted Average Life benchmark is expected to be 2 months, with a maximum of 3 months.

10.6 Yield - Local measures of yield benchmarks are:

- (i) Investments – Internal returns compared to the 7 day LIBID rate.

10.7 The security benchmark for each individual year is:

	1 year	2 years	3 years	4 years	5 years
Maximum	0.09%	Not applicable	Not applicable	Not Applicable	Not Applicable

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

10.8 **Investment Counterparty Selection Criteria** - The primary principle governing the Commissioner's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. The Commissioner will not use non-specified investments i.e. investments exceeding 364 days. The Commissioner will ensure:

- (i) A policy covering types of investment, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified Investment (investments not exceeding 364 days) sections below; and
- (ii) Sufficient liquidity in investments. For this purpose procedures will be set out for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the prudential indicators covering the maximum principal sums invested.

10.9 The Assistant Chief Officer - Resources will maintain a counterparty list in compliance with the following criteria. This criteria is separate from that which chooses Specified and Non-Specified Investments as it provides an overall pool of counterparties considered high quality the Commissioner may use rather than defining what its investments are.

10.10 The rating criteria use the **lowest common denominator** method of selecting counterparties and applying limits. This means that the application of the Commissioner's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution



is rated by two agencies, one meets the Commissioner's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

10.11 Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance a negative rating watch applying to a counterparty at the minimum of the Commissioner's criteria will be suspended from use, with all others being reviewed in light of market conditions.

10.12 The Commissioner only uses the following high credit quality counterparties:

- (i) UK banks and banks domiciled in a country other than the UK which has a minimum Sovereign long term rating of AAA, which have at least the following Fitch, Moody's and Standard and Poor's ratings (where rated):
  - Short Term – F1/A1/P1;
  - Long Term – A;
  - Individual / Financial Strength – C (Fitch / Moody's only); and
  - Support – 3 (Fitch only).
- (ii) Part nationalised UK banks – Lloyds Banking Group and Royal Bank of Scotland. These banks can be included if they continue to be part nationalised or they meet the ratings in Banks above.
- (iii) Building Societies which:
  - Meet the ratings for banks outlined above; or
  - Have assets in excess of £1bn.
- (iv) Money Market Funds – AAA;
- (v) UK Government (including gilts and the DMADF (see below));
- (vi) Local Authorities; and
- (vii) Supranational institutions.

10.13 Due care will be taken to consider the country, group and sector exposure of the Commissioner's investments. In part, the country selection will be chosen by the credit rating of the Sovereign state. In addition:

- (i) No more than £3m will be placed with any single non-UK country at any time;
- (ii) Limits in place above will apply to Group companies; and
- (iii) Sector limits will be monitored regularly for appropriateness.

10.14 Additional requirements under the Code of Practice now require the Commissioner to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

10.15 The time and monetary limits for institutions on the Commissioner's Counterparty List are as follows:

	<b>Fitch (or equivalent)</b>	<b>Money Limit</b>	<b>Time Limit</b>
Banks (Groups)	<i>P1/F1/A1</i>	£3m	<365days
Building Societies	<i>P1/F1/A1</i>	£3m	<365days
Money Market Funds	AAA	£3m	<365days
Local Authorities	-	£10m	<365days
UK DMO	-	None	<365days
Guaranteed Organisations	-	£3m*	<365days

*\*Guaranteed institutions will need to be restricted to the terms of the guarantee.*

10.16 In the normal course of the Commissioner's cash flow operations it is expected that only Specified Investments will be utilised.

**10.17 The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. However, under exceptional market conditions the CFO may, after consulting the Commissioner, temporarily restrict further investment activity to those counterparties considered of higher**

**credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to “normal” conditions. Similarly the time periods for investments may be restricted.** Examples of these restrictions would be the greater use of the Debt Management Account Deposit Facility (DMADF – a Government body which accepts local authority deposits), Money Market Funds, guaranteed deposit facilities and strongly rated institutions offered support by the UK Government. The credit criteria have been amended to reflect these facilities.

#### **10.18 Money Market Funds**

Money Market Funds (MMFs) are pooled investment vehicles that offer investors the opportunity to invest in a wide range of high quality investments with combined higher credit quality than that which would normally be available if a Local Authority were investing outside of the MMF.

The underlying principles of MMFs are Security, Liquidity and Yield. The Commissioner’s treasury management advisors will be able to provide advice to the Commissioner in selecting a MMF should the Commissioner wish to diversify his investment portfolio. Benefits of MMFs are:

- (i) AAA rated provides a higher credit rating than some alternatives such as individual banks;
- (ii) Diversification of assets - access to a wider range of investments diversifies risk;
- (iii) Funds in a MMF are highly liquid allowing instant access to cash should it be needed; and
- (iv) Investing in a MMF will reduce the amount of time required by Finance staff interacting with brokers, thus freeing up their time for more value adding activities.

#### **10.19 Banking Arrangements**

The Commissioner is currently in the process of switching bankers following the Co-operative Bank’s decision to withdraw from the market providing banking services to public sector bodies.

A competitive tender exercise took place in the Summer of 2014 for the provision of banking services and Lloyds Bank was selected as the most successful bidder.

The new bank account opened on the 1<sup>st</sup> December 2014. The old legacy bank account with the Co-operative will be closed by 31<sup>st</sup> March 2015.

## 11. SENSITIVITY TO INTEREST RATE MOVEMENTS

- 11.1 The Commissioner is required to disclose in the accounts the impact of risks on treasury management activity. Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified. The table below highlights the estimated impact of a 1% increase/decrease in all interest rates to the estimated treasury management costs/income for next year. That element of the debt and investment portfolios which are of a longer term, fixed interest rate nature will not be affected by interest rate changes.

Sensitivity to Interest Rate Movements		
	2015/16 Estimated +1% £000's	2015/16 Estimated -1% £000's
Interest on Borrowing	Nil	Nil
Investment Income	41	-41

## 12. TREASURY MANAGEMENT - LIMITS ON ACTIVITY

- 12.1 There are four further treasury activity limits, which were previously prudential indicators. The purpose of these is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. The Commissioner approves these limits.

	2015/16	2016/17	2017/18
Interest rate Exposures			
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	35%	35%	35%
Maturity Structure of fixed interest rate borrowing 2015/16			
		Lower	Upper
Under 12 months		0%	20%
12 months to 2 years		0%	20%
2 years to 5 years		0%	20%
5 years to 10 years		0%	20%
10 years and above		20%	90%
Maximum principal sums invested > 364 days			
Principal sums invested >	£m	£m	£m

364 days	0	0	0
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### **13. PERFORMANCE INDICATORS**

13.1 The Code of Practice on Treasury Management requires the Commissioner to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. Performance indicators to be used for the treasury function are:

- (i) Debt – Borrowing - Average rate of borrowing for the year compared to PWLB rates; and
- (ii) Investments – Internal returns compared with the 7 day LIBID rate.

The results of these indicators will be reported in the Treasury Annual Report.

### **14. TREASURY MANAGEMENT ADVISERS**

14.1 The Commissioner uses Capita Asset Services as treasury management consultants. The company provides a range of services which include:

- (i) Technical support on treasury matters, capital finance issues and code compliance;
- (ii) Economic and interest rate analysis;
- (iii) Debt services which includes advice on the timing of borrowing;
- (iv) Debt rescheduling advice surrounding the existing portfolio;
- (v) Generic investment advice on interest rates, timing and investment instruments; and
- (vi) Credit ratings/market information service comprising the three main credit rating agencies;

14.2 Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Commissioner.

### **15. TREASURY MANAGEMENT TRAINING**

15.1 Officer training needs are assessed on appointment, as part of the PDR process and when legislation changes are announced. Officers attend seminars arranged by Capita Asset Services (formerly Sector)

and other organisations. Staff within the Office of the Police and Crime Commissioner and Joint Audit Committee members also receive periodic Treasury Management training.

## **APPENDIX B**

### **SCHEDULE OF TREASURY MANAGEMENT PRACTICES (TMP's)**

TMP 1 Risk Management

TMP 2 Performance measurement

TMP 3 Decision-making and analysis

TMP 4 Approved instruments, methods and techniques

TMP 5 Organisation, clarity and segregation of responsibilities and dealing arrangements

TMP 6 Reporting requirements and management information requirements

TMP 7 Budgeting, accounting and audit arrangements

TMP 8 Cash and cash flow management

TMP 9 Money laundering

TMP 10 Training and qualifications

TMP 11 Use of external service providers

TMP 12 Corporate governance

# Treasury Management Practice (TMP) 1 RISK MANAGEMENT

## 1. CREDIT AND COUNTERPARTY RISK MANAGEMENT

### 1.1 CRITERIA TO BE USED FOR CREATING AND MANAGING APPROVED COUNTERPARTY LISTS/LIMITS

1.1.1 The Welsh Government issued revised Investment Guidance in April 2010, and this forms the structure of the Commissioner's policy below.

1.1.2 The key intention of the Guidance is to maintain the current requirement for Local Authorities and Police and Crime Commissioners to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires the Commissioner to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2011 edition). **TMP 1(1), covering investment counterparty policy requires approval each year.**

1.1.3 **Annual Investment Strategy** - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- a) The strategy guidelines for choosing and placing investments, particularly non-specified investments;
- b) The principles to be used to determine the maximum periods for which funds can be committed;
- c) Specified investments the Commissioner will use. These are high security (i.e. high credit rating, although this is defined by the Commissioner, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year; and
- d) Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

1.1.4 The investment policy proposed for the Commissioner is:

**Strategy Guidelines** – The main strategy guidelines are contained in the Treasury Management Strategy.

**Specified Investments** – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Commissioner has the right to be repaid within 12 months if he wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

- a) The UK Government (such as the Debt Management Account Deposit Facility (DMADF), UK Treasury Bills or a Gilt with less than one year to maturity);
- b) Supranational bonds of less than one year's duration;



- c) A local authority, parish council or community council;
- d) Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. Money Market Funds, have to be rated AAA by Standard and Poor's, Moody's or Fitch rating agencies; and
- e) A body that is considered of a high credit quality (such as a bank or building society. This covers bodies with a minimum short term rating of P1/F1/A1 (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies.

Within these bodies, and in accordance with the Code, the Commissioner has set additional criteria to set the time and amount of monies which will be invested in these bodies. Non-specified investments will not be utilised.

- 1.1.5 **The Monitoring of Investment Counterparties** - The credit rating of counterparties will be monitored regularly. The Commissioner receives credit rating information (changes, rating watches and rating outlooks) from Capita Asset Services (CAS) as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by treasury management staff and if required new counterparties which meet the criteria will be added to the list.
- 1.1.6 The Treasury Management Strategy will include suitable criteria for assessing and monitoring the credit risk of investment counterparties which will be used to construct a lending list comprising time, type, sector, country and specific counterparty limits.
- 1.1.7 Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.
- 1.1.8 The Commissioner will use credit criteria to determine creditworthy counterparties for the placing of investments.
- 1.1.9 In the event that more than one rating agency provides a credit rating for a counterparty, then the lowest common denominator approach (LCD) must be applied when determining the rating for a particular counterparty.
- 1.1.10 Treasury Management Consultants will provide a weekly update of all ratings relevant to the Commissioner and notify the Commissioner of any changes to credit ratings during the week.
- 1.1.11 The approved counterparty list and type, limit and period of investment are determined by the criteria set out in the Annual Treasury Management Strategy.
- 1.1.12 The Commissioner should not place an over reliance on credit rating information. Other market information, such as concerns raised in the quality financial press, should also be used to ascertain the credit risk of a particular counterparty.

## **1.2 APPROVED METHODOLOGY FOR CHANGING LIMITS AND ADDING / REMOVING COUNTERPARTIES**

- 1.2.1 Credit ratings for individual counterparties can change at any time. The Chief Finance Officer & Deputy Chief Executive to the Office of the Police and Crime Commissioner (hereafter referred to as the CFO) is responsible for applying the stated credit rating criteria for selecting approved counterparties, and will add or delete counterparties as appropriate to / from the approved counterparty list when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers. This is delegated on a daily basis to staff in the treasury management function.

## **2. LIQUIDITY RISK MANAGEMENT**

### **2.1 CASH BALANCES, BORROWING AND INVESTMENTS**

- 2.1.1. The Commissioner will ensure adequate cash resources, borrowing arrangements and overdraft facilities, for the achievement of business/service objectives.
- 2.1.2 The Commissioner will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.
- 2.1.3 The Commissioner will maintain the following:
- a bank overdraft facility of £0.5m; and
  - liquid short term deposits of at least £2m available with a week's notice;
- 2.1.4 The Commissioner will also monitor the weighted average length of deposits so that the weighted average life of deposits is 2 months with a maximum of 3 months.

## **3. INTEREST RATE RISK MANAGEMENT**

### **3.1 Minimum/maximum proportions of variable rate debt/interest**

Maximum proportion of interest on borrowing which is subject to variable rate interest.	35 %
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Minimum proportion of interest on borrowing which is subject to variable rate interest	0 %
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### **3.2 Minimum/maximum proportions of fixed rate debt/interest**

Minimum proportion of interest on borrowing which is subject to fixed rate interest.	65 %
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Maximum proportion of interest on borrowing which is subject to fixed rate interest	100 %
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### **3.3 Forward Dealing**

Consideration will be given to dealing for forward periods dependent upon market conditions. When forward dealing is more than one week forward, the approval of the Principal Financial Accountant is required.

## **4. EXCHANGE RATE RISK MANAGEMENT**

### **4.1 Approved criteria for managing changes in exchange rate levels**

- a) As a result of the nature of the business, there may from time to time be exposure to exchange rate risk. This will arise from the receipt of income or the incurring of expenditure in a currency other than sterling. The Commissioner will adopt a full hedging strategy to control and add certainty to the sterling value of these transactions. This will mean that the Commissioner will eliminate all foreign exchange exposures as soon as they are identified.
- b) Where there is a contractual obligation to receive income or make a payment in a currency other than sterling at a date in the future, forward foreign exchange transactions will be considered. Unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity unless the Commissioner has a contractual obligation to make a payment in the same currency at a date in the future. In this instance, the currency will be held on deposit to meet this expenditure commitment.

## **5. REFINANCING RISK MANAGEMENT**

### **5.1 DEBT/OTHER CAPITAL FINANCING MATURITY PROFILING, POLICIES AND PRACTICES**

- 5.1.1 The organisation will ensure that its borrowing, private finance and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal financing, if required, which are competitive and as favourable to the Commissioner as can be reasonably achieved in light of the market conditions prevailing at the time.
- 5.1.2 The Commissioner will actively manage relationships with counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

## **6. LEGAL AND REGULATORY**

### **6.1 REFERENCES TO RELEVANT STATUTES AND REGULATIONS**

The treasury management activities of the Commissioner shall comply fully with legal statute and the regulations. These are:

- a) CIPFA's Treasury Management Code of Practice 2011;

- b) CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities;
- c) CIPFA Standard of Professional Practice on Treasury Management;
- d) The Prudential Code for Capital Finance in Local Authorities (2011 Edition);
- e) Local Government Act 2003;
- f) BoE Non Investment Products Code (April 2009);
- g) Standing Orders relating to Contracts;
- h) Financial Standing Orders, Regulations and Procedures;
- i) The Commissioner's Manual of Governance and Scheme of Delegation; and
- j) The Accounts and Audit (Wales) Amendment Regulations (2010).

## **6.2 PROCEDURES FOR EVIDENCING THE ORGANISATION'S POWERS/AUTHORITIES TO COUNTERPARTIES**

The Commissioner will prepare, adopt and maintain, as the cornerstones for effective treasury management:-

- a) a Treasury Management Strategy Statement, stating the overriding principles and objectives of his treasury management activities and, as an integral part of that Statement; and
- b) Treasury Management Practices, setting out the manner in which the Commissioner will achieve those principles and objectives, and prescribing how he will manage and control those activities.

## **6.3 REQUIRED INFORMATION FROM COUNTERPARTIES CONCERNING THEIR POWERS/AUTHORITIES**

Lending shall only be made to counterparties on the authorised list.

## **6.4 STATEMENT ON THE ORGANISATION'S POLITICAL RISKS AND MANAGEMENT OF SAME.**

The CFO shall take appropriate action with the Commissioner and the Chief Executive to respond and manage appropriately political risks.

## **7. FRAUD, ERROR AND CORRUPTION, AND CONTINGENCY MANAGEMENT**

### **7.1 DETAILS OF SYSTEMS AND PROCEDURES TO BE FOLLOWED, INCLUDING INTERNET SERVICES**

#### Authority:

- Loan procedures are defined in the Commissioner's Financial Standing Orders, Regulations and Procedures; and
- The Scheme of Delegation sets out the appropriate delegated levels. All loans and investments, are negotiated by authorised persons.

#### Occurrence:

- A detailed register of loans and investments is maintained and independently checked to the ledger balance;
- Adequate and effective cash flow forecasting records are maintained on the Treasury Management spreadsheet to support the decision to lend or borrow;
- A written acknowledgement of the deal is sent promptly in the case of borrowing from or lending to another counterparty; and
- All transactions placed through the brokers are confirmed by a broker note showing details of the loan arranged.

#### Completeness:

- The loans register is updated to record all lending and borrowing. This includes the date of the transaction, brokerage fees etc.

#### Measurement:

- The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy;
- The Treasury Management spreadsheet automatically calculates periodic interest payments of Public Works Loans Board (PWLB) and other long term loans. This is used to check the amount paid to these lenders; and
- Rates generated are compared with other local authorities and against the Treasury Strategy Statement.

#### Timeliness:

- The Assistant Financial Accountant Treasury Management ensures that money borrowed or lent is repaid on time.

#### Regularity:

- All lending is only made to institutions on the Approved List;
- All loans raised and repayments made go directly to and from the Commissioner's bank accounts;
- Limits on value are set for every category of specified and non-specified investments and institution;
- Brokers have a list of named officials authorised to perform loan transactions;
- There is adequate insurance cover for employees involved in loans management and accounting;

- The control totals on the Treasury Management spreadsheet for borrowing and lending are regularly reconciled with the ledger balance sheet codes under the direction of the Principal Financial Accountant (PFA).
- There is a separation of duties in the Section between the repayment of a loan and its checking and authorisation;
- The bank reconciliation is carried out regularly from the bank statement to the financial ledger; and
- The Assistant Financial Accountants have up to date financial code lists.

#### Security:

- The Treasury Management Investment spreadsheet can only be accessed by a password; and
- Payments can only be authorised by nominated persons, using the Lloyds Bank Financial Director System. The list of signatories having previously been agreed with the current provider of our banking services.

#### Substantiation:

- The Treasury Management spreadsheet balances are proved to the balance sheet ledger codes at the end of each month and at the financial year end. Working papers are retained for audit inspection.
- A debt charge/investment income listing is produced every time the debt charges/investment income is recalculated for budget monitoring purposes. A debt charge/investment listing is also produced at the financial year end and this document is retained for audit inspection. The method of accounting for unrealised losses or gains on the valuation of assets within the funds will comply with best CIPFA Accounting Code of Practice by reflecting the market value of the fund in the balance sheet. This will be agreed with external auditors.

## **7.2 EMERGENCY AND CONTINGENCY PLANNING ARRANGEMENTS**

If the Treasury System PC fails the software can be reinstalled on another PC that will then be able to access the appropriate files on the network. The Shared Resource Service (SRS) backs up the data on a daily basis.

CHAPS payments are normally made using the Lloyds Bank's Financial Director System. Balances can also be obtained from the same system. In the event of failure of the electronic system, alternative arrangements can be made by fax or e-mail.

## **7.3 INSURANCE COVER DETAILS.**

The PCC has general 'Fidelity' insurance cover of £1m, increased to £3m for specific posts within the Finance Department. This covers the loss of cash by fraud or dishonesty of employees and carries a £10,000 excess level.

The Commissioner also has a 'Business Interruption' cover of £1m as part of his insurance arrangements.

**8. MARKET RISK MANAGERMENTS**

**8.1 DETAILS OF APPROVED PROCEDURES AND LIMITS FOR CONTROLLING EXPOSURE TO INVESTMENTS WHOSE CAPITAL VALUE MAY FLUCTUATE (GILTS, CDS, etc.)**

The Commissioner currently does not invest in instruments where capital value can fluctuate.

## **TMP 2 PERFORMANCE MEASUREMENT**

### **2.1 METHODOLOGY TO BE APPLIED FOR EVALUATING THE IMPACT OF TREASURY MANAGEMENT DECISIONS**

The Commissioner carries out efficiency reviews on a rolling programme basis.

### **2.2 POLICY CONCERNING METHODS FOR TESTING VALUE FOR MONEY IN TREASURY MANAGEMENT**

#### **2.2.1 Frequency and processes for tendering**

The process for advertising and awarding contracts will be in line with Contract Standing Orders.

#### **2.2.2 Banking services**

Banking services will be re-tendered in accordance with Contract Standing Orders.

#### **2.2.3 Money-broking services**

The Commissioner will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them. An approved list of brokers will be established which takes account of both prices and quality of services.

#### **2.2.4 Consultants'/advisers' services**

The Commissioner currently uses CAS as treasury management consultants. The contract for this service is let in accordance with Contract Standing Orders.

#### **2.2.5 Policy on External Managers**

The Commissioner's current policy is to manage cash flow surpluses and deficits in-house. This policy will be kept under review.

### **2.3 METHODS TO BE EMPLOYED FOR MEASURING THE PERFORMANCE OF THE ORGANISATION'S TREASURY MANAGEMENT ACTIVITIES**

**2.3.1** Performance measured against Annual Treasury Strategy Statement targets.

**2.3.2** Compliance to CIPFA Code of Treasury Practice.

**2.3.3** Expenses contained within approved budget.



## **2.4 BENCHMARKS AND CALCULATION METHODOLOGY**

### **2.4.1 Debt management**

- a) Average rate on all external debt;
- b) Average rate on external debt borrowed in previous financial year;
- c) Average rate on internal borrowing;
- d) Average period to maturity of external debt;
- e) Average period to maturity of new loans in previous year; and
- f) Comparison with UK average for public sector bodies.

### **2.4.2 Investment.**

- a) The performance of in house investment earnings will be measured against the 7 day LIBID rate.

## **TMP 3 DECISION-MAKING AND ANALYSIS**

### **3.1 FUNDING, BORROWING, LENDING, AND NEW INSTRUMENTS/TECHNIQUES:**

#### **3.1.1 Records to be kept**

The Finance Department maintains a treasury management spreadsheet. All loan transactions and investments are recorded using this system.

The following records will be used relative to each loan or investment:

- a) Daily cash projections;
- b) Telephone and email rates;
- c) Dealing slips for all money market transactions – including rate changes;
- d) PWLB loan schedules;
- e) Temporary loan receipts;
- f) Market bond certificates;
- g) Special loan certificates; and
- h) Brokers confirmations for deposits/investments.

#### **3.1.2 Processes to be pursued**

- a) Cash flow analysis;
- b) Maturity Analysis;
- c) Security Analysis;
- d) Liquidity Analysis (Weighted Average Life);
- e) Yield Analysis;
- f) Ledger reconciliations;
- g) Review of borrowing requirement;
- h) Monitoring of projected loan charges, interest and expenses costs;
- i) Collation of monthly performance information; and
- j) Monitoring against Prudential Limits.

#### **3.1.3 Issues to be addressed**

##### **3.1.3.1. In respect of every decision made the organisation will:**

- a) Above all be clear about the nature and extent of the risks to which the organisation may become exposed;
- b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained;
- c) Be content that the documentation is adequate both to deliver the organisation's objectives and protect the organisation's interests, and to deliver good housekeeping;
- d) Ensure that third parties are judged satisfactory in the context of the organisation's creditworthiness policies, and that limits have not been exceeded; and
- e) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

**3.1.3.2 In respect of borrowing and other funding decisions, the organisation will:**

- a) Evaluate the economic and market factors that might influence the manner and timing of any decision to fund;
- b) Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships;
- c) Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use; and
- d) Consider the ongoing revenue liabilities created, and the implications for future plans and budgets.

**3.1.3.3 In respect of investment decisions, the organisation will:**

- a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions; and
- b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the organisation to changes in the value of its capital.

## **TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

### **4.1. APPROVED ACTIVITIES OF THE TREASURY MANAGEMENT OPERATION**

- a) Borrowing;
- b) Lending;
- c) Debt repayment and rescheduling;
- d) Consideration, approval and use of new financial instruments and treasury management techniques;
- e) Managing the underlying risk associated with the capital financing and surplus funds activities;
- f) Managing cash flow;
- g) Banking activities;
- h) Leasing; and
- i) Managing the underlying exchange rate risk associated with business activities.

### **4.2. APPROVED INSTRUMENTS FOR INVESTMENTS**

All investments will comply with the Annual Treasury Management Strategy and the guidance issued by the Welsh Government on Investment Strategy issued under Section 15(1)(a) of the Local Government Act 2003. The instruments available for investment and the limitations on their use will be listed in the appendix to the Annual Treasury Management Strategy.

### **4.3. APPROVED METHODS AND SOURCES OF RAISING CAPITAL FINANCE**

Finance will only be raised in accordance with the Prudential Code. The Commissioner has a number of approved methods and sources of raising capital finance. These are:

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB	●	●
European Investment Bank	●	●
Market (long-term or temporary)	●	●
Market (Lender Option Borrower Option)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Leasing (not operating leases)	●	●
Deferred Purchase	●	●

### **Other Methods of Financing**

- a) Government and EC Capital Grants;
- b) Lottery monies;
- c) Private Finance Initiative/Public Private Partnerships;
- d) Operating leases; and
- e) Joint arrangements.

All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The CFO has delegated powers in accordance with Standing Orders, Financial Regulations, the Scheme of Delegated Powers and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

## **TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS**

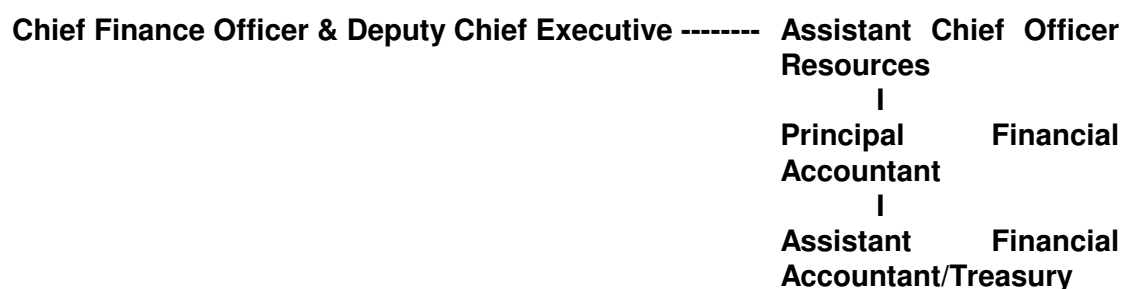
### **INDEX OF SCHEDULES**

- 5.1 Limits to responsibilities/discretion**
- 5.2 Treasury management organisation chart**
- 5.3 Statement of duties/responsibilities of each treasury post**
- 5.4 Absence cover arrangements**
- 5.5 Dealing Limits**
- 5.6 List of approved brokers**
- 5.7 Policy on brokers' services**
- 5.8 Policy on taping of conversations**
- 5.9 Direct dealing practices**
- 5.10 Settlement transmission procedures**
- 5.11 Documentation requirements**

## 5.1 LIMITS TO RESPONSIBILITIES/DISCRETION

- a) The CFO will be responsible for recommending amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- b) The CFO will approve the segregation of responsibilities; and
- c) The CFO will receive and review external audit reports concerning treasury management and put recommendations to the Joint Audit Committee and/or Commissioner.

## 5.2 TREASURY MANAGEMENT ORGANISATION CHART



## 5.3 STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST

### 5.3.1 CFO

- a) The CFO will:
  - i. Recommend clauses, treasury management policy / practices for approval, reviewing the same on a regular basis, and monitoring compliance;
  - ii. Submit treasury management policy reports as required;
  - iii. Submit budgets and budget variations in accordance with Financial Regulations and Procedures;
  - iv. Receive and review management information reports;
  - v. Review the performance of the treasury management function and promote best value reviews;
  - vi. Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
  - vii. Ensure the adequacy of internal audit, and liaising with external audit; and
  - viii. Recommend on appointment of external service providers in accordance with standing orders.

- b) The CFO has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments;
- c) Power to borrow and invest may be delegated to members of the Finance Section. The Assistant Financial Accountant Treasury Management (or staff authorised by the Principal Financial Accountant (PFA) to act as temporary cover for leave/sickness) must conduct all dealing transactions;
- d) The PFA will ensure that the Policy is adhered to, and if not will bring the matter to the attention of the CFO as soon as possible;
- e) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the PFA to be satisfied that the proposed transaction does not breach any statute, external regulation or the Financial Regulations and Procedures; and
- f) It is also the responsibility of the PFA to ensure that the Commissioner complies with the requirements of The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

### **5.3.2 Assistant Financial Accountant – Treasury Management**

The responsibilities of this post will be: -

- a) Execution of transactions;
- b) Adherence to agreed policies and practices on a day-to-day basis;
- c) Maintaining relationships with third parties and external service providers;
- d) Monitoring performance on a day-to-day basis;
- e) Submitting management information reports to the Principal Management Accountant (PMA) and PFA ; and
- f) Identifying and recommending opportunities for improved practices.

### **5.3.3 Chief Executive**

The responsibilities of this post will be: -

- a) Ensuring that the CFO reports regularly to the Commissioner on treasury policy, activity and performance.

### **5.3.4 Monitoring Officer**

The responsibilities of this post will be: -

- a) Ensuring compliance by the CFO with the treasury management policy statement and treasury management practices and that they comply with the law.
- b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice; and



- c) Giving appropriate advice to the CFO when advice is sought.

#### **5.3.5 Internal Audit**

The responsibilities of Internal Audit will be: -

- a) Reviewing compliance with approved policy and procedures;
- b) Reviewing division of duties and operational practice;
- c) Assessing value for money from treasury activities; and
- d) Undertaking probity audit of treasury function.

#### **5.4 ABSENCE COVER ARRANGEMENTS**

In the absence of the Assistant Financial Accountant - Treasury his/her treasury management duties are carried out by the PFA or a member of staff in the Finance Department nominated by the PFA.

#### **5.5 DEALING LIMITS**

Dealing limits are set out in the Annual Treasury Management Strategy.

#### **5.6 LIST OF APPROVED BROKERS**

A list of approved brokers is maintained within the Finance Department and a record of all transactions recorded against them.

#### **5.7 POLICY ON BROKERS' SERVICES**

It is the Commissioner's policy to allocate business to the brokers offering the best rate on the day.

#### **5.8 POLICY ON TAPING OF CONVERSATIONS**

It is not Commissioner's policy to tape brokers' conversations

#### **5.9 DIRECT DEALING PRACTICES**

Direct dealing contacts are established with the Commissioner's own bank and several other banks and building societies via the use of Business Reserve Accounts. Direct dealing can bring additional benefits e.g. may take smaller amounts for deposits and may lend direct as well saving on broking fees.

#### **5.10 SETTLEMENT TRANSMISSION PROCEDURES**

The Assistant Financial Accountant – Treasury Management will produce documentation to support the transaction set up within the Finance Director system. An approved signatory will authorise the payment, noting the Financial Director transaction reference number.

#### **5.11 DOCUMENTATION REQUIREMENTS**

For each deal undertaken, a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

## **TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGMENTS**

### **6.1 ANNUAL TREASURY MANAGEMENT STRATEGY STATEMENT**

- 6.1.1 The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Commissioner for approval before the commencement of each financial year.

The formulation of the annual Treasury Management Strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter term variable interest rates. For instance, this organisation may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.

- 6.1.2 The Treasury Management Strategy is concerned with the following elements:-

- a) The current Treasury portfolio position;
- b) The prospects for interest rates;
- c) The limits placed by this organisation on treasury activities;
- d) The expected borrowing strategy;
- e) The expected temporary investment strategy;
- f) The policy concerning retention of the set aside capital receipts;
- g) The expectations for debt rescheduling;
- h) Borrowing requirements; and
- i) Any extraordinary treasury issue.

- 6.1.3 The Treasury Management Strategy will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

### **6.2 ANNUAL INVESTMENT STRATEGY**

- 6.2.1 One of the consequences of the introduction under the Local Government Act 2003 of the Prudential Code for Capital Finance in Local Authorities, was the withdrawal of the approved investment regulations. In place of the regulations, guidance on investment practice was formally issued by the Welsh Government requiring all local authorities to formulate an annual investment strategy to be adopted by the Commissioner prior to the start of the financial year.

- 6.2.2 The Annual Investment Strategy will cover the following:

- a) Investment Principles;
- b) Specified and Non-Specified Investments;

- c) Permitted Investments;
- d) Liquidity;
- e) Security of Capital;
- f) Investment Limits; and
- g) External Fund Managers.

### **6.3 POLICY ON INTEREST RATE EXPOSURE**

- 6.3.1 The Commissioner approves before the beginning of each financial year the following treasury limits:-
- a) The amount of the overall borrowing limit which may be outstanding by way of short term borrowing; and
  - b) The maximum proportion of interest on borrowing which is subject to variable rate interest.
- 6.3.2 The CFO is responsible for incorporating these limits into the Annual Treasury Management Strategy, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the CFO shall submit the changes for approval to the Commissioner.

### **6.4 ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITY**

An annual report will be presented to the Commissioner at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following: -

- a) A comprehensive picture for the financial year of all treasury policies, plans, activities and results;
- b) Transactions executed and their revenue (current) effects;
- c) Report on risk implications of decisions taken and transactions executed;
- d) Monitoring of compliance with approved policy, practices and statutory / regulatory requirements;
- e) Monitoring of compliance with powers delegated to officers;
- f) Degree of compliance with the original strategy and explanation of deviations;
- g) Explanation of future impact of decisions taken on the organisation;
- h) Measurements of performance; and
- i) Report on compliance with CIPFA Code recommendations.

## **6.5 MANAGEMENT INFORMATION REPORTS**

Management information reports will be prepared every month by the Principal Financial Accountant and will be presented to the CFO.

These reports will contain the following information: -

- a) A summary of transactions executed and their revenue (current) effects;
- b) Measurements of performance including effect on borrowing charges/investment income; and
- c) Degree of compliance with original strategy and explanation of variances.

## **6.6 PERIODIC MONITORING COMMITTEE REPORTS**

The Commissioner will receive and consider as a minimum:

- a) An annual treasury strategy before the commencement of the new financial year;
- b) An annual investment strategy before the commencement of the new financial year; and
- c) An annual treasury management activity report before the 30<sup>th</sup> September after the year end to which it relates; and
- d) A mid-year monitoring report.

## **TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**

### **7.1 STATUTORY/REGULATORY REQUIREMENTS**

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices.

### **7.2 ACCOUNTING PRACTICES AND STANDARDS**

Due regard is given to the Statements of Recommended Practice and Accounting Standards as they apply to the Police Service in Great Britain. The Commissioner adopts in full the principles set out in CIPFA's 'Code of Best Practice and Guide for Treasury Management in the Public Services' (the 'CIPFA Code and Guide'), together with those of its specific recommendations that are relevant to this organisation's treasury management activities.

### **7.3 LIST OF INFORMATION REQUIREMENTS OF EXTERNAL AUDITORS.**

The following information is required by the external auditor:-

- a) Reconciliation of loans interest and premiums paid to financial ledger by loan type;
- b) Maturity analysis of loans outstanding;
- c) Calculation of loans interest and debt management expenses;
- d) Annual Treasury Report;
- e) Calculation of Revenue Interest;
- f) Analysis of any Deferred Charges;
- g) Principal and interest charges from Treasury Management records; and
- h) Interest accruals calculation from Treasury Management records.

### **7.4 Monthly Budget Monitoring Report**

This report will consider year to date and forecast outturn against budget with variances examined in terms of interest and expense rates derived from the treasury management records.

### **7.5 Budget Setting Exercise**

A budget for interest paid and received, expenses and minimum revenue provision is prepared as part of a budget setting exercise.

## **TMP 8 CASH AND CASH FLOW MANAGEMENT**

### **8.1 ARRANGEMENTS FOR PREPARING/SUBMITTING CASH FLOW STATEMENTS**

The Assistant Financial Accountant - Treasury Management responsible for day to day treasury management activities maintains a rolling annual cash flow budget, which is revised daily.

### **8.2 LISTING OF SOURCES OF INFORMATION**

In drawing up cash flow projections the following sources of information are used:

- a) Payroll for salaries, national insurance, superannuation and income tax information;
- b) Treasury Management spreadsheet for interest and loans principal payments;
- c) Precept income;
- d) Grant income;
- e) Pensions lump sums;
- f) Police pension account surplus/deficit payments;
- g) Income forecasts; and
- h) Creditor payment schedules.

### **8.3 BANK STATEMENT PROCEDURES**

Bank Statements are reconciled against payment and income records on the General Ledger. Finance staff check all items going through the financial ledger to the Bank Statement and investigate discrepancies. Presented cheque information is also uploaded and recorded against cheques drawn, general ledger and bank statements.

### **8.4 PAYMENT SCHEDULING AND AGREED TERMS OF TRADE WITH CREDITORS**

The policy is to pay creditors within 30 days of the invoice date and this effectively schedules the payments. Certificated payments to sub-contractors must be paid within 14 days.

### **8.5 ARRANGEMENTS FOR MONITORING DEBTORS / CREDITORS LEVELS**

The creditors section provides the PFA with monthly statistics of invoices paid and the percentage paid within 30 days.

### **8.6 PROCEDURES FOR BANKING OF FUNDS**

All money received by officers on behalf of the Commissioner will without unreasonable delay be paid to the Cashier or deposited in the Commissioner's bank

accounts. Details are included in the Financial Regulations and Financial Procedures.

#### **8.7 PRACTICES CONCERNING PREPAYMENTS TO OBTAIN BENEFITS**

All prepayments must be authorised by the CFO.



## **TMP 9 MONEY LAUNDERING**

### **9.1 Statutory Requirements**

The Commissioner is not directly required to implement the requirements of the Money Laundering Regulations 2003, but the implications of the Terrorism Act 2000, the Anti-Terrorism, Crime and Security Act 2001 and The Proceeds of Crime Act 2002 place an onus of responsibility on individuals associated with treasury process to consider its implications. It follows that officers involved in treasury management activities must be alert to the possibility that the Commissioner may become the subject of an attempt to involve him in a transaction involving the laundering of money and aware of their reporting responsibility in those circumstances.

### **9.2 PROCEDURES FOR ESTABLISHING IDENTITY / AUTHENTICITY OF LENDERS**

The Commissioner does not accept loans from individuals. All material loans are obtained through brokers, from other local authorities or from authorised institutions. Receipts will normally be paid by BACS or cheques and the relevant bank will be required to comply with money laundering regulations for their customer. Any cash deposits must without delay be reported to the CFO as the nominated Money Laundering Reporting Officer (MLRO).

### **9.3 METHODOLOGIES FOR IDENTIFYING SOURCES OF DEPOSITS**

In the course of its Treasury activities, the Commissioner will only lend money to or invest with those counterparties that are on his approved lending list.

### **9.4 REPORTING PROCEDURES**

- a) Any person in the organisation having reasonable grounds for suspecting money laundering must report their suspicions without delay to the CFO, as nominated Money Laundering Reporting Officer;
- b) On receipt of a disclosure the MLRO should consider, in the light of all information, whether it gives rise to such knowledge or suspicion; and
- c) If the MLRO determines that the information or matter should be disclosed he should do so to the National Criminal Intelligence Service.

### **9.5 TRAINING**

Relevant employees must be made aware of their responsibilities relating to money laundering and receive appropriate training in recognising and dealing with transactions which may be related to money laundering.

## **TMP 10 TRAINING AND QUALIFICATIONS**

- 10.1** Details of staff and relevant member training needs will be identified as part of the Personal Development Reviews.
- 10.2** Training and training updates will be provided as appropriate on the Treasury Management system
- 10.3** Treasury Management seminars will be attended as appropriate.
- 10.4** The CFO and Assistant Chief Officer – Resources, are committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

## **TMP 11 USE OF EXTERNAL SERVICE PROVIDERS**

### **11.1 DETAILS OF CONTRACTS WITH SERVICE PROVIDERS, INCLUDING BANKERS, BROKERS, CONSULTANTS, ADVISERS**

#### **11.1.1 Banking services**

- a) Name of supplier of service is the Lloyds Bank. The branch address is 1 Gwent Square, Town Centre, Cwmbran, NP44 1XN.
- b) Contract commenced in December 2014.
- c) Cost of service is dependent on transaction volumes through the account.

#### **11.1.2 Money-broking services**

Names of suppliers of service:

Martin Brokers (UK) plc  
Prebon Yamane  
Tradition UK Limited  
Icap

#### **11.1.3 Capita Asset Services**

40 Dukes Place  
London  
EC3A 7NH

### **11.2 PROCEDURES AND FREQUENCY FOR TENDERING SERVICES**

See TMP2

## **TMP 12 CORPORATE GOVERNANCE**

### **12.1 LIST OF DOCUMENTS TO BE MADE AVAILABLE FOR PUBLIC INSPECTION**

**Statement of Accounts (PCC Group and Chief Constable)**  
**Annual Budget**  
**3 Year Capital Plan;**  
**Treasury Management Strategy**  
**Mid Year Monitoring Report(s)**  
**Annual Treasury Report**  
**Annual Investment Strategy**  
**Relevant Decisions of the Commissioner**

<b><u>OFFICE OF THE POLICE &amp; CRIME COMMISSIONER</u></b>	
<b>TITLE:</b>	<b>Medium Term Financial Plan 2015/16 to 2018/19</b>
<b>DATE:</b>	<b>12<sup>th</sup> December 2014</b>
<b>TIMING:</b>	<b>Routine</b>
<b>PURPOSE:</b>	<b>For Consideration</b>
<b>1.</b>	<b><u>RECOMMENDATION</u></b>
1.1	To consider the Medium Term Financial Projections for 2015/16 to 2018/19.
<b>2.</b>	<b><u>INTRODUCTION &amp; BACKGROUND</u></b>
2.1	This report shows the group financial projections for the financial years 2015/16 to 2018/19, which identify a recurring deficit of £2.252m by 2018/19.
2.2	As part of the on-going Staying Ahead Programme, the financial projections include estimated recurring efficiency schemes amounting to £16.269m.
2.3	The 2015/16 budget setting round represents the second and final year of the 2013 CSR. The preceding 2010 CSR period (2011/12 to 2014/15) required the delivery of significant financial efficiencies and budget reductions. The Staying Ahead Programme was initiated to address these targets and has currently delivered cumulative recurring savings of £28.3m. CSR 2013 (which covers 2014/15 and 2015/16) continues the need to deliver further significant efficiencies and budget reductions.
2.4	The Medium Term Financial Projections (MTFPs) have been updated for the anticipated implications of CSR 2013 and now indicate a balanced budget can be achieved for 2015/16 after the application of £4.506m of potential Staying Ahead efficiency schemes and the use of £1.005m of reserves.
2.5	The MTFP report was presented to the Strategy and Performance Board on the 25 <sup>th</sup> November 2014 and to the Joint Audit Committee (JAC) on the 3 <sup>rd</sup> December 2014. Members of the JAC have considered and provided comment on the budget setting process as per the terms of reference of the Committee. This report is now presented to the Police and Crime Panel as part of the precept setting deliberations.
<b>3.</b>	<b><u>ISSUES FOR CONSIDERATION</u></b>
3.1	<b>Police Funding Announcement 2015/16</b>
3.2	The Provisional Police Settlement for 2015/16 is likely to be announced on the 17 <sup>th</sup> December 2014. This marks the start of the formal consultation which will be completed with the announcement of the final settlement in late January 2015.
3.3	The MTFP is based upon revised funding assumptions (revised in March 2014), which now indicate a further reduction in the level of funding from the Home Office, above that anticipated in the MTFP presented when determining the 2014/15 budget.

3.4	The Home Office are yet to announce the level of capital funding for 2015/16.
3.5	<b>Council Tax Increases 2015/16 (Appendix 1a)</b>
3.6	The MTFP assumes that the Band D council tax increase will increase to 3.50% in 2015/16 and 4.00% in 2016/17, 2017/18 and 2018/19. The Council Tax Base is assumed to be maintained at the growth rate for 2013/14 of 0.88%, which is the underlying growth after taking recognition of the impact of the Council Tax Support Scheme (CTSS). The growth rate in 2014/15 was affected by adjustments to the CTSS and it is felt that the growth rate for 2013/14 is more representative of the increase expected for 2015/16.
3.7	On the basis of the significant inherent risk in delivering the future Staying Ahead programme, the Commissioner is considering an additional increase of 0.49% on the Band D council tax for 2015/16, taking the overall increase to 3.99%. The financial impact of this is to increase planned council tax receipts by an additional £0.211m in 2015/16, thereby reducing the amount of reserves required to balance the budget next year from £1.055m to £0.794m and also reducing the 2018/19 net recurrent deficit from £2.252m to £2.007m.
3.8	It has been assumed that there will be no further impact from the Council Tax Support Scheme in 2015/16.
3.9	The incremental impact of change to the growth in precept away from the projected growth rate of 3.50% is shown at Appendix 1a.
3.10	<b>Medium Term Financial Projections 2015/16 to 2018/19</b>
3.11	The current MTFP is shown at Appendix 1b, with the detailed assumptions, service pressures/developments and efficiency initiatives which support the projections at Appendices 2 to 4c.
3.12	Members will note that although a balanced recurring budgetary position could be achieved in 2015/16, the forecast indicated in CSR 2013, coupled with internal assumptions beyond this, present further funding pressures. It is forecast that this will form a recurring funding deficit of £2.252m by 2018/19.
3.13	<b>Funding Assumptions (Appendix 2)</b>
3.14	The funding bases and assumptions for Central Government Funding, is assumed to reduce by 4.50% in 2015/16 and a further 3.00% per annum to the end of the MTFP. It is anticipated that Home Office (HO) Specific Grants and Welsh Government (WG) Specific Grants are assumed to remain at levels consistent with the 2014/15 projections.
3.15	The Council Tax Precept is assumed to increase by 3.50% in 2015/16 and 4.00% in 2016/17, 2017/18 and 2018/19. This represents an increase on the 2.66% growth that was agreed for the 2014/15 financial year. As previously stated, the Council Tax Base is assumed to increase at a rate consistent with the growth in 2013/14 after taking recognition of the Council Tax Support Scheme. No further impact of the Council Tax Support Scheme is anticipated before the end of the financial projections.

3.16	<b>Expenditure Assumptions (Appendices 2 and 3)</b>
3.17	The assumptions for pay awards, allowances, enhancements and non-staff inflation remain consistent with those used in the 2014/15 budget setting round.
3.18	Expenditure developments and pressures have been identified during the detailed budget preparation, which are not able to be absorbed within the existing budget. These are shown at Appendix 3 and have been scrutinised by both the Chief Officer Team (COT) and also the Office of the Police and Crime Commissioner (OPCC). Future years reflect an estimate of the unknown pressures that will arise, to ensure that a more realistic assessment of the funding pressures is shown.
3.19	It has been identified that the proposed move to a single state pension is likely to have a major impact upon the chargeable rates of Employer National Insurance. It is currently assessed that this will become a significant cost pressure in 2016/17. This has been estimated to be an additional cost of approximately £2.541m. As further details are announced, a more accurate assessment will be made of this pressure.
3.20	No additional costs of capital investment have been reflected as yet, however this cannot be discounted as the respective ICT, Estate and Fleet Strategies are progressed.
3.21	<b>Value For Money Profiles 2014</b>
3.22	The Value For Money (VFM) profiles have been produced by Her Majesty's Inspectorate of Constabulary (HMIC) for the past four financial years. The main purpose of these profiles is to help forces compare performance and costs. They are designed for use by force management, Police and Crime Commissioners as well as the HMIC. The comparisons are across all English and Welsh forces, but exclude the Metropolitan Police and City of London Police, due to their uniqueness of data.
3.23	The profiles consider the data for each force under two distinct sections – Costs, Workforce and Demand/Performance, and Offences and Outcomes. For the purposes of this report only the expenditure element of the former section will be considered.
3.24	For the purposes of comparison, the profiles show Gwent data against all other forces, with particular reference to the Most Similar Group (MSG). The MSG for Gwent in 2014/15 is as follows:- Humberside; Durham; South Wales; Lancashire; Northumbria; Northamptonshire; and South Yorkshire.

3.25	<p>In addition to summarised force data, the functions that are shown in the profiles are:-</p> <p>Local policing;</p> <p>Dealing with the public;</p> <p>Criminal justice arrangements;</p> <p>Roads policing;</p> <p>Operational support;</p> <p>Intelligence;</p> <p>Investigations;</p> <p>Investigative support;</p> <p>Support functions;</p> <p>National policing; and</p> <p>PCC/Local policing bodies.</p> <p>Each of these are analysed further into functional areas to aid the process of understanding.</p>																																																																						
3.26	<p>The findings of the profiles can be summarised, showing where functions lie against the national average; whether the highest cost in the MSG; and when considered an outlier by the HMIC:-</p> <table><tr><th></th><th>Function</th><th>National Average</th><th>Position in MSG</th><th>HMIC Outlier</th></tr><tr><td>1</td><td>Local Policing</td><td>Above</td><td>3<sup>rd</sup></td><td>No</td></tr><tr><td>2</td><td>Dealing with the public</td><td>Above</td><td>3<sup>rd</sup></td><td>No</td></tr><tr><td>3</td><td>Criminal justice arrangements</td><td>Below</td><td>7<sup>th</sup></td><td>No</td></tr><tr><td>4</td><td>Roads policing</td><td>Above</td><td>3<sup>rd</sup></td><td>No</td></tr><tr><td>5</td><td>Operational support</td><td>Above</td><td>1<sup>st</sup></td><td>Yes</td></tr><tr><td>6</td><td>Intelligence</td><td>Above</td><td>1<sup>st</sup></td><td>Yes</td></tr><tr><td>7</td><td>Investigations</td><td>Above</td><td>1<sup>st</sup></td><td>Yes</td></tr><tr><td>8</td><td>Investigative support</td><td>Above</td><td>1<sup>st</sup></td><td>Yes</td></tr><tr><td>9</td><td>Support functions</td><td>Above</td><td>1<sup>st</sup></td><td>Yes</td></tr><tr><td>10</td><td>OPCC</td><td>Above</td><td>2<sup>nd</sup></td><td>No</td></tr><tr><td>11</td><td>Central costs</td><td>Below</td><td>Not shown</td><td>Not shown</td></tr><tr><td>12</td><td>National policing</td><td>Below</td><td>2<sup>nd</sup></td><td>No</td></tr><tr><td>13</td><td>Overall</td><td>Above</td><td>1<sup>st</sup></td><td>Yes</td></tr></table>		Function	National Average	Position in MSG	HMIC Outlier	1	Local Policing	Above	3 <sup>rd</sup>	No	2	Dealing with the public	Above	3 <sup>rd</sup>	No	3	Criminal justice arrangements	Below	7 <sup>th</sup>	No	4	Roads policing	Above	3 <sup>rd</sup>	No	5	Operational support	Above	1 <sup>st</sup>	Yes	6	Intelligence	Above	1 <sup>st</sup>	Yes	7	Investigations	Above	1 <sup>st</sup>	Yes	8	Investigative support	Above	1 <sup>st</sup>	Yes	9	Support functions	Above	1 <sup>st</sup>	Yes	10	OPCC	Above	2 <sup>nd</sup>	No	11	Central costs	Below	Not shown	Not shown	12	National policing	Below	2 <sup>nd</sup>	No	13	Overall	Above	1 <sup>st</sup>	Yes
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	The profiles indicate that Gwent Police is viewed as an outlier overall, but with particular reference to Operational support, Intelligence, Investigations, Investigative support and Support Functions.	
3.27	Sub-analysis of the profiles demonstrates the areas that can be viewed as expensive and can be summarised as follows:-	
	<b>Function</b>	<b>Focus areas</b>
1	Local policing	Neighbourhood policing and Response Specialist community liaison
2	Dealing with the public	Central communications unit
3	Criminal justice arrangements	All areas currently at average or below
4	Roads policing	All areas
5	Operational support	All areas
6	Intelligence	All areas
7	Investigations	Public protection Major investigation unit Command team and support overheads
8	Investigative support	All areas
9	Support functions	Estates ICT Fleet services Professional standards
10	OPCC	All areas
11	Central costs	None
12	National policing	None
	<p>Whilst the table above indicates the areas that could provide greater efficiency and cashable savings, it does not quantify the scale that could be achieved. To quantify this, an exercise has been performed to provide an indication of possible savings.</p>	
3.28	The VFM profiles provide two average costs for each workstream and function - an all force average per head of population and a MSG average per head of population. Using these averages, and the population for Gwent, it is possible to calculate a potential proportional budget.	
3.29	<p>Whilst each of the averages can be used as indicators, it should be noted that they each display characteristics, which may impact upon their use.</p> <p>The average of all forces could show a distortion due to larger force areas, different concentrations of population (rural vs. city) and different types of crime impacting upon demand. Conversely, the use of the MSG average whilst being more representative with closer matches for demography and</p>	

	crime may not provide enough of a stretch in challenging cost profiles.																																																																						
3.30	<p>By applying the all force average, the 2014/15 Gwent budget (£120m) would reduce by £20.4m. By applying the MSG average, the budget would reduce by £13.6m.</p> <p>But by applying these averages simply, the calculation artificially increases the cost bases of functions that are already below either of the averages. Therefore, an assumption has been made that where a function is below the average it is maintained, if it is above the average, it is reduced to that level of spend.</p> <p>Using this assumption, by applying the all force average, the Gwent budget would reduce by £25.684m. By applying the MSG average, the budget would reduce by £18.698m.</p>																																																																						
3.31	<p>The indicative functional savings are shown at Appendix 1. In summary, these are as follows:-</p> <table><tr><th></th><th>Function</th><th>2014/15 Base Budget £'m</th><th>All Force Savings £'m</th><th>MSG Savings £'m</th></tr><tr><td>1</td><td>Local policing</td><td>43.064</td><td>6.750</td><td>2.813</td></tr><tr><td>2</td><td>Dealing with the public</td><td>7.215</td><td>1.012</td><td>0.209</td></tr><tr><td>3</td><td>Criminal justice arrangements</td><td>5.381</td><td>0.301</td><td>0.243</td></tr><tr><td>4</td><td>Roads policing</td><td>3.606</td><td>0.850</td><td>0.503</td></tr><tr><td>5</td><td>Operational support</td><td>6.633</td><td>2.580</td><td>1.911</td></tr><tr><td>6</td><td>Intelligence</td><td>6.151</td><td>1.947</td><td>1.635</td></tr><tr><td>7</td><td>Investigation</td><td>12.814</td><td>4.233</td><td>3.670</td></tr><tr><td>8</td><td>Investigative support</td><td>4.048</td><td>1.385</td><td>1.117</td></tr><tr><td>9</td><td>National policing</td><td>0.853</td><td>1.199</td><td>1.257</td></tr><tr><td>10</td><td>Support functions</td><td>24.376</td><td>5.062</td><td>5.084</td></tr><tr><td>11</td><td>OPCC</td><td>2.530</td><td>0.174</td><td>0.065</td></tr><tr><td>12</td><td>Central costs</td><td>2.847</td><td>0.193</td><td>0.193</td></tr><tr><td>13</td><td>Net Revenue Budget</td><td>119.518</td><td>25.684</td><td>18.698</td></tr></table>		Function	2014/15 Base Budget £'m	All Force Savings £'m	MSG Savings £'m	1	Local policing	43.064	6.750	2.813	2	Dealing with the public	7.215	1.012	0.209	3	Criminal justice arrangements	5.381	0.301	0.243	4	Roads policing	3.606	0.850	0.503	5	Operational support	6.633	2.580	1.911	6	Intelligence	6.151	1.947	1.635	7	Investigation	12.814	4.233	3.670	8	Investigative support	4.048	1.385	1.117	9	National policing	0.853	1.199	1.257	10	Support functions	24.376	5.062	5.084	11	OPCC	2.530	0.174	0.065	12	Central costs	2.847	0.193	0.193	13	Net Revenue Budget	119.518	25.684	18.698
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3.32	<p>These findings provide supporting information to the identification of future efficiency savings, but must not be viewed as prescriptive targets for the workstreams. The submissions from each force may vary due to local structures and requirements, therefore the comparisons can only be used as indicators for areas of investigation for saving delivery.</p>																																																																						
3.33	<p>The content of the VFM Profile 2014 Report will be used by the Staying Ahead Programme to support the identification of future efficiency savings.</p>																																																																						

3.34	<b>Efficiency Opportunities (Appendices 4a to 4c)</b>
3.35	<p>Appendix 4a shows budget reductions identified through the detailed budget setting process.</p> <p>Appendix 4b shows the efficiencies identified through the acceleration of existing schemes, together with new opportunities that have arisen since the previous budget setting cycle.</p> <p>The projected decrease in funding from central government over and above that predicted in the last budget setting process, has led to a re-assessment of the approach needed to generate savings which will allow a sufficient and sustainable budget to be delivered by the end of the MTFP projections in 2018/19.</p> <p>During recent months, a project initiation document (PID) has been presented to, and supported by, the PCC, which recommended the creation of a project team to drive the delivery of these savings. This project, which will be titled Staying Ahead 8, has entered the mobilisation stage and is currently working towards the identification of an operational policing model by the end of the calendar year, for implementation from 1<sup>st</sup> April 2015. Further plans for the enabling departments will be identified upon completion of this initial stage. Work that is currently in progress on existing schemes under previous Staying Ahead phases will continue, unless they no longer remain viable, or are not viewed as complimentary to Staying Ahead 8.</p>
3.36	<p>The principles that will be followed for this latest phase are as follows:-</p> <ul style="list-style-type: none"> <li>• One message; consistent approach</li> <li>• Protect the front line</li> <li>• Focus on non-pay</li> <li>• Flatten supervisory structures</li> <li>• Remove organisational barriers</li> <li>• Pump Priming / Invest to save</li> <li>• Consideration of precept</li> <li>• Enhanced commissioning</li> <li>• Support for greater collaboration</li> <li>• Support in reviewing all areas</li> </ul> <p>This will ensure the delivery of the PCC's priorities through the design and implementation of a sustainable service delivery model.</p>
3.37	<p>The initial scoping for the PID has indicated a number of areas that are viewed as in scope for the delivery of efficiency savings. These encompass the whole budget and, as such, include the following areas:-</p> <ul style="list-style-type: none"> <li>a) The Police Officer Establishment;</li> <li>b) The Police Staff Establishment;</li> <li>c) The Community Support Officer Establishment; and</li> <li>d) Non-Staff Expenditure Budgets.</li> </ul>

	The detailed plans for these savings will be determined by the project team, but initial consideration of existing structures and budgets, combined with the findings of the VFM Profiles for 2013 and 2014 have presented scoping savings, which are shown at Appendix 4c.
3.38	<b>Police Officer and Police Staff Flightpaths (Appendices 5a and 5b)</b>
3.39	Appendices 5a and 5b highlight a range of scenarios indicating how police officer and staff establishments could reduce over the following three years (the solid coloured lines). The flightpaths currently reflect progress against the planned reductions in establishment through the implementation of all Phase 6 and 7 schemes (the dotted black lines). Phase 8 of the Staying Ahead Programme will redefine these targets and will be presented when the operating model has been finalised and approved. The flightpaths receive continued scrutiny by Chief Officers, to ensure performance against the Staying Ahead Programme and the impact upon the MTFP.
4.1	<b>Financial Performance to 30<sup>th</sup> September 2014 (Appendix 6a and 6b)</b>
4.2	At 30 <sup>th</sup> September 2014, the Revenue account shows savings of £2,410,000 (Appendix 6a, Line 32) for the first six months of the 2014/15 financial year.
4.3	Police Officer Salaries and Allowances show total savings against budget of £1,284,000 (Appendix 6a, Line 1). These savings are primarily due to the Force being below the authorised level of officers provided for at budget setting. It is anticipated that the majority of these savings will be recognised as recurring efficiencies and shown as Identified Recurring Savings (Appendix 6a, Line 16) as posts are removed from the authorised establishments as part of the Staying Ahead Review.
4.4	At the end of September 2014, the actual police officer establishment stood at 1,285.15 wte, 75.40 wte below the authorised number of 1,360.5 wte. This is consistent with the flight path profiling.
4.5	Police Staff Salaries and Allowances show an overspending of £178,000 (Appendix 6a, Line 2). This overspending reflects the early recognition of savings arising from the removal of posts as efficiency savings. The underlying position reflects savings relating to vacancies within the authorised establishment. It is anticipated that the majority of these vacancy savings will be recognised as recurring efficiencies and shown as Identified Recurring Savings (Appendix 6a, Line 16).
4.6	<p>At the end of September 2014, the actual staff establishment stood at 834.9 wte (including 95.6 wte Force funded PCSOs and 95.6 wte Welsh Government funded PCSOs), against the current authorised establishment of 910.5 wte (including 245.8 wte PCSOs). The 75.6 wte vacancies against substantive posts are partly offset by the 67.00 wte agency staff currently in Force. The largest element of the agency headcount reflects the temporary increase, necessary to resource Operation Ismay.</p> <p>Again, as with Police Officer posts, as Staff posts are removed from the authorised establishment as part of the Staying Ahead Review efficiency plans, the budget will be removed and reflected against the Identified Recurring Savings line (Appendix 6a, Line 16).</p>

4.7	At the end of September 2014, PCSO Salaries and Allowances showed savings of £694,000 (Appendix 6a, Line 3), which are as a result of being 54.6 wte under the authorised establishment of 245.8 wte. In the 2014/15 budget proposal, it was suggested that 34.3 wte posts could be released as efficiency savings. Work is progressing in the identification of these posts and is anticipated to be completed before the end of the calendar year.
4.8	To provide further information with respect to the workforce numbers, Appendix 6b shows an analysis of both Police Officers and Police Staff establishments by Service Area.
4.9	Police Officer Overtime and Enhancements have overspent by £161,000 (Appendix 6a, Line 4) by the end of September. Whilst minor savings have been made in relation to bank holiday enhancements, these are overshadowed by the overspending on normal overtime. Overtime expenditure is scrutinised regularly at the ACC's monthly Performance Meeting.
4.10	At the end of September 2014, Police Staff Overtime and Enhancements and PCSO Overtime and Enhancements (Appendix 6a, Lines 5 and 6) showed a combined saving of £53,000. Enhancements are the main contributing area, which reflects the vacancies held, predominately with the PCSO establishment. As with Police Officer Overtime, this expenditure is scrutinised by Chief Officers throughout the financial year.
4.11	Other Employee Related Costs (Appendix 6a, Line 7) show savings of £62,000 to the end of the period. The main contributors to these savings are Training Costs (£52,000) and Employer Insurance (£34,000). These are partly offset by overspending on Medical Costs (£13,000), Police Officer Injury Pensions (£10,000) and Recruitment Costs (£5,000).
4.12	Premises Costs show savings of £103,000 (Appendix 6a, Line 8) to the end of the period. The main areas of saving are Property Repairs and Maintenance (£87,000), Utilities (£33,000) and Contracts and Testing (£50,000). These are partially offset by overspending on Business Rent and Rates (£47,000), Cleaning and Waste Disposal (£17,000) and Building Insurance (£3,000). The majority of these variances are anticipated to be due to timing, but will be monitored throughout the year.
4.13	At the end of September 2014, Transport Costs showed a saving of £133,000 (Appendix 6a, Line 9). The principal areas of saving are Petrol and Diesel (£112,000), which are due to reduced fuel usage combined with lower than anticipated fuel prices, lower than expected Vehicle Insurance Premiums (£39,000), Vehicle Hire (£28,000), the South East Wales Helicopter Contract (£25,000), Police Vehicle Recovery (£27,000) and Insurance Work for Recovery (£13,000). These are partially offset by overspending on Vehicle Repair and Maintenance (£68,000), Mileage (£16,000) and Travel and Subsistence (£14,000). With the exception of fuel and insurance, it is anticipated that the majority of these variances due to timing issues, but will be monitored throughout the year.
4.14	Supplies and Services (Appendix 6a, Line 10) show overall savings of £341,000 for the financial year to date. The main contributing areas of saving are:

			£
a)	DNA Testing and Forensics	184,000	
b)	Police Surgeons	67,000	
c)	Other Professional Services	61,000	
d)	Operational Equipment	59,000	
e)	Printing Postage and Stationery	51,000	
f)	Uniforms	40,000	
g)	Public Liability Insurance	34,000	
h)	Subscriptions	17,000	
i)	Dangerous Dogs	14,000	
j)	Advertising	7,000	

These savings, in part, are offset by overspendings in the following areas:-

		£
a)	Communication Costs	103,000
b)	Non-Operational Equipment	91,000

These variances will be monitored throughout the year.

4.15	The 2014/15 budget proposal included £3,577,000 of efficiency scheme savings. At the commencement of the year, the base budget reflected £3,222,000 of savings that could not be specifically identified against budget areas and were therefore shown in Identified Recurring Savings (Appendix 6a, Line 16). As these saving schemes are fully identified during the year, the appropriate budgets will be reduced. At the end of September, a balance of £2,109,000 remains to be achieved. The savings achieved through the Staying Ahead Review are monitored through the respective Delivery Boards.
4.16	Investment Income shows a small surplus of £12,000 to the end of September. The returns received continue to reflect the reduced levels being experienced in the market and the avoidance of risk in choosing investment opportunities.
4.17	Additional Other Income of £57,000 has been received to the end of the period. The notable contributors to this are reimbursement by the Magistrates Court for Specified Police Proceedings (£153,000) and in respect of Reports and Interviews (£21,000). These are partially offset by shortfalls in income relating to Vehicle Disposals (£33,000) and Income Generation Schemes (£79,000). The remainder of the budgets are experiencing variances, but these are anticipated to revert to budget by the year end.
4.18	<b>Operation Ismay</b>
4.19	The NATO Summit (Operation Ismay) took place in early September.
4.20	At the end of the period, £12,018,000 of expenditure had been incurred, with an initial payment of £11,438,000 being received from the Home Office. The variance of £579,000 relates to planning team opportunity costs which are covered in the overall Force position.

4.21	It is currently estimated that £22,366,000 of recoverable expenditure will be recorded within the Gwent Police position in 2014/15.
4.22	<b>Forecast Outturn</b>
4.23	This report presents the first forecast outturn predictions for 2014/15. This year is unique, due to the impact of Operation Ismay on the expenditure patterns of normal business. With operational and support activities now returning to normal, it is anticipated that the timing and volume of expenditure will now experience increased activity until the end of the financial year. As a result, it is anticipated that the forecast outturn will be refined further over the coming months.
4.24	The forecast outturn position for the financial year is an overall saving of £2,604,000 (Appendix 6a, Line 32). The main contributing areas to this forecast are detailed below.
4.25	It is anticipated that Police Officer Salaries and Allowances will generate a saving of £3,295,000 (Appendix 6a, Line 1). This is due to the force being below the authorised officer establishment. It is currently 75.35 wte below the authorised level. The level of under-establishment is anticipated to increase further to 108.35 wte by the end of the financial year, which is in line with the Flight Path projections.
4.26	Police Staff Salaries and Allowances (Appendix 6a, Line 2) are anticipated to save £327,000. The actual staff establishment currently stands at 20.82 wte below the authorised level; this is predicted to grow in the Flight Path projections to 28.48 wte by the end of the financial year. This does not reflect the temporary agency staff currently in force.
4.27	A saving of £118,000 is currently forecast for PCSO Salaries and Allowances (Appendix 6a, Line 3). The Force is currently below the authorised establishment by 54.60 wte PCSOs. However, in the 2014/15 budget proposal, it was suggested that 34.3 wte posts could be released as efficiency savings. Work is progressing in the identification of these posts and it is forecast that this will be completed before the end of the calendar year. Additionally, the remaining under-establishment position will be removed by increasing the working hours of part time PCSOs.
4.28	Police Officer Overtime and Enhancement payments are forecast to produce overspendings of £270,000 (Appendix 6a, Line 4). This overspend is based on the continuation of higher than expected ordinary and rest day overtime expenditure, and bank holiday overtime expenditure remaining at budgeted levels.
4.29	Police Staff and PCSO Overtime and Enhancements are estimated to save £141,000 (Appendix 6a, Line 5 and 6) in line with expenditure incurred to date.
4.30	Other Employee Related Costs (Appendix 6a, Line 7) are forecast to deliver savings of £19,000. The main areas of anticipated savings are Course Fees and Training (£100,000) and Employee Insurance (£38,000) which are partly offset by overspendings on the Police Pension Scheme (£99,000) and Medical Schemes (£20,000).

4.31	Premises Costs (Appendix 6a, Line 8) are expected to generate savings of £45,000. This comprises of savings on Building Repairs and Maintenance (£100,000) and Utilities (£60,000). This is partly offset by overspending on Rent and Service Charges (£77,000), Cleaning & Waste Management (£35,000) and Building Insurance (£3,000).	
4.32	Transport Costs are forecast to save £251,000 (Appendix 6a, Line 9). This is primarily due to savings on Petrol and Diesel (£200,000), Vehicle Hire (£40,000), Vehicle Insurance (£38,000), Helicopter (£25,000) and Fares and Subsistence (£20,000). These are offset by anticipated overspends on Mileage Allowances (£68,000) and Spares, Repairs and Tyres (£60,000).	
4.33	Supplies and Services (Appendix 6a Line 10) are forecast to make savings of £549,000. The main contributing areas of savings are:	
		£
a)	Collaborative Scientific Support Unit	180,000
b)	Collaborative Firearms Unit	100,000
c)	Other Professional Services	100,000
d)	Insurance Premiums	70,000
e)	Operational Equipment	50,000
f)	Uniforms	50,000
g)	Postage, Printing and Stationery	40,000
h)	Interpreter Services	30,000
i)	Vehicle Recovery	10,000
	These are, however, partially offset by forecast overspendings in the following areas:	
		£
a)	Computer Hardware and Software	100,000
b)	Communication Costs	100,000
c)	Non-Operational Equipment	30,000
4.34	It is anticipated that the Major Incident Fund will break even (Appendix 6a, Line 11), however, this is highly dependent upon operational demand and could potentially experience significant change.	
4.35	Pro-active Operational Initiatives (Appendix 6a, Line 12), is forecast to break even, however, this is highly dependent upon operational demand and could potentially experience significant change.	
4.36	At present, a shortfall of £2,109,000 is forecast in respect of Identified Recurring Savings (Appendix 6a, Line 16). This represents the balance of Staying Ahead schemes that have yet to be achieved. Realisation of these schemes will impact upon the Police Officer and Police Staff lines.	
4.37	Other Income (Appendix 6a, Line 18) is forecast to produce a surplus of £214,000. The main contributing areas of this surplus are:	



			£
	a)	Specified Police Proceedings	300,000
	b)	Reports	35,000
	c)	Rental Income	11,000
	d)	Training	3,000
	The above savings are offset by the following anticipated shortfalls:-		
			£
	a)	Income Generation	100,000
	b)	Immigration Detainee Income	20,000
	c)	Abnormal Load Escort	15,000
4.38	<p>The claim for Operation Ismay is currently being prepared and it is anticipated that this will be completed and submitted to the Home Office before the close of the calendar year. Until all of the transactions have been collated, checked and their treatment verified, it is difficult to estimate the eventual outturn and the impact upon the overall financial performance of the group. As a result, it has been assumed that all non-staff costs for the operation will be covered by the grant.</p> <p>This is subject to change and will be updated as the outcome of the claim process becomes clearer.</p>		
4.39	<b>Capital Programme (Appendix 6c)</b>		
4.40	The Revised Annual Budget on proposed schemes for 2014/15 is £6,096,000. This has increased to reflect the Home Office Innovation Schemes for Mobile Data (£1,395,000) and Body Worn Video (£259,000).		
4.41	The Programme will be funded from Home Office funding in the form of Capital Grant and Innovation Fund Grant, combined with Specific Capital Reserves.		
4.42	Expenditure to date amounted to £864,000 of which, £777,000 related to Vehicle purchases, Force Projects (£64,000) and the remaining £23,000 to Estate Schemes.		
4.43	The full year forecast amounts to £5.856m, a variance of £0.240m which relates to slippage on Estate schemes.		
4.44	<b>Reserves (Appendix 7)</b>		
4.45	Appendix 7 provides a forecast summary of the PCC's Reserves and Sinking Funds to 2017/18. This reflects all movements that can currently be estimated, but excludes any requirements for the funding of the Estate Strategy. This forecast will be further refined following confirmation of the Capital Programme and the central funding for 2014/15.		

4.46	<b>Capital Programme 2015/16 (Appendix 8)</b>
4.47	The initial 2015/16 Capital Programme is shown at Appendix 8, and will be refined as the ICT, Fleet and Estate strategies are confirmed. All of the schemes currently proposed aim to deliver long-term benefits to the organisation, i.e. appropriate estate provision, fit for purpose fleet, maximum returns on ICT investment. However, due to the current level of capital grant, it will be necessary to utilise reserves and potentially undertake future borrowing to ensure sufficient funding is available.
4.48	<b>Outstanding Issues and Unquantifiable Risks</b>
4.49	<p>Whilst the MTFP is designed to reflect the most up to date intelligence, a number of outstanding issues and unquantifiable risks remain, which cannot currently be reflected. In summary these are:-</p> <ul style="list-style-type: none"> <li>• Confirmation of the Provisional Central Government Funding;</li> <li>• The impact of any future review of the Funding Formula and CSR 2015;</li> <li>• Confirmation of the Council Tax Bases for 2015/16;</li> <li>• Future delivery of the Staying Ahead Programme;</li> <li>• Emerging cost pressures; and</li> <li>• Unplanned initiatives and the international dimension.</li> </ul>
<b>5.</b>	<b><u>NEXT STEPS</u></b>
5.1	The financial planning process will continue for both the Revenue and Capital budgets in line with the 2015/16 Budget Setting Timetable, presented and confirmed by the Joint Audit Committee on the 18 <sup>th</sup> September 2014.
<b>6.</b>	<b><u>FINANCIAL CONSIDERATIONS</u></b>
6.1	These are detailed in the report.
<b>7.</b>	<b><u>PERSONNEL CONSIDERATIONS</u></b>
7.1	The successful delivery of a balanced recurring budget will have significant staffing and personnel issues, which form part of the implementation of the Staying Ahead Programme. The realisation of vacancies through natural wastage is key to the delivery of savings and this is closely monitored on a regular basis. Slippage or non-attainment of anticipated natural wastage may require other options to be considered.
<b>8.</b>	<b><u>LEGAL IMPLICATIONS</u></b>
8.1	There are no legal implications arising from this report.
<b>9.</b>	<b><u>EQUALITIES AND HUMAN RIGHTS CONSIDERATIONS</u></b>
9.1	This report has been considered against the general duty to promote equality, as stipulated under the Strategic Equality Plan and has been

	assessed not to discriminate against any particular group.
9.2	Consideration has been given to requirements of the Articles contained in the European Convention on Human Rights and the Human Rights Act 1998 in preparing this report.
<b>10.</b>	<b><u>RISK</u></b>
10.1	<p>The risks relating to this report are being managed through the Staying Ahead Programme and are detailed below:</p> <ul style="list-style-type: none"> <li>a) Financial: <ul style="list-style-type: none"> <li>i CSR 2015 and Funding Formula Review;</li> <li>ii Loss of 'assumed' precept income;</li> <li>iii Impact of the localisation of council tax support;</li> <li>iv Withdrawal of funding by partners (HO, WG and Local Authorities);</li> <li>v Increased 'last resort' demand due to others withdrawing service; and</li> <li>vi Failure of Government to deliver on national issues (e.g. pay bill, de-cluttering).</li> </ul> </li> <li>b) Organisational: <ul style="list-style-type: none"> <li>i Partners re-trench from collaborative ventures (WG settlement); and</li> <li>ii Failure of key efficiency schemes to deliver.</li> </ul> </li> <li>c) Societal: <ul style="list-style-type: none"> <li>i Increased crime due to economic and political climate; and</li> <li>ii Lack of staff turnover due to limited job opportunities.</li> </ul> </li> </ul>
<b>10.</b>	<b><u>PUBLIC INTEREST</u></b>
10.1	This is a public document.
<b>11.</b>	<b><u>CONTACT OFFICERS</u></b>
11.1	Darren Garwood-Pask, Chief Finance Officer.
<b>12.</b>	<b><u>ANNEXES</u></b>
12.1	Appendix 1a – Medium Term Financial Projections 2015/16 to 2018/19 – Incremental Precept Growth
12.2	Appendix 1b – Medium Term Financial Projections 2015/16 to 2018/19
	Appendix 2 – Medium Term Financial Projections 2015/16 to 2018/19 – Assumptions
12.3	Appendix 3 – Identified Budget Pressures
12.4	Appendix 4a – Identified Budget Reductions

12.5	Appendix 4b – Staying Ahead Schemes delivered in 2014/15
12.6	Appendix 4c – Future Staying Ahead Schemes
12.7	Appendix 5a – Police Officer Flightpath to March 2018
12.8	Appendix 5b – Police Staff Flightpath to March 2018
12.9	Appendix 6a to 6c – Group Financial Revenue and Capital Performance to September 2014
12.10	Appendix 7 – PCC Reserves and Sinking Funds
12.11	Appendix 8 – Capital Programme 2014/15 to 2017/18

**Police and Crime Commissioner for Gwent / Heddlu Gwent Police**  
**Medium Term Financial Projections 2015/16 to 2018/19**  
**At 11th November 2014**

<b>Assumption</b>		<b>Base Growth</b>	<b>Precept Growth</b>	<b>Total Growth</b>	<b>Increase / (Decrease)</b>
<b>Base Growth</b>	<b>Precept Growth</b>				
<b>%</b>	<b>%</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
0.88%	5.00%	376,606	2,153,629	2,530,235	647,358
0.88%	4.50%	376,606	1,937,843	2,314,449	431,572
0.88%	4.00%	376,606	1,722,057	2,098,663	215,786
0.88%	3.70%	376,606	1,593,009	1,969,615	86,738
0.88%	3.50%	376,606	1,506,271	1,882,877	0
0.88%	3.25%	376,606	1,398,378	1,774,984	-107,893
0.88%	3.00%	376,606	1,292,601	1,669,207	-213,670
0.88%	2.99%	376,606	1,286,254	1,662,860	-220,017
0.88%	2.75%	376,606	1,184,707	1,561,313	-321,564
0.88%	2.66%	376,606	1,144,512	1,521,118	-361,759
0.88%	2.50%	376,606	1,076,814	1,453,420	-429,457
0.88%	2.25%	376,606	968,921	1,345,527	-537,350
0.88%	2.00%	376,606	861,028	1,237,634	-645,243
0.88%	1.75%	376,606	753,135	1,129,741	-753,136
0.88%	1.50%	376,606	645,242	1,021,848	-861,029
0.88%	1.25%	376,606	537,349	913,955	-968,922
0.88%	1.00%	376,606	431,572	808,178	-1,074,699
0.88%	0.75%	376,606	323,679	700,285	-1,182,592
0.88%	0.50%	376,606	215,786	592,392	-1,290,485
0.88%	0.25%	376,606	107,893	484,499	-1,398,378
0.88%	0.00%	376,606	0	376,606	-1,506,271

**Police and Crime Commissioner for Gwent / Heddlu Gwent Police  
Medium Term Financial Projections 2015/16 to 2018/19**

	(a)	(b)	(c)	(d)	(e)
	2014/15 Actual £'000s	2015/16 Forecast £'000s	2016/17 Forecast £'000s	2017/18 Forecast £'000s	2018/19 Forecast £'000s
1 Effect of Pay Awards and Increments	1,722	1,979	2,005	2,051	2,070
2 Non-Staff Inflation	394	596	628	664	704
3 Loss of Home Office Grant Funding	1,369	0	0	0	0
4 In Service Pressures / Developments	449	1,466	3,591	1,050	1,050
5 Identified Savings	-4,732	-104	-104	-104	-104
6 Unavoidable Cost Increases	-798	3,937	6,120	3,661	3,720
7 Gross Budget Movement	-798	3,937	6,120	3,661	3,720
8 Recurring Base Budget Brought Forward	120,316	119,518	123,455	129,575	133,235
9 Projected Budgetary Requirement	119,518	123,455	129,575	133,235	136,956
10 % Increase on Previous Years Base Budget	-5.10%	3.29%	4.96%	2.83%	2.79%
Funded from :					
11 Funding					
12 Central Government Funding					
13 Police Grant	-46,169	-44,091	-42,768	-41,485	-40,241
14 Revenue Support Grant	-17,156	-16,384	-15,892	-15,415	-14,953
15 National Non-Domestic Rates	-13,519	-12,910	-12,523	-12,147	-11,783
16 Total Central Government Funding	-76,843	-73,385	-71,184	-69,048	-66,977
17 Council Tax	-42,675	-44,558	-46,748	-49,047	-51,458
18 Total Funding	-119,518	-117,943	-117,932	-118,095	-118,435
<b>19 Projected Recurring Deficit / (Surplus) Before Efficiencies</b>	<b>0</b>	<b>5,512</b>	<b>11,643</b>	<b>15,141</b>	<b>18,521</b>
<b>20 Efficiencies</b>					
19 Accelerated Delivery / Additionality of Staying Ahead Scheme Savings	-	(906)	(906)	(906)	(906)
20 Future Year Staying Ahead Scheme Savings	-	(3,601)	(8,342)	(13,156)	(15,363)
<b>21 Reserve Utilisation to offset reduced Precept Increase</b>	<b>-</b>	<b>(1,005)</b>	<b>(1,102)</b>	<b>-</b>	<b>-</b>
<b>22 Projected Recurring Deficit/ (Surplus) After Efficiencies &amp; Reserve Utilisation</b>	<b>0</b>	<b>0</b>	<b>1,294</b>	<b>1,079</b>	<b>2,252</b>

**Police and Crime Commissioner for Gwent / Heddlu Gwent Police**  
**Medium Term Financial Projections 2015/16 to 2018/19**  
**Assumptions**

Description	2014/15 Budgeted	2015/16 Proposed	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	Source
<b><u>Police Officers</u></b>						
Pay Awards	1.00%	1.00%	1.00%	1.00%	1.00%	National ACPO Finance Lead
<b><u>Police Staff</u></b>						
Pay Awards	1.00%	1.00%	1.00%	1.00%	1.00%	National ACPO Finance Lead
<b><u>Indirect Staff Costs</u></b>	1.00%	1.00%	1.00%	1.00%	1.00%	National ACPO Finance Lead
<b><u>Non Staff Inflation</u></b>						
General (Including Rates)	2.00%	2.00%	2.00%	2.00%	2.00%	Based upon Bank of England Forecast Data and Welsh Force Comparisons
Utilities - Gas/Electric	5.00%	5.00%	5.00%	5.00%	5.00%	Based upon Bank of England Forecast Data and Welsh Force Comparisons
Utilities - Water	5.00%	5.00%	5.00%	5.00%	5.00%	Based upon Bank of England Forecast Data and Welsh Force Comparisons
Petrol	5.00%	5.00%	5.00%	5.00%	5.00%	Based upon Bank of England Forecast Data and Welsh Force Comparisons
Diesel	5.00%	5.00%	5.00%	5.00%	5.00%	Based upon Bank of England Forecast Data and Welsh Force Comparisons
<b><u>Funding</u></b>						
Police Funding	-4.76%	-4.50%	-3.00%	-3.00%	-3.00%	Final Police Settlement 2014/15, Future years represent CFO estimate
Council Tax Base Increase	1.40%	0.88%	0.88%	0.88%	0.88%	Actual Growth for 2014/15. Estimated for 2015/16 onwards - net of CT Support Scheme
Council Tax Precept Increase (Appendix 1b)	2.66%	3.50%	4.00%	4.00%	4.00%	Police and Crime Commissioner for Gwent - January 2014

**Police and Crime Commissioner for Gwent / Heddlu Gwent Police**  
**Medium Term Financial Projections 2015/16 to 2018/19**  
**In-service Pressures and Developments 2015/16 to 2018/19**

Description	2015/16 £	2016/17 £	2017/18 £	2018/19 £	Narrative
<b>A Recurring Items</b>					
1 National Insurance implications of single State Pension	0	2,541	0	0	Proposed move to a single state pension - likely impact on Employer national insurance contributions
2 Recurring costs arising from BTCG decision process	100	100	100	100	Recurrent funding for developments that arise during the financial year
3 Caerphilly Library	10				Running costs for Service Desk and Customer Service Centre at Caerphilly Library
4 Project Fusion	220				Collaborative Team to develop and deliver mobile data and Niche with SWP. Will potentially deliver cashable savings
5 Force Medical Provision - Doctors Contract	100				Potential increase in cost of contract to allow 24/7 cover
6 Loss of rental income	100				Torfaen Social Services vacate HQ site in 2014/15 and space will be taken back up by Gwent Police functions
7 Home Office IT Services	70	70	70	70	Estimated increase of 10%. For comparison, 2014/15 charge increased by 17%
8 Airwave Indexation	64				Conclusion of HO /Airwave mediation - indexation to be levied on Airwave charges
9 Cessation of Partnership Funding	50				Cessation of partnership funding
10 Estates Management Fees	37				Identified pressure - charges incurred over and above current Service Level Agreement
11 Pension implication on police staff overtime/allowances	33				Employers Pension Costs on Pension on all staff overtime from April 2014
12 Increased price of Tyres	30				Increased prices experienced in 2014/15.
13 Provision of witness services	30				To provide adequate budgetary provision to reflect current spend profiles
14 Cyber Crime national initiative	30				Potential removal of central government support will necessitate individual force contributions
15 Injury Pensions uplift	25				Increase in value to reflect currently experienced costs
16 Increased collaborative costs for Niche	22				Additional running costs identified as a result of Gwent utilising collaborative Niche functionality
17 Niche Audit Growth	20				Increased requirement for SWP storage capacity as a result of Gwent utilising collaborative Niche functionality
18 Insurance costs for Mamhilad	16				Insurance costs levied by Landlord as per lease
19 Fuelcard Charges	5				Transactional charge for each re-fuelling of Force vehicles
20 Potential Regional Pensions Board	5				Potential contribution to facilitate the proposed All Wales police pensions board
21 Financial Investigation Unit Court Costs	5				Annual Court fees experienced by FIU that are currently unbudgeted
22 Removal Of NI Rebate		170			Potential change to employer and employee NI Contributions rebates
23 Strategic Legal Services Contribution	5				Agreed contribution to facilitate strategic direction
24 Strategic HR Contribution	27				Agreed contribution to facilitate strategic direction
25 Strategic Procurement Contribution	17				Agreed contribution to facilitate strategic direction
26 Contingent pressures fund	0	1,000	1,000	1,000	Indicative value of pressures likely to arise in each year.
<b>B Non-Recurring Items</b>					
1 Additional Bank Holidays	360	(120)	(120)	(120)	Cost of additional bank holidays over the recurring base
2 Potential dual running of communications	150	(150)			Introduction of VOIP into Gwent Police communications network may necessitate dual running with existing provision
3 Regional operational requirements	20	(20)			Requirement to provide additional funding to support regional operational activities
4 Body Armour protective sleeves	(60)				To combat biodegrading of existing equipment
5 PSU Equipment	(25)				PSU Equipment Purchase
<b>C Unquantified Risks</b>					
1 Asset Recovery Incentive Scheme (ARIS Financial Investigation)	?	?	?	?	Uncertainty over long term future of fund sharing
2 Future Funding of Schools Liaison and Disengaged Programme beyond 2014/15	?				Uncertainty over long term future of funding
3 Potential reduction in DSP funding 2015/16	?				Potential reduction in DSP funding from 2015/16
4 National Air Support Unit - novation of contract to collaborative solution	?				Awaiting final confirmation from NPAS of future costing envelope
5 Potential withdrawal of partners from CSO schemes	?				Awaiting confirmation that partner organisations will continue to provide financial support to CSO schemes
	<b>1,466</b>	<b>3,591</b>	<b>1,050</b>	<b>1,050</b>	



**Police and Crime Commissioner for Gwent / Heddlu Gwent Police**  
**Medium Term Financial Projections 2015/16 to 2018/19**  
**Budget Savings 2015/16 to 2018/19**

Description		2015/16 £	2016/17 £	2017/18 £	2018/19 £
<b>Potential Savings</b>					
1	Housing and Transitional Rent Allowance	(90,000)	(90,000)	(90,000)	(90,000)
2	Compensatory Grant	(14,000)	(14,000)	(14,000)	(14,000)
		<b>(104,000)</b>	<b>(104,000)</b>	<b>(104,000)</b>	<b>(104,000)</b>

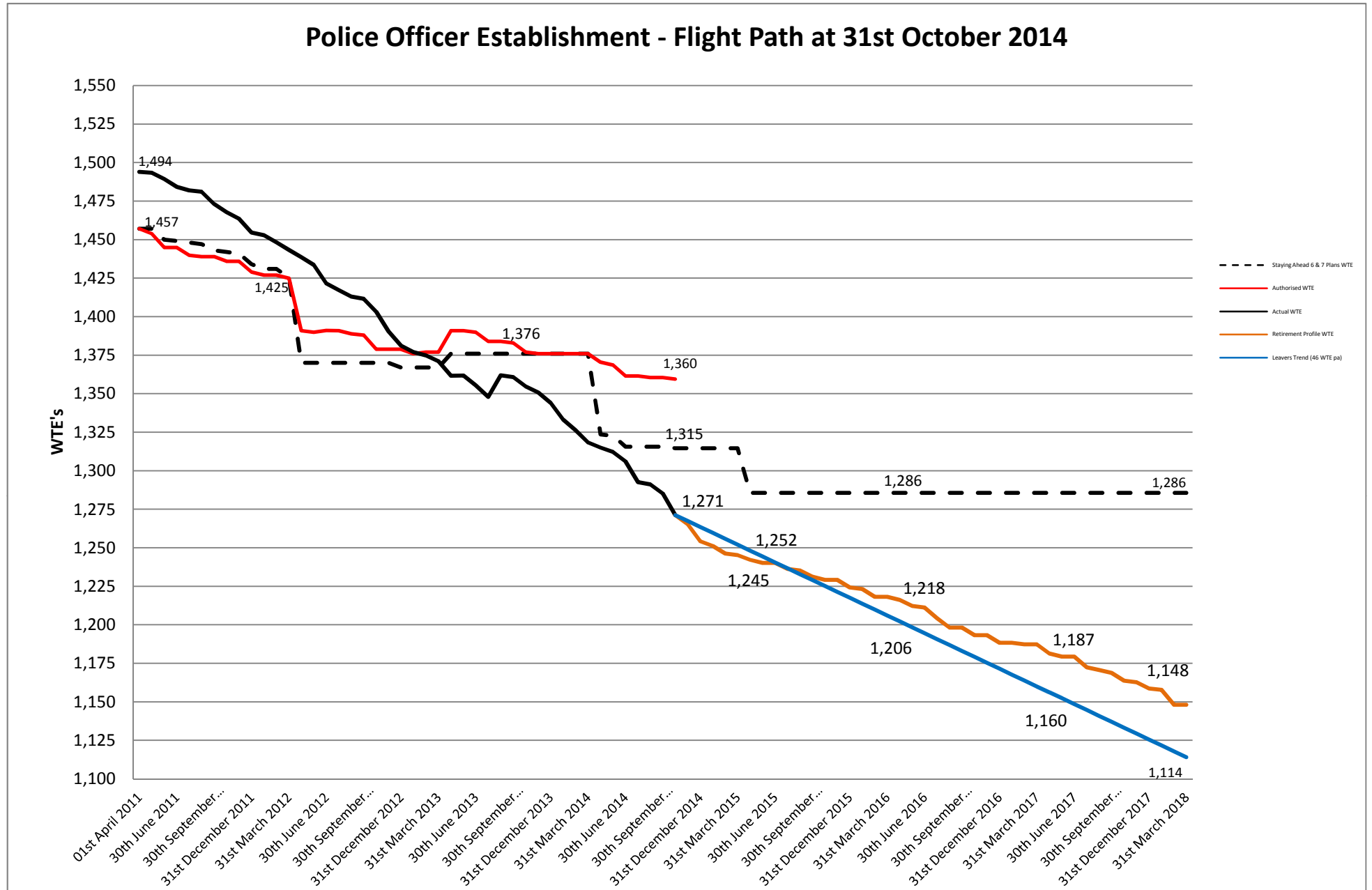
**Police and Crime Commissioner for Gwent / Heddlu Gwent Police**  
**Medium Term Financial Projections 2015/16 to 2018/19**  
**Accelerated Staying Ahead Budget Savings 2014/15**

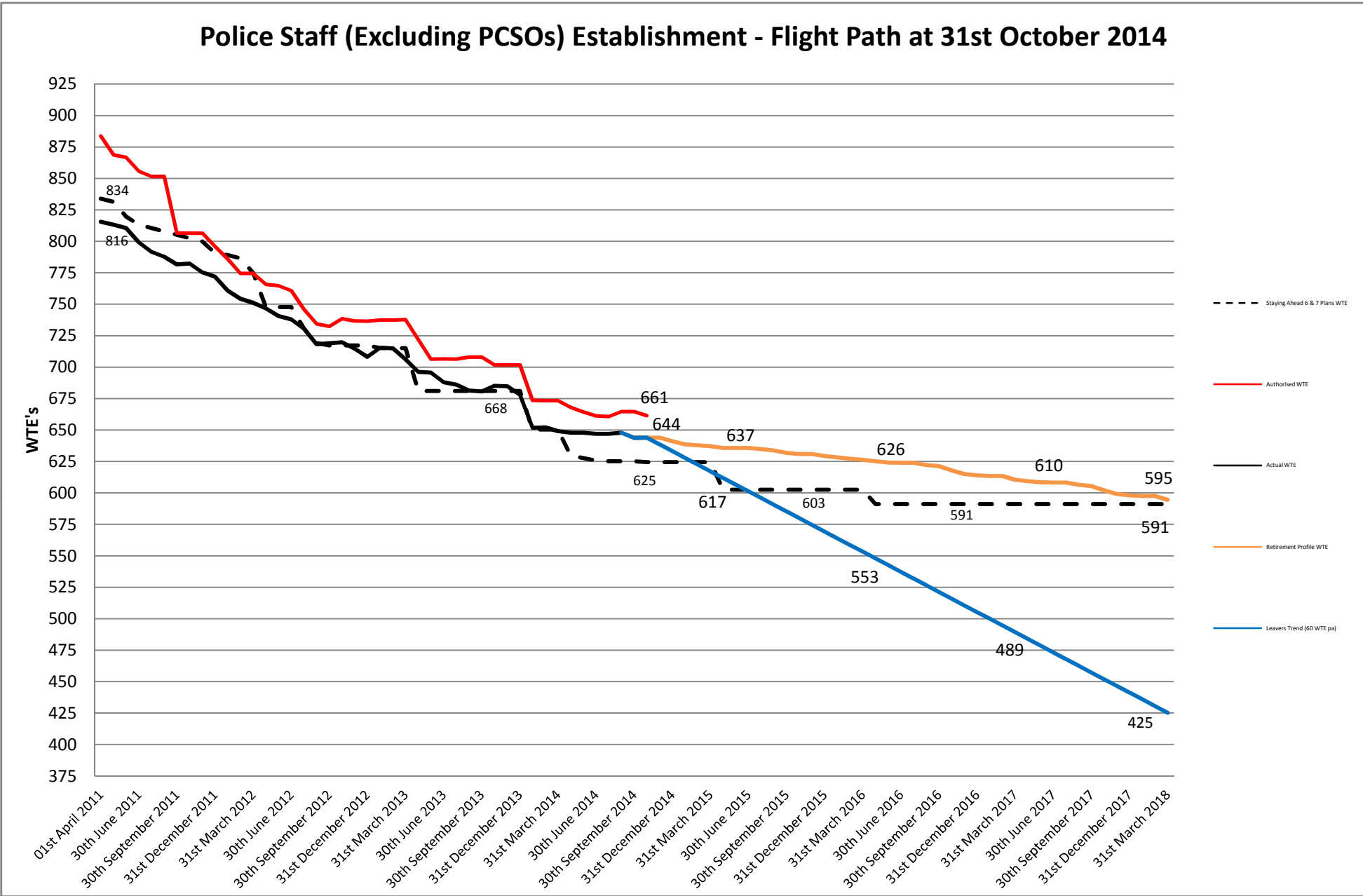
	<b>£'000s</b>
<b>Scheme</b>	
Volume Crime	92
Major Incident Team	375
Public Protection Unit	399
Registry Administration	28
Professional Standards	12
<b>Scheme Savings for Year</b>	<b><u>906</u></b>

**Police and Crime Commissioner for Gwent / Heddlu Gwent Police**  
**Medium Term Financial Projections 2015/16 to 2018/19**  
**Staying Ahead Phase 8 Saving Schemes 2015/16 to 2018/19**

	2015/16 £'000s	2016/17 £'000s	2017/18 £'000s	2018/19 £'000s	Total £'000s
<b>A Cumulative Savings Brought Forward</b>	<b>0</b>	<b>3,601</b>	<b>8,342</b>	<b>13,156</b>	<b>15,363</b>
<b>B Scheme</b>					
1 Officer Establishment	1,032	1,100	809	810	3,751
2 Staff Establishment	535	659	546	562	2,301
3 CSO Establishment	0	0	1,335	0	1,335
4 Collaborative Budgets	341	150	100	84	675
5 Non Staff Budgets	1,693	2,833	2,025	750	7,301
<b>C Savings for Year</b>	<b>3,601</b>	<b>4,741</b>	<b>4,814</b>	<b>2,207</b>	
<b>D Cumulative Savings Carried Forward</b>	<b>3,601</b>	<b>8,342</b>	<b>13,156</b>	<b>15,363</b>	

These are draft, working figures only, which will be confirmed upon completion of the operating model in December 2014





**Police and Crime Commissioner for Gwent / Heddlu Gwent Police**  
**Medium Term Financial Projections 2015/16 to 2018/19**  
**2014/15 Revenue Budget - Gwent Police Group**  
**Performance to 30th September 2014**

	Initial Annual Budget	Revised Annual Budget	Budget to Date	Expenditure to Date	Variance to Date	Full Year Forecast
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Expenditure</b>						
1 Police Officer Salaries and Allowances	70,108	69,596	34,611	33,328	1,284	3,295
2 Police Staff Salaries and Allowances	22,284	22,273	10,842	11,020	(178)	327
3 PCSO Salaries and Allowances	6,056	6,056	3,591	2,897	694	118
4 Police Officer Overtime and Enhancements	1,656	2,180	918	1,079	(161)	(270)
5 Police Staff Overtime and Enhancements	1,010	1,210	484	479	6	139
6 PCSO Overtime and Enhancements	742	792	336	288	47	2
7 Other Employee Related Costs	2,169	2,185	899	836	62	19
8 Premises Costs	5,755	7,066	3,359	3,256	103	45
9 Transport Costs	3,294	9,840	5,551	5,418	133	251
10 Supplies and Services	16,748	30,775	12,943	12,603	341	549
11 Major Incident Schemes	691	691	147	147	0	0
12 Proactive Operational Initiatives	270	270	97	97	0	0
13 Contribution to Police Computer Co.	727	727	336	337	(0)	0
14 Capital Charges	500	500	166	156	10	0
	<b>132,008</b>	<b>154,159</b>	<b>74,282</b>	<b>71,941</b>	<b>2,341</b>	<b>4,475</b>
<b>Other Approved Revenue Requirements</b>						
15 Development Reserve	150	150	0	0	0	0
16 Identified Recurring Savings	(3,222)	(2,109)	0	0	(0)	(2,109)
	<b>(3,072)</b>	<b>(1,959)</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>(2,109)</b>
<b>Income</b>						
17 Investment Income	(162)	(162)	(81)	(93)	12	24
18 Other Income	(9,628)	(10,519)	(3,653)	(3,710)	57	214
	<b>(9,790)</b>	<b>(10,681)</b>	<b>(3,734)</b>	<b>(3,803)</b>	<b>69</b>	<b>238</b>
<b>19 Net Expenditure Before Transfers</b>	<b>119,146</b>	<b>141,519</b>	<b>70,548</b>	<b>68,138</b>	<b>2,410</b>	<b>2,604</b>
<b>Transfers</b>						
20 To Earmarked Reserves (Pre-Approved)	2,190	2,190	0	0	0	0
21 To Capital Account	0	0	0	0	0	0
	<b>2,190</b>	<b>2,190</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>22 Net Expenditure Including Transfers</b>	<b>121,336</b>	<b>143,709</b>	<b>70,548</b>	<b>68,138</b>	<b>2,410</b>	<b>2,604</b>
<b>23 Funded By:</b>						
24 Revenue Support Grant	(17,156)	(17,156)	(9,235)	(9,235)	0	0
25 National Non-Domestic Rates	(13,519)	(13,519)	(7,277)	(7,277)	0	0
26 Police Grant	(46,169)	(46,169)	(23,084)	(23,084)	0	0
27 Council Tax	(42,675)	(42,675)	(21,337)	(21,337)	0	0
28 Specific Grant Income	(103)	(22,476)	(11,493)	(11,493)	0	0
29 Use of General Reserves	(152)	(152)	0	0	0	0
30 Use of Earmarked Reserves	(1,563)	(1,563)	(1,533)	(1,533)	0	0
<b>31 Total Funding</b>	<b>(121,336)</b>	<b>(143,709)</b>	<b>(73,959)</b>	<b>(73,959)</b>	<b>0</b>	<b>0</b>
<b>32 (Over)/Underspend</b>	<b>0</b>	<b>0</b>	<b>(3,411)</b>	<b>(5,821)</b>	<b>2,410</b>	<b>2,604</b>

**Police and Crime Commissioner for Gwent / Heddlu Gwent Police**  
**Medium Term Financial Projections 2015/16 to 2018/19**  
**2014/15 Revenue Budget - Office of Police and Crime Commissioner for Gwent**  
**Establishment Summary as at 30th September 2014**

	Police Staff				Police Officers		
	Budgeted Wte	Actual Wte	Agency Wte	Var (Excl Agency) Under/(Over)	Officer Bud Wte	Officer Act Wte	Variance Under/(Over)
<b>Strategic Workstreams</b>							
<b>Police And Crime Commissioner Controlled Establishments</b>							
Office Of Police And Crime Commissioner	11.8	12.8	0.0	(1.0)	0.0	0.0	0.0
Regional Drug Intervention Programme	3.0	3.0	0.0	0.0	0.0	0.0	0.0
<b>Police And Crime Commissioner Controlled Total :</b>	<b>14.8</b>	<b>15.8</b>	<b>0.0</b>	<b>(1.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Chief Constable Controlled Establishments</b>							
<b>Operational Support</b>							
OS Management Team	0.0	0.0	0.0	0.0	3.0	2.0	1.0
Silver Cadre	0.0	0.0	0.0	0.0	6.0	5.0	1.0
Air Support Unit	0.0	0.0	0.0	0.0	5.0	6.0	(1.0)
ANPR Intercept Team	0.0	0.0	0.0	0.0	8.0	8.0	0.0
Roads Policing Unit	2.4	1.2	0.0	1.2	62.0	56.9	5.1
Support Group	0.0	0.0	0.0	0.0	18.0	18.0	0.0
Joint Firearms Unit	0.0	0.0	0.0	0.0	38.0	42.0	(4.0)
Firearms Training	0.0	0.0	0.0	0.0	4.0	2.0	2.0
Dogs Section	1.0	1.0	0.0	0.0	17.0	15.0	2.0
Emergency Planning	4.4	3.4	0.0	1.0	7.0	7.0	0.0
Operations/Logistics	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Communications Suite	115.4	106.1	0.0	9.3	33.0	29.1	3.9
Training And Tasking	2.0	2.0	0.0	0.0	4.0	4.0	0.0
Safety Camera	9.1	9.2	0.0	(0.1)	2.0	2.0	0.0
Integrated Resource Service Centre	17.0	13.0	6.0	4.0	0.0	0.0	0.0
<b>Operational Support Total :</b>	<b>151.4</b>	<b>135.9</b>	<b>6.0</b>	<b>15.5</b>	<b>207.0</b>	<b>197.0</b>	<b>10.0</b>
<b>Neighbourhood Policing &amp; Partnerships</b>							
NHP Management Team	0.0	0.0	0.0	0.0	9.0	10.0	(1.0)
Local Policing Units	0.0	0.0	7.0	0.0	205.0	182.7	22.3
Neighbourhood Support Teams	0.0	0.0	0.0	0.0	94.0	84.6	9.5
Neighbourhood Support Units	0.0	0.0	0.0	0.0	499.0	445.7	53.3
Community Safety	6.0	4.8	0.0	1.2	4.0	3.0	1.0
Licensing	4.0	4.8	0.0	(0.8)	4.0	2.0	2.0
Schools Liaison	0.0	1.7	0.0	(1.7)	17.0	12.0	5.0
Youth Offending Team	0.0	0.0	0.0	0.0	6.0	5.0	1.0
CSO's	145.0	89.5	0.0	55.5	0.0	0.0	0.0
CSO's - WAG Funded	100.8	101.7	0.0	(0.9)	0.0	0.0	0.0
Station Enquiry Officers	26.8	34.4	0.0	(7.6)	0.0	0.0	0.0
Operation Prudent	0.0	0.0	0.0	0.0	0.0	13.0	(13.0)
NHP - Ext Funded	2.5	2.5	0.0	0.0	0.0	0.0	0.0
<b>Neighbourhood Policing Total :</b>	<b>285.2</b>	<b>239.4</b>	<b>7.0</b>	<b>45.8</b>	<b>838.8</b>	<b>763.9</b>	<b>74.8</b>
<b>Criminal Justice Department</b>							
Custody	24.0	22.0	3.0	2.0	42.0	45.0	(3.0)
Admin Of Justice	48.5	44.4	0.0	4.1	0.0	9.6	(9.6)
Information And Data Management	38.8	36.2	3.0	(2.6)	0.0	2.0	(2.0)
Information And Data Management - DBS	10.7	7.7	0.0	3.0	0.0	0.0	0.0
<b>Criminal Justice Department Total :</b>	<b>119.0</b>	<b>110.3</b>	<b>6.0</b>	<b>8.8</b>	<b>42.0</b>	<b>56.6</b>	<b>(14.6)</b>
<b>Crime Investigation</b>							
Crime Investigation - Mgmt Team	5.0	5.0	0.0	0.0	4.0	5.0	(1.0)
Major Incidents Team	17.4	19.1	0.0	(1.7)	19.0	17.8	1.2
Organised Crime Unit	0.0	0.0	0.0	0.0	12.0	10.6	1.4
Financial Investigation	8.6	8.6	0.0	0.0	7.0	5.9	1.1
High Tech Crime	4.0	4.0	0.0	0.0	3.0	3.0	0.0
Technical Support Unit	2.0	1.8	0.0	0.2	1.0	1.0	0.0
Intelligence	26.2	22.2	0.0	4.0	35.0	31.6	3.4
Dedicated Source Unit	5.4	5.2	0.0	0.2	13.0	12.0	1.0
Surveillance	0.0	0.0	0.0	0.0	20.2	18.6	1.6
Crime Management Unit	15.1	14.0	4.0	1.1	12.0	12.4	(0.4)
Public Protection Unit	9.8	7.6	0.0	2.2	81.6	71.0	10.6
Domestic Abuse Investigation Unit	7.0	8.0	1.0	(1.0)	13.0	11.7	1.3
Special Branch	0.0	0.0	0.0	0.0	11.0	8.0	3.0
Special Branch (WECTU)	7.0	5.2	0.0	1.8	0.0	0.0	0.0
Operation Jasmine	0.0	2.8	0.0	(2.8)	0.0	0.0	0.0
Scientific Support	62.5	54.8	0.0	7.7	6.0	7.0	(1.0)
All Wales Collaboration - Tarian	1.0	1.0	0.0	0.0	9.0	10.0	(1.0)
<b>Crime Investigation Total :</b>	<b>171.1</b>	<b>159.4</b>	<b>5.0</b>	<b>11.7</b>	<b>246.8</b>	<b>225.6</b>	<b>21.2</b>
<b>Business Support (Incl ICT)</b>							
Estates	16.4	16.6	0.0	(0.1)	0.0	0.0	0.0
Finance	15.7	12.6	2.0	3.0	0.0	0.0	0.0
Fleet	18.8	13.8	3.0	5.0	0.0	0.0	0.0
Procurement	5.0	4.0	1.0	1.0	0.0	0.0	0.0
Business Support	11.9	9.8	2.0	2.3	0.0	0.0	0.0
Information & Technology	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Business Support (Incl ICT) Total :</b>	<b>65.8</b>	<b>56.6</b>	<b>8.0</b>	<b>9.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Corporate</b>							
ACPO	1.0	1.0	0.0	0.0	4.0	5.0	(1.0)
Standards	14.7	14.9	3.0	(0.2)	7.0	8.0	(1.0)
Legal	9.0	7.6	0.0	1.4	0.0	0.0	0.0
Corporate Comms	19.2	17.8	2.0	1.4	0.0	0.0	0.0
Service Development	30.5	29.9	2.0	0.6	1.0	2.0	(1.0)
Police Federation & Staff Associations	3.5	3.6	0.0	(0.1)	2.0	2.0	0.0
People Services	25.3	24.8	1.0	0.6	10.0	6.0	4.0
Corporate Projects	0.0	10.0	1.0	(10.0)	0.0	4.0	(4.0)
Operation Ismay	0.0	7.9	26.0	(7.9)	0.0	13.0	(13.0)
<b>Corporate Total :</b>	<b>103.3</b>	<b>117.6</b>	<b>35.0</b>	<b>(14.3)</b>	<b>24.0</b>	<b>40.0</b>	<b>(16.0)</b>
Other Joint Funded / External Initiatives	0.0	0.0	0.0	0.0	2.0	2.0	0.0
<b>Chief Officer Controlled Total :</b>	<b>895.7</b>	<b>819.1</b>	<b>67.0</b>	<b>76.6</b>	<b>1,360.5</b>	<b>1,285.1</b>	<b>75.4</b>
<b>Workforce Total :</b>	<b>910.5</b>	<b>834.9</b>	<b>67.0</b>	<b>75.6</b>	<b>1,360.5</b>	<b>1,285.1</b>	<b>75.4</b>
<b>Others To Note :</b>							
Seconded Officers						4.0	
Seconded Officers - RIU & CTIU						7.0	
Career Breakers						2.0	

**Police and Crime Commissioner for Gwent / Heddlu Gwent Police**  
**Medium Term Financial Projections 2015/16 to 2018/19**  
**2014/15 Capital Programme**  
**Performance to 30th September 2014**

EXPENDITURE	2014/15 Programme				
	Initial Annual Budget £'000s	Revised Annual Budget £'000s	Expenditure To Date £'000s	Full Year Forecast £'000s	Year-End Variance £'000s
<b>Estates Schemes :</b>					
1 Estates Schemes including Minor Works	570	561	13	320	241
2 Replacement FCR	0	0	1	0	0
3 CID Hub	0	9	9	9	0
<b>4 Total Estates Schemes</b>	<b>570</b>	<b>570</b>	<b>23</b>	<b>329</b>	<b>241</b>
5 Vehicle Purchases	1,921	1,921	777	1,921	0
<b>6 Vehicle Purchases</b>	<b>1,921</b>	<b>1,921</b>	<b>777</b>	<b>1,921</b>	<b>0</b>
<b>Information Systems :</b>					
7 Inter-Relational Mgt System	71	71	0	71	0
8 VOIP	500	500	0	500	0
9 Replacement ICCS System	500	500	0	500	0
10 Enterprise Resource Planning System	500	500	0	500	0
11 Other IS schemes	180	207	27	180	27
<b>12 Information Systems</b>	<b>1,751</b>	<b>1,778</b>	<b>27</b>	<b>1,751</b>	<b>27</b>
<b>Force Projects :</b>					
13 Body Worn Video	0	259	0	287	(28)
14 Mobile Data	0	1,395	0	1,395	0
15 Other BTCG Projects / Schemes	200	173	37	173	0
<b>16 Total Force Projects</b>	<b>200</b>	<b>1,827</b>	<b>37</b>	<b>1,855</b>	<b>(28)</b>
<b>17 Overall Totals</b>	<b>4,442</b>	<b>6,096</b>	<b>864</b>	<b>5,856</b>	<b>240</b>

FUNDING OF PROGRAMME	Initial Annual Budget £'000s	Revised Annual Budget £'000s
18 Capital Grants	1,037	1,961
19 Supported Borrowing		
20 Use of Capital Reserves	3,405	3,895
21 Revenue Contributions to Capital		
22 Partnership Organisations - Capital		
23 Receipt from sale of premises		
24 Loans / Use of Revenue Funding		
25 Total Funds Available	<b>4,442</b>	<b>5,856</b>
26 Shortfall/(Surplus) in Funding	<b>0</b>	<b>0</b>



**Police and Crime Commissioner for Gwent / Heddlu Gwent Police**  
**Medium Term Financial Projections 2015/16 to 2018/19**  
**Reserves and Sinking Funds**

		Opening Balance 2013/14	Actual Movement 2013/14	Closing Balance 2013/14	Forecast Movement 2014/15	Forecast Year End 2014/15	Forecast Movement 2015/16	Forecast Year End 2015/16	Forecast Movement 2016/17	Forecast Year End 2016/17	Forecast Movement 2017/18	Forecast Year End 2017/18
<b>A</b>	<b>General Reserve</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>				
1	General Reserve	6,411		6,411		6,411		6,411		6,411		6,411
2	Precept top up Reserve	2,107		2,107		2,107	(1,005)	1,102	(1,102)	0		0
3	2013/14 Accelerated Savings		2,668	2,668	(2,668)	0		0		0		0
4	2014/15 Accelerated Savings			0	2,604	2,604		2,604		2,604		2,604
5	<b>Total General Reserves</b>	<b>8,518</b>	<b>2,668</b>	<b>11,186</b>	<b>(64)</b>	<b>11,122</b>	<b>(1,005)</b>	<b>10,117</b>	<b>(1,102)</b>	<b>9,015</b>	<b>0</b>	<b>9,015</b>
<b>B</b>	<b>Earmarked Revenue Reserves</b>											
1	Specific Reserves	1,501	238	1,739	(657)	1,082	(266)	816	(27)	788	(27)	761
2	Police Officer Recruitment 2013/14	1,016	0	1,016		1,016	(1,016)	0		0		0
3	Unauthorised Police Officer Pensions	237		237	(237)	0		0		0		0
4	Revenue Reserve for Capital & Estate Strategy	6,917	(1,802)	5,115	266	5,381		5,381		5,381		5,381
5	Capital Grant Receipts			0	2,024	2,024	1,725	3,749	1,100	4,849	1,100	5,949
6	Capital Requirements - Estates			0	(570)	(570)	(500)	(1,070)	(500)	(1,570)	(500)	(2,070)
7	Capital Requirements - Fleet			0	(1,921)	(1,921)	(1,134)	(3,055)	(1,700)	(4,755)	(1,228)	(5,983)
8	Capital Requirements - ICT & Other Force			0	(180)	(180)	(4,276)	(4,456)	(2,767)	(7,223)	(150)	(7,373)
9	BTCG Contingency Reserve			0	(200)	(200)	(200)	(400)	(200)	(600)	(200)	(800)
10	Disaster recovery (GP part of joint provision)			0	(280)	(280)		(280)		(280)		(280)
11	Staying Ahead Reserve	5,098	(332)	4,766	2,668	7,434		7,434		7,434		7,434
12	Relocation mileage			0	(70)	(70)	(50)	(120)		(120)		(120)
13	PCC - Victim Services Commissioning		158	158	(158)	(0)		(0)		(0)		(0)
14	PCC - Commissioning Reserve		1,441	1,441	(40)	1,401		1,401		1,401		1,401
15	Organisational Change Fund			0	(455)	(455)	(881)	(1,336)	(881)	(2,217)	(317)	(2,534)
16	<b>Total Earmarked Revenue Reserves</b>	<b>14,769</b>	<b>(297)</b>	<b>14,472</b>	<b>190</b>	<b>14,662</b>	<b>(6,598)</b>	<b>8,064</b>	<b>(4,975)</b>	<b>3,088</b>	<b>(1,322)</b>	<b>1,766</b>
<b>C</b>	<b>Earmarked Capital Reserves</b>											
1	Command & Control	1,161		1,161		1,161	(1,161)	0		0		0
2	Estate Strategy Capital Income	972	0	972	380	1,352	0	1,352		1,352		1,352
3	<b>Total Earmarked Capital Reserves</b>	<b>2,133</b>	<b>0</b>	<b>2,133</b>	<b>380</b>	<b>2,513</b>	<b>(1,161)</b>	<b>1,352</b>	<b>0</b>	<b>1,352</b>	<b>0</b>	<b>1,352</b>
<b>D</b>	<b>Total Reserves</b>	<b>25,420</b>	<b>2,371</b>	<b>27,791</b>	<b>506</b>	<b>28,297</b>	<b>(8,764)</b>	<b>19,533</b>	<b>(6,077)</b>	<b>13,455</b>	<b>(1,322)</b>	<b>12,133</b>
<b>E</b>	<b>Sinking Funds</b>											
1	PFI	10,466	278	10,744	262	11,006	345	11,351	276	11,627	205	11,832
2	Airwave	4,303	(496)	3,807	208	4,015	208	4,223	210	4,433	(500)	3,933
3	<b>Total Sinking Funds</b>	<b>14,769</b>	<b>(218)</b>	<b>14,551</b>	<b>470</b>	<b>15,021</b>	<b>553</b>	<b>15,574</b>	<b>486</b>	<b>16,060</b>	<b>(295)</b>	<b>15,765</b>
<b>F</b>	<b>Total Reserves and Sinking Funds</b>	<b>40,189</b>	<b>2,153</b>	<b>42,342</b>	<b>976</b>	<b>43,318</b>	<b>(8,211)</b>	<b>35,107</b>	<b>(5,591)</b>	<b>29,515</b>	<b>(1,617)</b>	<b>27,898</b>

**Police and Crime Commissioner for Gwent / Heddlu Gwent Police**  
**Medium Term Revenue Projections 2015/16 to 2018/19**  
**Capital Programme 2014/15 to 2017/18**

		2014/15 £'000s	2015/16 £'000s	2016/17 £'000s	2017/18 £'000s
<b>A</b>	<b>Estate</b>				
1	Regular Capital Maintenance	570	500	500	500
2	Replacement HQ				
3	Decommissioning of Headquarters				
4	Replacement FCR				
<b>5</b>	<b>Total Estate</b>	<b>570</b>	<b>500</b>	<b>500</b>	<b>500</b>
<b>B</b>	<b>Vehicles</b>	<b>1,921</b>	<b>1,134</b>	<b>1,700</b>	<b>1,228</b>
<b>C</b>	<b>Information Systems</b>				
1	Voice Over Internet Protocol		368		
2	Citrix Servers (64 Bit)	80			
3	Replacement Servers	40	60		
4	Main Blade Server Chassis		120		
5	Checkpoint Firewall Infrastructure	60			
6	Network Switches		150	150	150
7	Replacement SQL Server			130	
8	PND Infrastructure		160		
9	Replacement ICCS System		500		
10	Enterprise Resource Planning System		300	2,487	
11	Disaster Recovery		415		
12	Command & Control		1,161		
13	Mobile Data		1,042		
<b>14</b>	<b>Total Information Systems</b>	<b>180</b>	<b>4,276</b>	<b>2,767</b>	<b>150</b>
<b>D</b>	<b>Other BTCG Projects / Schemes</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>
<b>E</b>	<b>Total Programme</b>	<b>2,871</b>	<b>6,110</b>	<b>5,167</b>	<b>2,078</b>
<b>F</b>	<b>Funding</b>				
1	Capital Grant	1,100	1,100	1,100	1,100
2	Receipts from sale of Premises	380			
3	Funding from Reserves	1,391	5,010	4,067	978
<b>4</b>	<b>Total Funding</b>	<b>2,871</b>	<b>6,110</b>	<b>5,167</b>	<b>2,078</b>
<b>H</b>	<b>Surplus Funds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**POLICE AND CRIME COMMISSIONER FOR GWENT  
2015/16 BUDGET SETTING TIMETABLE**

	<b>Description</b>	<b>Date</b>	<b>Owner</b>
1	Update Medium Term Financial Projections (MTFPs) based upon national/ regional guidance, 13/14 final outturn and emerging issues	9 <sup>th</sup> June 2014	PMA
2	Initial briefing to Police and Crime Panel on initial MTFP	20 <sup>th</sup> June 2014	CFO OPCC
3	Supplementary briefing to Police and Crime Panel on initial MTFP	11 <sup>th</sup> July 2014	CFO OPCC
4	Formal Budget Setting commences in Finance Department (including two month Precept consultation during October and November)	1 <sup>st</sup> September 2014	Finance
5	Update Medium Term Financial Projections to reflect national/ regional guidance, emerging issues and strategic direction	9 <sup>th</sup> September 2014	PMA
6	Chief Officer Team briefing on updated Medium Term Financial Projection	9 <sup>th</sup> September 2014	ACO-R
7	CFO OPCC briefing on Medium Term Financial Projection	11 <sup>th</sup> September 2014	ACO-R
8	OPCC Executive Board Team briefing on updated Medium Term Financial Projection	11 <sup>th</sup> September 2014	CFO OPCC
9	Briefing to Joint Audit Committee on planning process, strategic direction and budget setting	18 <sup>th</sup> September 2014	CFO OPCC
10	Chief Officer Team briefing on updated Medium Term Financial Projection	7 <sup>th</sup> October 2014	ACO-R
11	Update Medium Term Financial Projections to reflect strategic direction following Chief Officer Team briefing	8 <sup>th</sup> October 2014	PMA
12	CFO OPCC briefing on Medium Term Financial Projection	15 <sup>th</sup> October 2014	ACO-R
13	OPCC Executive Board Team briefing on updated Medium Term Financial Projection	15 <sup>th</sup> October 2014	CFO OPCC
14	Produce initial budget proposal	17 <sup>th</sup> October 2014	PMA
15	Chief Officer Team briefing on draft Gwent Police Budget Proposal	4 <sup>th</sup> November 2014	ACO-R
16	CFO OPCC briefing on Medium Term Financial Projection	11 <sup>th</sup> November 2014	ACO-R
17	OPCC Executive Board Team briefing on updated Medium Term Financial Projection	12 <sup>th</sup> November 2014	CFO OPCC
18	Chief Constable finalises Gwent Police Budget Proposal	14 <sup>th</sup> November 2014	ACO-R

**POLICE AND CRIME COMMISSIONER FOR GWENT  
2015/16 BUDGET SETTING TIMETABLE**

19	Budget Setting Exercise completed in Finance	14 <sup>th</sup> November 2014	PMA
20	Provisional Police Settlement announced	tbc November 2014	Home Office / WG
21	Update Medium Term Financial Projections to reflect settlement announcements	21 <sup>st</sup> November 2014	PMA
22	Chief Constable formalises Gwent Police Budget Proposal	26 <sup>th</sup> November 2014	ACO-R
23	Joint Audit Committee Report for circulation with provisional Budget Proposal	27 <sup>th</sup> November 2014	PMA
24	Chief Officer Team briefing on provisional Budget Proposal	2 <sup>nd</sup> December 2014	ACO-R
25	CFO OPCC briefing on Medium Term Financial Projection	3 <sup>rd</sup> December 2014	ACO-R
26	Joint Audit Committee	3 <sup>rd</sup> December 2014	CFO OPCC
27	Police and Crime Panel Report for circulation with provisional Budget Proposal	4 <sup>th</sup> December 2014	PMA
28	OPCC Exec Briefing on provisional Budget Proposal	11 <sup>th</sup> December 2014	CFO OPCC
29	Interim briefing to Police and Crime Panel on provisional Budget Proposal	12 <sup>th</sup> December 2014	CFO OPCC
30	Draft PCC Proposed Precept Report for circulation	19 <sup>th</sup> December 2014	CFO OPCC
31	Chief Officer Team briefing on proposed Precept	6 <sup>th</sup> January 2015	ACO-R
32	Final Police Settlement announced	tbc January 2015	Home Office / WG
33	MTFP updated to reflect impact of Final Police Settlement	tbc January 2015	PMA
34	CFO OPCC briefing on proposed Budget	14 <sup>th</sup> January 2015	ACO-R
35	OPCC Exec Briefing on proposed Budget	15 <sup>th</sup> January 2015	CFO OPCC
36	Deadline for PCC to issue Police and Crime Panel Proposed Precept Report	15 <sup>th</sup> January 2015	PCC
37	PCP Meeting to consider Proposed Precept Report	23 <sup>rd</sup> January 2015	PCP

**POLICE AND CRIME COMMISSIONER FOR GWENT  
2015/16 BUDGET SETTING TIMETABLE**

38	Undertake public consultation with non-domestic ratepayers	30 <sup>th</sup> January 2015	PCC Office
39	Deadline for Police and Crime Panel to review and report back to PCC on Proposed Precept Report	30 <sup>th</sup> January 2015	PCP
40	MTFP updated to reflect impact of PCP report	2 <sup>nd</sup> February 2015	PMA
41	CFO OPCC briefing on proposed Budget	3 <sup>rd</sup> February 2015	ACO-R
42	Draft PCC response to PCP report for circulation	4 <sup>th</sup> February 2015	CFO OPCC
43	Deadline for PCC to issue Revised Precept Proposal Report to PCP	6 <sup>th</sup> February 2015	PCC
44	Deadline for Panel and Crime Panel to review Revised Precept Proposal Report and report back to PCC (Second Report)	13 <sup>th</sup> February 2015	PCP
45	Produce Draft Precept Notification	13 <sup>th</sup> February 2015	CFO OPCC
46	Draft PCC response to PCP Second Report for circulation	18 <sup>th</sup> February 2015	CFO OPCC
47	Deadline for PCC to issue response to PCP Second Report	20 <sup>th</sup> February 2015	PCC
48	PCC issues precept	20 <sup>th</sup> February 2015	PCC
49	Notification of precept to Local Authorities	20 <sup>th</sup> February 2015	PCC
50	Produce Final Precept Notification	20 <sup>th</sup> February 2015	CFO OPCC
51	Printing of precept leaflets / Publishing of on-line Statement (tbc)	6 <sup>th</sup> March 2015	Corporate Communications
52	Complete breakdown and phasing of budgets	13 <sup>th</sup> March 2015	Finance
53	Complete Budget Book	17 <sup>th</sup> March 2015	Finance
54	Upload Budget to Financial System	20 <sup>th</sup> March 2015	Finance
55	Issue Budget Book	20 <sup>th</sup> March 2015	Finance

# **HMIC REPORT – POLICE EFFECTIVENESS, EFFICIENCY AND LEGITIMACY (PEEL) REVIEW OF GWENT POLICE**

## **EFFECTIVENESS**

### **1. How effective is the force at preventing offending and reducing crime?**

Reducing and preventing crime are clear priorities for both the police and crime commissioner and the force. Reported crime has reduced by 28 percent in Gwent over the last four years, although there has been an increase in the crime rate over the last year. Crime rates are higher in Gwent than the overall rate for England and Wales.

The quality of victim contact remains a real concern in Gwent. The force has one of the lowest victim satisfaction ratings of all forces in England and Wales. Despite efforts to date, the force has been unable to improve the situation. In fact, victim satisfaction is continuing to decline according to the force's own data. The force is aware of the urgent need to improve this position and shortly will be launching an initiative that aims to tackle it.

The force has made some good progress in measuring and understanding the nature of demand for its services which means that it is better placed than it was to target resources at the areas of greatest threat and risk. However, the quality and reliability of information are hampering the force's ability to measure the outcomes of its work and plan effectively for the future.

### **2. How effective is the force at investigating offending?**

The force recognises the importance of assessing the risks faced by victims and providing a level of service that is appropriate. However, in practice there are serious inconsistencies in the quality of victim risk assessment and the force's ability to identify victims who are particularly vulnerable. This means that they may not be getting the level of service they need from the police.

Specialist teams within the force adopt a highly victim-centred approach; for example the domestic abuse co-ordination team and the Onyx team, which deals with serious sexual assaults. It is evident that these teams place the victim at the heart of everything they do, and provide good safeguarding for victims.

HMIC found some serious weaknesses in the quality and consistency of investigations in Gwent. There is limited supervision and oversight of investigations. Of particular concern are new arrangements for investigating cases of domestic abuse. These have created risks that victims may not be getting the level of service they need, and offenders may not be brought to justice as effectively as possible.

The force is starting to tackle so-called hidden crimes. For example, there has been some recent positive work to investigate human trafficking and child sexual exploitation. Gwent works well with partners on its integrated offender management programme, which is well-resourced and well-managed.

### **3. How effective is the force at tackling anti-social behaviour?**

Reducing anti-social behaviour is an explicit priority for Gwent and there is clear leadership on its importance in local policing. However, the incidence of anti-social behaviour (per 1,000 population) is higher in Gwent than the rate for England and Wales and there has been an increase in the number of anti-social behaviour incidents. The force is not clear as to the reasons behind this increase.

Gwent continues to invest resource into dealing with anti-social behaviour and works effectively in partnership with local authorities and other agencies to deal with anti-social behaviour.

There are weaknesses in the force's ability to identify at the first point of contact those victims of anti-social behaviour who may be vulnerable, or have been a previous victim. This means that these victims may not be getting the enhanced level of service they need.

### **4. How effective is the force at protecting those at greatest risk of harm?**

The domestic abuse inspection found that, despite domestic abuse being a priority, the absence of effective processes and systems had an impact on the force's ability to manage and minimise risk. There were significant concerns regarding how the force responded to some victims of domestic abuse. The domestic abuse conference call, which provides early responses from both the police and other agencies to safeguarding victims, was identified as a good example of innovative practice.

The crime inspection identified there were problems with the service for domestic abuse. HMIC was particularly concerned to see that there is a lack of clarity among officers about who is responsible for investigating high-risk domestic abuse cases. The inspection reviewed Gwent's domestic abuse action plan and found the action plan submitted follows the national action plan template outlining activity which was in line with the agreed national priorities for forces to improve their response to domestic abuse. While there is not a clear direct reference to the specific HMIC recommendations, there is evidence within the action plan which supports most activity required from these recommendations.

### **No graded judgment in 2014**

### **5. How effective is the force at tackling serious, organised and complex crime?**

The crime inspection found that the force is starting to tackle so-called hidden crimes. For example, there has been some recent positive work to investigate human trafficking and

child sexual exploitation, with dedicated police resources and positive partnership working to support victims.

#### **No graded judgment in 2014**

### **6. How effective is the force at meeting its commitments under the Strategic Policing Requirement?**

The Strategic Policing Requirement inspection found that the chief constable understood his role as specified in the Strategic Policing Requirement. Gwent had assessed the scale and nature of the terrorism, civil emergency, serious organised crime and public disorder threats, but not that of a large-scale cyber incident. This had enabled the force to identify how much resource it needed to manage and respond to these threats with the exception of a large-scale cyber incident. Public order has a nationally agreed requirement for resources and Gwent is able to provide the necessary agreed amount.

The inspection found that Gwent had the necessary capability, alone or with other forces, to tackle terrorism, civil emergency, serious organised crime and public disorder, but not a large-scale cyber incident.

Gwent was able to operate effectively with other police forces and emergency services to respond to public disorder and chemical, biological, radiological and nuclear incidents.

In Gwent, we found that connectivity with other forces was effective for responding to terrorism, civil emergency, serious organised crime and public disorder, but not large-scale cyber incidents.

#### **No graded judgment in 2014**



## **EFFICIENCY**

### **1. To what extent is the force efficient?**

In May 2014, HMIC inspected Gwent as part of the *Policing in Austerity* inspection programme. The findings at the time of this inspection are contained in the following three paragraphs.

Gwent has a limited understanding of the demand the force faces. It has not carried out any comprehensive demand analysis since 2009. Without this understanding the force cannot be confident that it is using its resources in the most efficient way.

In the 12 months to March 2014, recorded crime levels have increased in the Gwent force area; notably there has been an increase in crimes involving violence. At the same time, the force's level of victim satisfaction has fallen.

HMIC is concerned that the force faces deteriorating performance and, in the absence of a credible plan to meet its savings requirement, risks further decline.

Due to the level of improvement required, HMIC revisited Gwent in October 2014 and found the force had made good progress. The force had carried out an initial assessment of demand and informed HMIC that this process will be repeated in November 2014 to develop their understanding further. A new operating model has been designed to deliver affordable policing which meets operational requirements. It is anticipated that this new way of working will be implemented in April 2015. In addition, the force has further developed its budget plan and is confident that the necessary savings can be achieved.

### **2. To what extent is the force taking steps to ensure a secure financial position for the short and long term?**

Gwent needs to find £3.7m savings in 2014/15; it has clear plans in place to achieve most of this and will use reserves to meet any shortfall.

In 2015/16 it requires saving of £9.2m with plans for £5.1m. While the force intends to use some reserves, there are currently no plans to find the additional recurring savings, other than through the loss of staff.

The plans for dealing with savings requirements beyond 2016 are underdeveloped and it is not clear how the force will achieve future savings needed while maintaining effective policing.

HMIC is concerned that in the absence of sustainable plans for the future the force will balance its budget by not replacing staff as they leave. It is likely that such an approach will mean that the force will not be able to maintain effective levels of service for the public in Gwent.

When HMIC reinspected the force in October it had further developed its budget plan. While elements of this plan were at an early stage they were underpinned by prudent assumptions and the force is confident that the necessary savings can be achieved. Following the reinspection, HMIC has greater confidence in the force's financial plans.

### **3. To what extent has the force got an affordable way of providing policing?**

There are some areas of progress in Gwent's approach to affordable provision of policing. In particular, the force continues to make good use of collaboration with other Welsh forces and local partners to get better value for money; there has been a positive cultural change across the organisation and, the increased proportion of police officers on the front line is also encouraging.

It is also encouraging that the force is intending to carry out work on demand and workforce modelling: it is hoped that this will allow the force to develop a strategy for matching demand with resources in the future.

However, HMIC is concerned that the force's change plans are mainly based on reducing the workforce by not replacing staff as they leave. While this may achieve most of the savings needed, the force cannot evaluate the impact of the job losses on the service or be confident that it will result in a model that can provide effective policing in Gwent.

While the force is planning to lose fewer police officers than most other forces in England and Wales over the spending review period, the gap in the force's savings plans means that this is not likely to be sustained beyond 2015. Further staffing reductions will prove necessary in order to balance future budgets.

It is imperative that the force develops a structure which is sustainable and affordable going forward, and which continues to protect vital crime fighting roles.

HMIC found in its re-inspection in October that the force had made good progress in developing an operating model, designed to protect the front line and improve victim satisfaction, which is affordable in the medium term and scalable for the future. The force now has to move from developing the plan to implementing considerable change in a short period of time.

## **LEGITIMACY**

### **1. To what extent does the force ensure that the workforce acts with integrity?**

There is clear leadership from the chief constable and deputy chief constable in promoting ethical and professional behaviour. The force risk management group effectively manages threats to the organisation. A staff opinion survey has been undertaken to help chief officers understand the issues the force faces.

Not all staff are confident to challenge poor behaviour, although they understand what is expected from them. New officers and police staff have received integrity training but the force needs to do more to deliver integrity training to all staff.

Some poor decision making and record-keeping within the police standards department (PSD) was identified. The PSD investigate all levels of complaints and consequently the department is overloaded and investigations are too slow. The PSD does not have the capacity to address proactively wider corruption and staff misconduct issues that may pose a threat to the force.

The force has processes in place to identify vulnerable officers and staff. These corruption identification processes are effective and a real strength for the force.

The force has been proactive in its approach to identifying members of staff who may be at risk of abusing their powers for a sexual motive. In addition, it has also identified the improper disclosure of information to family and friends as one of its priorities for action.

Good progress has been made since HMIC's report in 2012. Staff are aware of their responsibilities regarding integrity. The force has carried out proactive work around highlighting the risks of using social media. However, the force should prepare for the introduction of a new national vetting code in 2015 in order to comply with the conditions.

Random drug testing should be re-introduced and the gifts and hospitality policy needs to be made more effective.

**No graded judgment in 2014**

## **2. What are the public perceptions of the force?**

HMIC considers that there are two sources of data that give an insight into the public's perceptions of their police force: the Crime Survey for England and Wales, and the Victim Satisfaction Survey.

The data for Gwent show that:

Crime Survey for England and Wales (12 months to March 2013)

- 53 percent of adults surveyed think that the police do an excellent/good job, which is less than the figure across England and Wales of 61 percent.
- 54 percent of adults surveyed agree that the police deal with local concerns, which is less than the England and Wales proportion of 60 percent.

Victim Satisfaction Survey (12 months to June 2014)

- 78.1 percent ( $\pm 1.7$  percent) of victims were satisfied with their experience which is less than the figure across England and Wales of 85.0 percent ( $\pm 0.2$  percent).

**No graded judgment in 2014**

## **3. To what extent does the force respond to calls for service appropriately?**

The value for money inspection found that at the time of inspection the force did not gather information on the time it takes officers to respond to emergency or urgent calls. This meant that HMIC was unable to assess the effectiveness of how the force responded to these calls for service from the public.

The crime data integrity inspection found that frontline staff, including call-takers, understood the importance of meeting the needs of the victim when considering crime-recording and investigation. They were polite, professional and helpful.

The domestic abuse inspection found risks in the way the force manages the initial reporting of domestic abuse. There were no robust procedures in place to ensure that repeat and vulnerable victims could be consistently identified. Delivery of effective training was not consistent across the force. In particular, some staff lacked understanding of the types of domestic abuse they were required to deal with. HMIC found inconsistency in the approach to assessing the risks posed to victims, with some officers perceiving the formal risk assessment tool as a bureaucratic process. This meant that some victims may not get the level of service they need.

**No graded judgment in 2014**

#### **4. To what extent are the data and information provided by the force of a high quality?**

The crime data integrity inspection examined 89 incident records and found that 67 crimes should have been recorded. Of the 67 crimes that should have been recorded, 58 were. Of the 58, three were wrongly classified and three were recorded outside the 72-hour limit allowed by the Home Office Counting Rules (HOCR). There was a need for improvement in the accuracy and timeliness of crime-recording decisions. The inspection was also concerned at the way in which the force recorded offences of making off without payment.

The inspection also reviewed 63 no-crime records and found all 63 records to be compliant with HOCR and the National Crime Recording Standard (NCRS). Approval to no-crime a record was undertaken by the four designated decision makers; this ensured consistency and appropriate application of the NCRS.

#### **No graded judgment in 2014**