

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

**Tŷ Penallta**  
Parc Tredomen  
Ystrad Mynach  
Hengoed  
CF82 7PG

**Gwent Police  
and Crime Panel**

**Panel Heddlu  
a Throseddu Gwent**

For all enquiries relating to this agenda please contact  
Rebecca Barrett (Tel. 01443 864245; Email: barrerm@caerphilly.gov.uk)

Date: 9th December 2013

Dear Sir/Madam,

A meeting of the **Gwent Police and Crime Panel** will be held at **Penallta House (Sirhowy Room), Tredomen Park, Ystrad Mynach** on **Friday, 13th December 2013 at 11.00 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 8th November 2013 (copy attached).
4. Treasury Management Strategy 2014/2015 to 2016/17.
5. Medium Term Financial Plan 2014/15 to 2017/18.
6. Office of Police and Crime Commissioner for Gwent Commissioning Strategy.
7. Internal Review of Crime Recording.
8. Gwent Joint Audit Committee Minutes – 19th September 2013.

### **MEMBERSHIP:**

Blaenau Gwent County Borough Council - Councillors Mrs. K. Bender and Mrs. D. Rowberry

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 J. Guy and I. Hayat

Co-opted Members – Mrs. V. Cox-Wall and Mr. P. Nuttall

### **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

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Gwent a Throseddu

## **GWENT POLICE AND CRIME PANEL**

### **MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, YSTRAD MYNACH ON FRIDAY, 8TH NOVEMBER 2013 AT 11.00 A.M.**

Present:

Councillor C.P. Mann - Caerphilly County Borough Council – Acting Chairman  
Councillor I. Hayat - Newport City Council – Acting Vice-Chairman

Councillors Mrs. K. Bender and Mrs. D. Rowberry - Blaenau Gwent County Borough Council  
Councillors Mrs. C. Forehead and Mrs. G.D. Oliver - Caerphilly County Borough Council  
Councillor P. Clarke - Monmouthshire County Council  
Councillors L. Jones and P. Seabourne - Torfaen County Borough Council

Mr P. Nutall - Co-opted Member

By invitation:

Mr. I. Johnston - Gwent Police and Crime Commissioner  
Ms. S. Bosson - Chief Executive, Office of the Gwent Police and Crime Commissioner  
Mr. J. Farrar – Temporary Chief Constable, Gwent Police

Together with:

Mr. J. Jones (Democratic Services Manager), Miss R. Barrett (Clerk to the Panel)

### **ELECTION OF ACTING CHAIRMAN AND VICE-CHAIR**

Mr. Jonathan Jones, Democratic Services Officer, informed those present that Councillor John Guy, Chairman of the Gwent Police and Crime Panel, was currently recovering from an operation and had offered his apologies until further notice. The Panel conveyed their best wishes to Councillor Guy and wished him a speedy recovery.

Mr. Jones clarified that under normal circumstances, in the absence of the Chairman, Councillor Frances Taylor would chair the meeting in her capacity as Vice-Chair. However, due to the fact that Councillor Taylor had been the Panel's nominated observer at the Chief Constable's interview, it had been agreed in advance that she would give her apologies at the confirmation hearing in order to avoid a conflict of interest.

It was explained to those present that the Panel therefore needed to appoint a Chairman and Vice-Chairman in an interim capacity. Nominations were moved and seconded and Councillor Colin Mann was unanimously appointed as the acting Chairman, with Councillor Ibrahim Hayat unanimously appointed as the acting Vice-Chairman.

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

Councillor L. Jones wished it be noted that his son serves as an Officer for Gwent Police and that he sits on the North Torfaen Action Group.

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

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

Councillors K. Bender and D. Rowberry wished it be noted that they are trustees of the Blaenau Gwent Domestic Abuse Management Board.

## **2. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor J. Guy (Newport City Council), Mrs. F. Taylor (Monmouthshire County Council) and Mrs. V. Cox-Wall (Co-opted Member).

## **3. MINUTES – 27TH SEPTEMBER 2013**

The minutes of the meeting held on 27th September 2013 were received and confirmed as a correct record.

With regards to matters arising, Mr Ian Johnston made reference to the closure of several police stations in Gwent and confirmed that existing plans to sell Usk Police Station would no longer be going ahead and that the station would be retained by Gwent Police. Mr. Johnston also confirmed that the Panel would be updated on the findings and recommendations of the Crime Recording Report at the next meeting of the Gwent Police and Crime Panel on 13th December 2013.

## **4. PROPOSED APPOINTMENT OF THE CHIEF CONSTABLE FOR GWENT POLICE**

The Chairman welcomed Mr. Jeff Farrar, the proposed candidate for the post of Chief Constable, to the meeting. Councillor Gaynor Oliver was introduced as the new Labour Party Panel Member for Caerphilly County Borough Council.

Mr. Ian Johnston wished Councillor John Guy a speedy recovery and also extended his best wishes to Councillor Frances Taylor.

Following the retirement of the Chief Constable for Gwent on 7th June 2013, the recruitment process began to appoint a new Chief Constable. Mr. Johnston summarised the advertisement of the post and the selection and interview process.

Following the interview process, the Gwent Police and Crime Commissioner notified the Panel on 25th October 2013 of his intention to appoint Mr. Jeff Farrar as the Chief Constable of the Gwent Police Force.

In accordance with the requirement of the Police Reform and Social Responsibility Act 2011 the Panel is required to hold a public confirmation hearing to review the proposed senior appointment and make a report to the Commissioner.

The Panel explored the candidate's ability to undertake the role through an appraisal of the supporting documents provided by the Commissioner and held a detailed discussion with Mr. Farrar to assess his suitability for the position of Chief Constable. The Panel asked a number of questions of Mr. Farrar to establish whether he had the professional competence and personal independence required to satisfy the role's person specification criteria (namely: experience, serving the public, professionalism, leading strategic change, leading the workforce, managing performance, decision-making and working with others).

Following questions from the Panel, Mr. Farrar thanked Panel Members for the opportunity and commented that the confirmation hearing had been both a rigorous and professional process.

The acting Chairman clarified with the Police and Crime Commissioner details relating to the CPOSA subscription and insurance referenced in the accompanying report, and thanked Mr. Farrar and Mr. Johnston for their full and detailed responses to the Panel's questions.

Mr. Farrar, Mr. Johnston and Ms. Bosson left the meeting and the Panel adjourned for a short recess to enable them to reflect on the information they had received from Mr. Farrar.

On reconvening the Panel voted unanimously to fully endorse the appointment of Mr. Jeff Farrar as the Chief Constable of Gwent Police.

The acting Chairman thanked the Panel Members for their contributions to the confirmation hearing.

The meeting closed at 12.40 p.m.

**OFFICE OF POLICE AND CRIME COMMISSIONER****TITLE: OPCC Treasury Management Strategy 2014-15 to 2016/17****DATE: 13<sup>th</sup> December 2013****TIMING: Routine****PURPOSE: For Information**

1.	<p><b><u>RECOMMENDATION</u></b> For the information of members of the Police and Crime Panel.</p>
2.	<p><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:</p> <ul style="list-style-type: none"> <li>(i) The setting of the Prudential Indicators relating to capital expenditure;</li> <li>(ii) The Minimum Revenue Provision policy;</li> <li>(iii) The Treasury Management Strategy; and</li> <li>(iv) The Investment Strategy in accordance with the Welsh Government's Guidance on Local Government Investments.</li> </ul> <p>The report also seeks approval for twelve Treasury Management Practices.</p>
3.	<p><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 2014/15 to 2016/17 (Appendix A) and the Treasury Management Practices (Appendix B) are submitted for approval in compliance with the Codes.</p>
4.	<p><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 2014/15.</p>
5.	<p><b><u>FINANCIAL CONSIDERATIONS</u></b> This is a financial report required prior to setting the budget and council tax precept for 2014/15.</p>
6.	<p><b><u>PERSONNEL CONSIDERATIONS</u></b> There are no additional staff requirements stemming from this report.</p>
7.	<p><b><u>LEGAL IMPLICATIONS</u></b> Approval of the Treasury Management Strategy by the Police and Crime Commissioner is a statutory responsibility.</p>

8.	<p><b><u>EQUALITIES AND HUMAN RIGHTS CONSIDERATIONS</u></b></p> <p>This project/proposal 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.</p> <p>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.</p>
9.	<p><b><u>RISK</u></b></p> <p>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.</p>
10.	<p><b><u>PUBLIC INTEREST</u></b></p> <p>Once approved the Treasury Management Strategy will be published on the website.</p>
11.	<p><b><u>CONTACT OFFICER</u></b></p> <p>Darren Garwood-Pask, Chief Finance Officer and Deputy Chief Executive to the Police and Crime Commissioner.</p>
12.	<p><b><u>ANNEXES</u></b></p> <p>Appendix 1 – Treasury Management Strategy 2014/15 to 2016/17.</p> <p>Appendix B – Schedule of Treasury Management Practices.</p>

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

**Treasury Management Strategy 2014/15 to 2016/17**

**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 2014/15, 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 2015 providing a selection of actual prudential and treasury indicators.

- 1.4 The Treasury Management Strategy for 2014/15 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 2014/15 to 2016/17**

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 2016/17.

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					
Capital Expenditure	2013/14 Original	2013/14 Revised	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£m	£m	£m	£m	£m
<b>Capital expenditure</b>	<b>11,296</b>	<b>4,623</b>	<b>4,371</b>	<b>6,187</b>	<b>2,680</b>
Financed by:					
Capital receipts	680	575	380	0	0
Capital grants	1,037	1,037	1,100	1,100	1,100
Capital reserves	9,579	3,011	2,891	5,087	1,580
Revenue	0	0	0	0	0
<b>Net financing need for the 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 £5.14m of such schemes within the CFR.

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

	2013/14 Original	2013/14 Revised	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£m	£m	£m	£m	£m
CFR at 1 <sup>st</sup> April	8,743	8,748	8,582	8,444	8,317
Movement in CFR	(166)	(166)	(138)	(132)	(127)

Movement in CFR represented by					
Net financing need for the year	0	0	0	0	0
Less MRP/VRP and other financing movements	(166)	(166)	(138)	(132)	(127)
Movement in CFR	(166)	(166)	(138)	(132)	(127)

### 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 2014/15:

- (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.

Year End Resources	2013/14 Original	2013/14 Revised	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£m	£m	£m	£m	£m
Fund balance	8,518	11,002	11,002	8,895	8,895
Earmarked reserves	19,008	27,921	24,582	18,815	17,176
Provisions	1,459	2,335	2,335	2,335	2,335
<b>Total Core Funds</b>	<b>28,985</b>	<b>41,258</b>	<b>37,919</b>	<b>30,045</b>	<b>28,406</b>
Working Capital*	3,500	4,500	4,500	4,500	4,500
<b>Expected Investments</b>	<b>32,485</b>	<b>45,758</b>	<b>42,419</b>	<b>34,545</b>	<b>32,906</b>

\*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.

	2013/14 Revised	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	%	%	%	%
Ratio	0.23	0.24	0.25	0.24

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.

	<b>Forward Projection 2014/15</b>	<b>Forward Projection 2015/16</b>	<b>Forward Projection 2016/17</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Council Tax – Band D	0.07	0.10	0.03

## 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 2013, 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.

	<b>2013/14 Revised</b>	<b>2014/15 Estimated</b>	<b>2015/16 Estimated</b>	<b>2016/17 Estimated</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>External Debt</b>				
Debt at 1 <sup>st</sup> April	5,392	5,231	5,070	4,909
Expected change in debt	(161)	(161)	(161)	(161)
Other Long Term Liabilities (Finance Lease Liability – PFI) at 1 <sup>st</sup> April	5,139	5,024	4,910	4,788
Expected change in OLTL	(115)	(114)	(122)	(36)
<b>Gross Debt at 31<sup>st</sup> March</b>	<b>10,255</b>	<b>9,980</b>	<b>9,697</b>	<b>9,500</b>
Capital Financing Requirement	8,748	8,582	8,444	8,317
<b>Under/(Over) Borrowing</b>	<b>(1,507)</b>	<b>(1,398)</b>	<b>(1,253)</b>	<b>(1,183)</b>

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

	2013/14 Revised	2014/15 Estimated	2015/16 Estimated	2016/17 Estimated
	£000's	£000's	£000's	£000's
<b>Revenue Budgets</b>				
Interest on Borrowing	321	310	299	288
Investment income	(215)	(161)	(131)	(125)
Net General Fund Borrowing Cost	106	149	168	163

## 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 2014/15 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.

Year End Position	2013/14 Revised	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£000's	£000's	£000's	£000's
Gross Debt	10,255	9,980	9,697	9,500
Investments	(45,758)	(42,419)	(34,545)	(32,906)
Net Borrowing	(35,503)	(32,439)	(24,848)	(23,406)
CFR	8,748	8,582	8,444	8,317

- 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	2013/14 Revised	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£000's	£000's	£000's	£000's
Debt	5,392	5,231	5,070	4,909
Other long term liabilities	5,139	5,024	4,910	4,788
<b>Operational Boundary</b>	<b>10,531</b>	<b>10,255</b>	<b>9,980</b>	<b>9,697</b>

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:

<b>Authorised limit</b>	<b>2013/14 Revised</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Borrowing 1 <sup>st</sup> April	5,392	5,231	5,070	4,909
Borrowing less than 1 month	3,000	3,000	3,000	3,000
Other long term liabilities	5,139	5,024	4,910	4,788
<b>Authorised Limit</b>	<b>13,531</b>	<b>13,255</b>	<b>12,980</b>	<b>12,697</b>

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 Sector 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 Sector view on the prospects for interest rates.

<b>Annual Average %</b>	<b>Bank Rate</b>	<b>Money Rates</b>		<b>PWLB Borrowing Rates</b>		
		<b>3 month</b>	<b>1 year</b>	<b>5 year</b>	<b>25 year</b>	<b>50 year</b>
Dec 2013	0.50	0.50	0.80	2.20	4.20	4.30
March 2014	0.50	0.50	0.80	2.20	4.30	4.40
June 2014	0.50	0.50	0.80	2.20	4.30	4.40
Sept 2014	0.50	0.50	0.80	2.20	4.40	4.50
Dec 2014	0.50	0.50	0.80	2.30	4.50	4.60
Mar 2015	0.50	0.50	0.80	2.40	4.60	4.70
June 2015	0.50	0.50	0.80	2.50	4.70	4.80
Sept 2015	0.50	0.50	1.00	2.60	4.80	4.90
Dec 2015	0.50	0.50	1.20	2.80	4.90	5.00
Mar 2016	0.50	0.50	1.40	2.90	5.00	5.10

UBS and Capital Economics also hold the view that the Bank of England Base Rate will remain at 0.5% until at least December 2014.

8.2 The economic recovery in the UK appear to have taken hold, with the last three quarters growth figures all exhibiting strong performance. Whilst this will certainly help the Government's finances, the likelihood is that the strength of future growth will wane as consumers continue to face falling real wages, unemployment concerns and the impact of the austerity programme. The US and northern Euro-zone countries are growing, but they too are likely to face some on-going difficulties, particularly in the US with challenging political issues over the debt ceiling. The Euro-zone continues with unresolved debt and growth issues in the Mediterranean countries

8.3 This challenging and uncertain economic outlook has several key treasury management implications:

- (i) The Eurozone sovereign debt difficulties provide a clear indication of high counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods;
- (ii) Investment returns are likely to remain relatively low during 2013/14 and beyond;
- (iii) Borrowing interest rates continue to be attractive and may remain relatively low for some time. The timing of any borrowing will need to be monitored carefully; and
- (iv) There will remain a cost of carry – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

## **9. BORROWING STRATEGY 2014/15 – 2016/17**

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 2014/15 – 2016/17**

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 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. 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 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 DMDAF);
- (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 (DMDAF – 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 The Co-Operative Bank**

The Co-operative Bank, the Commissioner's current banker, has decided to withdraw from the market providing banking services to Local Authorities. The Commissioner is currently in the process of tendering for a new banking contract and the new arrangements will be in place from the 1<sup>st</sup> April 2014. Meanwhile the current contract with the Co-operative will be honoured and they will also provide appropriate assistance with the move to a new banker.

## **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.

	<b>2014/15 Estimated + 1%</b>	<b>2014/15 Estimated - 1%</b>
	<b>£m</b>	<b>£m</b>
<b>Revenue Budgets</b>		
Interest on Borrowing	Nil	Nil
Investment income	0.531	0.160

## 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.

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
<b>Interest rate Exposures</b>			
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Limits on fixed interest rates based on net debt</b>	100%	100%	100%
<b>Limits on variable interest rates based on net debt</b>	35%	35%	35%
<b>Maturity Structure of fixed interest rate borrowing 2014/15</b>			
	<b>Lower</b>	<b>Upper</b>	
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%	
<b>Maximum principal sums invested &gt; 364 days</b>			
Principal sums invested > 364 days	£m 0	£m 0	£m 0

## 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 Sector 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 Sector and other organisations. A training seminar on treasury management was delivered to the Commissioner, Deputy Commissioner and members of the Joint Audit Committee earlier in the year and a further training session is planned for December 2013.

## **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, 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 the following:

- (i) The strategy guidelines for choosing and placing investments, particularly non-specified investments;
- (ii) The principles to be used to determine the maximum periods for which funds can be committed;
- (iii) 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
- (iv) 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:



- (i) 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);
- (ii) Supranational bonds of less than one year's duration;
- (iii) A local authority, parish council or community council;
- (iv) 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
- (v) A body that is considered of a high credit quality (such as a bank or building society. For category 5 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 Sector 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 %

Minimum proportion of interest on borrowing which is subject to variable rate interest 0 %

#### **3.2 Minimum/maximum proportions of fixed rate debt/interest**

Minimum proportion of interest on borrowing which is subject to fixed rate interest. 65 %

Maximum proportion of interest on borrowing which is subject to fixed rate interest 100 %

#### **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**

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

- (i) 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.
- (ii) 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 Commissioner will ensure that his 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:

- (i) CIPFA's Treasury Management Code of Practice 2011;
- (ii) CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities;
- (iii) CIPFA Standard of Professional Practice on Treasury Management
- (iv) The Prudential Code for Capital Finance in Local Authorities (2011 Edition);
- (v) Local Government Act 2003;
- (vi) BoE Non Investment Products Code (April 2009);
- (vii) Standing Orders relating to Contracts;
- (viii) Financial Standing Orders, Regulations and Procedures;
- (ix) The Commissioner's Manual of Corporate Governance; and
- (x) 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:-

- (i) a Treasury Management Strategy Statement, stating the overriding principles and objectives of its treasury management activities and, as an integral part of that Statement; and
- (ii) 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:

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

Occurrence:

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

Completeness:

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

Measurement:

- (i) The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy;
- (ii) The Treasury Management spreadsheet automatically calculates periodic interest payments of PWLB and other long term loans. This is used to check the amount paid to these lenders; and

- (iii) Rates generated are compared with other local authorities and against the Treasury Strategy Statement.

Timeliness:

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

Regularity:

- (i) All lending is only made to institutions on the Approved List;
- (ii) All loans raised and repayments made go directly to and from the Commissioner's bank accounts;
- (iii) Limits on value are set for every category of specified and non-specified investments and institution;
- (iv) Brokers have a list of named officials authorised to perform loan transactions;
- (v) There is adequate insurance cover for employees involved in loans management and accounting;
- (vi) 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);
- (vii) There is a separation of duties in the Section between the repayment of a loan and its checking and authorisation;
- (viii) The bank reconciliation is carried out regularly from the bank statement to the financial ledger; and
- (ix) The treasury team has an up to date financial code list.

Security:

- (i) The Treasury Management spreadsheet can only be accessed by a password;
- (ii) Payments can only be authorised by nominated persons, using the Co-operative Bank's Financial Director System. The list of signatories having previously been agreed with the current provider of our banking services.

Substantiation:

- (i) 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;
- (ii) 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 the CIPFA Accounting Code of Practice by reflecting the market value of the fund on 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 Information Communications Technology Department backs up the data on a daily basis.

CHAPS payments are normally made using the Co-operative 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 six accountant 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 its property insurance.

## **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 Sector 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 COMMISSIONER'S TREASURY MANAGEMENT ACTIVITIES**

- (i) Performance measured against Annual Treasury Strategy Statement targets.
- (ii) Compliance to CIPFA Code of Treasury Practice.
- (iii) Expenses contained within approved budget.



## **2.4 BENCHMARKS AND CALCULATION METHODOLOGY**

### **2.4.1 Debt management**

- (i) Average rate on all external debt;
- (ii) Average rate on external debt borrowed in previous financial year;
- (iii) Average rate on internal borrowing;
- (iv) Average period to maturity of external debt;
- (v) Average period to maturity of new loans in previous year; and
- (vi) Comparison with UK average for public sector bodies.

### **2.4.2 Investment.**

- (i) 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 Treasury Section has 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:

- (i) Daily cash projections;
- (ii) Telephone and email rates
- (iii) Dealing slips for all money market transactions – including rate changes;
- (iv) PWLB loan schedules;
- (v) Temporary loan receipts;
- (vi) Market bond certificates;
- (vii) Special loan certificates; and
- (viii) Brokers confirmations for deposits/investments.

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

- (i) Cash flow analysis;
- (ii) Maturity Analysis;
- (iii) Security Analysis;
- (iv) Liquidity Analysis (Weighted Average Life);
- (v) Yield Analysis;
- (vi) Ledger reconciliations;
- (vii) Review of borrowing requirement;
- (viii) Monitoring of projected loan charges, interest and expenses costs;
- (ix) Collation of monthly performance information; and
- (x) Monitoring against Prudential Limits

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

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

- (i) Above all be clear about the nature and extent of the risks to which the organisation may become exposed;
- (ii) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained;
- (iii) 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;
- (iv) Ensure that third parties are judged satisfactory in the context of the organisation's creditworthiness policies, and that limits have not been exceeded; and

- (v) 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:**

- (i) Evaluate the economic and market factors that might influence the manner and timing of any decision to fund;
- (ii) Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships;
- (iii) Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use; and
- (iv) 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:**

- (i) Consider the optimum period, in the light of cash flow availability and prevailing market conditions; and
- (ii) 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**

- (i) Borrowing;
- (ii) Lending;
- (iii) Debt repayment and rescheduling;
- (iv) Consideration, approval and use of new financial instruments and treasury management techniques;
- (v) Managing the underlying risk associated with the capital financing and surplus funds activities;
- (vi) Managing cash flow;
- (vii) banking activities;
- (viii) Leasing; and
- (ix) 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>
Public Works Loans Board (PWLB)	●	●
European Investment Bank (EIB)	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (Lender Option Borrower Options)	●	●
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**

Government and EC Capital Grants

Lottery monies

Private Finance Initiative/Public Private Partnerships

Operating leases

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 the Manual of Corporate Governance 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**

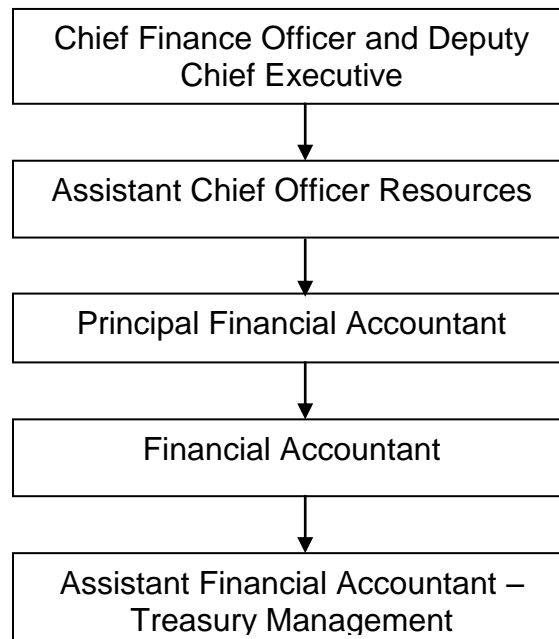
### **INDEX OF SCHEDULES**

- 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 Commissioner'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

- (1) The CFO will:
  - a) Recommend clauses, treasury management policy / practices for approval, reviewing the same on a regular basis, and monitoring compliance;
  - b) Submit treasury management policy reports as required;
  - c) Submit budgets and budget variations in accordance with Financial Regulations and Procedures;
  - d) Receive and review management information reports;
  - e) Review the performance of the treasury management function and promote appropriate reviews;
  - f) Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;

- g) Ensure the adequacy of internal audit, and liaising with external audit; and
  - h) Recommend on appointment of external service providers in accordance with the Manual of Corporate Governance.
- (2) 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.
  - (3) 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 to act as temporary cover for leave/sickness) must conduct all dealing transactions.
  - (4) The Principal Financial Accountant 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.
  - (5) Prior to entering into any capital financing, lending or investment transactions, it is the responsibility of the Principal Financial Accountant to be satisfied that the proposed transaction does not breach any statute, external regulation or the Financial Regulations and Procedures.
  - (6) It is also the responsibility of the Principal Financial Accountant 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 (Cover usually provided by Financial Accountant)**

The responsibilities of this post will be: -

- (i) Execution of transactions;
- (ii) Adherence to agreed policies and practices on a day-to-day basis;
- (iii) Maintaining relationships with third parties and external service providers;
- (iv) Monitoring performance on a day-to-day basis;
- (v) Submitting management information reports to the Principal Management Accountant and Principal Financial Accountant; and
- (vi) Identifying and recommending opportunities for improved practices.

### **5.3.3 Chief Executive**

The responsibilities of this post will be:

- (i) 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:



- (i) Ensuring compliance by the CFO with the treasury management policy statement and treasury management practices and that they comply with the law;
- (ii) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice; and
- (iii) Giving appropriate advice to the CFO when advice is sought.

### **5.3.5 Internal Audit**

The responsibilities of Internal Audit will be:

- (i) Reviewing compliance with approved policy and procedures;
- (ii) Reviewing division of duties and operational practice;
- (iii) Assessing value for money from treasury activities; and
- (iv) 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 Principal Financial Accountant or Financial Accountant.

#### **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 Treasury Team 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 the 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) and broker.

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

### **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.

6.1.2 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.

6.1.3 The Treasury Management Strategy is concerned with the following elements:

- (i) the current Treasury portfolio position;
- (ii) the prospects for interest rates;
- (iii) the limits placed by this organisation on treasury activities;
- (iv) the expected borrowing strategy;
- (v) the expected temporary investment strategy;
- (vi) the policy concerning retention of the set aside capital receipts;
- (vii) the expectations for debt rescheduling;
- (viii) borrowing requirements; and
- (ix) any extraordinary treasury issue.

6.1.4 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:

- (i) Investment Principles;
- (ii) Specified and Non-Specified Investments;
- (iii) Permitted Investments;
- (iv) Liquidity;

- (v) Security of Capital;
- (vi) Investment Limits; and
- (vii) 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:

- (i) The amount of the overall borrowing limit which may be outstanding by way of short term borrowing; and
- (ii) 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: -

- (i) A comprehensive picture for the financial year of all treasury policies, plans, activities and results;
- (ii) Transactions executed and their revenue (current) effects;
- (iii) Report on risk implications of decisions taken and transactions executed;
- (iv) Monitoring of compliance with approved policy, practices and statutory / regulatory requirements;
- (v) Monitoring of compliance with powers delegated to officers;
- (vi) Degree of compliance with the original strategy and explanation of deviations;
- (vii) Explanation of future impact of decisions taken on the organisation;
- (viii) Measurements of performance; and
- (ix) 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:

- (i) A summary of transactions executed and their revenue (current) effects;

- (ii) measurements of performance including effect on borrowing charges/investment income; and
- (iii) 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:

- (i) an annual treasury strategy before the commencement of the new financial year;
- (ii) an annual investment strategy before the commencement of the new financial year;
- (iii) an annual treasury management activity report before the 30<sup>th</sup> September after the year end to which it relates; and
- (iv) 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:

- (i) reconciliation of loans interest and premiums paid to financial ledger by loan type;
- (ii) maturity analysis of loans outstanding;
- (iii) calculation of loans interest and debt management expenses;
- (iv) annual Treasury Report;
- (v) calculation of Revenue Interest;
- (vi) analysis of any Deferred Charges;
- (vii) principal and interest charges from Treasury Management records; and
- (viii) 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:

- (i) payroll for salaries, national insurance, superannuation and income tax information;
- (ii) treasury Management spreadsheet for interest and loans principal payments;
- (iii) precept income;
- (iv) pensions lump sums;
- (v) police pension account surplus/deficit payments;
- (vi) income forecasts; and
- (vii) 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 28 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 Principal Financial Accountant with monthly statistics of invoices paid and the percentage paid within 28 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 Procedure Rules.

#### **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 be 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 his 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**

- (i) 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;
- (ii) 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
- (iii) 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**

- (i) Name of supplier of service is the Co-operative Bank. The branch address is 28/29 John Frost Square, Newport. NP20 1HZ;
- (ii) Contract commenced in 1996; and
- (iii) Cost of service is free. Interest on the Reserve Account is currently 0.375%.

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

Names of suppliers of service:

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

#### **11.1.3 Treasury Management Advisors**

Sector  
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**

- (i) Annual accounts;
- (ii) Annual Budget;
- (iii) Year Capital Plan;
- (iv) Treasury Management Strategy;
- (v) Mid Year Monitoring Report(s);
- (vi) Annual Treasury Report;
- (vii) Annual Investment Strategy; and
- (viii) Relevant Decisions of the Commissioner.

<b><u>OFFICE OF THE POLICE &amp; CRIME COMMISSIONER</u></b>	
<b>TITLE:</b>	<b>Medium Term Financial Plan 2014/15 to 2017/18</b>
<b>DATE:</b>	<b>13<sup>th</sup> December 2013</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 2014/15 to 2017/18.
<b>2.</b>	<b><u>INTRODUCTION &amp; BACKGROUND</u></b>
2.1	This report shows the group financial projections for the financial years 2014/15 to 2017/18, which identify a recurring deficit of £9.557m by 2017/18.
2.2	As part of the on-going Staying Ahead Programme, the financial projections include £5.246m of planned recurring efficiency schemes.
2.3	The 2014/15 budget setting round represents the fourth and final year of the 2010 Comprehensive Spending Review (CSR) and the first year of the 2013 CSR. The 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 £27.24m. 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 known implications of CSR 2013 and now indicate a balanced budget can be achieved for 2014/15 after the application of £2.431m of Staying Ahead efficiency schemes and £1.126m of savings arising from the removal of all vacant PCSO posts.
2.5	The MTFP report was presented to the Joint Audit Committee on the 3 <sup>rd</sup> December 2013. Members considered and commented on the budget setting process as per the terms of reference of the Committee.
<b>3.</b>	<b><u>ISSUES FOR CONSIDERATION</u></b>
3.1	<b>Police Funding Announcement 2014/15 (Appendices 1 and 2)</b>
3.2	The Provisional Police Settlement for 2014/15 is not due to be announced until mid December 2013. It is anticipated that the stand alone Community Safety Fund (£1.369m) will become part of the Police Grant from 2014/15 onwards and will become subject to the same terms and conditions.
3.3	The MTFP is based upon revised funding assumptions, 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 2013/14 budget.
3.4	The Home Office are yet to announce the level of capital funding for 2014/15.

3.5	<b>Council Tax Increases 2014/15</b>
3.6	The MTFP assumes that the Band D council tax increase will increase to 3.00% in 2014/15, 3.50% in 2015/16 and 4.00% in 2016/17 and 2017/18. The Council Tax Base is assumed to be maintained at the growth rate for 2013/14 of 0.88%.
3.7	It has been assumed that there will be no further impact from the Council Tax Support Scheme.
3.8	<b>Medium Term Financial Projections 2014/15 to 2017/18</b>
3.9	The current MTFP is shown at Appendix 1, with the detailed assumptions, service pressures/developments and efficiency initiatives which support the projections at Appendices 2 to 4c.
3.10	Members will note that although a balanced recurring budgetary position could be achieved in 2014/15, 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 £9.557m by 2017/18.
3.11	<b>Funding Assumptions (Appendix 2)</b>
3.12	The funding bases and assumptions for Central Government Funding, is assumed to reduce by 3.30% in 2014/15, 3.20% in 2015/16 and a further 1% per annum to the end of the MTFP. With the exception of the Community Safety Fund, which is anticipated to become part of the overall Police Grant, Home Office (HO) Specific Grants and Welsh Government (WG) Specific Grants are assumed to remain at levels consistent with the 2013/14 projections.
3.13	The Council Tax Precept is assumed to increase by 3.00% in 2014/15, 3.50% in 2015/16 and 4.00% in 2016/17 and 2017/18. This represents an increase on the 2.66% growth that was reflected in the 2013/14 projections for each of the years. The Council Tax Base is assumed to increase at a rate consistent with the 2013/14 budget projections. No further impact of the Council Tax Support Scheme is anticipated before the end of the financial projections.
3.14	<b>Expenditure Assumptions (Appendices 2 and 3)</b>
3.15	The assumptions for pay awards, allowances, enhancements and non-staff inflation remain consistent with those used in the 2013/14 budget setting round.
3.16	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. 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.
3.17	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.
3.18	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.
3.19	<b>Efficiency Opportunities (Appendices 4a to 4c)</b>
3.20	<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>Appendix 4c identifies the proposed schemes from Staying Ahead phase 6 and 7. The full list of schemes has been considered in detail to ensure that the timing and value of savings are realistically reflected in the MTFP. Where schemes no longer remain viable, or slippage occurs, alternate opportunities will be identified, scoped and planned for timely delivery.</p>
3.21	The principles that are being followed for the Staying Ahead programme are the delivery of the best quality service in achieving the Police and Crime Plan priorities, ensuring the most cost effective service and ensuring the right people are in the right place at the right time.
3.22	The Staying Ahead Programme continues to be managed by Chief Officers through the Staying Ahead Delivery Boards.
3.23	In support of the Staying Ahead Programme and contributing towards the funding pressures that are faced, it is planned that the PCSO numbers will be reduced as vacancies arise, until such time that a parity of 101 wte to 101 wte is achieved between the PCSOs and the Welsh Government funded CSOs. The MTFP reflects the removal of the current vacancies of 34.3 wte PCSO posts, which generates savings of £1.126m in 2014/15 (Appendix 1, Line 21).
3.24	<b>Police Officer and Police Staff Flightpaths (Appendices 5a and 5b)</b>
3.25	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), set against the planned reductions in establishment through the implementation of all Phase 6 and 7 schemes (the dotted black lines). These receive continued scrutiny by Chief Officers, to ensure performance against the Staying Ahead Programme and the impact upon the MTFP.
3.26	<b>Financial Performance to 31<sup>st</sup> October 2013 (Appendix 6)</b>
3.27	<p>Based upon the October 2013 financial performance report, the forecast year-end position on the revenue budget shows accumulated accelerated efficiency savings of £2.484m. The major contributing factors to this forecast net saving are:-</p> <ul style="list-style-type: none"> <li>a) Officer, Staff and PCSO vacancy savings (£1.884m);</li> <li>b) Price savings for vehicle fuel (£0.600m);</li> </ul>

	<p>c) Mutual aid reimbursement from other Forces (£0.149m); and offset by</p> <p>d) Higher than budgeted medical retirements (£0.152m).</p>
3.28	<b>Reserves and Sinking Funds (Appendix 7)</b>
3.29	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.
3.30	<b>Outstanding Issues and Unquantifiable Risks</b>
3.31	<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;</li> <li>• Confirmation of the Council Tax Bases for 2014/15;</li> <li>• Future delivery of the Staying Ahead Programme;</li> <li>• Further outcomes of the Winsor Review;</li> <li>• Emerging cost pressures; and</li> <li>• Unplanned initiatives and the international dimension.</li> </ul>
3.32	<b>Capital Programme 2014/15 (Appendix 8)</b>
3.33	The initial 2014/15 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.
<b>4.</b>	<b><u>NEXT STEPS</u></b>
4.1	The financial planning process will continue for both the Revenue and Capital budgets in line with the 2014/15 Budget Setting Timetable, presented and confirmed by the Joint Audit Committee on the 19 <sup>th</sup> September 2013.
<b>5.</b>	<b><u>FINANCIAL CONSIDERATIONS</u></b>
5.1	These are detailed in the report.
<b>6.</b>	<b><u>PERSONNEL CONSIDERATIONS</u></b>
6.1	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>7.</b>	<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	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	<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 Loss of 'assumed' precept income;</li> <li>ii Impact of the localisation of council tax support;</li> <li>iii Withdrawal of funding by partners (HO, WG and Local Authorities);</li> <li>iv Increased 'last resort' demand due to others withdrawing service; and</li> <li>v 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 OFFICER</u></b>
11.1	Darren Garwood-Pask, Chief Finance Officer

<b>12.</b>	<b><u>ANNEXES</u></b>
12.1	Appendix 1 – Medium Term Financial Projections 2014/15 to 2017/18
12.2	Appendix 2 – Medium Term Financial Projections 2014/15 to 2017/18 – Assumptions
12.3	Appendix 3 – Identified Budget Pressures
12.4	Appendix 4a – Identified Budget Reductions
12.5	Appendix 4b – Staying Ahead Schemes delivered in 2013/14
12.6	Appendix 4c – Future Staying Ahead Schemes
12.7	Appendix 5a – Police Officer Flightpath to March 2017
12.8	Appendix 5b – Police Staff Flightpath to March 2017
12.9	Appendix 6 – Group Financial Performance to October 2013
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 Revenue Projections 2014/15 to 2017/18**

	(a)	(b)	(c)	(d)	(e)
	2013/14 Actual £'000s	2014/15 Forecast £'000s	2015/16 Forecast £'000s	2016/17 Forecast £'000s	2017/18 Forecast £'000s
1 Effect of Pay Awards and Increments	887	1,841	2,039	2,063	2,105
2 Non-Staff Inflation	600	568	578	613	651
3 Loss of Home Office Grant Funding	3,138	1,369	0	0	0
4 In Service Pressures / Developments	3,253	449	1,375	3,281	1,220
5 Identified Savings	-3,063	-391	-104	-104	-104
6 Unavoidable Cost Increases	4,816	3,836	3,887	5,852	3,872
7 Gross Budget Movement	4,816	3,836	3,887	5,852	3,872
8 Recurring Base Budget Brought Forward	115,499	120,316	124,151	128,038	133,891
9 Projected Budgetary Requirement	120,316	124,151	128,038	133,891	137,762
10 % Increase on Previous Years Base Budget	-5.10%	3.19%	3.13%	4.57%	2.89%
Funded from :					
11 Funding					
12 Police Grant	-47,068	-46,808	-45,310	-44,857	-44,408
13 Revenue Support Grant	-16,925	-16,367	-15,843	-15,685	-15,528
14 National Non-Domestic Rates	-15,325	-14,819	-14,345	-14,202	-14,060
15 Council Tax	-40,997	-42,600	-44,481	-46,668	-48,963
16 Total Funding	-120,316	-120,595	-119,980	-121,412	-122,959
<b>17 Projected Recurring Deficit / (Surplus) Before Efficiencies</b>	-	<b>3,556</b>	<b>8,058</b>	<b>12,479</b>	<b>14,803</b>
<b>18 Efficiencies</b>					
19 Accelerated Delivery / Additionality of Staying Ahead Scheme Savings	-	(831)	(831)	(831)	(831)
20 Future Year Staying Ahead Scheme Savings	-	(1,600)	(2,751)	(3,255)	(3,255)
21 Removal of Vacant PCSO posts	-	(1,126)	(1,137)	(1,148)	(1,160)
<b>22 Reserve Utilisation to offset reduced Precept Increase</b>	-	-	(2,107)	-	-
<b>23 Projected Recurring Deficit / (Surplus) After Efficiencies &amp; Reserve Utilisation</b>	-	<b>(0)</b>	<b>1,232</b>	<b>7,245</b>	<b>9,557</b>

**Police and Crime Commissioner for Gwent / Heddlu Gwent Police**  
**Medium Term Revenue Projections 2014/15 to 2017/18**  
**Assumptions**

Description	2013/14 Budgeted	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 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
Low Earner Pay Award	£250	£0	£0	£0	£0	Recurrent effect of consolidated pay award for 2012/13
<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)	3.00%	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	-1.57%	-3.30%	-3.20%	-1.00%	-1.00%	Final Police Settlement 2013/14 and National ACPO
Council Tax Base Increase	0.30%	0.88%	0.88%	0.88%	0.88%	Actual Growth for 2013/14. Estimated for 2014/15 onwards - net of CT Support Scheme
Council Tax Precept Increase (Appendix 1b)	2.66%	3.00%	3.50%	4.00%	4.00%	Police and Crime Commissioner for Gwent Indications - October 2013

**Police and Crime Commissioner for Gwent / Heddlu Gwent Police**  
**Medium Term Revenue Projections 2014/15 to 2017/18**  
**In-service Pressures and Developments 2014/15 to 2017/18**

Description	2014/15 £	2015/16 £	2016/17 £	2017/18 £	Narrative
1 BTCG Scheme Pump Priming	100,000	100,000	100,000	100,000	Recurrent funding for developments that arise during the financial year
2 Additional Bank Holiday Impact (Timing of Christmas, New Year and Easter)	130,000	360,000	(360,000)	120,000	Timing of Festive and Easter Bank Holidays mean that premium costs occur
3 Office Automation pump priming	112,000	0	0	0	Cessation of desktop Computer Hardware replacement cycle funding from Reserves
4 National Police ICT Services - Full Recovery Charging	143,123	0	0	0	Actual increase in costs from National Police ICT Services
5 PEACE TINDER Collaboration (SPOC Software)	8,000	0	0	0	Final Year of cost pick up from PEACE TINDER collaboration
6 Injury Pension Payments	100,000	0	0	0	Increase to cover current expenditure profile
7 Mamhilad Block B Rental and Utility Costs	106,000	0	0	0	Costs arising from occupation of Block B
8 FCR Vantage Point Rental and Utility Costs	0	99,000	99,000	0	Anticipated costs of Vantage Point Head Office Proposal
9 Witness Care Service - previously provided by CPS	80,000	0	0	0	Loss of CPS support for joint case preparation posts
10 Wales Audit Office - Increase in fees	11,600	0	0	0	Increase of costs following introduction of Group Account status under PCC
11 Increase in Vetting Services	40,000	0	0	0	External costs arising from decommissioning of vetting software
12 Specialist On-call Resources SRS	14,000	0	0	0	Specialist out of hours costs to ensure IT functionality can be maintained
13 Public Confidence Surveys	30,000	0	0	0	To provide public confidence data at LPU level
14 Gwent Regional Collaboration Fund	15,000	0	0	0	Contribution towards projects supported by the Gwent Regional Collaboration Fund
15 Increased Cost of Policing Seasonal Football Matches	30,000	0	0	0	Increased neighbourhood policing during matches at Christmas and Easter
16 SRS Developments (net of anticipated savings)	79,000	0	0	0	Assessment of collaborative cost base requirements for 2014/15
17 NI implications of Single State Pension	0	0	2,541,000	0	Proposed move to a single state pension - likely impact on Employer National Insurance rates
18 Potential pension implication on police overtime/allowances	?	?	?	?	Further assessment needed to establish extent of cost pressure
19 Potential pension implication on police staff overtime/allowances	?	?	?	?	Further assessment needed to establish extent of cost pressure
20 Local Impact of NATO Summit - Autumn 2014	?	0	0	0	Assessment needed of local impact not covered by external funding
21 Planned Estates Works	80,000	0	0	0	Increase in Planned Estates maintenance due to retaining sites
22 Unplanned Estates Works	60,000	0	0	0	Increase in Unplanned Estates maintenance due to retaining sites
23 DIP Testing Drug Kit Purchases	25,000	0	0	0	Home Office funding withdrawal of test kits
24 Interest Receivable	53,000	0	0	0	Rebasing of the Interest Receivable has resulted in a decrease of future interest
25 PSU Equipment	25,000	(25,000)	0	0	Non recurring pressure for replacing worn PSU Equipment
26 Phonographic Performance Ltd Licences	5,000	0	0	0	Annual charge for playing music in office spaces, canteen and gym.
27 Dangerous Dogs	10,000	0	0	0	Additional pressures of storing and maintaining dangerous dogs
28 Operational Custody Costs	18,000	0	0	0	Increased costs incurred in maintaining suitable services within custody
29 Body Armour Protective Sleeves	60,000	(60,000)	0	0	To reduce bio-degrading of existing units
30 Contingent Pressure Funds	50,000	901,000	901,000	1,000,000	Estimate of future cost pressures
31 Office of the PCC - Commissioning Provision	(931,000)	0	0	0	Saving arising from reduction of PCC Commissioning Grant
	<b>448,723</b>	<b>1,375,000</b>	<b>3,281,000</b>	<b>1,220,000</b>	

**Police and Crime Commissioner for Gwent / Heddlu Gwent Police**  
**Medium Term Revenue Projections 2014/15 to 2017/18**  
**Budget Savings 2014/15 to 2017/18**

Description	2014/15	2015/16	2016/17	2017/18
	£	£	£	£
<b>Potential Savings</b>				
1 Transitional Rent Allowance	(90,000)	(90,000)	(90,000)	(90,000)
2 Compensatory Grant	(14,000)	(14,000)	(14,000)	(14,000)
3 Review of Fleet	(286,783)	0	0	0
	<b>(390,783)</b>	<b>(104,000)</b>	<b>(104,000)</b>	<b>(104,000)</b>

**Police and Crime Commissioner for Gwent / Heddlu Gwent Police**  
**Medium Term Revenue Projections 2014/15 to 2017/18**  
**Staying Ahead Phase 6 Schemes 2014/15 to 2017/18 and Other Savings Initiatives**

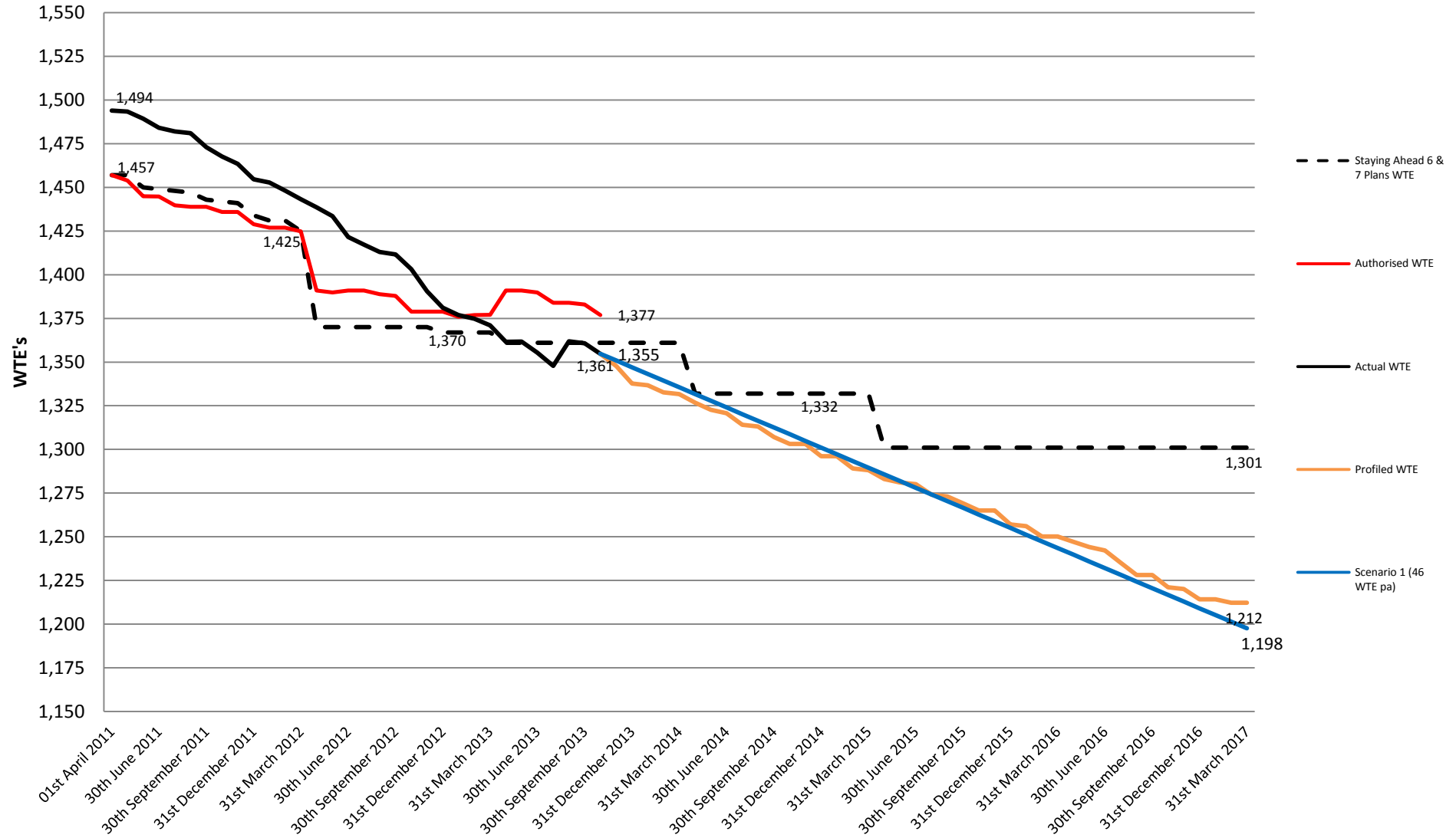
	<b>2013/14</b> <b>£'000s</b>
<b>Scheme</b>	
1 Specialist Crime	214
2 Roads Policing	176
3 Data Management Review	131
4 Schools Liaison	96
5 CJD Review	78
6 Service Development	50
7 Scientific Support	44
8 Business Support	34
9 Accessibility Review	6
10 Emergency Planning Review	2
<b>11 Scheme Savings for Year</b>	<b>831</b>

**Police and Crime Commissioner for Gwent / Heddlu Gwent Police**  
**Medium Term Revenue Projections 2014/15 to 2017/18**  
**Staying Ahead Phase 6 Schemes 2014/15 to 2017/18 and Other Savings Initiatives**

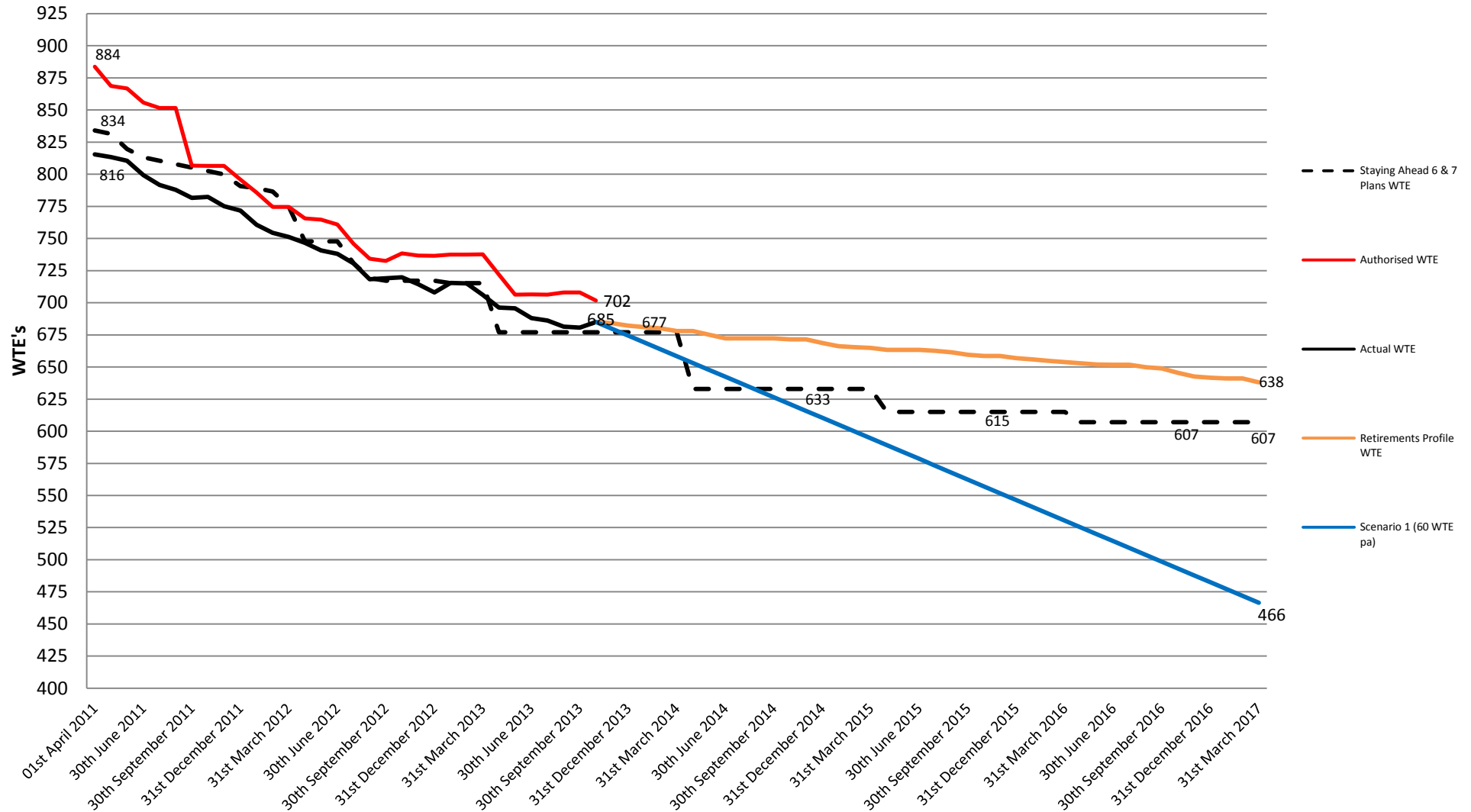
	2014/15 £'000s	2015/16 £'000s	2016/17 £'000s	2017/18 £'000s	Total £'000s
<b>A Cumulative Savings Brought Forward</b>	<b>0</b>	<b>1,600</b>	<b>2,751</b>	<b>3,255</b>	<b>3,255</b>
<b>B Scheme</b>					
1 Review of Command Structure		229			229
2 Review of Fleet Function	214	19	19		252
3 Review of Business Support Function	74				74
4 Review of Finance Function	66	30	45		141
5 Mobile Data Project		183			183
6 Records Management Solution (RMS)	249	128			377
7 Data Management Review	72		100		172
8 Service Development - Post Implementation and Further Review	58				58
9 Corporate Communications Review		12			12
10 Departmental Review of Professional Standards	68		286		354
11 Winsor Review	165		54		219
12 Supervisory Ratio	550	550			1,100
13 Continuous Improvement Review of Communications Suite	4				4
14 Officer Safety and First Aid Training Review	80				80
<b>C Savings for Year</b>	<b>1,600</b>	<b>1,151</b>	<b>504</b>	<b>0</b>	
<b>D Cumulative Savings Carried Forward</b>	<b>1,600</b>	<b>2,751</b>	<b>3,255</b>	<b>3,255</b>	



### Police and Crime Commissioner for Gwent / Heddlu Gwent Police Medium Term Financial Projections 2014/15 to 2017/18 Police Officer Establishment Flight Path - 31st October 2013



## Police and Crime Commissioner for Gwent / Heddlu Gwent Police Medium Term Financial Projections 2014/15 to 2017/18 Police Staff (Excluding PCSOs) Establishment Flight Path - 31st October 2013



**Police and Crime Commissioner for Gwent**  
**2013/14 Revenue Budget - Gwent Police Group**  
**Performance to 31st October 2013**

	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	70,377	69,848	40,727	40,307	420	1,246
2	Police Staff Salaries and Allowances	23,891	22,992	13,481	13,511	(30)	312
3	PCSO Salaries and Allowances	7,068	7,068	4,123	3,714	409	815
4	Police Officer Overtime and Enhancements	1,473	1,605	930	1,048	(118)	(130)
5	Police Staff Overtime and Enhancements	1,007	993	497	508	(11)	56
6	PCSO Overtime and Enhancements	727	732	369	352	17	30
7	Other Employee Related Costs	2,119	2,093	1,422	1,456	(34)	(188)
8	Premises Costs	5,472	5,370	3,474	3,249	225	80
9	Transport Costs	3,563	3,564	2,042	1,696	345	613
10	Supplies and Services	13,875	16,354	8,816	8,703	113	(87)
11	Major Incident Schemes	684	684	406	406	0	0
12	Proactive Operational Initiatives	267	267	102	102	0	50
13	Contribution to NPIA	573	573	529	535	(6)	(10)
14	Capital Charges	500	500	127	127	0	0
		<b>131,595</b>	<b>132,641</b>	<b>77,043</b>	<b>75,713</b>	<b>1,330</b>	<b>2,787</b>
<b>Other Approved Revenue Requirements</b>							
15	Development Reserve	110	110	0	0	0	0
16	Identified Recurring Savings	(1,763)	(489)	0	0	0	(489)
		<b>(1,653)</b>	<b>(378)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(489)</b>
<b>Income</b>							
17	Investment Income	(215)	(215)	(114)	(113)	(1)	0
18	Other Income	(8,099)	(11,424)	(6,135)	(6,430)	294	185
		<b>(8,314)</b>	<b>(11,638)</b>	<b>(6,249)</b>	<b>(6,543)</b>	<b>293</b>	<b>185</b>
19	<b>Net Expenditure Before Transfers</b>	<b>121,629</b>	<b>120,624</b>	<b>70,794</b>	<b>69,171</b>	<b>1,624</b>	<b>2,484</b>
<b>Transfers</b>							
20	To Earmarked Reserves (Pre-Approved)	2,022	3,195	0	0	0	0
21	To Capital Account	0	8	0	0	0	0
		<b>2,022</b>	<b>3,203</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
22	<b>Net Expenditure Including Transfers</b>	<b>123,651</b>	<b>123,827</b>	<b>70,794</b>	<b>69,171</b>	<b>1,624</b>	<b>2,484</b>
<b>Funded By:</b>							
24	Revenue Support Grant	(16,925)	(16,925)	(10,413)	(10,413)	0	0
25	National Non-Domestic Rates	(15,325)	(15,325)	(9,428)	(9,428)	0	0
26	Police Grant	(47,068)	(47,068)	(27,456)	(27,456)	0	0
27	Council Tax	(40,997)	(40,997)	(23,915)	(23,915)	0	0
28	Specific Grant Income	(1,470)	(1,459)	(392)	(392)	0	0
29	Use of General Reserves	0	0	0	0	0	0
30	Use of Earmarked Reserves	(1,865)	(2,052)	(2,052)	(2,052)	0	0
31	<b>Total Funding</b>	<b>(123,651)</b>	<b>(123,827)</b>	<b>(73,656)</b>	<b>(73,656)</b>	<b>0</b>	<b>0</b>
32	<b>(Over)/Underspend</b>	<b>0</b>	<b>0</b>	<b>(2,862)</b>	<b>(4,485)</b>	<b>1,624</b>	<b>2,484</b>

**Police and Crime Commissioner for Gwent / Heddlu Gwent Police**  
**2014/15 Revenue Budget**  
**Forecast Movements 2013/14 to 2017/18**  
**Reserves and Sinking Funds**

	Opening Balance 2013/14 £'000s	Actual Movement 2013/14 £'000s	Forecast Movement 2013/14 £'000s	Forecast Year End 2013/14 £'000s	Forecast Movement 2014/15 £'000s	Forecast Year End 2014/15 £'000s	Forecast Movement 2015/16 £'000s	Forecast Year End 2015/16 £'000s	Forecast Movement 2016/17 £'000s	Forecast Year End 2016/17 £'000s	Forecast Movement 2017/18 £'000s	Forecast Year End 2017/18 £'000s
<b>A Reserves</b>												
1 General Reserve (Operational)	6,411	0	0	6,411	0	6,411	0	6,411	0	6,411	0	6,411
2 Precept Top-Up Reserve	2,107	0	0	2,107	0	2,107	(2,107)	0	0	0	0	0
3 Forecast Underspend	0	0	2,484	2,484	0	2,484	0	2,484	0	2,484	0	2,484
<b>4 Total General Reserves</b>	<b>8,518</b>	<b>0</b>	<b>2,484</b>	<b>11,002</b>	<b>0</b>	<b>11,002</b>	<b>(2,107)</b>	<b>8,895</b>	<b>0</b>	<b>8,895</b>	<b>0</b>	<b>8,895</b>
<b>B Earmarked Reserves</b>												
1 Specific Reserves	1,738	0	0	1,738	(350)	1,388	(352)	1,036	(400)	636	0	636
2 Police Officer Recruitment 2013-14	1,016	0	0	1,016	(400)	616	(616)	0	0	0	0	0
3 Capital & Estate Strategy	6,917	(187)	(3,386)	3,344	(3,071)	273	(3,726)	(3,453)	(1,379)	(4,832)	(778)	(5,610)
4 Staying Ahead Reserve	5,098	(332)	(420)	4,346	(270)	4,076	(250)	3,826	(200)	3,626	(200)	3,426
<b>Total Earmarked</b>	<b>14,769</b>	<b>(519)</b>	<b>(3,806)</b>	<b>10,444</b>	<b>(4,091)</b>	<b>6,353</b>	<b>(4,944)</b>	<b>1,409</b>	<b>(1,979)</b>	<b>(570)</b>	<b>(978)</b>	<b>(1,548)</b>
<b>C Capital Reserves</b>												
1 Command & Control	1,161	0	0	1,161	0	1,161	(1,161)	0	0	0	0	0
2 Capital Receipts Reserve	972	275	300	1,547	380	1,927	0	1,927	0	1,927	0	1,927
<b>3 Total Capital Reserves</b>	<b>2,133</b>	<b>275</b>	<b>300</b>	<b>2,708</b>	<b>380</b>	<b>3,088</b>	<b>(1,161)</b>	<b>1,927</b>	<b>0</b>	<b>1,927</b>	<b>0</b>	<b>1,927</b>
<b>D Total Reserves</b>	<b>25,420</b>	<b>(244)</b>	<b>(1,022)</b>	<b>24,154</b>	<b>(3,711)</b>	<b>20,443</b>	<b>(8,212)</b>	<b>12,231</b>	<b>(1,979)</b>	<b>10,252</b>	<b>(978)</b>	<b>9,274</b>
<b>E Sinking Funds</b>												
1 PFI	10,466	0	0	10,466	164	10,630	130	10,760	130	10,890	130	11,020
2 Airwave	4,303	0	0	4,303	208	4,511	208	4,719	210	4,929	210	5,139
<b>3 Total Sinking Funds</b>	<b>14,769</b>	<b>0</b>	<b>0</b>	<b>14,769</b>	<b>372</b>	<b>15,141</b>	<b>338</b>	<b>15,479</b>	<b>340</b>	<b>15,819</b>	<b>340</b>	<b>16,159</b>
<b>F Total Reserves and Sinking Funds</b>	<b>40,189</b>	<b>(244)</b>	<b>(1,022)</b>	<b>38,923</b>	<b>(3,339)</b>	<b>35,584</b>	<b>(7,874)</b>	<b>27,710</b>	<b>(1,639)</b>	<b>26,071</b>	<b>(638)</b>	<b>25,433</b>

**Police and Crime Commissioner for Gwent / Heddlu Gwent Police**  
**Medium Term Revenue Projections 2014/15 to 2017/18**  
**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	500			
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	500	2,287		
11	Disaster Recovery		415		
12	Command & Control		1,161		
<b>13</b>	<b>Total Information Systems</b>	<b>1,680</b>	<b>4,353</b>	<b>280</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>4,371</b>	<b>6,187</b>	<b>2,680</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	0	0	0
3	Funding from Reserves	2,891	5,087	1,580	978
<b>4</b>	<b>Total Funding</b>	<b>4,371</b>	<b>6,187</b>	<b>2,680</b>	<b>2,078</b>
<b>G</b>	<b>Surplus Funds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**OFFICE OF POLICE AND CRIME COMMISSIONER**

**TITLE:** Police and Crime Commissioner for Gwent Commissioning Strategy

**DATE:** 13<sup>th</sup> December 2013

**TIMING:** Routine



**PURPOSE:** For information

1.	<p><b><u>RECOMMENDATION</u></b> That members of the Police and Crime Panel consider the contents of this report.</p>
2.	<p><b><u>INTRODUCTION &amp; BACKGROUND</u></b> This report is provided to Members, to update them on the delivery of the</p> <p>2.1 Police and Crime Commissioner for Gwent's (the Commissioner) commissioning responsibilities.</p> <p>2.2 The Commissioner currently operates 3 tiers of commissioning activity:</p> <p>a) <u>Tier 1 – Positive Impact Fund</u> The Commissioner has established an annual fund of £10,000, which is designed to deliver dynamic positive, impactful outcomes for recipients. The Commissioner has responsibility to agree the awards, with typical bids being less than £1,000. To date, £3,859 has been awarded.</p> <p>b) (i) <u>Tier 2 – Partnership Fund</u> The Commissioner has also established an annual fund of £100,000, which is designed to assist organisations involved in activities that reduce crime and anti-social behaviour or divert people away from related activity, in support of the Commissioner's Police and Crime Plan priorities. A formalised bid process is administered by the Office of the Commissioner (OPCC), with bids scrutinised by a panel made up of representatives of the OPCC, the Force, Youth Forum, community groups and other partners. Bids are welcomed on two levels: up to £10,000 and from £10,001 to £25,000. In November 2013, a total of £99,470 of successful bids were awarded.</p> <p>(ii) <u>The Police Property Act Fund</u> The Commissioner has also awarded the sum of £50,551 to organisations across the force area by way of a competitive bid process. This fund will continue to be utilised depending on the funds available.</p> <p>c) <u>Tier 3 – Strategic Commissioning</u> The third tier relates to strategic commissioning activity, driven by the</p>

	<p>introduction of commissioning responsibilities for Commissioners and the associated unification of funding to deliver these commissioned services e.g. the receipt of the Community Safety Fund of £1.369m in 2013/14; and the receipt of victims' monies in October 2014.</p>
2.3	The remainder of this report focuses upon the tier 3 activity.
2.4	<p>With the introduction of these new commissioning responsibilities, the Commissioner has established a Strategic Commissioning Board (the Board). The Board has the primary purpose to provide strategic direction to the Commissioner's strategy for commissioning relation to:</p> <ul style="list-style-type: none"> <li>a) Strategic planning;</li> <li>b) Service quality and delivery evaluation;</li> <li>c) Contract performance/management; and</li> <li>d) Stakeholder engagement.</li> </ul>
2.5	The Board is chaired by the Deputy Commissioner and has representation from the OPCC, Local Authorities, Gwent Police, South Wales Fire & Rescue Service, Wales Probation Trust, Aneurin Bevan Health Board, Gwent Registered Social Landlords and the Gwent Voluntary Sector.
<b>3.</b>	<b><u>ISSUES FOR CONSIDERATION</u></b>
3.1	The Board first met in June 2013, and has met 3 times since in September, October and November. In order to facilitate the workings of the Board, a 'Strategic Commissioning Framework' has been developed and endorsed by the Board. The Framework is at Appendix 1.
3.2	<p>In line with the Strategic Commissioning Framework, the Board has recently considered the allocation of funding (both Community Safety Funding and other sources) for 2014/15 and beyond. The board has assessed:</p> <ul style="list-style-type: none"> <li>a) The needs of the people and communities of Gwent;</li> <li>b) The value for money and outcomes demonstrated from current service provisions which meet these needs;</li> <li>c) Gaps and overlaps in the current service delivery model;</li> <li>d) Elements to retain of the current delivery landscape and potential future delivery mechanisms; and</li> <li>e) The suitability and capacity of the 'market' to deliver commissioned services.</li> </ul>

3.3	<p>The assessment above was undertaken during October and November 2013, with an aim to deliver its findings and recommendations for allocations by early December 2013. Future funding allocations will still be dependent however, upon the submission by partners of 'outcomes focussed' plans for 2014/15. This timeframe aligns to the statutory budget setting timetable for the Commissioner to agree the overall budget for delivering his Police and Crime Plan and the associated level of Council Tax Precept. Partners will therefore receive early indications of likely funding levels in late December 2013, which will be formally ratified in February 2014.</p>
<p><b>4.</b></p> <p>4.1</p> <p>4.2</p> <p>4.3</p>	<p><b><u>NEXT STEPS</u></b></p> <p>At the latest Board meeting on the 2<sup>nd</sup> December 2013, members agreed the 'Strategic Commissioning Intentions' at Appendix 2. These intentions confirm 5 key programmes of work, which will focus commissioning activity; deliver an enhanced service through working together and bring improved outcomes against each of the Commissioner's priorities.</p> <p>The Board felt it would be prudent to refine the current baseline information and delay the bidding process until mid-way through 2014/15. This would also link with the Commissioner's duties relating to victim services for which he will assume responsibility in October 2014.</p> <p>It is proposed that existing recipients of funding within this arena, will receive 'roll-over' of their 2013/14 funding into 2014/15, minus a percentage to baseline to 2012/13 allocations (where applicable). The 2014/15 funding will be allocated until the end of September 2014, thereby allowing sufficient time to develop and publish the commissioning framework and associated bidding requirements. The allocations post September 2014 will be part of a new regime for bidding, which will be more outcome focussed with an increased emphasis on collaboration, bringing with it enhanced monitoring processes.</p>
<p><b>5.</b></p> <p>5.1</p> <p>5.2</p>	<p><b><u>FINANCIAL CONSIDERATIONS</u></b></p> <p>Significant financial implications exist throughout the development and delivery of the Commissioner's strategy for commissioning. The implications of commissioning new areas of work, coupled with the decommissioning of existing services, are robustly scrutinised by the Board, Commissioner and the respective officers of the OPCC.</p> <p>The financial implications of the strategy for commissioning will be reported to this Panel in due course.</p>
<p><b>6.</b></p> <p>6.1</p>	<p><b><u>PERSONNEL CONSIDERATIONS</u></b></p> <p>In line with the financial considerations articulated above, the same can be said of the personnel considerations. These too will be included in future</p>



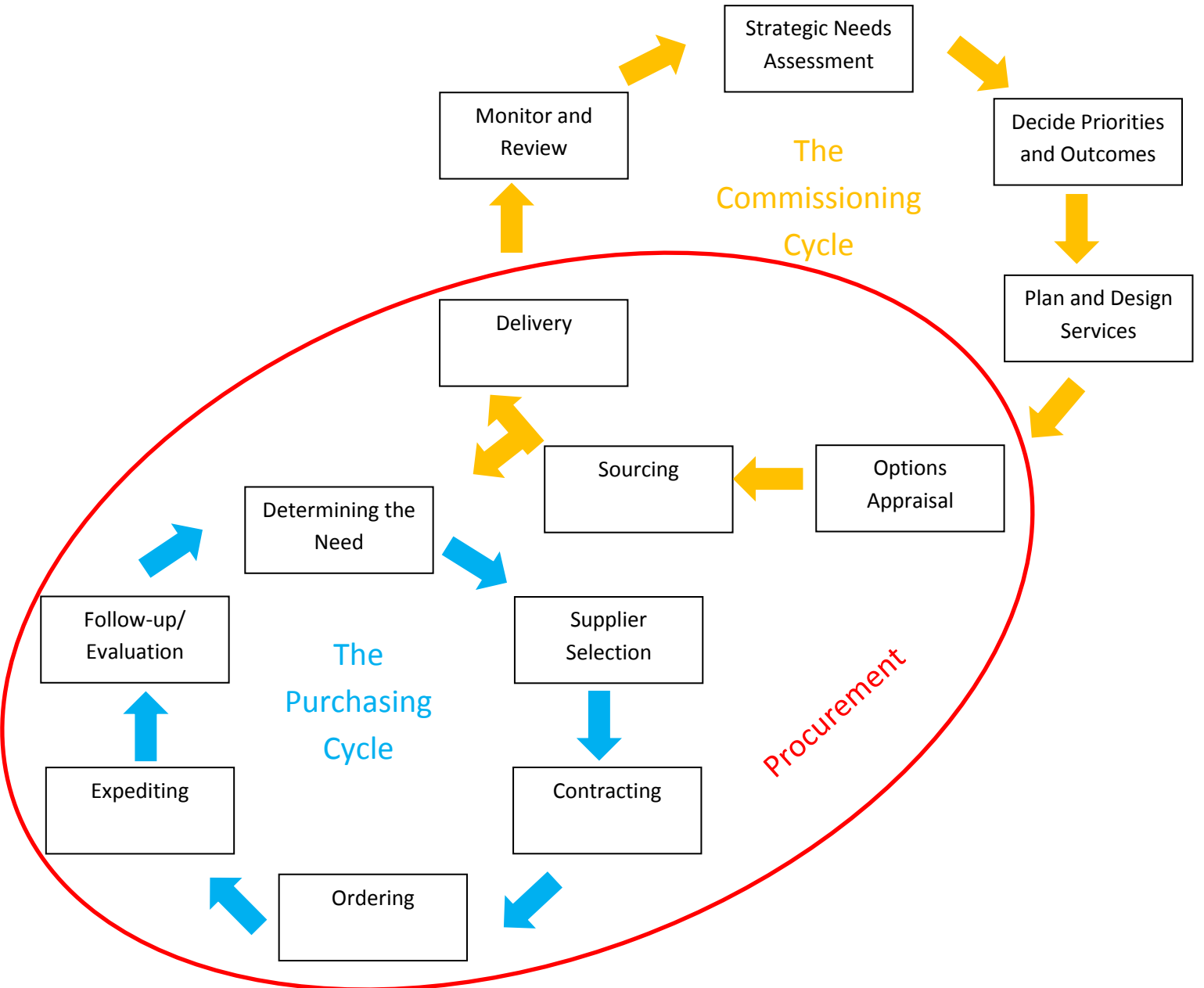
	financial updates the Panel receives.
<b>7.</b>	<b><u>LEGAL IMPLICATIONS</u></b>
7.1	The Commissioner's overall strategy for commissioning is undertaken in exercise of the powers conferred by The Police Reform and Social Responsibility Act 2011. The legal implications of delivering component parts of the strategy are assessed by the Commissioner's Chief Executive (Monitoring Officer) and Chief Finance Officer (Section 151 Officer), who are both members of the Board.
<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	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	Changing the commissioning landscape across Gwent has significant inherent risks, which are actively managed by the Board. Bringing together Public, Private and Third sector expertise and resources into the 'market place' to provide joint delivery, will be carefully managed by the Board. This will ensure risks are mitigated; confidence is gained by the end users; and outcomes against the Commissioner's priorities are economically, efficiently and effectively delivered.
<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	Darren Garwood-Pask, Chief Finance Officer.
<b>12.</b>	<b><u>ANNEXES</u></b>
12.1	Appendix 1 – Strategic Commissioning Framework.  Commissioning Strategic Framework.
12.2	Appendix 2 – Strategic Commissioning Intentions.  Commissioning Intentions.pptx

**Police and Crime Commissioner for Gwent  
Strategic Commissioning Framework**

**1. Definition of Commissioning**

1.1 Commissioning is the cycle of assessing the needs of the people in an area, designing and then securing the appropriate service.

**2. Commissioning, Procurement and Purchasing Cycles**



### 3. PCC's Commissioning Vision

3.1 "Better outcomes for individuals and communities through reducing crime, supporting victims and making Gwent a safer place"

### 4. How to turn the Commissioning Vision into Reality

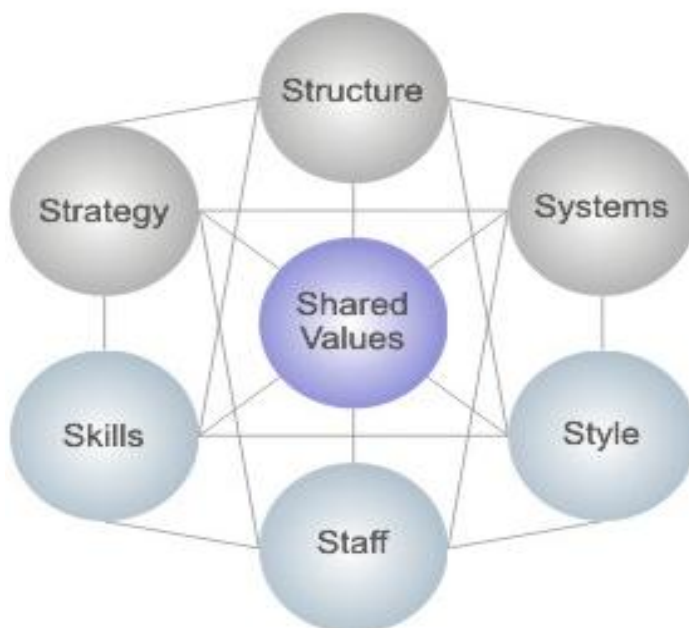
4.1 In order to facilitate the delivery of commissioned services, the PCC established a Strategic Commissioning Board (the 'Board').

4.2 The purpose of the Board is to provide strategic direction to the Police and Crime Commissioner's (PCC) Commissioning Programme in relation to strategic planning, service quality, contracting performance and management and stakeholder engagement.

4.3 The Board is chaired by the Deputy PCC and has representation from:

- The Office of the PCC;
- Local Authorities;
- Gwent Police;
- South Wales Fire & Rescue Service;
- Wales Probation Trust;
- Aneurin Bevan Health Board;
- Gwent Registered Social Landlords, and
- The Gwent Voluntary Sector.

4.4 The success of commissioning across Gwent, will be dependent upon the alignment and mutually reinforcing nature of seven elements or component parts across the relevant Partners represented on the Strategic Commissioning Board. The seven elements are:



4.5 Each element has been discussed by the Board; the following narrative therefore confirms the Board's position on each element.

#### 4.6 Shared Values

4.6.1 Central to successful organisations, or the delivery of successful projects, is whether the key protagonists have common shared values. These values are the bond that keeps the parties together and provides direction to do the right thing, when there is none. The following shared values have been confirmed by the Board.

We will act with:

- Honesty;
- Fairness;
- Openness;
- Integrity;
- Flexibility;
- Equity;
- Trust; and
- Transparency.

Through being:

- Courageous and Brave;
- Respectful;
- Caring;
- Disciplined;
- 'Needs Based';
- Accountable;
- Mindful to Learn and Grow; and
- Consultative with all parties.

#### 4.7 Strategy

4.7.1 The PCC's commissioning strategy is to achieve:

"Positive, focussed outcomes for individuals and communities in Gwent, through services that are economic, efficient and effective in delivering the priorities of the Police and Crime Plan"

4.7.2 The Boards purpose therefore is to deliver the above.

4.7.3 To deliver this strategy, a number of strategic principles have been endorsed by the Board:

- The strategy will meet the priorities of the PCC in achieving the Police and Crime Plan (where divergence from the priorities of partners exists, the reasoning and impact of divergence should be fully explored by the Board);

- The strategy will deliver the outcomes identified from the pan Gwent Unified Needs Assessment;
- Commissioned services will tackle causes not symptoms;
- The development of commissioned services, whilst being evidence based will be innovative in approach;
- Services should be delivered on a collaborative/partnership/consortia basis to avoid duplication; promote simplification; ensure consistency; provide leverage for finance; enhance resilience; provide leverage of existing resources; exploit economies of scale and foster best practice/centres of excellence;
- Long-term approaches to delivering real sustainable benefits should be preferred against short-term approaches to 'fire-fight'; even though it is acknowledged that the recognition of outcomes/benefits will have longer lead times;
- An 'outward looking' approach will be adopted to avoid silo/insular working; be market-place aware to exploit external commercial and voluntary sector opportunities to add-value to agreed priorities; apply best practice; deliver sustainable solutions and avoid conflicts with statutory/governmental initiatives;
- An ethos of continuous, collective improvements will be followed, whilst acknowledging and supporting existing successful delivery mechanisms;
- Outcomes will replace targets and be subject to 'common measurement' across partners; and
- Communication amongst partners and commissioned service providers is vital. The Communication Strategy will focus internally and externally; place emphasis on the end user and facilitate effective and regular feedback.

## 4.8 Structure

4.8.1 With the Board firmly embedded, it is considered that the current partnership landscape in Wales appears suitable to facilitate the delivery of its commissioning needs. The executive leaders represented on the Board can bear influence throughout the partnership groups already in existence.

4.8.2 It is acknowledged that the Board and its individual members will influence at different levels throughout the current partnership landscape through G7(G8), Area Planning Boards, Local Service Board, Community Safety Partnerships, Gwent Needs Assessment Group, etc. However, the voluntary sector appears underrepresented and as such will need to have a seat at the respective tables.

4.8.3 Internally, the structure of the Office of the PCC's Commissioning Team is in place and functioning in its current 'architect role'. The development of key networks across partners will be based on a 'web' approach, with each intersection or 'node' representing an individual, organisation or group which can shape and deliver commissioned services. Each node therefore is inextricably linked to each other.

## 4.9 Systems

4.9.1 Significant work has been undertaken within the PCC's Commissioning Team to establish a pan Gwent Unified Needs Assessment (based upon the PCC's priorities) and also understand the funding flows between organisations (funding, recipient and delivery) which contribute to delivering the priorities.

4.9.2 For the first time, a holistic unified needs assessment has been produced, which encompasses the unified needs assessments of Local Authorities, the Area Planning Board and Police as well as other data sources. Furthermore, a comprehensive funding database has been produced which highlights where the money comes from, who administers it and how it is spent. Unfortunately, the system for detailing outcomes against these funding sources is not robust enough to ascertain the success of this funding in delivering positive outcomes.

4.9.3 The development of both these instrumental information sources will be maintained, with a focus upon ascertaining the outcomes delivered by the funding.

4.9.4 Future systems of working will be designed in line with the following principles:

- The measurement of outcomes will be instrumental; both qualitative and quantitative metrics will be used;
- The outcomes of 'Programmes' of work will be capable of measurement, replacing the focus on the measurement of outcomes in isolated 'projects';
- A 360° approach to information gathering, across all nodes, will be required;
- Service user feedback will be key – both evidenced based and anecdotal;
- Systems will facilitate the inclusion of the voluntary sector – a voluntary sector Compact and Concordat will be developed;
- Systems must be capable of 'spelling out' the positive differences to individuals and communities; and
- Bureaucracy will be minimised.

## 4.10 Style

4.10.1 This element concerns the leadership style and culture of the Board. Culturally, the board will:

- Review all existing delivery mechanisms – have a 'clear out' so to speak;
- Create synergy for the greater good;
- Do things with groups and individuals, not do it to them.

## 4.11 Staff and Skills

4.11.1 The delivery of the PCC's Commissioning strategy is a complex and dynamic process. At this stage, the Commissioning Team within the Office of the PCC is suitably resourced and skilled to undertake the current workload. However, with the formation of a 'nodal' structure, the resources

and skill sets within partner organisations and commissioned service providers will be utilised to ensure the successful delivery of the strategy and the right outcomes for end users of the service.

# Commissioning Intentions

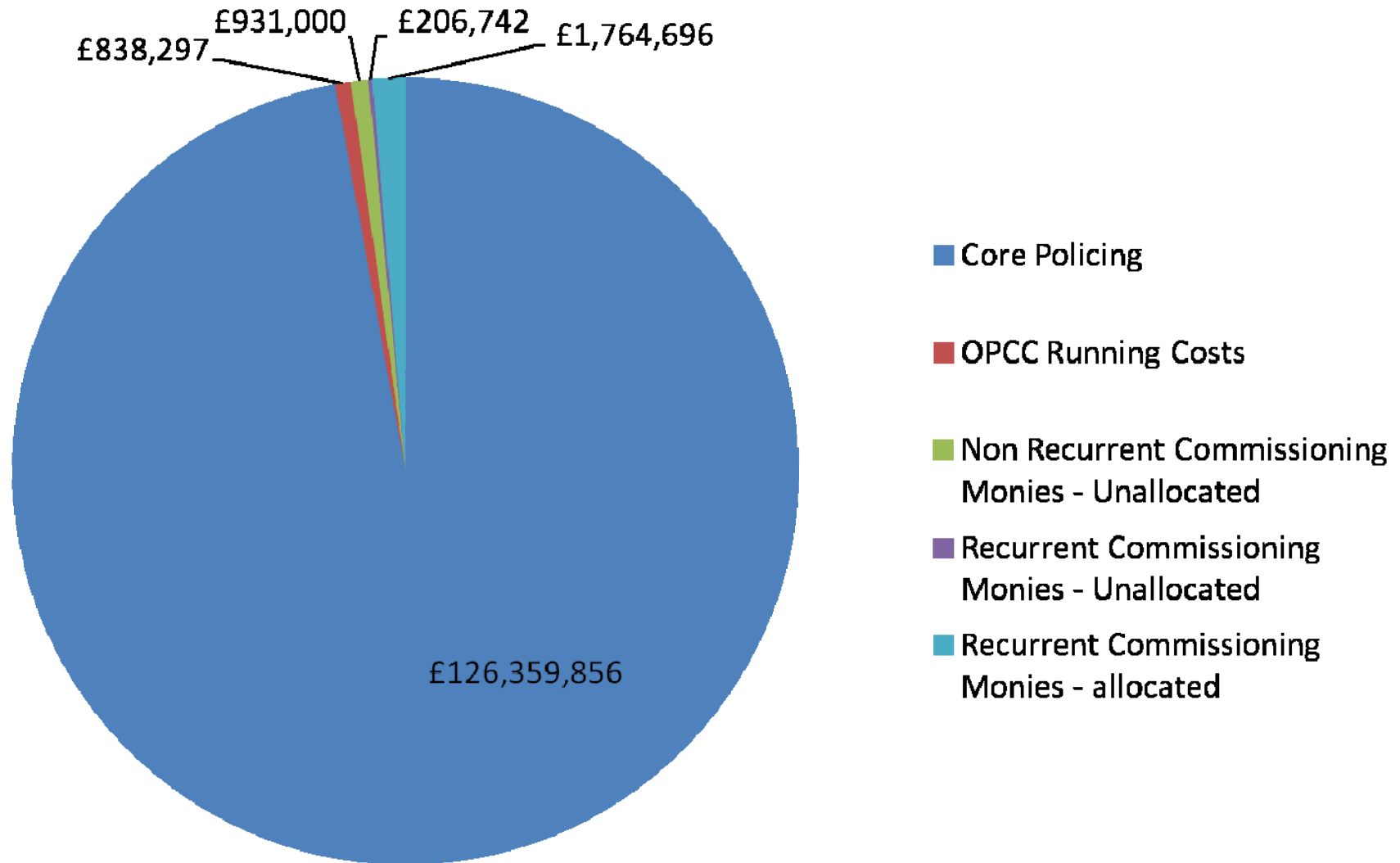
- Victims, Crime and Anti-Social Behaviour
- Prevention
- Strategic Community Safety
- Rehabilitation
- Core Policing



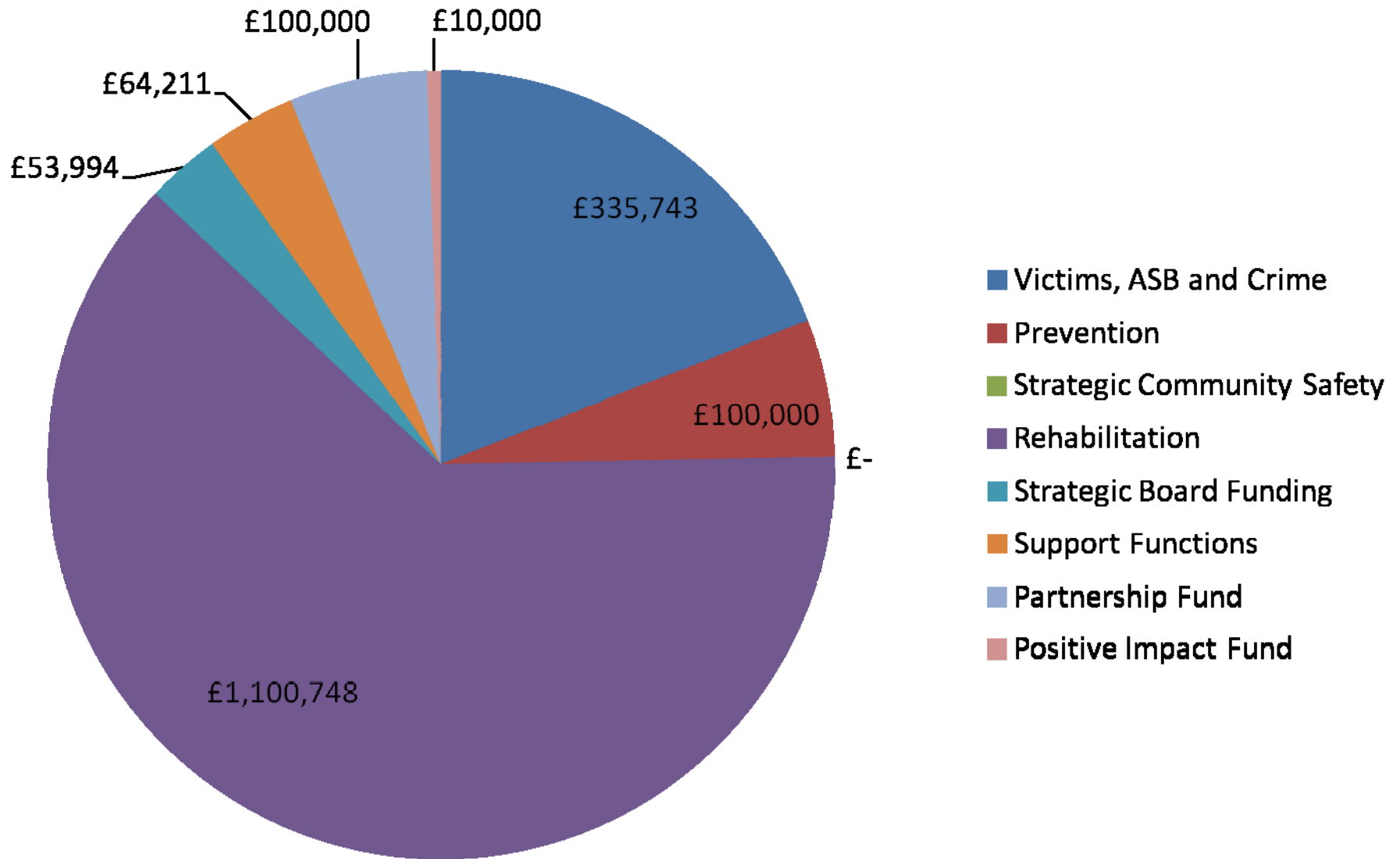
# Outline Commissioning Work Programme

Themes	Outcome	Delivery Mechanism
<b>Victims, Crime and ASB</b>	Reduction in reported crime and incidents of DA/ASB Increased reassurance/safety for victims of crime	Multi Agency Victim Delivery Service Co-ordinated approach to addressing crime
<b>Prevention</b>	Targeted crime prevention that has positive impact on recipients Reduction in reported crime/ASB	Identification of Social/Situational response Links to Strategic CS groups
<b>Strategic Community Safety</b>	Co-ordinated and collaborative approach to addressing community safety, positive community outcomes. Attraction of external funding.	Strategic Community Safety Partnerships May be influenced by planning event in February 2014
<b>Rehabilitation</b>	Reduction in reoffending rates, targeted response with positive impact on recipients	Partnerships (statutory/non statutory)
<b>Core Policing</b>		Gwent Police

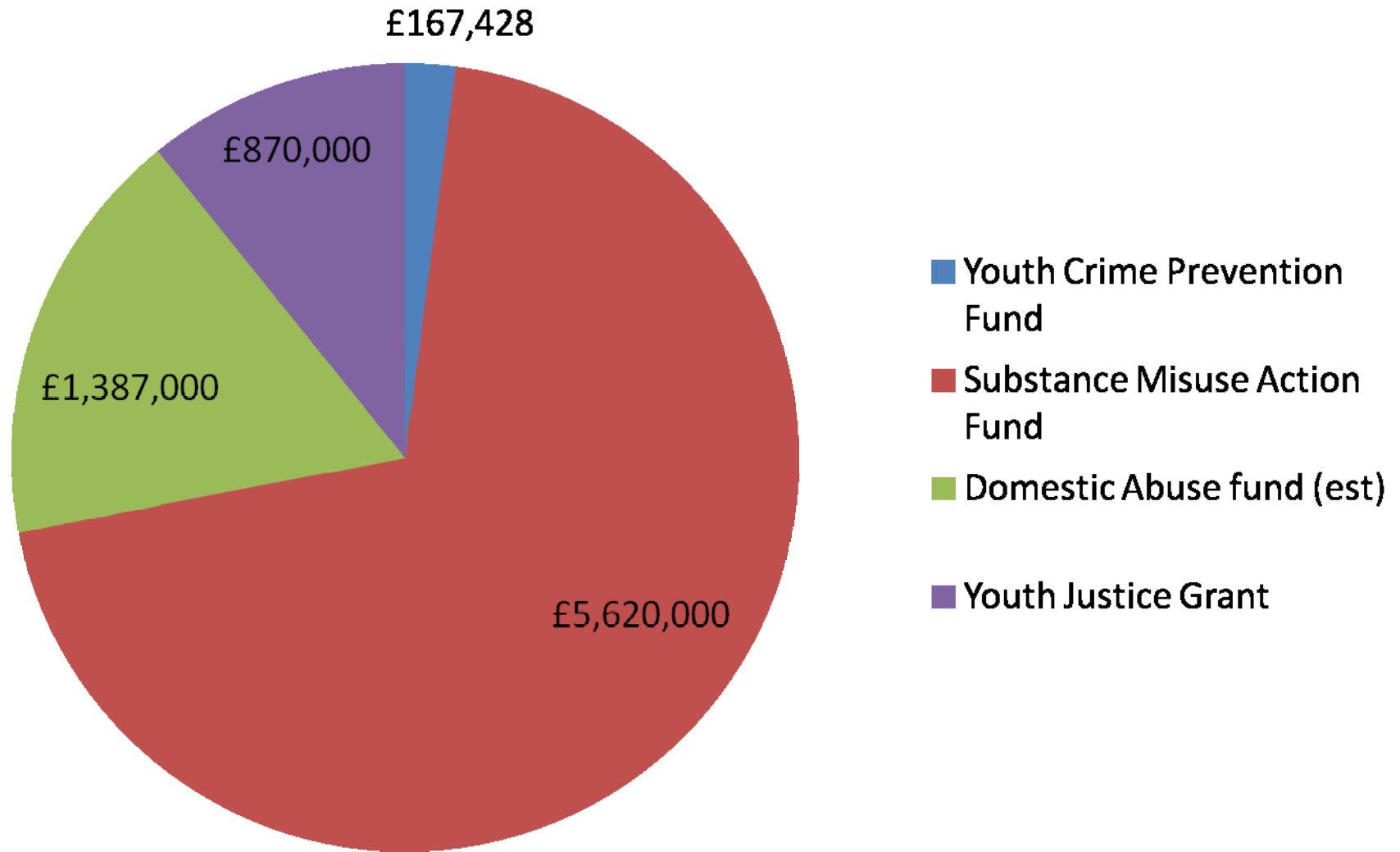
# Total PCC Budget Expenditure 2013/14



# Recurrent Commissioning Monies 2013/14



# Overview of Other Funding Sources 2013/14



# Options

- 'Roll over' of previous year's funding to recipient organisations under the same restrictions and review process.
- 'Roll over' of previous year's funding recipient organisations with revised restrictions and outcome monitoring.
- New bidding process for recipient organisations setting out non-negotiable restrictions on spending with attached outcome measures and robust monitoring processes attached to ongoing funding.
- Withdrawal of funding that has not met PCC priority criteria as detailed in previous grant agreement, or reconfiguration of percentage funding.

<b><u>OFFICE OF POLICE AND CRIME COMMISSIONER</u></b>	
<b>TITLE:</b>	<b>Internal Review of Crime Recording</b>
<b>DATE:</b>	<b>13<sup>th</sup> December 2013</b>
<b>TIMING:</b>	<b>Routine</b>
<b>PURPOSE:</b>	<b>For Information</b>
<b>1.</b>	<b>RECOMMENDATION</b>
1.1	For the information of members of the Police and Crime Panel.
<b>2.</b>	<b>INTRODUCTION &amp; BACKGROUND</b>
2.1	<p><b>Terms of Reference</b></p> <p>In June 2013 the Chief Constable, in consultation with the Police and Crime Commissioner, directed that an internal review of crime recording be conducted. It commenced work in July 2013.</p> <p>The terms of reference were:</p> <p><i>To undertake a focussed internal review to determine whether the people of Gwent, The Police and Crime Commissioner and Chief Constable can have confidence in Gwent Police's crime figures.</i></p> <p>Superintendent Operational Support was appointed to lead the review. This was to ensure there was a secure, independent review as he had not been involved in the management of volume crime. He was supported by a group of individuals with specialist knowledge plus key stakeholders from the Police Federation and the Deputy Crime Commissioner.</p> <p>One of the Force objectives was to achieve a "top 20 Force status" by end of 2012/13 and "top 10 status" by end of 2014/15. This aspiration was based on the number of crimes per head of population and was then converted into a series of dials for both the force and each of the five LPU's. These dials were updated daily and displayed on the opening screen of all Force computers.</p>
2.2	<p><b>Current Review and Audit Procedures</b></p> <p>The processes for accurately recording crime in Force have three potential tiers of audit and review. They are:</p> <p><u>Initial</u> Assessment – Incident Management Closure Team.</p> <p><u>Second</u> Assessment – particularly if referred by officer – Crime Standards Team.</p> <p><u>Final</u> Assessment – Force Crime Manager.</p> <p>The Incident Management Closure Team (IMCT) are responsible for the management and closure of all ORIS incidents with the opening/closing category of 'Crime', 'Public Safety' and 'Anti-social Behaviour', ensuring that they are closed in line with the National Standards of Incident Recording (NSIR) and the Home Office Counting Rules (HOCR) and National Crime Recording Standards (NCRS).</p>

	<p>There are on average 610 ORIS incidents a day with the IMCT having to check/close approximately 450 of these. It is more likely that they will only manage to check/close around 50% of these incidents.</p> <p>The remaining ORIS incidents are closed by others, namely, Force Control Room staff, Public Protection Unit staff and Crime Management Unit staff, who are aware of the broad principles of the National Standard for Incident Recording (NSIR), but have not received any specific training.</p> <p>Of those incidents checked by the IMCT, if they believe that a crime is required, then an entry is made on the ORIS incident to that effect and the officer is expected to indicate the incident as a crime. If an issue or a dispute develops regarding the recording of the crime, the incident is recorded on a list on ORIS and discussed at the Data Audit Meeting, which is held daily (10.00am), Monday to Friday.</p> <p><u>Daily Data Audit Meeting</u> – Members of staff from the Audit Department, Crime Standards Team and the Incident Management Closure Team meet and discuss the ORIS incidents on the list and a decision is made as to whether a crime is required. If no crime is required, that is the end of the matter and the ORIS incident is closed. If a crime is required, then an entry is made on the ORIS incident to that effect and the officer is expected to crime the incident.</p> <p>If any issues emanate from the Data Audit Meeting, then the ORIS incident is referred to the Force Crime Manager who makes a final crime recording decision on the matter.</p> <p>The Crime Standards Team (CST) are responsible for reviewing all crimes that are recorded on a daily basis – <u>‘Yesterday’s crimes are reviewed today’</u>.</p> <p>The CST do not see the vast majority of ORIS incidents. They only see the ORIS incidents that are recorded as crimes or those that are brought to their attention on an ad hoc basis that require a final decision.</p> <p>The IMCT – Comprises of 5 full-time staff and 1 part-time member of staff. They are supervised by a Police Sergeant and work 0700 hours to 1600 hours, 1300 hours to 2200 hours and 1900 hours to 0500 hours shifts – 22 hours a day coverage. There is currently no national training package on HOCR and NCRS procedures so any training they have had has been provided within Force by others working in the business area.</p> <p>The CST – Comprises of 2 full-time staff. They have received more ad- hoc in house training on the NCRS and HOCR.</p>
2.3	<p><b>Methodology</b></p> <p>ACC Symes chairs the Data Quality Assurance Board, which was established in early 2012. Within its terms of reference the board has specific responsibility to <i>“provide strategic oversight of the quality of the capture, review and use of all data in Gwent Police”</i>.</p> <p>ACC Symes agreed the focus should be on the area of greatest contention i.e. incidents where the opening categorisation was a “crime” and then the closing categorisation was a “no crime”. The rationale being that this was area where the interpretation of the Home Office Counting Rules, HOCR, were subject to the greatest scrutiny and if there were any instances of undue influence they</p>

would be seen.

To ensure the incidents under review were current 50 logs from the first 10 days of July 2013 were chosen as they would be fresh in the minds of all involved.

There were a number of steps taken to ascertain if the officer's understanding of the correct procedures were accurate. These included;

- A member of the review team considered the wording of the ORIS log and initial telephone contact to see if they accurately reflected the initial information from the victim.
- Where possible the victim was visited, by the same member of the review team, to ascertain their perception of the actions of the officer. In other cases the contact was by telephone and in a small number of cases an assessment meant any contact would not provide any additional information. The focus of this contact focussed on the quality of service they believe they had received.
- Subsequently there was discussion with the attending officer, and their line manager if appropriate, to discuss the incident and their involvement.
- The reviewing officer then provided a summary of their finding plus an assessment as to if the HOCA had been complied with.
- All 50 incidents were then subject to review by the Force internal auditors for a final determination of whether incident should have been recorded as a crime or not.
- To ensure impartiality both the Deputy Crime Commissioner and the representatives of the Police Federation were able to review all paperwork during the process.
- To allow for all eventualities agreement was reached with both the Police Federation and the head of Professional Standards about how any significant breaches of acceptable conduct would be managed.

Secondly a number of focus groups and informal discussions with staff were held. The focus groups consisted of up to 20 PCs, DCs, PS and DS officers from the LPUs. The primary purpose was to see if there were any subliminal or overt pressures being exerted to suppress crime recording. The Police Federation and OPCC were invited to attend these sessions.

The breakdown by incident type of the 50 reviewed logs was as follows:

Criminal Damage	23	46%
Theft and handling stolen goods	17	34%
Burglary	5	10%
Violence against a person	3	6%
Other notifiable offences	1	2%
ASB - Personal	1	2%

Lastly a total of 80 crime finalisations, 20 in each, under the headings of cannabis formal warning, formal cautions, no crimes and penalty notices for disorder we reviewed to ensure they had been completed within the



	requirements of the Home Office Data Quality Manual.
<b>3.</b>	<b>FINDINGS</b>
3.1	<p>90% of victims spoken to during the review were satisfied or extremely satisfied with the service provided by the attending officer with examples of victims believing officers had gone beyond their expectations to resolve their issue.</p> <p>The vast majority of officers spoken to were aware of the relevant force objectives and their numerical representation through the dials. They were also aware that the number of crimes recorded in a given 24 hour period was reported at Force daily management meeting (DMM).</p> <p>There was no evidence that this overt, high level interest impacted on officers' decision making. They stated in simple terms "if it was a crime they would record it as a crime".</p> <p>Officers stated they felt under pressure to attend incidents as quickly as possible and this impacted on their opportunity to be as thorough as they would have wanted to be.</p> <p>The officers felt the initial review process by the IMCT created sense of "us and them" in that if the IMCT believed the incident should be recorded as a crime they would have to provide detailed justifications as to why they thought it was not.</p> <p>The review has highlighted misunderstandings and misinterpretations in the way officers identify incidents that need to be recorded as a crime to comply with the HOCR.</p> <p>One of the reasons for this was the practical reality of accessing advice on the HOCR on the Force intranet site as it is not straight forward. It is located in the third tier of navigation as follows:</p> <p>Step 1           Service Development Department homepage  Step 2           Service Improvement homepage  Step 3           Data Audit Unit homepage  Step 4           Finally after a list of the staff the link to NSIR and HOCR is visible.</p> <p>Even when located, the link is a Word document which provides a summary of the changes and then the actual counting rules with no interpretation or guidance on how the Force has determined their use.</p> <p>Officers are extremely wary of the changes envisaged by the introduction of Niche and their accountability to close the log and determine the status of any crime recording.</p> <p>Some of the requirements are counterintuitive to officers i.e. the difference between the legislation and the rules. This resulted in just over half of the</p>

	<p>incidents being incorrectly recorded as not being a crime.</p> <p>There are examples, both within the review sample and since, of instances where the IMCT had accurately identified incidents needing to be recorded as a crime.</p> <p>Our processes can cause confusion and misunderstanding for the victim. As an example part of the script for call handlers is they ask whether the caller feels they have been “harassed, alarmed or distressed”. Not words in common parlance but significant in the recording of crime. Consequently they routinely answer “yes” which then means the officer has to undergo considerable detailed write-up to get this element excluded in the log closure.</p> <p>Officers misunderstand how they can resolve an incident in line with the wishes of the victim where a recordable crime has occurred. There is an expectation that they have to resort to arrest and charge. They also identify the issues around having crimes they are investigating showing as “undetected offender known”.</p> <p>This requirement then causes officers to be selective over the wording of their log closure update underplaying certain issues whilst focussing on the wording that they have learnt will cause the incident to be closed.</p> <p>The primary reason for this was officers seeking to support the wishes of the victim who, in the main, did not want any formal action against the offender.</p> <p>By way of example that occurred in the sample incidents. Logs 268 and 269 of 7<sup>th</sup> July 2013 refer-</p> <p>Two motorists are involved in a minor altercation. Both independently contact the police where they then complained to the attending officer about the conduct of the other. One alleged he had his finger bitten and the other his face scratched. However neither wanted to take any formal action against the other. The officer closed the two incidents and did not record any crimes in line with the wishes of both parties. However in compliance with the HOCR both drivers should have been recorded as an offender and victim.</p> <p>Prior to the commissioning of this review ACC Symes instigated half day training sessions for all frontline officers, both uniform and detectives, into the requirements of HOCR to demystify some of the key issues and minimise the misinterpretations of all attending officers. As of 18<sup>th</sup> October 2013 1121 officers have attended this training. The remainder are due to be trained by the end of 2013.</p>
3.2	<p><b>Audit of Other Crime Finalisations</b></p> <p>Of the 80 crimes reviewed the following four errors were identified.</p> <p><u>Cannabis Warnings</u></p> <p>One failure due to the recipient being under 18, I allow these for ‘Trace’ amounts of Cannabis, even though ACPO Advice is no under 18’s, due to the quantity of Cannabis it is the sensible pragmatic outcome.</p>

	<p><u>Formal Cautions</u></p> <p>All passed the criteria and were properly documented.</p> <p><u>No Crimes</u></p> <p>One Failure, where a Temp. Sgt has tried to No Crime himself, all of the No Crime criteria were met, but the authority of a D.D.M. is required, this would have been picked up in time.</p> <p><u>Penalty Notices</u></p> <p>Two Failures, One the offender was Charged with the offence, no PND.</p> <p>Second, insufficient detail in log of enquiry, but disposal as PND was an option for the offence.</p>
3.3	<p><b>Wider Impact on Recorded Crime</b></p> <p>The review team have attempted to provide an estimate of the impact on crime recording data for the Force. However the discreet sample size and period covered make any realistic assessment of limited value. In simple terms, if a different period of time was chosen the variation could be greater or lesser.</p> <p>The Force Crime Manager was a member of the team and following consultation with him it was the team's professional view to reflect the differential as between 4% and 8% additional crimes per year.</p>
4.	<p><b>CONCLUSIONS</b></p>
4.1	<p>There was no evidence of widespread or overt desire not to record incidents as crimes.</p> <p>However there was evidence to show that officers had not recorded all crimes in line with the relevant Home Office counting rules. The reasons for this primarily revolved around misinterpretations of the rules as well as a desire to support the wishes of the victim.</p> <p>There was a clear understanding from officers that the number of crimes committed each day on an LPU and Force basis would be subject to significant scrutiny at the highest levels in the organisation. However there was no evidence that this translated into any change in their behaviour or desire to record crime.</p> <p>The involvement of the victim in the survey has ensured accurate and timely understanding of their views has been available close to the timing of the offence.</p> <p>The number of reviews of the data and decision making is too complicated</p>

	<p>and has resulted in a real sense of us and them with officers feeling they need to carefully word their log entries so the incident can be closed without a need to submit a crime.</p> <p>Given the importance of the Home Office counting rules and their interpretation they should be more prominently available with interpretations and guidance clearly visible.</p> <p>Further consideration needs to be given to the migration to officer closure as envisaged with the introduction of Niche later this year. It is not clear yet that the key messages are now embedded or that the understanding is mature enough to proceed this way.</p> <p>A similar review should be undertaken on a quarterly basis led by either the Force Crime Manager or the Contact Centre Manager.</p>
<b>5.</b>	<b>RECOMMENDATIONS</b>
5.1	<p>It is recommended that the Chief Constable reiterates his strong support and guidance to officers on the difference between thoroughly investigating an incident, seeking to support the wishes of the victim and the administrative requirements to comply with the HO CR.</p> <p>It will be necessary to develop a “how to” guidance on the Force intranet for all officers as well as easy to use guides on the broad principles of the HO CR and log closure. This will reinforce the key messages delivered during the training.</p> <p>One of the key elements of the review has been the involvement of the victims. It is recommended that the nature of any future audit is widened to include the views of the victim in a timely and structured way. In almost all cases this was carried out on the phone and would also improve interactions with vulnerable victims. It would also allow opportunities for timely service recovery if errors were identified.</p> <p>Until there is consensus on the accuracy of crime recording the audit process should be simplified with the IMCT being the final arbiters over crime recording. To achieve this there is likely to be a need to increase the staffing levels in the short term as well as provide them with enhanced training and understanding of the HO CR. This will reduce the current three tiers of review to one and also ensure any changes are timely and support any additional investigation if required.</p>
<b>6.</b>	<b>FINANCIAL CONSIDERATIONS</b>
6.1	<p>There are potential cost implications if the IMCT is expanded in the short term. The cost of this, whether actual or opportunity, will need to be subject to further consideration.</p>

<b>7.</b>	<b>PERSONNEL CONSIDERATIONS</b>
7.1	There are no significant personnel issues.
<b>8.</b>	<b>LEGAL IMPLICATIONS</b>
8.1	There are potential legal implications for the Force which include impact on victims where we have not recorded incidents accurately. This could have led to financial loss through negated insurance claims. However, there have been no reported instances of this or any quantifiable losses.
<b>9.</b>	<b>EQUALITIES AND HUMAN RIGHTS CONSIDERATIONS</b>
9.1	This project/proposal has been considered against the general duty to promote equality, as stipulated under the Single Equality Scheme and has been assessed not to discriminate against any particular group.
9.2	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>10.</b>	<b>RISK</b>
10.1	<p>The risks associated with this report go to the heart of the reputation of the Force and the confidence the public, Commissioner and staff in the way we conduct our business. There is little doubt that the previous media speculation has done little to reinforce the existing reputation of the Force as both a well-run and effective force but also the pride in seeing the highest reduction in crime in the last year.</p> <p>There are no other significant risks associated with this review.</p>
<b>11.</b>	<b>PUBLIC INTEREST</b>
11.1	<p>There is likely to be significant public interest in the outcome of this review. Due to recent circumstances it is likely the media and the Home Office Select Committee will want to consider the implications for the Force and its reputation. It will be key to the interest that context is included. The review has deliberately looked in an area where undue influence would be obvious.</p> <p>The fact that there is no evidence of overt influence on crime recording is significant and the people of Gwent, The Police and Crime Commissioner and Chief Constable can have confidence in Gwent Police's crime figures.</p>
<b>12.</b>	<b>CONTACT OFFICER</b>
12.1	Chief Superintendent Nigel Russell.
<b>13.</b>	<b>ANNEXES</b>
13.1	None.

**OFFICE OF THE POLICE AND CRIME COMMISSIONER**  
**OFFICE OF THE CHIEF CONSTABLE**

**JOINT AUDIT COMMITTEE**

19<sup>th</sup> September 2013

Present: Mr R Leadbeter (Chair)  
 Mr D Mullan

Together With: Mrs S Bosson – Chief Executive (CEX)  
 Mr D Garwood-Pask – Chief Finance Officer (CFO)  
 Mrs J Regan – Information Officer  
 Mr N Stephens – Assistant Chief Officer, Resources (ACOR)  
 Mr D Young – Principal Financial Accountant  
 Mr R Wigginton – Deloitte  
 Ms K Watts – Wales Audit Office (WAO)  
 Mr J Herniman – Wales Audit Office (WAO)

As the Committee was not quorate, the decision was taken to consider the agenda as presented as there were no items for decision included. This document is the officers report of that meeting.

We welcomed Ms K Watts, WAO and Mr D Young, Principal Financial Accountant to the meeting. We also welcomed Mr D Garwood-Pask to the meeting in his new role and wished him well for the future.

**The meeting commenced at 10.00 a.m.**

**APOLOGIES**

**Action**

1. Apologise for absence were received from Ms D Brace, Mr G Hughes, Mr J Sheppard, Mr I Howse, Deloitte and Mr M Coe, WAO.

**DECLARATIONS OF INTEREST**

2. There were no advance declarations made in relation to the business to be transacted.

**MINUTES**

3. We received and confirmed the minutes from the meeting held on the 4<sup>th</sup> July 2013. The following were highlighted:

**Actions – Action 10 Any Other Business**

The Chair of the committee informed us he had agreed to meet with representatives of the Police and Crime Panel to determine what they would like to discuss with the JAC before setting the precept level to

determine if it was appropriate to do so. He stated he would make it clear that the only items that could be discussed would be those that were within the terms of reference of the committee. An update would be provided at the next meeting.

**Action**  
**CEx**

We queried if the response from Gwent Police to Internal Audit was still a problem. Internal Audit informed us that no draft reports had been issued to date but they were happy with the arrangements that had been established to resolve the issue.

## **ACTIONS**

4. We received and noted the action sheet from the meeting held on the 4<sup>th</sup> July 2013. The following were highlighted:

### Action 1 Audit Feedback on JAC Operation

The Chair stated that it would be useful to receive feedback from the auditors as well as members undertaking the survey as suggested by the Wales Audit Office (WAO).

**WAO/IA**

### Action 2 WAO Update Report

A meeting to update the two most recent committee members on the roles of the WAO would be rescheduled to fit in with the CIPFA training that South Wales were arranging. The CEx queried if the training was for officers to attend as well, the Information Officer stated that further information would be sought after the meeting.

**CEx**

### Action 8 Draft Accounts

The ACOR stated that he needed to re-look at appendix four in the year end outturn report to determine if the mentioning of capital receipts and the disposal of police headquarters was a presentational issue or if it had been omitted from the appendix.

**ACOR**

## **PRESENTATION ON ACCOUNTS**

5. We received a presentation, for information, on the accounts to the 31<sup>st</sup> March 2013.

We noted that the only major change to the accounts was the identification that provisions had been understated by £900,000 and an adjustment was needed. This had now been rectified and would not occur in future accounts. We noted that the Auditors had given an unqualified opinion on both the Police and Crime Commissioner Group (PCC) and Chief Constable (CC) Statement of Accounts.

We requested that a copy of the presentation was circulated to all members of the committee for their information.

**CEx**

We noted that the accounts contained performance data and queried how the integrity of this data would be clarified before publication.

We were informed that further detailed work would need to be undertaken in this area but that the information would be provided by the Information and Statistics department in force as well as using performance data from internal audit and HMIC inspections.

**Action**  
**ACOR**

We thanked the finance team and the external auditors for the work undertaken on the accounts.

## **AUDIT OF FINANCIAL STATEMENTS AND LETTERS OF REPRESENTATION**

6. We received the final letters of representation and the Audit of Financial Statements reports for the CC and the Commissioner.

The WAO informed us of a section in the reports that highlighted the complications that the Police Reform and Social Responsibility Act 2011 brought. It was testament to joint working that both the Commissioner/Force and the WAO were satisfied with the accounts. We were also informed that as the approach to the accounts had been agreed on a Wales wide basis there was consistency on the presentation of the accounts across all four forces and PCCs.

We were informed that once all accounts across the four force areas in Wales had been completed, representatives from each area would meet with the WAO to review the process. We requested that any relevant feedback was shared at the next meeting of this Committee.

**WAO**

Our attention was drawn to comments stating that issues still persisted with the physical verification of assets in the IT department and the updating of the IT fixed asset register. We agreed that this was a matter of concern to the Committee as this had been an issue for a number of years and needed to be addressed urgently. The ACOR stated that he would ask the Chief Operating Officer to confirm the dates for completing this work at the next meeting. The ACOR also stated that the SRS dealt with this area for Torfaen CBC and Monmouthshire CC and it did not pose a problem for those organisations, although it was a more complicated process for the police. We agreed it was of great concern that we were receiving a different level of service and stated that it may be a reputational risk to the organisation.

**ACOR**

One significant matter was highlighted in the Commissioner's Statement of Accounts which related to the lease with Torfaen CBC for the rental of office space at police headquarters. During the 2011/12 audit of financial statements it had been noted that the lease had not been signed; it was found this year that the lease had still not been signed; this needed to be resolved as a matter of urgency. The ACOR informed us that the Head of Estates was working to get this resolved as soon as possible.



We requested that all concerns raised in these reports were included in the outstanding audit recommendation reports in the future.

**Action  
ACOR**

We noted that the Appointed Auditor's intention was to issue an unqualified audit report on the financial statement for both the CC and the Commissioner once they had received both Letters of Representation.

We thanked all those involved in the process for their work in this area.

## **WALES AUDIT OFFICE UPDATE REPORT**

7. We received and noted an update report from the WAO.

We noted that work had been completed on the audit of the 2012/13 financial statements and that the Appointed Auditor intended to issue an unqualified audit report on the financial statements of the Commissioner and the CC.

We noted that work on public engagement was due to commence in the next two months and would focus on engagement with other organisations as well as the public. We stated that the WAO needed to look at the separate roles of the Commissioner and CC and ensure there were plans in place that supported both roles as well as complementing each other. The CEx informed us that the Commissioner and the CC had a joint engagement strategy which both organisations worked to; we were also informed that further work was on-going to re-look at engagement tools such as the PACT process. The ACOR stated that there was some confusion in force with regards to the role of the Commissioner's office in relation to engagement and it may be beneficial if this was clarified in the report produced by the WAO.

**WAO**

## **INTERNAL AUDIT ANNUAL REPORT**

8. We received the annual report for 2012/13 from Internal Audit.

We were informed that this report would be presented at the July meeting of this committee from next year onwards.

The priority one recommendations were highlighted and discussed:

### **Fixed Assets**

We noted that the fixed assets register was only updated once per annum. We suggested that it may be beneficial to increase this input to once per quarter.

**ACOR**

IT General Controls

**Action**

We noted that there was no formal disaster recovery facility in place should a disaster or significant event effect the operations of the SRS.

We queried if there were service level agreements in place between the force and the SRS that aligned with our needs. The ACOR stated that there were various levels of response times agreed and all systems were maintained within these agreed timeframes. The force needed to re-look at the service it required from the SRS, as previously, the only disaster recovery it had requested immediate response to was the command and control systems. A business case was being developed to look at providing immediate responses to those other areas of the force deemed to be of most importance. We were also looking at developing a disaster recovery system with South Wales Police. The ACOR informed us that there were currently no service level agreements in place for disaster recovery as these were to be agreed within two years of establishing the SRS.

**ACOR**

**As the CEx had to leave the meeting we agreed to take the update on Stage 2 Transfers and the update on the Chief Constable Recruitment Process.**

**The information contained in the report(s) below has been subjected to the requirements of the Freedom of Information Act 2000, Data Protection Act 1998 and the Office of the Police and Crime Commissioner for Gwent’s public interest test and is deemed to be exempt from publication under section 4.**

**STAGE 2 TRANSFERS UPDATE**

- 9. We received a verbal update from the CEx on the Stage 2 Transfer process.

We were informed that the draft staff transfer letter had been submitted to the Home Secretary before the deadline of the 16<sup>th</sup> September 2013 and an acknowledgement had been received.

We were unlikely to hear from the Home Secretary before the end of November. If the proposed plan was agreed then statutory consultation would need to begin with staff associations.

The Manual of Corporate Governance would need to be revised to incorporate the changes once agreed but would be kept as close to the original as possible. We queried if the revised document would be presented at a future committee meeting for scrutiny to which the CEx agreed.

**CEx**

The ACOR suggested it was prudent that the WAO were invited to the Stage 2 meetings or that they had sight of the agenda and minutes.

**CEx**

## **UPDATE ON CHIEF CONSTABLE RECRUITMENT**

**Action**

10. We received a verbal update from the CEx on progress with the Chief Constable recruitment process.

We were informed that the advert for the post had been live on the Commissioner's website since the 2<sup>nd</sup> September 2013 with a closing date of the 27<sup>th</sup> September 2013. The successful candidate would need approval from the Police and Crime Panel, a meeting was scheduled for the 8<sup>th</sup> November 2013.

**Mrs S Bosson left the meeting at 11.30am**

**We agreed to return to the open section of the meeting.**

## **INTERNAL AUDIT UPDATE REPORT**

11. We received and noted a progress report from Internal Audit.

We were informed that no reports had been issued for the 2013/14 plan, however the following reports had been issued in relation to the 2012/13 plan:

- Expenses;
- Budgetary Control;
- Management of Seized Property;
- Local Policing Units;
- Workforce Modernisation;
- Communication: Compliance with NCHS;
- Fixed Assets;
- Winsor: Compensation Reward and Benefits; and
- General Ledger.

The following draft reports had also been issued:

- Data Protection Act Compliance;
- Management of Police Information; and
- Preparations for the Police and Crime Commissioner.

In addition, work is being undertaken in the following areas as part of the audit plan for 2013/14:

- Implementation of the Joint Payroll/HR System, Phase1;
- Counter Fraud;
- Business Benefits Realisation; and
- Transport Services and Fleet.

We noted the detailed finalised reports and requested that any recommendations not accepted by management were drawn to our

attention in the future.

**Action**

## **OUTSTANDING AUDIT INSPECTION RECOMMENDATIONS**

12. We received a report from the CC containing schedules of outstanding recommendations from previous audit reports and the current status of the work necessary to implement the required actions.

We stated that more realistic plan dates needed to be set initially. If these plan dates were for a long period of time then an explanation should be provided as to why the length of time was required. We requested that this new process was applied to all future outstanding audit recommendations.

**ACOR**

We also requested that the current plan dates for all outstanding recommendations were reviewed before the next meeting of this Committee.

**ACOR**

We were pleased to note the number of actions that had been completed since the last meeting of this Committee.

## **BUDGET TIMETABLE**

13. We received and noted the budget setting timetable for 2014/15.

The CFO informed us that legal timeframes along with Commissioner and CC approvals had been considered and built into the timetable.

Since the timetable was circulated, confirmation had been received from the Police and Crime Panel that a further meeting would take place on the 13<sup>th</sup> December 2013 for initial budget discussions to take place and to allow for sufficient time for consideration.

We agreed that the extra date in December would allow appropriate time for the Panel to consider the budget. We also stated that the Panel need to recognise that the role of the JAC is to be satisfied with the budget process and not to provide comment on the budget.

## **TREASURY MANAGEMENT ACTIVITY 2012/13**

14. We considered and noted the annual Treasury Management Activity report and actual Prudential Indicators for 2012/13 from the CFO.

We noted that the potential sale of the outstanding investment to third parties was currently being explored and requested further detail. The CFO informed us that the force had been approached by a number of organisations providing reasonable offers to buy the outstanding investment. It had been agreed that all offers would be scrutinised and if they met a pre-determined percentage of what we

**CFO**

were likely to receive then the offer would be considered.

**Action**

### **HMIC VALUING THE POLICE**

15. We received and noted the HMIC report 'Gwent Police's response to the funding challenge', the letter dated 19<sup>th</sup> August 2013 from HMIC and the OPCC response to the HMIC report.

We queried if Gwent would be involved in the case study analysis being undertaken by HMIC regarding different approaches to neighbourhood policing. The ACOR stated that he was not aware of any participation in the case study but would find out and feedback.

**ACOR**

### **INTERNAL REVIEW ON CRIME RECORDING**

16. We received and noted an interim internal review of crime recording report from the CC.

We were informed that the final report was currently being reviewed and would be shared with members once the CC and Commissioner had approved it.

We noted that HMIC would be undertaking a review of crime recording in the near future, it was hoped that the internal review would highlight any issues in this area so they could be progressed as soon as possible. The WAO informed us that they would also link into the work by HMIC during the summer of 2014.

We requested that the T/ACC was invited to the next meeting of this committee in order to present the finalised report.

**CEx**

### **EXCLUSION OF REPORT(S) FROM PUBLIC**

17. The information contained in the report(s) below has been subjected to the requirements of the Freedom of Information Act 2000, Data Protection Act 1998 and the Office of the Police and Crime Commissioner for Gwent's public interest test and is deemed to be exempt from publication under section 7.

### **RISK REGISTER**

18. We received and noted the Joint Strategic Risk Register.

We requested that an 'If/Then' statement was included in the risk description. For example, if the force did not meet the Welsh Language requirements what would be the result?

**CC/CEx**

We queried if there were plans in place to reduce the risk ratings. The plans should contain the steps to be taken in order to reduce the risk and provide assurance that it was progressing as planned. We

noted that at certain times the organisation may accept a risk; where this was the case a full explanation and audit trail would need to be provided.

**Action**

We noted that some risks marked as 'high' did not seem to be as serious as others with the same status and suggested that there was a possibility that certain risks could be downgraded.

**CC/CEX**

### **ANY OTHER BUSINESS**

13. We agreed the amendments to the following dates for future meetings of the Joint Audit Committee:

- 16<sup>th</sup> January 2014 meeting cancelled and re-arranged for 3<sup>rd</sup> December 2013.
- 15<sup>th</sup> January 2015 meeting cancelled and re-arranged for 3<sup>rd</sup> December 2014.

### **RISKS**

14. No risks were identified as a result of this meeting

**The meeting closed at 12.15 pm.**