



Police and Crime Panel

Date Thursday 8 March 2018

Time 1.00 pm

Venue Committee Room 1A, County Hall, Durham

Business

Part A

**[Items during which the Press and Public are welcome to attend.
Members of the Public can ask questions with the Chairman's
agreement]**

1. Apologies for Absence
2. Substitute Members
3. Minutes of the meeting held on 1 February 2018 (Pages 3 - 6)
4. Declarations of Interest, if any
5. Revenue & Capital Budgets 2017/18 & Revenue & Capital Budgets 2018/19 - Report of PCVC Chief Finance Officer (Pages 7 - 50)
6. Reducing Reoffending - Report of the Office of the Police, Crime and Victims' Commissioner (Pages 51 - 54)
7. Quarter 3 2017/18 Performance Report - Report of the Office of the Police, Crime and Victims' Commissioner (Pages 55 - 56)
8. PCVC Decision Records - Report of Chief of Staff (Pages 57 - 60)
9. HMIC Crime Data Integrity Inspection - Report of the Office of the Police, Crime and Victims' Commissioner (Pages 61 - 74)
10. Such other business, as in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration

11. Any resolution relating to the exclusion of the public during the discussion of items containing exempt information

Part B

Items during which it is considered the meeting will not be open to the public (consideration of exempt or confidential information)

12. Such other business, as in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration

Helen Lynch
Monitoring Officer

County Hall
Durham
28 February 2018

To: **The Members of the Police and Crime Panel**

Durham County Council

Councillors A Bainbridge, D Boyes, P Brookes, P Crathorne, L Hovvells (Chair), S Robinson and M Simmons

Darlington Borough Council

Councillors S Harker, B Jones (Vice-Chair) and M Knowles

Independent Co-opted Members

Mr N J H Cooke and Mr D K G Dodwell

Contact: Ian Croft

Tel: 03000 269702

DURHAM COUNTY COUNCIL

At a Meeting of **Police and Crime Panel** held in Committee Room 1A, County Hall, Durham on **Thursday 1 February 2018 at 10.00 am**

Present:

Councillor L Hovvells (Chair)

Durham County Council:

Councillors A Bainbridge, D Boyes, P Brookes, L Brown and A Shield

Darlington Borough Council:

Councillors S Harker, B Jones (Vice-Chair) and M Knowles

Independent Co-opted Members:

Mr N Cooke and Mr D Dodwell

1 Apologies for absence

Apologies for absence were received from Councillors Robinson and Simmons.

2 Substitute Members

Councillor A Shield as substitute member for Councillor Robinson and Councillor L Brown as substitute Member for Councillor Simmons.

3 Minutes

The Minutes of the meeting held on 4 January 2018 were confirmed as a correct record and signed by the Chairman.

Councillor Brookes referred to the provision of information to Parish Council's which was discussed at the meeting on 4 January 2018 and asked whether there was any update on this. The PCVC replied that he had discussed community engagement with the force. A police officer would attend meetings of a Parish Council if there was a specific reason to do so although it would be expected that this would be the first agenda item for discussion and it was not anticipated that an officer would attend more than two meetings in a year. Councillor Brookes replied that while Parish Council's did not expect an officer in attendance at meetings, crime data for the Parish area would be useful. Mr Dodwell requested that the PCVC circulate this information to Parish Clerks.

The PCVC referred to the incident at the Happy Wanderer which had been raised at the previous meeting and Councillor Hopgood being unaware that the PCVC had visited the victim. The PCVC informed the Panel that across Durham and Darlington he had 176 elected Councillors to liaise with and would endeavour to

keep local members informed wherever possible. However, he apologised if sometimes there was an oversight with this liaison.

Councillor Hovvels informed the Panel that congratulations had been sent on behalf of the Panel to Gary Ridley on the award of his OBE.

4 Declarations of interest

There were no declarations of interest.

5 Consultation on Council Tax Police Precept 2018-19

The Panel considered a report of the Police, Crime and Victims' Commissioner which provided an update on the process for setting the Policing Precept for 2018-19 and which sought the Panel's support in doing so (for copy see file of Minutes).

The Police, Crime and Victims' Commissioner informed the Panel that engagement on the proposed precept had taken place at Area Action Partnership meetings, drop-in sessions in Darlington and Durham City, online and in local media.

The PCVC informed the Panel that at most AAP meetings attended, support for the proposed increase was strong. The online response showed a balance of opinion for and against the proposed increase, although only 52 responses were received.

In response to a question from Councillor Boyes regarding the proportion of funding provided by Government grant and that provided by local taxation the PCVC agreed to provide the exact figures after the meeting.

Councillor Boyes asked about the level of reserves and how these compared to other forces. The PCVC replied that the level of general reserves was between 4% and 5%, with earmarked reserves also being held. Some reserves had been used to offset liabilities to make savings.

Mr Dodwell referred to the student population within Durham who did not pay Council Tax and therefore did not contribute towards policing and asked what revenue the force received from the University. Councillor Brown replied that the University contributed £11,000 a year towards policing, which equated to half a PCSO. Councillor Brown asked how this level of funding compared to other University towns. The PCVC was not aware of how it compared but agreed to look into this.

Councillor Shield asked what proportion of the precept covered the provision of police pensions. He expressed concern that a number police officers retired from the force with their pension and were then re-employed within the force as staff members.

The Chief of Staff replied that police pensions were paid from the Police Pension Fund and as such none of the precept was used to pay police pensions. Any officer who retired and was then re-employed as a staff member would be subject to a competitive interview process and, if appointed, would be done so on merit.

Councillor Shield clarified that he wanted to know what percentage of the precept was used to pay the Police employer contributions into the pension fund. The PCVC and Chief of Staff were unaware of this percentage but agreed to provide Councillor Shield with this information once it was known.

Councillor Shield appreciated that while the skills such officers may have acquired during their careers were an attractive proposition for an employer, there was also a level of social responsibility to ensure young people were presented with the opportunity to obtain such skills. The PCVC replied that the force appointed apprentices as well as having programmes such as the police cadets, with apprentices obtaining accredited skills. However, it was important that the best candidate was appointed for any job.

Resolved:

- (i) That the consultation returns be noted
- (ii) That the proposed 7.09% precept increase be agreed
- (iii) That the Chairman respond to the PCVC
- (iv) That the response of the Chairman be published online.

6 Exclusion of the Public

Resolved:

That under Section 100(a)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 1 of Part 1 of Schedule 12A to the Local Government Act 1972.

7 Concerning a complaint about the Police, Crime and Victims' Commissioner

The Panel considered a report of the Monitoring Officer, Durham County Council regarding a complaint made about the Police Crime And Victims' Commissioner (for copy see file of Minutes).

The Monitoring Officer provided the Panel with background details of the complaint, the role of the Panel, relevant legislation and protocols and the PCVCs response to the complaint.

The Monitoring Officer informed the Panel that the information supplied by the complainant and the PCVCs response had been evaluated and it was recommended that the complaint be not upheld.

Members of the Panel discussed the complaint and the PCVCs response and it was:

Resolved:

- (i) That the matters complained of are not of sufficient seriousness to warrant referral to the IPCC (Regulation 13).
- (ii) That the first two complaints be treated as having been resolved under Regulation 28(8)

(iii) That no further action be taken in relation to the third complaint.

Police and Crime Panel

8 March 2018



Revenue & Capital Budgets 2017/18

Revenue & Capital Budgets 2018/19

Report of PCVC Chief Finance Officer

Introduction

1. The purpose of this report is to set out the Police Crime and Victims' Commissioner's (PCVC) decisions in respect of the:
 - Revenue budget and policing precept for 2018/19;
 - Capital budget for 2018/19;
 - Revised revenue & capital budgets for 2017/18;
 - Treasury management policy and strategy for 2018/19;
 - Medium term financial plan;
 - Robustness of the estimates and adequacy of reserves.
2. The covering report is divided into the following sections:
 - Background
 - Grant Settlement
 - 2018/19 Council Tax requirement
 - Reserves
 - Key risks
 - Cost control
 - Capital Budget
 - Medium term Financial Plan 2018/19 to 2012/22
3. The Medium Term Financial Plan is attached as appendix 2
4. The Prudential Code is included in appendix 3
5. Appendix 4 gives details of the robustness of the estimates

Background

6. The provisional financial settlement for 2018/19 (received 19 December 2017) announced flat Government funding to Police Forces when compared to 2017/18
7. The Medium Term Financial Plan in Appendix 2 outlines estimated future year's funding levels. Whilst a balanced budget for the next 3 financial years can be achieved under the proposed spending plan, work is still ongoing to balance the fourth year.
8. The settlement allowed a Council Tax increase of £12 for Band D for 2018/19 and 2019/20. The 2019/20 increase is dependent upon Forces achieving improvements in efficiency and the Force will be receiving detailed guidance in this regard. Whilst recognising the impact of any increase in Council Tax on the finances of households in County Durham and Darlington, in view of the future budgetary challenges referred to later, it is the view of officers that it is more important than ever, so far as is possible, to protect the base budget by increasing the Council Tax.
9. The Home Office have already announced that they are reviewing the police funding formula allocation between Forces for future years. Our understanding, based on previous exemplifications published in 2015, is that Durham could potentially lose up to £10m per annum from the changes.

Grant Settlement

10. The final Local Government Finance Settlement, together with the Police Grant Report for 2018/19, has been agreed by the House of Commons on 31 January 2018. Central funding for 2018/19 has been set at £84.67m, the same level as the 2017/18 figures. The table shows the Constabulary's assumption of the anticipated central government funding in future years compared to the current year:

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Police Grant	42,112	42,112	42,112	42,112	42,112
DCLG General Grant	36,446	36,446	36,446	36,446	36,446
Legacy Council Tax Freeze Grants	6,110	6,110	6,110	6,110	6,110
Central Gov't Funding	84,668	84,668	84,668	84,668	84,668

11. As well as general grant, there will continue to be other specific grants in 2018/19.
12. The government has announced the 2018/19 Council Tax capping criteria at £12. This report recommends a £12 increase at Band D.
13. Every 1% variation in the Band D Council Tax affects the Council Tax Requirement by £0.29m. A £12 increase in Council Tax, which is the maximum increase recommended to avoid a referendum and is a 7.09% rise, would result in an increase to the base budget of £2.05m for every year in the future. This would increase the Band D precept from £169.24

to £181.24 per annum, an increase of £12 per annum which is 23p per week. The impact on the majority of households in County Durham and Darlington which are Band A properties, would be an increase of £8 from £112.83 to £120.83 per annum, which is equivalent to 15p per week.

14. The Government has created a number of ‘top sliced’ funding streams as follows:

Police Funding	2017/18 (£m)	2018/19 (£m)
Reallocations and adjustments	812	945
PFI	73	73
Police technology programmes	417	495
Arm's length bodies	54	63
Strengthening the response to Organised Crime	28	42
Police transformation fund	175	175
Special Grant	50	93
Pre-charge bail	15	4

The Force is yet to receive details of any allocation from the above.

15. Police capital grant has also remained at the level of previous years, £0.496m. To maintain investments in new assets this must be supplemented by revenue contributions to capital and use of capital receipts.

2018/19 Council Tax Requirement

16. The ‘*council tax bases*’ of Durham County Council and Darlington Borough Council are used to calculate the proportion of the PCVC’s total precept levied on each Council. The tax base is the estimated full year equivalent number of chargeable Band D dwellings with two or more liable adults and in respect of which tax will be received. The ‘*council tax bases*’ for 2018/19, determined by the relevant authorities and notified to the Police and Crime Commissioner, are as follows:

Council	Notified Council Tax Base
Durham County	138,419.20
Darlington	32,375.00
Aggregate Council Tax Base	170,794.20

17. The Basic Council Tax for the Office of the Police and Crime Commissioner (OPCC) is calculated by dividing the precept by the aggregate of tax base.

$$\frac{\text{Council Tax Requirement}}{\text{Aggregate Council Tax Base}} = \text{Basic Council Tax} \\ (\text{At Band D})$$

18. An increase of £12 in Band D Council Tax will result in a budget of £116,165,869.

	£	£
PCVC's Budget Requirement (based on an increase in Basic Council Tax of £12)		116,165,869
Less:		
Specific Grant	42,111,941	
Re-distributed Non-Domestic Rates	36,446,063	
Legacy Council Tax Grants	6,110,124	
		84,668,128
		31,497,741
Less:		
Estimated overall net surplus on Collection		
Funds at 31 st March 2018		543,000
Council Tax Requirement		30,954,741

This would mean a council tax of:

$$\frac{\text{£30,954,741}}{170,794.20} = \text{£181.24}$$

19. The Council Tax Requirement will be set at a level that results in a £12 increase in Band D Council Tax for the year ending 31st March 2019 and

- In determining the Council Tax Requirement, the PCVC notes the PCVC Chief Finance Officer's report on the robustness of the estimates attached as Appendix 4.
- The '*council tax base*' for the whole of the Force area of County Durham and Darlington will be **170,794.20**.
- The 'basic amount of council tax' will be £181.24 and the amount of council tax for each category of dwelling be as follows:

Valuation Band	(Proportion of Basic Amount)	Council Tax 2015/16
		£
A	(6/9)	120.83
B	(7/9)	140.96

Valuation Band	(Proportion of Basic Amount)	Council Tax 2015/16
C	(8/9)	161.10
D	('basic amount')	181.24
E	(11/9)	221.52
F	(13/9)	261.79
G	(15/9)	302.07
H	(18/9)	362.48

- The Budget Requirement will be £116,165,869 and after taking account of Police Specific Grant of £42,111,941, Re-distributed Non-Domestic Rates of £36,446,063, and Legacy Council Tax Grants of £6,110,124, precepts totalling £30,954,741 will be issued to Authorities as follows:

Council	Council Tax Base	Precept (£)
Durham County Darlington	138,419.20	25,087,096
	32,375.00	5,867,645
	170,794.20	30,954,741

20. Precept Instalments: Discussions with the Treasurers of the Collecting Authorities have taken place, and the dates for the payment of the precept in ten equal instalments are as follows:

(a) **Durham County Council**

- 3 April 2018
- 4 May 2018
- 5 June 2018
- 5 July 2018
- 3 August 2018
- 4 September 2018
- 4 October 2018
- 2 November 2018
- 4 December 2018
- 4 January 2019

(b) **Darlington Borough Council**

- 17 April 2018
- 23 May 2018
- 28 June 2018
- 2 August 2018
- 7 September 2018
- 12 October 2018
- 16 November 2018
- 21 December 2018
- 30 January 2019
- 6 March 2019

The precept has been consulted on, proposed by the PCVC and agreed by the Police and Crime Panel.

Level of Financial Reserves

21. To ensure ongoing financial viability it is important that the Police Crime and Victims' Commissioner continues to maintain a suitable level of reserves. Whilst there is no general guidance on what represents a suitable level of reserves in percentage terms, it is important to take into account the various risks to be faced when coming to a view on reserve levels. It is the view of Chief Finance Officer (for the PCVC and Chief Constable) that general reserves should not be used to support day to day expenditure given: the level of funding uncertainty in future years (where the grant allocation has not been confirmed by the Home Office); localisation of council tax benefit; rising costs and council tax capping limits. Reserves should only be used to invest in capital expenditure or invest in expenditure which will lead to clear efficiencies.

22. The current policy statement on the level of reserves includes the following:

- The Police Crime and Victims' Commissioner will set aside sufficient sums in earmarked reserves as it considered prudent to do so. The PCVC Chief Finance Officer will be authorised to establish such reserves as are required, will review them for both adequacy and purpose, and report on a regular basis to the Police Crime and Victims' Commissioner.
- The Police Crime and Victims' Commissioner will aim to maintain, broadly, general reserves of between 4% and 5% of the revenue estimates which are currently about £4.647m and £5.808m respectively (based on 2018/19 revenue funding of £116.166m) subject to an annual review by the PCVC Chief Finance Officer as part of the budget process.

23. The following tables show the estimated movement in financial reserves over the period to 31st March 2019 assuming a £12 Band D Council Tax increase for 2018/19.

Summary of Total Reserves

Financial Reserves	Balance at 31/3/17 £'000	Variation2 017/18 £'000	Estimated Balance 31/3/18 £'000	Variation2 018/19 £'000	Estimated Balance 31/3/19 £'000
General	5,666	-	5,666	-	5,666
Capital Grants Unapplied	2,115	-1,174	941	-	941
Capital Receipt	3,207	3,946	7,153	-489	6,664
Earmarked	7,344	-	7,344	-	7,344
Total Reserves	18,332	2,772	21,104	-489	20,615

Total Reserves

	Balance at 31 March 2017	Balance at 31 March 2018	Balance at 31 March 2019
	£'000	£'000	£'000
Pensions	(676)	(676)	(676)
Support Staff Pensions	(1,760)	(1,760)	(1,760)
Capital Modernisation	(2,241)	(2,241)	(2,241)
TTC	(121)	(121)	(121)
Revenue Grants Unapplied	(320)	(320)	(320)
SARC	(93)	(93)	(93)
NERSOU	(144)	(144)	(144)
MARAC	(11)	(11)	(11)
Road Safety Initiative			
Management	(527)	(527)	(527)
Estates	(250)	(250)	(250)
LRF	(4)	(4)	(4)
Court Forfeiture	(12)	(12)	(12)
Police Crime and Victims' Commissioner	(808)	(808)	(808)
PCVC Community Safety Reserve	(377)	(377)	(377)
Capital Grants Unapplied	(2,115)	(941)	(941)
Capital receipt	(3,207)	(7,153)	(6,664)
General reserve	(5,666)	(5,666)	(5,666)
Total Reserves	(18,332)	(21,104)	(20,615)

The expected use of reserves is as follows:

- £5.205m to fund capital expenditure in 2018/19
- £2.509m to fund capital expenditure in 2019/20
- £2.532m to fund capital expenditure in 2020/21

Key Risks

24. The following key risks with associated mitigating action and responsible persons are included within the medium term financial plan (see appendices 3 and 4 for more details):

- Revised allocation formula between Forces,
- An ageing estate portfolio putting increased pressure on facilities management budgets,

- Police officer capacity to respond to service demands,
- Flexibility to move police resources to areas of need,
- Demand continues to rise and change,
- Collaboration may require up-front costs of change,
- Uncertainty about partners' future budget plans.

Cost Control

25. Given the continual impact of austerity, cost control is more important than ever. External audit review Value for Money arrangements each year and give the PCVC and Chief Constable positive assurance in this regard. Internal audit also review financial controls and financial planning assumptions on a regular basis and their last report gave substantial assurance to the Chief Constable.

Specifically the following controls are in place:

- Monthly budget reviews are carried out in each Command
- The Chief Finance Officer reviews the overall Force and PCVC budgets each quarter.
- Overtime is reviewed by the Force Executive and each Command monthly.
- The Financial outturn is circulated at the Force Leadership Group
- Detailed outturn reports are produced quarterly.
- Experienced and qualified Finance staff work closely with the Commanders and Executive officers.
- The Deputy Chief Constable and Assistant Chief Officer chair the Strategic Resource Group which controls overall officer and staff numbers to ensure they remain in line with budget.
- Benchmarking is carried out regularly eg use of the VFM profiles and other external data.

Capital Budget 2018/19

Prudential Code (including Treasury Management)

26. Under the Prudential Code for Capital Expenditure, the PCVC is free to make borrowing decisions according to what is affordable. The proposed capital programme for new starts and carry forward in 2018/19 totals £6.126m of which part could be met with a contribution from Capital Grants Unapplied. In order to reduce the impact on the 2018/19 budget, the Council Tax Requirement has been compiled on the assumption that capital receipts and a revenue contribution to capital will be used to finance the capital budget after taking account of capital grant. Technical recommendations relating to the Code are set out in Appendix 2.

27. The Prudential Code for Capital Finance in Local Authorities was introduced with effect from 1 April 2004. The key objectives of the Prudential Code are to ensure that within a clear framework the capital investment plans of the PCVC are affordable, prudent and sustainable.

28. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence,

affordability and sustainability. Details of the requirements of the Code are included in Appendix 2 and the recommended limits are detailed below for consideration.

- 29. The PCVC has agreed prudential borrowing and treasury management arrangements outlined in Appendix 3 and affirms them as the basis on which such business will be conducted in 2018/19 in order to facilitate the major capital programme outlined in the Medium Term Financial Plan.**
30. The 2017/18 capital programme is progressing. The revenue consequences of this programme have been taken into account in the 2018/19 budget and medium term financial plan. Certain projects are committed but not yet fully delivered and it is therefore necessary to allow a carry forward into 2018/19.
- 31. The PCVC has agreed the carry forward of underspends on the 2017/18 capital programme.**

Considerations under the Prudential Code

32. In considering the programme for capital investment, under the Prudential Code, the PCVC is required to have regard to the following matters:
 - Affordability, e.g. implications for Council Tax. The prudential indicators have been set assuming a Council Tax increase of £12 in 2018/19 and 2019/20.
 - Prudence and sustainability, e.g. implications for external borrowing. The implication for external borrowing of the PCVC's capital spending plans has been assessed as both prudent and sustainable in the long term.
 - Value for money.
 - Stewardship of assets.
 - Service objectives, e.g. strategic planning for the PCVC and the Force. The PCVC has a medium term financial plan that is updated annually and that helps to ensure that both service and corporate objectives are taken account of as part of the budgetary process.
 - Practicality, e.g. achievability of the forward plan. The current capital plan is deemed to be achievable.
 - The 2018/19 capital programme is considered to be both realistic and achievable.
 - The revised capital budget for the years 2017/18 and the proposed capital expenditure for 2018/19 to 2021/22 are detailed in the table below.

	Outturn 2017/18 £'000	Estimate 2018/19 £'000	Estimate 2019/20 £'000	Estimate 2020/21 £'000	Estimate 2021/22 £'000
Expenditure					
Buildings: Major works	555	250	0	0	0
Buildings: Minor Works	469	450	300	300	300
Buildings carry forward from prior year	0	234	0	0	0

Vehicles	1,008	950	1,100	1,000	1,000
Vehicle carry forward from prior year	0	279	0	0	0
ICT	2,860	2,022	2,520	1,880	1,750
ICT carry forward from prior year	0	1,691	0	0	0
Equipment	52	250	250	250	250
Total	4,944	6,126	4,170	3,430	3,300
Funding					
Capital Grant	1,380	496	496	496	496
Special Grant	796	0	637	0	0
Capital Receipts	324	4,709	1,376	2,036	2,804
Revenue Contribution	1,914	921	1,661	898	0
Strategic Reserve	0	0	0	0	0
Self-Financed Borrowing	530	0	0	0	0
Total	4,944	6,126	4,170	3,430	3,300
Capital Financing Costs					
Minimum Revenue Provision	494	496	489	482	221
Revenue Contribution	0	0	0	0	0
Contribution from Reserves	0	0	0	0	0
Interest Charges	275	270	270	270	270
Total	769	766	759	752	491

Medium Term Financial Plan 2018/19 to 2021/22

- 33. The updated Medium Term Financial Plan is attached as Appendix 2.
- 34. Council Tax increases are assumed at £12 for 2018/19 and 2019/20 and then 1.98% for 2020/21 and beyond.
- 35. The Local Government Provisional Finance Settlement provides details of formula grant levels for 2018/19. Settlement figures for 2019/20 onwards assume a flat grant each year.

Acknowledgement

The preparation of this budget for the PCVC has required a great deal of effort by many people. We would like to express our sincere thanks to the Chief Constable's staff and the PCVC Chief Finance Officer's staff for their invaluable support and assistance.

G Ridley

PCVC Chief Finance Officer

M Barton

Chief Constable

Appendix 1: Risks and Implications

Finance

These are contained in the main body of the report.

Staffing

The budgetary implications for staffing are dealt within the MTFP.

Equality and Diversity

N/A

Accommodation

The capital budget has implications for the way in which accommodation will be delivered in the future.

Crime and Disorder

N/A

Human Rights

N/A

Children's Act 2004

N/A

Stakeholder/Community Engagement

A number of public consultation meetings were held to invite views on budget setting and the level of precept.

Environment

N/A

Collaboration

A full and developing programme of collaboration is in place to effectively manage austerity. The Constabulary Programme Boards will oversee VFM and productivity in relation to the delivery of the 2016/17 budget.

Value for Money and Productivity

N/A

Other risks

N/A

Contact Officer: **Gary Ridley**

Job Title: **PCC Chief Finance Officer**

Telephone: **0191 3752204**

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Appendix 2

Durham Police & Crime Commissioner

Medium Term Financial Plan

2018/19 to 2021/22

Introduction

The prevailing national financial climate has transformed the way in which we perceive the delivery of public services. The Policing Service now has an imperative to evidence value for money and deliver a consistently high level of services with shrinking financial resources. The austerity measures are expected to continue until after 2020.

This plan demonstrates in financial terms how the Police Crime and Victims' Commissioner (PCVC) will strive to achieve his vision for policing in County Durham and Darlington. The plan provides an outline of the demands and consequential revenue resource requirements of the PCVC and Constabulary for the four financial years commencing 1st April 2018. The plan also details the proposed five year capital programme and the revenue consequences of that programme.

Durham Constabulary has embraced a corporate scorecard approach called "Plan on a Page". This strategic financial plan has been compiled in a way which reflects those strategic intentions and has been developed alongside the local Policing Plan.

The plan is owned by both the PCVC and Constabulary. Individual and collective responsibility is exercised over the management of performance and resources. Governance arrangements are in place to ensure that the PCVC holds the Constabulary to account through regular reporting of issues. Within the Constabulary, internal accountability meetings are regularly held to ensure objectives are met.

Purpose

The purpose of this financial planning document is to provide a basis for determining:

- The level of resources which are likely to be available in the future to deliver national and local priorities;
- The future demands upon the revenue budget;
- The impact of external factors;
- The financial implications of partnership working;
- The amount of capital investment which is required to achieve corporate objectives;
- The revenue consequences of such capital investment;
- The future reserve levels of the PCVC;
- The impact of additional demands on the level of council tax levied by the Police Crime and Victims' Commissioner;

- The main financial risks facing the PCVC and Constabulary.

Strategic Planning Principles

In constructing its financial plans the PCVC benefits from following the principles below:

- *Ensure that finance contributes to improved outcomes by ensuring finance follows priorities.*
- *To ensure overall financial stability.*
- *Set a comprehensive, timely, balanced and realistic budget;*
- *Take into account pay and price inflation, risk management, and achievability of savings targets;*
- *Follow its treasury management policy;*
- *Follow its reserves policy;*
- *Raise awareness of and communicate key financial messages both internally and externally;*

The medium term financial plan has been compiled following the established principles that have been adopted by the PCVC and within the following further conditions:

- *Budgets set will be affordable and not jeopardise the financial stability of the PCVC in either the short or long term;*
- *Precept increases will be kept to a minimum consistent with the provision of effective and efficient services;*
- *All spending plans will need to demonstrate that they can achieve value for money and support best value principles;*
- *Spending will be agreed only when the necessary funding is identified and approved;*
- *External funding will be sought wherever it can be used in a sustainable manner that does not lead to unforeseen costs to the PCVC;*
- *The PCVC's finances will be publicised to stakeholders in an open and transparent manner;*
- *Customers and citizens will be involved in the budget process.*

Revenue Expenditure

Police Service Funding

The final Local Government Finance Settlement, together with the Police Grant Report for 2018/19, was agreed by the House of Commons on 31 January 2018. Central funding for 2018/19 has been set at £84.668m, the same level as 2017/18. The table shows the anticipated central government funding in future years.

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Police Grant	42,112	42,112	42,112	42,112	42,112
DCLG General Grant	36,446	36,446	36,446	36,446	36,446
Legacy Council Tax Freeze Grants	6,110	6,110	6,110	6,110	6,110
Central Gov't Funding	84,668	84,668	84,668	84,668	84,668

As well as general grant, there will continue to be other specific grants.

Financial Planning Assumptions

The key income planning assumptions have been driven by funding announced in the provisional government figures and have been collated on a table and explained in detail in the previous section on police service funding.

The key expenditure related planning assumptions are reflected in the attached table

	Estimate 2018/19	Estimate 2019/20	Estimate 2020/21	Estimate 2021/22
Officer Pay Inflation (from September each year)	2%	2%	2%	2%
Officer Pension Contribution Increase	0%	1.9%	0%	0%
Staff Pay Inflation	2%	2%	2%	2%
Police Staff Pension Contribution Increase	0%	0%	2.4%	0%
Police Officer Vacancy Factor	0%	0%	0%	0%
Police Staff Vacancy Factor	2%	2%	2%	2%
Energy & Fuel Inflation	2%	2%	2%	2%
Other Non-Pay Inflation (except where contractually based)	0%	0%	0%	0%
Council Tax Increase Band D	£12	£12	1.98%	1.98%
Tax Base Growth	2%	2%	2%	2%
Other Income Inflation	0%	0%	0%	0%

Work Force Planning

The following table shows expected workforce numbers at the end of each financial year.

	Outturn 2017/18	Estimate 2018/19	Estimate 2019/20	Estimate 2020/21	Estimate 2021/22
Officers	1,160.0	1,140.0	1,140.0	1,140.0	1,140.0
PCSO's	158.0	152.0	152.0	152.0	152.0
Staff	849.5	861.7	861.7	861.7	861.7
Apprentices	32.0	56.0	56.0	56.0	56.0
PCVC	16.8	20.8	19.8	19.8	19.8
Total FTE	2,216.3	2,230.5	2,229.5	2,229.5	2,229.5

These figures are kept under continuous review.

This table considers the impact of all the income and revenue assumptions and identifies the Budget 2018/19 for approval.

Budget Heading	Outturn 2017/18	Estimate 2018/19	Estimate 2019/20	Estimate 2020/21	Estimate 2021/22
Employees	£'000	£'000	£'000	£'000	£'001
Police Officer Pay	60,700	61,484	62,660	63,279	65,314
Police Overtime	2,827	1,827	1,907	1,987	2,147
Police Staff Pay	32,535	33,541	34,465	35,249	35,977
Police Pensions	1,731	1,706	1,806	1,556	1,556
Other Employee Expenses	885	1,360	614	611	611
Total Employees	98,678	99,918	101,452	102,682	105,605
Premises	4,275	4,049	4,125	4,176	4,228
Transport Expenses	2,086	1,968	1,931	2,038	2,137
Supplies & Services					
Equipment	790	1,237	1,126	1,116	1,118
Stationery	230	250	250	250	250
Uniform	187	200	191	191	191
Doctors	1,422	1,411	1,411	1,411	1,411
Communications	1,668	1,608	1,639	1,900	1,911
Computing	2,822	2,804	2,623	3,133	3,143
Other Supplies	1,674	1,134	1,134	1,134	1,134
Total Supplies & Services	8,793	8,644	8,374	9,135	9,158
Air Support	639	760	760	760	760
Joint & Other Authorities	513	622	622	623	623
Forensic Science Services	828	920	920	920	920
<i>less</i>					
Income					
Customer & Client Receipts	(3,887)	(2,433)	(2,439)	(2,438)	(2,431)
Collaboration income	(1,000)	(791)	(791)	(791)	(791)
Secondment Income	(807)	(575)	(536)	(523)	(523)
Interest	(18)	(25)	(25)	(85)	(145)
Special Grants	(1,344)	(1,034)	(1,034)	(1,034)	(1,034)
<i>plus</i>					
Contribution To/ From (-) Reserve	0	0	0	0	0
Revenue contribution to capital	1,914	921	1,661	898	0
Capital Financing Costs	508	766	759	753	491
Police Constabulary Costs	111,178	113,710	115,779	117,114	118,998
Victims Commissioning Grant	(737)	(893)	(893)	(893)	(893)
Restorative Justice Grant	0	0	0	0	0
PCVC commissioning	1,173	1,739	1,839	1,839	1,839

Community Safety Grant	692	539	539	539	539
PCVC Costs	987	1,071	1,068	1,087	1,133
Net Expenditure	113,293	116,166	118,332	119,686	121,616
Funded by					
DCLG Grant	(36,446)	(36,446)	(36,446)	(36,446)	(36,446)
Police Grant	(42,112)	(42,112)	(42,112)	(42,112)	(42,112)
Council Tax Support Grant	(6,110)	(6,110)	(6,110)	(6,110)	(6,110)
Council Tax	(28,625)	(31,498)	(33,664)	(35,018)	(36,425)
(Surplus) / Deficit	(113,293)	(116,166)	(118,332)	(119,686)	(121,093)
	0	0	0	0	523

Comment:

- The latest HMIC Value for Money Profiles has been used to identify areas for potential efficiency savings.
- A detailed workforce plan has been produced which compliments this plan.

Scenario planning

While there is a balanced budget for 2018/19, 2019/20 and 2020/21, work is ongoing to balance 2021/22.

The Home Office still have plans to review the funding formula allocation between Forces in future years. Our understanding, based on previous exemplifications published in 2015, is that Durham could potentially lose up to £10m per annum from the changes. A separate report will be produced which outlines how such a potential funding reduction would be financed.

Capital Expenditure

The enclosed capital summary sets out proposed expenditure for capital projects for 2017/18 to 2021/22 and the associated funding options. The PCVC received £0.496m in 2017/18 and expects to receive the same in future years.

There are a number of options open to the PCVC to funding capital expenditure and these include capital receipts, use of reserves or revenue contributions to capital. The balance of funding would be generated from borrowing which would incur interest charges at prevailing market rates (unless the PCVC enters into specific term borrowing arrangements such as fixed interest rates over a fixed borrowing term).

The impact of capital receipts generated from the sale of land owned by the PCVC for development of commercial or housing purposes has been included in the funding. Capital receipts from the sale of the old HQ site are expected until 2019/20.

Revenue Impact of the Capital Programme

The PCVC can determine to meet part of the capital requirement through applying capital receipts, making revenue contributions, applying reserves, and/or (under the provisions of the Prudential Code) borrowing.

The associated future capital financing charges as a result of this provisional programme have been determined based upon the expected lifespan of the asset, generally as follows: Motor Vehicles (4 years); ICT Systems (5 years); ANPR and other Equipment (10 years); Minor Building Work (20 years); Major New Buildings (60 years).

Grant is applied to those assets with the shortest lifespan. The capital receipts arising from the sale of the police headquarters' site have been used to partly fund the capital programme from 2016/17 onwards.

The following table contains a summary of capital expenditure by asset category. The capital financing charge from 2017/18 to 2021/22 has been affected by the application of the strategic capital reserve in 2014/15 to shorter life assets over those years.

	Outturn 2017/18 £'000	Estimate 2018/19 £'000	Estimate 2019/20 £'000	Estimate 2020/21 £'000	Estimate 2021/22 £'000
Expenditure					
Buildings: Major works	555	250	0	0	0
Buildings: Minor Works	469	450	300	300	300
Buildings carry forward from prior year	0	234	0	0	0
Vehicles	1,008	950	1,100	1,000	1,000
Vehicle carry forward from prior year	0	279	0	0	0
ICT	2,860	2,022	2,520	1,880	1,750
ICT carry forward from prior year	0	1,691	0	0	0
Equipment	52	250	250	250	250
Total	4,944	6,126	4,170	3,430	3,300
Funding					
Capital Grant	1,380	496	496	496	496
Special Grant	796	0	637	0	0
Capital Receipts	324	4,709	1,376	2,036	2,804
Revenue Contribution	1,914	921	1,661	898	0
Strategic Reserve	0	0	0	0	0
Self-Financed Borrowing	530	0	0	0	0
Total	4,944	6,126	4,170	3,430	3,300
Capital Financing Costs					
Minimum Revenue Provision	494	496	489	482	221
Revenue Contribution	0	0	0	0	0
Contribution from Reserves	0	0	0	0	0
Interest Charges	275	270	270	270	270
Total	769	766	759	752	491

The most significant capital expenditure is explained over the next few paragraphs and a table showing detailed planned expenditure between 2017/18 and 2021/20 is included at the bottom of this section.

Estates

The primary focus for the Estates programme will be refurbishment of section offices and the resiting of the radio mast.

There will still be a regular buildings improvement and maintenance programme undertaken for the rest of the Estate.

Fleet

The fleet replacement programme is kept under constant review and it is planned to spend a relatively consistent figure each year on vehicles.

ICT

The ICT Strategy outlines the capital schemes to be delivered over the period covered by the plan. A large proportion of the ICT expenditure in the capital programme relates to infrastructure technology refresh. Another key scheme is the national requirement for all Forces to upgrade their emergency services communications.

The following table includes details of new capital expenditure by asset category.

Planned Capital Expenditure from 2017/18 to 2021/22					
	Outturn 2017/18	Estimate 2018/19	Estimate 2019/20	Estimate 2020/21	Estimate 2021/22
Property capital carry forward from prior year		234			
Major Works Projects					
New NERSOU building	530				
Mast relocation	25	250			
Sub total	555	250	0	0	0
Minor Works Projects					
Sundry Schemes	119				
CLS court building	105				
Section offices improvements		300	150	150	150
Accommodation Improvements	112	50	50	50	50
Legislative Compliance	133	100	100	100	100
Sub total	469	450	300	300	300
Motor Vehicles	1,008	950	1,100	1,000	1,000
Motor Vehicles carry forward from prior year	0	279	0	0	0
ICT Capital carry forward from prior year		1,691			
National Requirements					
ESMCP	130		800	50	

Planned Capital Expenditure from 2017/18 to 2021/22						
CAID upgrade/replacement		75				
National ANPR NAS	20					
Productivity Services		125		100		
Cloud First Development		50				
Infrastructure Technology Refresh						
Desktop security		50				
DIU network replacement		540				
Server & Storage Replacement	100	75	75	75	75	
IL4 confidential network upgrade		125				
SAN storage				800		
ANPR infrastructure	20	82	18			50
ANPR mobile computers/video		175				
LAN Switch Refresh	55		150			
WAN Hardware	565					
GDPR backup archiving and retention		200				
Review Fibre Tape Libraries						
Projector Review/Replace	10	10	50			
Public service network						
ICT training facility	29					
Remote access infrastructure			200			
Web email security improvements		75				
Wireless upgrade				75		
Telephone system replacement			75	500	500	
SIP telephone delivery						75
Non attributable network upgrade				150		
Digital Evidence						
Central 999 Recorders			50			
Custody CCTV replacement	25					375
Digital Evidence Management System		200				
Digital Evidence Storage/Archive	243					
CCTV Security Camera replacement		20				
Mobile Working						
Mobile Data	35					
Expand Video Conferencing			80			
Client devices						
Body camera replacement	430					375
NIT Phone replacement			22			
Mobile data device replacement			165			
CCTV editing & recording work stations		20				
Regional Collaboration						
NERSOU ICT	84					
Business Applications						
Red Sigma	166					

Planned Capital Expenditure from 2017/18 to 2021/22					
Microsoft Licence Arrangements	100				
Police Works	30	50	85		
GIS Upgrade	141	35			
IT Service Management System	11				150
CoreVet Enhancements		10			
Special branch network	25				
Pegasus Upgrade/replacement		25			200
Vetting application	11				
Pension system	35				
Locard replacement		50			
Agresso upgrade		30			30
PAM sharing portal		110	70	70	
Telephone download equipment	70				
Website upgrade		100			
ERDMS	25				
OCGM	500				
Origin / DMS			750		
Sub total	2,860	2,232	2,590	1,850	1,800
Equipment	52	250	250	250	250
Grand Total	4,944	6,057	4,240	3,400	3,350

Key Risks

The following are the key risks contained within the plan

Risk	Mitigating Action	Person Responsible
Loss of funding due to reallocation between Forces	<ul style="list-style-type: none"> Workforce planning to reduce officer/staff numbers Cost reduction plans to be developed and implemented Maximise precept income 	<ul style="list-style-type: none"> PCVC Chief Finance Officer
An ageing estate portfolio putting increased pressure on facilities management budgets	<ul style="list-style-type: none"> Agree and deliver capital programme time Effective project planning 	<ul style="list-style-type: none"> PCVC Chief Finance Officer / PCVC
Police officer capacity to respond to service demands	<ul style="list-style-type: none"> Allocating resource to priority activities Deliver agreed training programme. Productivity measurement and management 	<ul style="list-style-type: none"> Commanders/Exec

Risk	Mitigating Action	Person Responsible
	<ul style="list-style-type: none"> Strategic Assessment agreed and implemented 	
Flexibility to move police resources to areas of need	<ul style="list-style-type: none"> Plan on a page promulgated across the organisation Regular Force threat and risk meetings Update workforce plan Targeted reviews to be carried out 	<ul style="list-style-type: none"> Force Executive / Tasking & Coordination
Demand continues to rise	<ul style="list-style-type: none"> Introduction of new Strategic Demand Management Command On-going crime prevention/detection and problem solving initiatives. Productivity measurement and management Deliver agreed training programme New shift pattern introduced for officers and PCSOs 	<ul style="list-style-type: none"> Heads of Commands
Collaboration may require up-front costs of change	<ul style="list-style-type: none"> Identify 'invest to save' budget/reserve 	<ul style="list-style-type: none"> PCVC Chief Finance Officer/Exec/PCVC

Monitoring and Review

This financial plan will be subject to continuous review and forms part of the overall planning processes within the PCVC and Constabulary. This will ensure that an accurate future financial forecast is maintained to give an indication as to the affordability of spending plans which in turn will be fed into the corporate planning process.

The content of this plan will be kept under review as part of normal medium term financial planning procedures.

PRUDENTIAL CODE

Background

1. The framework of the prudential capital finance system, which came into effect from 1st April 2004, is contained in the Local Government Act 2003. Under the Act, Government borrowing controls based on “credit approvals” were abolished with effect from 1st April 2004. The PCVC is now free to borrow and take out leases without Government consent, provided these commitments can be afforded. The Prudential Code is designed to guide the PCVC’s decision on what can be afforded. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 specifies the Prudential Code for Capital Finance in Local Authorities, issued by CIPFA, as the code of practice to which local authorities must have regard when setting and reviewing their affordable borrowing limit.
2. The key objectives of the Prudential Code are to ensure that within a clear framework the capital investment plans of the PCVC are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability.
3. To demonstrate that the above objectives have been fulfilled the Prudential Code sets out the indicators that must be used, and the factors that must be taken into account. The Code does not include limits; these are for the PCVC to set.
4. Previously, credit approvals from Central Government set the limit of a local authority’s long-term borrowing and attracted Revenue Support Grant (RSG) towards the financing costs of loans (interest and repayment of principal). Under the current system, unless, exceptionally, a national limit is imposed, the PCVC is free to make his own borrowing decisions according to what can be afforded. Concerning borrowing up to 2010/11, Central Government support for borrowing through Formula Grant was given on the basis of a named amount of capital expenditure which borrowing will support. With effect from 2011/12 the Government determined that no new supported borrowing allocations would be made in the Spending Review period. Government support is now given in the form of capital grant only. The PCC will take the totality of Central Government support into account in setting prudential limits.

Prudential Indicators

5. The capital expenditure estimates to be incurred for the current and future years are outlined below:

	Estimate 2017/18 £'000	Estimate 2018/19 £'000	Estimate 2019/20 £'000	Estimate 2020/21 £'000	Estimate 2021/22 £'000
Expenditure	4,944	6,126	4,170	3,430	3,300

6. Estimates of the ratio of financing costs to net revenue stream for the current and future years are:

Ratio of Financing Costs to Net Revenue Stream	Estimate 2017/18	Estimate 2018/19	Estimate 2019/20	Estimate 2020/21	Estimate 2021/22
	%	%	%	%	%
Financing Costs (£'000)	0.68%	0.66%	0.64%	0.42%	0.62%
Net Revenue Stream (£'000)	769	766	759	497	746

The indicator takes into account minimum revenue provision and any contributions from reserves. The net revenue stream is the amount raised from local taxation and non-specific grant income.

7. Estimates of the current and future years Capital Financing Requirement are:

Capital Financing Requirement	Estimate 2017/18 £'000	Estimate 2018/19 £'000	Estimate 2019/20 £'000	Estimate 2020/21 £'000	Estimate 2021/22 £'000
	18,634	18,138	17,649	17,422	16,946

The Capital Financing Requirement measures the underlying need to borrow for a capital purpose. The PCVC has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The PCVC's treasury management strategy and annual plan for 2018/19 is part of this Section (see paragraph 21 onwards).

The PCVC has at any point in time a number of cash flows both positive and negative, and manages the treasury position in terms of borrowings and investments in accordance with the approved treasury management strategy. In day-to-day cash management no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions and not simply those arising from capital spending. In contrast the Capital Financing Requirement reflects the PCVC's underlying need to borrow for a capital purpose.

8. CIPFA's Prudential Code for Capital Finance includes the following as a key indicator of prudence:

"In order to ensure that over the medium term net borrowing will only be for a capital purpose the PCVC should ensure that gross external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

Minimum Revenue Provision (MRP) Statement

9. Previously local authorities were required to set aside some of their revenue as provision for repayment of debt. MRP was calculated each year subject to a minimum of 4% of capital financing requirement at the start of the year.
 10. These rules have been replaced with a duty for an authority to provide for an amount of MRP which is considered to be "prudent". CLG has issued guidance on MRP. The regulations do not define "prudent provision".
 11. The guidance explains that the broad aim of prudent provision is to ensure that debt is repaid over a period that is reasonably close to the time over which the capital expenditure will provide benefits. In the case of borrowing supported by Government through the Formula Grant system, it would be reasonable to link the period of making provision of the grant, which is 4% of the estimated supported capital expenditure and 4% equates to the repayment of debt over 25 years.
 12. MRP should normally start in the financial year following the one in which the expenditure was incurred.
 13. The Secretary of State recommends that a Statement of Methodology to be used by authorities be approved by the PCVC before the start of each financial year.
- 14. The PCVC has agreed that when determining the minimum revenue provision:**
- a. **Option 2: CFR Method (MRP is equal to 4% of the non-housing capital finance requirement at the end of the preceding financial year) is used in relation to all capital expenditure before 1st April 2008, but only for capital expenditure financed by supported borrowing during 1st April 2008 to 31st March 2011.**
 - b. **Option 3: Asset Life Method (MRP is based on the life of the asset) is used for capital expenditure financed by unsupported borrowing after 1st April 2008.**

External Debt

15. In respect of external debt, it is recommended that the PCVC approves the following Authorised Limits for total external debt, gross of investments, for the next three financial years. These limits separately identify borrowing from other long-term liabilities such as finance leases. The limits are consistent with the capital financing requirement.

Authorised Limits	Estimate 2017/18 £'m	Estimate 2018/19 £'m	Estimate 2019/20 £'m	Estimate 2020/21 £'m	Estimate 2021/22 £'m
Borrowing	23.6	23.1	22.6	22.4	21.9
Long term Liabilities	0.0	0.0	0.0	0.0	0.0
Total	23.6	23.1	22.6	22.4	21.9

16. The Authorised Limits are consistent with the PCVC's current commitments, existing plans and the proposals in this budget report for capital expenditure and financing, and with the approved Treasury Management policy statement and practices. They are based on the estimate of most likely, prudent but not worst-case scenario, with the addition of sufficient headroom over and above this to allow for operational management. An assessment of risk has been taken into account, as have plans for capital expenditure, estimates of the Capital Financing Requirement and estimates of cash flow requirements.
17. The proposed Operational Boundary for external debt is based on the same estimates as the Authorised Limit but reflects directly the PCVC Chief Finance Officer's estimate of the most likely prudent but not worst case scenario, without the additional headroom included within the Authorised Limit. The Operational Boundary represents a key management tool for in year monitoring by the PCVC Chief Finance Officer. Within the Operational Boundary, figures for borrowing and other long-term liabilities are separately identified.

Operational Boundary for External Debt	Estimate 2017/18 £'m	Estimate 2018/19 £'m	Estimate 2019/20 £'m	Estimate 2020/21 £'m	Estimate 2021/22 £'m
Borrowing	18.6	18.1	17.6	17.4	16.9
Long term Liabilities	0.0	0.0	0.0	0.0	0.0
Total	18.6	18.1	17.6	17.4	16.9

Council Tax

18. The Prudential Indicators have been calculated assuming a £12 increase in 2018/19 and 2019/20 and 1.98% for 2020/21 and beyond.
19. The capital programme is funded by a mix of capital grants, contributions from earmarked reserves and borrowing under the prudential code.
20. The estimate of the incremental impact of this prudential borrowing, over and above capital investment decisions that have previously been taken by the Authority for Band D Council Tax, are:

Incremental Impact on Band D Council Tax	Estimate 2017/18	Estimate 2018/19	Estimate 2019/20
	%	%	%
	0.02%	0.00%	0.00%

Treasury Management

21. The CIPFA Code of Practice for Treasury Management in the Public Services makes the following key recommendations:

- (i) Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.
- (ii) Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities.
- (iii) They should acknowledge that the pursuit of best value in treasury management and the use of suitable performance measures are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

22. The PCVC has formally adopted the key recommendations of the CIPFA Code of Practice for Treasury Management in the Public Services and has created and maintains as the cornerstone for effective treasury management:

- a. A treasury management policy statement stating the policies and objectives of its treasury management activities
- b. Suitable treasury management practices (TMPs), setting out the manner in which the PCC will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

23. Reports will be presented to the PCVC on the treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in the TMPs. In implementing this strategy the PCVC will give priority to security and liquidity rather than yield. However the PCVC will aim to achieve the highest rate of interest consistent with proper levels of security and liquidity. In particular attention is drawn to the key objectives of the Investment Strategy which is firstly safeguarding the repayment of principal and interest of its investments on time and secondly ensuring adequate liquidity. The investment return is the third objective. The PCVC delegates responsibility for the execution and administration of its treasury management policies and practices to the PCVC Chief Finance Officer, who will act in accordance with the Policy Statement, Treasury Management Practices and CIPFA's Standard of Professional Practice on Treasury Management.

Treasury Management Indicators

24. The PCVC has set an upper limit on its fixed interest rate exposures for 2017/18, 2018/19 and 2019/20 of 100% of its net outstanding principal sum.

25. The PCVC has further set an upper limit on its variable interest rate exposures for 2017/18, 2018/19 and 2019/20 of 30% of its net outstanding principal sums.

26. The PCVC's upper and lower limits for the maturity structure of its borrowings are as follows.

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total borrowing that is fixed rate:	Upper Limit	Lower Limit
	%	%
Under 12 months	50	0
12 months and within 24 months	50	0
24 month and within 5 years	50	0
5 years and within 10 years	50	0
10 years and above	100	0

27. The PCVC does not intend to invest sums for periods longer than 364 days. This is seen as prudent interest rate risk management.

28. The PCVC has agreed to

- a. Note the prudential indicators,
- b. Approve the Minimum Revenue Provision (MRP) Statement in Appendix 2 (paragraphs 9 to14) of this report,
- c. Determine an Authorised Limit of £23.1m and an Operational Boundary Limit of £18.1m for external debt in 2018/19.
- d. Reaffirm the adoption of the key recommendations of the CIPFA Code as detailed in paragraph 21 of this report.
- e. Set an upper limit on the fixed interest rate exposures for 2017/18, 2018/19 and 2019/20 of 50% of the net outstanding principal sum.
- f. Set an upper limit on the variable interest rate exposures for 2017/18, 2018/19 and 2019/20 of 30% of its net outstanding principal sums.

Treasury Management Policy Statement

1. The PCVC defines the treasury management activities as:

"The management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

2. The PCVC regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
3. The PCVC acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives and is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

Treasury Management Practices

1. TMP1 – Treasury Risk Management

1.1. The PCVC Chief Finance Officer shall:

- Design, implement and monitor all arrangements for the identification, management and control of the treasury management risks shown below;
- Report at least annually on the adequacy/suitability thereof; and
- Report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the PCVC's objectives in this respect, all in accordance with the procedures set out in **TMP6 Reporting requirements and management information arrangements**.

1.2. Liquidity

The PCVC will ensure adequate but not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable at all times to have the level of funds available which are necessary for the achievement of service objectives.

1.3. Interest Rates

The PCVC will manage exposure to fluctuations in interest rates with a view to containment of net interest costs, or securing interest revenues, in accordance with the amounts provided in the Revenue Estimates in accordance with **TMP6 Reporting requirement and management information arrangement**.

1.4. Credit and Counterparties

The PCVC regards a prime objective of the treasury management activities to be the security of the principal sums invested. A formal counterparty list will be maintained and the named organisations and limits will reflect a prudent attitude towards organisations with which funds may be deposited, and will limit the PCVC's investment

activities to the instruments, methods and techniques referred to in **TMP4 Approved Instruments, methods and techniques**.

1.5. Re-scheduling and Re-financing of Debt

The PCVC will ensure that all borrowing, private financing and partnership arrangements will be negotiated, structured and documented, and the maturity profile of debt will be managed with a view to obtaining terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

Relationships with counterparties in these transactions will be managed 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.

1.6. Legal and Regulatory

The PCVC will ensure that all treasury management activities comply with its statutory powers and regulatory requirements. The PCVC will demonstrate such compliance, if required to do so, to all parties with whom he deals in such activities. In framing the credit and counterparty policy under **TMP1 Treasury Risk Management**, the PCVC will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions effected with the organisation, particularly with regard to duty of care and fees charged.

The PCVC will seek to minimise the impact of future legislative or regulatory changes on treasury management activities so far as it is reasonably able to do so.

1.7. Fraud, Error and Corruption, and Contingency Management

The PCVC will seek to ensure that the circumstances which may expose the PCVC to the risk of loss through fraud, corruption or other eventualities in his treasury management dealings are identified. Accordingly, he will design and implement suitable systems and procedures and will maintain effective contingency management arrangements to counter such risks.

1.8. Market Risk

The PCVC will seek to ensure that stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums invested.

2. TMP2 - BEST VALUE AND PERFORMANCE MEASUREMENT

2.1. The PCC will actively work to promote best value in treasury management activities. The treasury management function will be the subject of regular reviews to identify scope for improvement.

3. TMP3 - DECISION-MAKING AND ANALYSIS

- 3.1. The PCVC will maintain full records of treasury management decisions, and of the processes and practices applied in reaching those decisions to demonstrate that reasonable steps have been taken to ensure that all issues relevant to those decisions were taken into account.

4. TMP4 - APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

- 4.1. The PCVC will undertake treasury management activities by employing only those instruments, methods and techniques detailed in the Treasury Management Strategy.

5. TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS

- 5.1. The PCVC's treasury management activities will be properly structured in a clear and open fashion and a rigorous discipline of segregation of duties will be enforced to ensure effective control and monitoring of treasury management activities for the reduction of the risk of fraud or error and for the pursuit of optimum performance.
- 5.2. The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.
- 5.3. If and when the PCVC intends, as a result of lack of resources or other circumstances, to depart from these principles, the PCVC Chief Finance Officer will ensure that the reasons are properly reported in accordance with *TMP6 Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.
- 5.4. The PCVC Chief Finance Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover.
- 5.5. The PCVC Chief Finance Officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.
- 5.6. The PCVC Chief Finance Officer will fulfil all delegated responsibilities in respect of treasury management in accordance with the PCVC's Treasury Management Policy Statement, Treasury Management Practices and the CIPFA Standard of Professional Practice on Treasury Management.

6. TMP6 - REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

- 6.1. Regular reports will be prepared for consideration by the PCVC on:
 - The implementation of the treasury management policies;
 - The effects of decisions taken and the transactions executed in pursuit of those policies;
 - The implications of changes resulting from regulatory, economic, market or other factors affecting treasury management activities; and the performance of the treasury management function.
- 6.2. As a minimum, the PCVC will receive:
 - An Annual Report on the strategy and plan to be pursued in the forthcoming year;
 - A half yearly report providing an update on treasury management activities (PCVC borrowing and investments and a national economic forecasts);
 - An Annual Report on the performance of the treasury management functions in the previous year and on any circumstances of non-compliance with the organisation's Treasury Management Policy Statement and Treasury Management Practices.

7. TMP7 - BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

- 7.1. The PCVC will account for treasury management activities in accordance with appropriate accounting practices and standards and with statutory and regulatory requirements.
- 7.2. The PCVC will ensure that his auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles and that such information and papers demonstrate compliance with external and internal policies and approved practices.

8. TMP8 - CASH AND CASH FLOW MANAGEMENT

- 8.1. All PCVC monies shall be aggregated for treasury management purposes and will be under the control of the PCVC Chief Finance Officer. Cash flow projections will be prepared on a regular and timely basis and the PCVC Chief Finance Officer will ensure that these are adequate for the purposes of monitoring compliance with **TMP1.2 Liquidity**.

9. TMP 9 - MONEY LAUNDERING

9.1. Procedures will be enforced for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this area is properly trained.

10. TMP 10 - STAFF TRAINING AND QUALIFICATIONS

10.1. The PCVC will seek to appoint individuals to the treasury management function who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The PCVC Chief Finance Officer will recommend and implement the necessary arrangements.

11. TMP 11 - USE OF EXTERNAL SERVICE PROVIDERS

11.1. When external service providers are employed by the PCVC, the PCC Chief Finance Officer will ensure that this is done for reasons which have been submitted to a full evaluation of the costs and benefits. The terms of their appointment and the methods by which service providers' value will be assessed will be properly agreed and documented, and subjected to regular review.

11.2. Where feasible and necessary, a spread of service providers will be used to avoid over-reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, PCVC Procedural Rules and Financial Regulations plus legislative requirements will always be observed. The monitoring of such arrangements rests with the PCVC Chief Finance Officer.

12. TMP 12 - CORPORATE GOVERNANCE

12.1. The PCVC is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

12.2. The PCVC has adopted and implemented the key recommendations of the Code of Practice on Treasury Management in the Public Services. This, together with other arrangements that the PCVC Chief Finance Officer will put in place, is considered vital to the achievement of proper corporate governance in treasury management, and the PCVC Chief Finance Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Treasury Management Strategy 2018/19

In implementing this strategy, the PCVC will give priority to security and liquidity, rather than yield. However, the PCVC will aim to achieve the highest rate of interest consistent with the proper levels of security and liquidity. In order to achieve this, the strategy deals with the use of specified investments, non-specified investments and the liquidity of investments.

The strategy also covers the PCVC's approach to borrowing and the use of external managers.

1) Borrowing Strategy 2018/19

The uncertainty over future interest rates increases the risks associated with treasury activity. As a result, the PCVC will take a cautious approach to its treasury strategy.

Long-term fixed interest rates are at risk of being higher over the medium term, and short term rates are expected to rise, although more modestly. The PCVC Chief Finance Officer, 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.

Continuing to postpone borrowing and running down investment balances will also be considered. This would reduce counterparty risk and hedge against the expected fall in investments returns.

2) Investment Strategy 2018/19

a) Key Objectives

- i) The primary objectives of the PCVC's investment strategy are firstly safeguarding the repayment of the principal and interest of investments on time and secondly ensuring adequate liquidity. The investment return is the third objective. With the current economic background the current investment climate has one over-riding risk consideration; that of counterparty security risk.

b) Risk Benchmarking

- i) Yield benchmarks are currently widely used to assess investment performance.
- ii) These benchmarks are simple targets (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 depending on any changes. Any breach of the benchmarks will be reported, with supporting reasons in the Annual Report.

iii) Security: The PCVC's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is 0.03% historic risk of default when compared to the whole portfolio (based on the credit rating of the institutions that the PCVC invests with; the length of time of the investments; and the historical rate of default of similar rated counterparties). This rate is provided by our treasury management advisors and the rate of 0.03 is considered extremely low risk.

iv) Liquidity: In respect of this area, the PCVC seeks to maintain:

- (1) Bank overdraft of £0.5m,
- (2) Liquid short term deposits of at least £2.0m available with a week's notice,
- (3) Weighted Average Life benchmark is expected to be 0.25 years (3 months), with a maximum of 0.5 years (6 months).

v) Yield: Local measure of yield benchmarks is:

- (1) Investments - Internal returns above the 7 day London Interbank Bid Rate (LIBID) and as a guide the current rate of LIBID is 0.48% (as at January 2018).

c) Investment Counterparty Selection Criteria

i) The primary principle governing the PCVC's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the PCVC will ensure:

- (1) Maintenance of a policy that covers both the categories of investment types to be invested in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.
- (2) Sufficient liquidity in investments and for this purpose will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the PCC's prudential indicators covering the maximum principal sums invested.

ii) The PCVC Chief Finance Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to the PCVC for approval as necessary. These criteria are separate to those which choose Specified and Non-Specified investments, as they provide an overall pool of counterparties considered high quality that the PCVC may use, as opposed to defining what the investments are.

iii) The rating criteria use the ***lowest common denominator*** method of selecting counterparties and applying limits. This means that the application of the PCVC'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 PCVC's criteria,

the other does not, the institution will fall outside of 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.

- iv) 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 counterparty at the minimum PCVC criteria will be suspended from use, with all others being reviewed in light of market conditions.

d) Specified Investments

- i) Specified Investments are defined as those satisfying the following conditions:
 - (1) Denominated in sterling,
 - (2) To be repaid or redeemed within 12 months of the date on which the investment was made,
 - (3) Do not involve the acquisition of share capital or loan capital in a body corporate,
 - (4) Are made with the UK Government, local authorities, parish councils, community councils, or with a body or in an investment scheme which has been awarded a high credit rating by a credit agency.
- ii) The criteria for providing a pool of high quality investment counterparties are:

(1) Banks 1 - Good Credit Quality

The PCVC will only use banks which:

- (a) Are UK banks
- (b) And have, as a minimum, the following Fitch, Moody's and Standard & Poors credit ratings (where rated):
 - (i) Short Term: F1
 - (ii) Long Term: A-

(2) Banks 2 - Guaranteed Banks with suitable Sovereign Support

- (a) In addition, the PCVC will use banks whose ratings fall below the criteria specified above if all of the following conditions are met:
- (b) Part nationalised UK banks- Royal Bank of Scotland
- (c) These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.

(3) Banks 3 - The PCVC's own banker for transactional purposes if the bank falls below the above criteria although in this case balances will be minimised in both monetary size and time.

(4) Building Societies

(a) The PCVC will use all Societies which meet the ratings for banks outlined above.

(5) Money Market Funds: AAA

(6) UK Government (including gilts and the Debt Management Account Deposit Facility (DMADF))

(7) Other Local Authorities, Parish Councils etc.

e) Non - Specified Investments

i) Non-Specified investments are those not meeting the definition in the Specified Investments section above. It is proposed that during 2016/17, the PCVC will not invest in Non-Specified Investments, including those to be repaid or redeemed more than 12 months from the date on which the investment was made.

f) Use of additional information other than credit ratings

i) Additional requirements under the Code of Practice now require the PCVC 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.

g) Time and Monetary Limits applying to Investments

i) The time and monetary limits for institutions on the PCVC's Counterparty List are as follows:

	Long term Rating)	Money Limit	Time Limit
Banks 1 category high quality	AA	£5m	1 year
Lloyds Bank	A	£5m	1 year
Banks 1 category medium quality	A-	£5m	3 months
Banks 2 category-part nationalised	N/A	£5m	1 year
DMADF	AA+	Unlimited	6 months

Local Authorities	N/A	£5m	1 year
Money market funds	AAA	£3m per fund	Liquid

- ii) Due to the uncertainty in the financial markets it is recommended that the Investment Strategy is approved on a similar approach to previous years which will provide officers with the flexibility to deal with any unexpected occurrences. Officers will restrict the pool of available counterparties from these criteria to safer instruments and institutions. Currently this involves the use of the DMADF, AAA rated Money Market Funds and institutions with higher credit ratings than those outlined in the investment strategy or which are provided support from the Government. Investments are being maintained short term to also improve the security of investments.

h)Sensitivity to Interest Rate Movements

- i) 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.
- ii) The estimated impact of a 1% increase in interest rates to the estimated treasury management income for the PCVC in 2018/19 is an increase of £20,000. A decrease in interest rates is unlikely and any impact would not be material.

3) External Managers (Other than those relating to the Pension Fund)

- i) The PCVC may, upon the recommendations of the PCVC Chief Finance Officer, appoint one or more external managers to manage the short-term investment of surplus PCVC money. Any such managers appointed are to be bound by this Treasury Management Policy Statement.

Purpose of Report

1. The purpose of this report is to provide the Police Crime and Victims' Commissioner (PCVC) with reassurance and confidence in the accuracy and quality of the financial estimates for the years 2017/18 to 2021/22, and more importantly the budget for the coming financial year 2018/19.
2. The robustness of the financial estimates considers important factors such as risks facing the PCVC and the adequacy of financial reserves to enable the PCVC to have flexibility in dealing with any unplanned events that may have a significant financial consequence during the course of the budget year 2018/19.

Background

3. Police Crime and Victims' Commissioner and local authorities decide every year how much they are going to raise from council tax. They base their decision on a budget that sets out estimates of what they plan to spend on each of their services.
4. The decision on the level of the council tax must be taken before the coming financial year begins and that level cannot be changed during the year, so allowances for risks and uncertainties that may create an increase in service costs or a loss of income must be made by:
 - a. Making realistic and prudent allowances in the financial estimates for the policing services provided, and also,
 - b. Ensuring that there are adequate reserves in place that can be drawn on to help manage the impact of any incident or eventuality that causes the PCVC to exceed the budget estimates in 2018/19 for the delivery of policing services to the community of County Durham and Darlington.
5. Section 25 of the Local Government Act 2003 requires that the PCVC's Chief Financial Officer reports to the PCVC when considering the budget and council tax on the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so that the PCVC will have authoritative advice available to him prior to making the budget setting decisions.
6. Section 25 also requires the PCVC to consider this report when making decisions about the budget.

Critical Role of Risk Management

7. There is considerable (continuous) attention given to the risks facing the delivery of policing services in County Durham and Darlington. Each of the risks identified by the Force is allocated to and formally assessed by a strategic programme board.
8. When each board meets the risk registers are modified to reflect new risks, or to reflect the best available information and the impact of mitigating actions. The list of risks below have already been identified and considered by the appropriate board.

9. In setting the budget the risks facing the PCVC are influenced by the uncertainties of the economic environment and the level of expenditure reductions in the Policing Service and the wider public sector, all of which present difficulties in delivering a balanced budget. The key risks have been identified in the Budget report.
10. The Annual Governance Statement gives assurance in relation to the organisation's arrangements for the management of risk and ensuring proper arrangements are in place for governing its affairs and looking after the resources at its disposal.

Robustness of Estimates

11. The budget process has involved the senior leadership teams in each Command, who have considered and evaluated a variety of service delivery options that balance the twin needs of maintaining service delivery and balancing the budget.
12. These options, identifying areas where savings can be made to provide the resources to fund the unavoidable service pressures, have been reported to the PCVC and his Executive, which includes the Chief Constable and the PCVC's Chief Financial Officer.
13. The key income and expenditure related planning assumptions are reflected in the attached table

	Estimate 2018/19	Estimate 2019/20	Estimate 2020/21	Estimate 2021/22
Officer Pay Inflation (from September each year)	2%	2%	2%	2%
Officer Pension Contribution Increase	0%	1.9%	0%	0%
Staff Pay Inflation	2%	2%	2%	2%
Police Staff Pension Contribution Increase	0%	0%	2.4%	0%
Police Officer Vacancy Factor	0%	0%	0%	0%
Police Staff Vacancy Factor	2%	2%	2%	2%
Energy & Fuel Inflation	2%	2%	2%	2%
Other Non-Pay Inflation (except where contractually based)	0%	0%	0%	0%
Council Tax Increase Band D	£12	£12	1.98%	1.98%
Tax Base Growth	2%	2%	2%	2%
Other Income Inflation	0%	0%	0%	0%

14. In relation to the robustness of the above table, the following should be noted:
 - Pay inflation. A pay increase of 1% plus an additional 1% non-consolidated has been offered. Therefore the assumption within the budget is reasonable. All police officer posts are budgeted for, therefore the police office pay budget should not be overspent given that the force maintains a separate budget to fund medical retirements. In respect of police staff pay, a small vacancy factor is built in to the pay budget to reflect

anticipated leavers during the year. In recent years neither the police officer pay budget nor police staff pay budget have been overspent.

- Pension increases. It is anticipated that both officers and staff pension rates will increase at the next triennial valuation. The latest estimates have been used.
 - Energy and Fuel. Work is ongoing to reduce the number of vehicles within the force which will help to reduce the overall fuel budget. Therefore the 2% inflationary increase expected for fuel is reasonable. In relation to energy, the force maintains a £20,000 energy efficiency budget with which to reduce energy costs. Again, this budget is considered reasonable.
 - Other non-pay Inflation. The 0% increase is a general provision. Whilst some budgets are reducing in price as a result of improved procurement and reduced demand it is equally valid to state that some budgets are under constant cost pressure. In recent years, supplies and services budgets have been underspent within the force.
 - Council Tax. This will be subject to the maximum permitted limit by Central Government.
 - Tax Base Growth. This has been based on recent growth rates.
 - Other Income Inflation. Where possible, the force is moving toward full cost recovery in terms of the supplies and services that it charges for. This will be subject to a discreet piece of work in the coming year. In recent years income budgets have been over-achieved therefore the budget estimates are considered reasonable.
 - Officer numbers are based on actual salary levels and expected leavers. Police staff and PCSO numbers are also based on actual salary. This ensures that budgets are reasonable.
15. Given the uncertainty about the future resources available to the PCVC at the time of preparing this report, the estimates beyond 2016/17 are at present set out with the best available information at the time of this report. There have as yet been no indications of 2017/18 funding allocation by the Home Office.

Adequacy of Reserves

16. The CIPFA Local Authority Accounting Panel (LAAP) has issued a guidance note on Local Authority Reserves and balances (LAAP Bulletin 77) to assist local authorities in determining the adequacy of reserves. This guidance is not statutory, but compliance is seen as best practice.

17. The guidance however, states that no case has yet been made to set a statutory minimum level of reserves, either as an absolute amount or a percentage of the budget. Each Police and Crime Commissioner and local authority should take advice from its Chief Financial Officer and base its judgement on local circumstances.

18. The current policy statement on the level of reserves includes the following:

- a. *The PCVC will set aside sufficient sums in earmarked reserves as considered prudent to do so. The PCVC Chief Finance Officer will be authorised to establish such reserves as are required, will review them for both adequacy and purpose, and report on a regular basis to the Police Crime and Victims' Commissioner.*
- b. *The PCVC will aim to maintain, broadly, general reserves of between 4% and 5% of the revenue estimates currently £4.647m and £5.808m respectively*

(based on 2018/18 revenue funding of £116.166m) *subject to an annual review by the PCVC Chief Finance Officer as part of the budget process.*

19. Earmarked reserves have been established as a means of building up funds to meet known or predicted requirements. The level of earmarked reserves will be in the region of £7.344m at the end of March 2018.
20. The General Reserve has been set just below 5% of the revenue funding for 2018/19 and will be £5.666m at the end of March 2018.
21. The reserves are set at a level to accommodate any significant financial impact on capital or revenue expenditure in 2018/19.
22. The PCVC's approach to the management of risks alongside the PCVC's financial management arrangements suggest that the level of resources identified in the Annual Budget 2018/19 is sufficient to provide reassurance and confidence in the delivery of policing services to County Durham and Darlington.

Conclusion

23. **The PCVC acknowledges that the strength of the risk management processes, the adequacy of reserves and the robustness of the financial estimates give sufficient reassurance and confidence to enable him to approve the Annual Budget and the level of Council Tax for 2018/19.**

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Police and Crime Panel**8th March 2018****Reducing Reoffending****Report of the Office of the Police, Crime and Victims' Commissioner****Purpose**

1. To advise Police and Crime Panel Members that a presentation on Reducing Reoffending will be provided to members at the meeting on 8th March.

Background

2. Reducing Reoffending is an objective in the Police, Crime and Victims' Plan. It is also one of the key objectives in the Local Criminal Justice Plan for Durham and Cleveland which was published by the PCVC and the PCC for Cleveland in January.
3. Reducing Reoffending is the business of several agencies, including the Police, Youth Offending Services, Courts, Community Rehabilitation Company, National Probation Service, and Prisons. In addition, several of the services which help people to reduce their offending are delivered by other partners including the local authorities, for instance substance misuse treatment services, and housing support.
4. In 2017, the PCVC and PCC agreed to invest, along with partners, in a small collaborative team to deliver the Local Criminal Justice Programme, including enabling greater sharing of information in order to develop a comprehensive performance framework. The presentation you will receive will include data from a range of agencies.
5. Durham has been a leader nationally in innovative approaches to reducing reoffending. At the centre of this is a problem solving approach aimed at identifying the root causes of offending, and then working partnership to challenge and assist people to address those needs. A key part of this approach is Checkpoint, which is a diversion scheme started in early 2015 and enables people in certain circumstances to sign up to a four month contract with the police force, rather than face prosecution.
6. The Plan on a Page for Reducing Reoffending is attached at Appendix 2. A similar presentation was delivered to the County Durham Safer and Stronger Communities Overview and Scrutiny Committee on 20th February.

Recommendations

7. Panel Members are recommended to consider the information contained in the presentation, and comment accordingly.

Next Steps

8. The Local Criminal Justice Plan sets out a programme to develop services to reduce reoffending to 2021. Updates will continue to be delivered to the Panel.

Alan Reiss
Chief of Staff

Appendix 1: Risks and Implications

Finance

None

Staffing

None

Equality and Diversity

None

Accommodation

None

Crime and Disorder

None

Children's Act 2004

None

Stakeholder/Community Engagement

Many stakeholders are partners in delivery of the work to reduce reoffending

Environment

None

Collaboration and Partnerships

None

Value for Money and Productivity

None

Potential Impact on Police and Crime Plan Priorities

Supports delivery of the overall vision and of the objective to reduce reoffending

Commissioning

None

Other risks

None

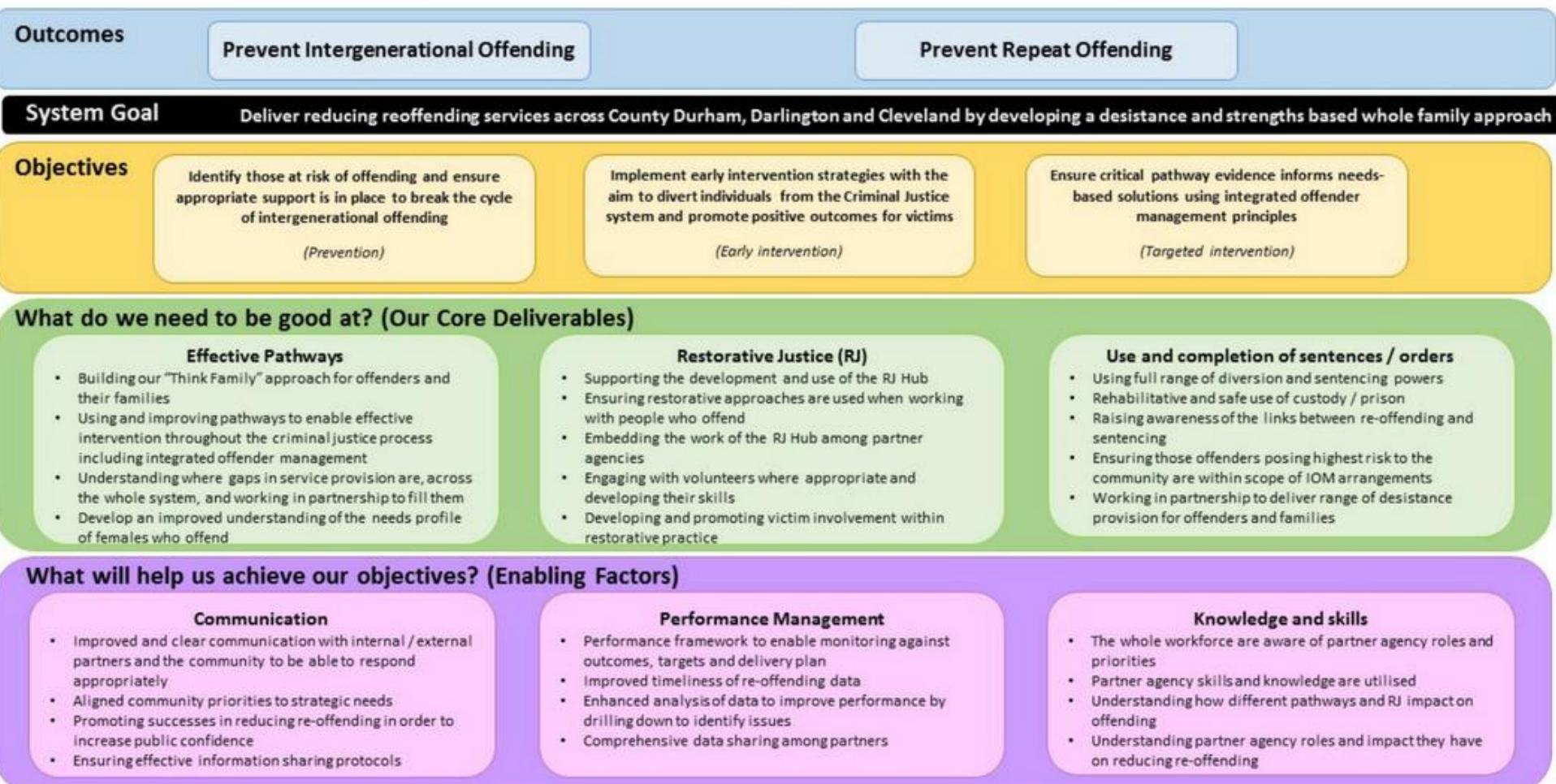
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Cleveland & Durham Local Criminal Justice Partnership

County Durham, Darlington and Cleveland Reducing Re-offending Strategy on a Page (2016-2021)

Vision: Partners implement the most effective and efficient measures to ensure that adults and young people who offend are challenged and supported to desist from crime in order to improve life chances and keep communities safe.



Police and Crime Panel**8th March 2018****Quarter 3 2017/18 Performance Report****Report of the Office of the Police, Crime and Victims' Commissioner****Purpose**

1. To advise Police and Crime Panel Members that the quarter 3 Public Performance Report will be published by the Police, Crime and Victims' Commissioner prior to the Panel meeting (8th March) and a presentation on the Report given to members at the meeting.

Background

2. The report contains key performance data for the headline measures: Victim Based Crime, Public Confidence, and Victim Satisfaction, and performance information on each aspect of the current Police, Crime and Victims' Plan.
3. The interactive document is updated and published publically quarterly. The Police, Crime and Victims' Commissioner will be in attendance at the meeting to give a presentation of the report and respond to any questions that Panel Members may have.

Recommendations

4. Panel Members are recommended to consider the information contained in the presentation, and comment accordingly.

Next Steps

5. The public performance report will continue to be produced on a quarterly basis. We are continually looking to build on and improve the report so that it provides the most up to date and relevant information. Future reports will continue to be presented to the panel.

Alan Reiss
Chief of Staff

Appendix 1: Risks and Implications

Finance

None

Staffing

None

Equality and Diversity

None

Accommodation

None

Crime and Disorder

None

Children's Act 2004

None

Stakeholder/Community Engagement

To be made available to members of the public as part of the engagement strategy

Environment

None

Collaboration and Partnerships

None

Value for Money and Productivity

None

Potential Impact on Police and Crime Plan Priorities

Provides an update on performance in relation to each area of focus in the Plan.

Commissioning

None

Other risks

None

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Police and Crime Panel

8th March 2018



PCVC Decision Records

Report of Chief of Staff

Purpose

1. To update Panel Members on the Police, Crime and Victims' Commissioner's decision register since the last meeting, and forward plan.

Background

Decision Making Process

2. Key decisions are made at an Executive Board comprising the PCVC, the PCVC's Chief of Staff, the Chief Constable and the Joint Chief Finance Officer. Other officers of the PCVC or the Chief Constable will attend as and when required. On occasion it is necessary to take decisions outside of this process for reasons of expediency, but all relevant parties are consulted and informed.
3. All key decisions are supported by a report setting out the decision required, all relevant factors to be considered, the outcome of any consultation undertaken and the risks and implications of the course of action being recommended.
4. An online record is maintained of all key decisions taken by the OPCVC. This includes a link to any documents which are disclosable under FOI. This record includes decisions taken by the PCC or any person to whom delegated powers have been granted.
5. The PCVC will consider holding public meetings when this will provide a means of consultation on decisions (i.e. precept consultation) where there is a clear interest in actively seeking views of the community.
6. The PCVC may choose to delegate powers to any deputy appointed, his statutory officers or a senior member of police staff.
7. A record is kept of all decisions made under delegated powers detailing the factors taken into consideration, including any consultation carried out.

8. Decisions to be made by the PCVC will relate in the main to his statutory functions and financial responsibilities. A Forward Plan for key decisions to be taken over a 3 month period will be published on the PCVC's website.

Generally Key decisions are likely to include:

- The preparation, drafting and issuing of the Police and Crime Plan
- Issuing the precept
- Adopting a Medium Term Financial Plan
- Commissioning of Services
- Preparation and issue of the Annual Report
- Any decision which is considered to be of significant public interest or impact either generally or on a particular locality
- Any decision which will incur revenue expenditure in excess of £100,000
- Any decision which will incur capital expenditure in excess of £100,000
- The approval of or adoption of strategies/policies
- Key procurement decisions
- Significant changes to the police estate
- Allocation of grants

9. Details of the Police Crime and Victims' Commissioner's Decision Register 2018 can be found in Appendix 2.

Recommendation

That Panel Members note the contents of the report and ask any questions.

Alan Reiss
Chief of Staff

Appendix 1: Risks and Implications

Finance

All decisions with financial implications are made with value for money as a key consideration, and are affordable within budgets.

Staffing

n/a

Equality and Diversity

n/a

Accommodation

n/a

Crime and Disorder

n/a

Children's Act 2004

n/a

Stakeholder/Community Engagement

Consultation with key stakeholders is carried out as appropriate to each decision.

Environment

n/a

Collaboration and Partnerships

Consultation with key partners is carried out as appropriate to each decision.

Value for Money and Productivity

n/a

Potential Impact on Police and Crime Plan Priorities

Decisions will impact directly or indirectly on the pursuit of Police and Crime Plan priorities.

Commissioning

Several decisions relate to commissioning of services.

Other risks

n/a

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Key Decisions

(Links to more detailed reports are available on the website)

Decision Number	Decision Taker	Subject
001/2018	PCVC	PCVC sets the budget for 2018/19 and increases the precept for 2018/19 by 7.09%.
002/2018	PCVC and Chief Constables of Durham and Cleveland	PCVC to agree and sign the proposed Section 22a collaboration agreement between the Police and Crime Commissioners and Chief Constables for Cleveland and Durham in relation to the Firearms Classification and Examination Laboratory (FCEL).

Upcoming key decisions

- March 2018
- Budget allocations 2018-19
 - Grant Funding 2018/19
 - Refresh of Police, Crime and Victims' Plan

Police and Crime Panel**8th March 2018****HMIC Crime Data Integrity Inspection****Report of the Office of the Police, Crime and Victims' Commissioner****Purpose**

1. To advise Police and Crime Panel Members about the HMICFRS report into Durham's Crime Data Integrity, which was published on 15th February 2018.

Background

2. In November 2015, HMICFRS announced that it would inspect forces' crime-recording practices in a rolling programme of every force in England and Wales. This rolling programme will be completed over a period of several years, and reports on the progress made by forces since crime data integrity inspections which were carried out in 2014. The report into Durham Constabulary's Crime Data Integrity was published on 15th February.
3. The published report is attached at Appendix 2.
4. Recording crimes accurately is important for several reasons, including:
 - Enabling investigations to be carried out
 - Making support available for victims
 - Public confidence
 - Data accuracy.
5. Police forces have faced a number of challenges in recording crimes accurately due to frequent changes in the National Crime Recording Standards (NCRS) with which they have to comply, and the Home Office Counting Rules. Several types of incident, which previously would not have been recorded as crimes, now need to be. This has in turn caused the crime figures to increase. Examples include harassment, which is now recorded as a crime at the first time of reporting, and certain low-level public order offences, which might previously have been recorded as anti-social behaviour.
6. The PCVC wrote to Councillors on 12th February to explain the recent rise in recorded crime.

Current Position

7. Overall, the report shows that the Constabulary is "Good" at recording crime properly and accurately. Durham is one of only a handful of forces to be rated "Good". None has been rated as "Outstanding".

8. The report shows that 91.5% of crimes have been recorded accurately by Durham. However, this means that at least 4,700 crimes have not been recorded. The 8.5 percent of reported crimes that went unrecorded particularly include public order crime and online crime where young people share indecent images of themselves.
9. The report was particularly complimentary of the leadership shown in ensuring that crime is recorded properly, grading this as "outstanding".
10. The report contains three recommendations. The PCVC is satisfied that the Constabulary is responding to the issues identified. The PCVC and his Office continue to hold the Constabulary to account robustly through face-to-face meetings with both the Executive and the Force Crime Registrar, and is satisfied as to the work that the Constabulary is carrying out to ensure continued improved compliance. This remains an area which the PCVC will continue to scrutinise.

Recommendation

11. That the Panel note the contents of the report and seek any relevant points of clarification.

Alan Reiss
Chief of Staff

Appendix 1: Risks and Implications

Finance

None

Staffing

None

Equality and Diversity

None

Accommodation

None

Crime and Disorder

None

Children's Act 2004

None

Stakeholder/Community Engagement

None

Environment

None

Collaboration and Partnerships

None

Value for Money and Productivity

None

Potential Impact on Police and Crime Plan Priorities

Recording crime accurately ensures that support can be made available for victims and crimes can be investigated.

Commissioning

None

Other risks

None

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Durham Constabulary: Crime Data Integrity inspection 2017

Published February 15th 2018

1. Overall judgment
2. Summary of inspection findings
3. How effective is the constabulary at recording reported crime?
 1. Overall crime-recording rate
 2. Violence against the person
 3. Sexual offences
 4. Rape
4. How efficiently do the systems and processes in the constabulary support accurate crime recording?
 1. Crime reports held on other systems
 2. Modern slavery
 3. Timeliness
 4. Cancelled crimes
 5. Code of Practice for Victims of Crime
 6. Equality
 7. Officer and staff survey
5. How well does the constabulary demonstrate the leadership and culture necessary to meet the national standards for crime recording?
6. Conclusion
7. What next?

Overall judgment



Durham Constabulary has made concerted efforts to improve crime-recording accuracy since [HMICFRS' 2014 Crime Data Integrity inspection report](#). Importantly, we found a commitment to ethical crime recording that is victim-focused and free from performance pressures of any kind. We found that the constabulary:

- achieves high levels of recording accuracy for reported sexual offences;
- records all modern slavery offences reported to it and disclosed during investigations;
- makes good decisions when considering whether or not to cancel a recorded crime;

- has improved the knowledge and understanding of the crime-recording requirements among its officers and staff for offences of stalking, harassment and common assault;
- has implemented all of the recommendations set out in our 2014 report; and
- has made good progress against a national action plan developed to improve crime recording by police forces.

These are very encouraging findings. Nonetheless, based on the findings of our examination of crime reports for the period 1 January 2017 to 30 June 2017, we estimate that the constabulary fails to record over 4,700 reported crimes each year.

This represents a recording rate of 91.5 percent (with a confidence interval of +/- 1.67 percent). The 8.5 percent of reported crimes that went unrecorded are particularly affected by the under-recording of public order crime and online crime where young people share indecent images of themselves. Further improvements are therefore required in some areas.

We believe that where reports of crime go unrecorded this generally occurs when staff and officers do not recognise that an offence has been committed or do not fully understand the need to record multiple offences disclosed during investigations.

Summary of inspection findings

The constabulary has improved its crime-recording processes since HMICFRS' 2014 report. In particular, we found that the constabulary has:

- developed a process whereby the majority of reports of crime which have not had a crime-recording decision taken within 23.5 hours of the report, are recorded onto a staging database. This has the effect of creating a basic crime record within the 24 hours permitted by the crime-recording rules and which is later updated;
- given responsibility to a small team of dedicated inspectors on a 24/7 shift pattern in the force control room for ensuring the correct crime-recording decisions are taken in regard to reports of crime;
- improved knowledge and understanding of crime-recording requirements among officers and staff particularly in respect of crimes of stalking, harassment and those cases of assault where only the threat of violence is present;
- improved the supervision of its use of out-of-court disposals to ensure that they are being used appropriately and ethically;
- an effective process for providing feedback to staff and officers who make poor crime-recording decisions;
- developed and provided training to address those areas where officers and staff regularly make the same crime-recording mistakes;
- implemented all of the recommendations set out in our 2014 report; and
- made good progress against a national action plan developed to improve crime recording by police forces.

We also found that the force crime registrar (FCR) and deputy FCR – responsible for oversight and audit of crime-recording requirements – have completed a [national College of Policing course for FCRs](#) and are fully accredited for the role. The FCR is supported by a deputy FCR, a team with audit capacity and a crime desk. The crime desk is a team of seven staff who categorise all recorded crimes, check for unrecorded reports of crime, and file all crime records upon completion of investigations.

Despite those advances, the constabulary's performance in respect of crime recording could be better in the following areas:

- The constabulary is currently under-recording some:
 - violent crimes (including some arising from domestic abuse incidents);
 - public order crimes; and
 - online crimes where young people share indecent images of themselves.

The constabulary must improve the accuracy of the recording of these reports.

- The constabulary must improve the extent to which it collects information regarding the effect of criminality on identifiable groups within communities. In particular, groups with identifiable protected characteristics (e.g. gender, sexuality or ethnicity).

We consider that these failures generally occur when reported crimes are not recorded on the staging database or when other crimes are disclosed during investigations into crimes that have been recorded.

Improvements are required in these areas.

Areas for improvement

The constabulary should immediately:

- remind all staff with crime-recording responsibilities of the need to record all crimes at the first point at which sufficient information exists to do so;
- ensure that reports of crime made by third parties acting on behalf of the victim in a professional capacity are recorded; and
- improve how it collects diversity information from victims of crime and how it uses this to inform its compliance with its equality duty.

How effective is the constabulary at recording reported crime?



Overall crime-recording rate

91.5% of reported crimes were recorded

Over 4,700 reports of crime a year are not recorded

The constabulary has further work to do in order to ensure it records all reports of crime in accordance with the [Home Office Counting Rules \(HOCR\)](#). We examined reports of crime which the constabulary received, and for which an [auditable record was created](#). The constabulary informed HMICFRS that all crime that is recorded (excluding fraud) came through an auditable crime-reporting route.

We found that the constabulary recorded 91.5 percent of these crimes (with a confidence interval of +/- 1.67 percent). We estimate that this means the constabulary is not recording over 4,700 reports of crime each year. Those failings are potentially depriving some victims of the services to which they are entitled.

Of a total of 1,093 reports of crime that we audited, we found 241 that we assessed to be crimes related to [domestic abuse](#). Of these 241 crimes, the constabulary had recorded 214. The 27 offences not recorded included offences involving violence, such as common assault, and sending malicious communications.

We found that many of these offences involved the reporting of a crime at the first point of contact with the constabulary, but these crime reports went unrecorded due to the call taker wrongly categorising the matter as a domestic incident rather than as a domestic crime which would create an entry on the staging database. The failure to use the correct incident category also means that the incident is not scrutinised to ensure that the correct crime-recording decision has been taken. HMICFRS notes that following this inspection the constabulary took immediate action to resolve this issue.

We also found that where a crime related to domestic abuse was not recorded this often occurred where officers failed to record additional crimes disclosed during their investigations. However, we found that when domestic abuse crimes had not been recorded, safeguarding requirements and an investigation had been undertaken in a majority of cases. This is good.

HMICFRS also found that the constabulary carried out checks on the National Firearms Licensing Management System in domestic abuse cases. These checks provide additional safeguarding to victims in cases where the perpetrators have access to firearms. They also ensure that the constabulary can provide an appropriate response and consider officer safety.

Of significance in the under-recording of crime are offences of public order. These are not being identified and recorded as such at the earliest opportunity, and when this occurs there is a subsequent lack of oversight to ensure that the correct crime-recording decisions are later taken.

Offences where young people share indecent images of themselves are also an area of under-recording for the constabulary. This happens where officers and staff do not fully recognise the extent of the crimes that are present and fail to record all offences disclosed during their investigations.

We note, in concluding this section, that the constabulary responded immediately to our findings and is already taking action to address them.

Violence against the person

92.7% of reported violent crimes were recorded

Over 1,200 reports of violent crime a year are not recorded

We found that 92.7 percent of violent crimes reported to the constabulary are recorded (with a confidence interval of +/- 2.66 percent). This is higher than the overall crime-recording rate noted above. By our estimate, this means the constabulary fails to record over 1,200 violent crimes that are reported to it each year. As violent crime can be particularly distressing for the victim, this is an area in which the need for better recording of reported crime is particularly important.

In the majority of cases, where violent crimes were not recorded, we found the principal causes to be as described earlier, namely:

- the incorrect classification of crime-related incidents; and
- a subsequent lack of oversight to ensure that the correct crime-recording decisions are later taken.

Victims of violent crime and, in particular, victims of more serious violence, often require substantial support. This support should come not only from the constabulary, but from other appropriate agencies such as the Victim Care and Advice Service (VCAS). In those circumstances, crime-recording takes on a heightened importance. Failing to properly record a violent crime can result in VCAS receiving no notification that a person has become a victim of violent crime. That in turn may deprive victims of the support they need and deserve.

Sexual offences

95.1% of reported sex offences were recorded

We found that the constabulary records 95.1 percent of sexual offence crimes (including rape) that are reported to it (with a confidence interval of +/- 2.19 percent). We estimate that this means the constabulary fails to record over 70 reported sexual offence crimes each year.

This recording rate is very good and better than many forces that we have inspected to date. This is indicative of the improved scrutiny given to reports of sexual offences since our 2014 report, and is particularly important as many of these crimes are very serious in nature and cause significant harm to their victims.

We found that the majority of sexual offences that are unrecorded are where additional offences are disclosed during the investigation of already recorded crimes. While this means that investigations and safeguarding requirements of the unrecorded crimes are taking place, the constabulary should work to improve the recording of offences disclosed during the course of an investigation and ensure the supervision of investigations includes consideration of the crime-recording requirements.

Rape

99 of 104 audited rape reports were accurately recorded

Rape is one of the most serious sexual offence crimes a victim can experience. Therefore, the accurate recording of such reports is especially important; it allows the constabulary to identify the nature and extent of sexual violence in its local area. In turn, this enables the constabulary to operate with the highest practicable levels of efficiency to identify and deal effectively with perpetrators. We found that although a crime may not always have been recorded, Durham Constabulary provided support and safeguarding in all of these cases, including referrals to partner organisations when appropriate, and carried out an investigation in all.

Of the 104 reports of rape that should have been recorded, we found 99 had been recorded. Four of the unrecorded crimes concerned the non-recording of crimes involving second perpetrators that, following a change to the recording rules, should have been recorded. The remaining missed crime was where a victim reported two non-recent rapes committed by two separate perpetrators but the constabulary had only recorded one crime.

The constabulary also generally made proper use of the [Home Office classification N100](#). Introduced in April 2015, the N100 is a record created to explain why reported incidents of rape or attempted rapes, whether from victims, witnesses or third parties, have not been immediately recorded as a confirmed crime. This can include instances where additional information confirms the rape did not occur, or where the rape occurred in another force area and was therefore transferred to the relevant force to record and investigate.

We found nine incident reports for which the constabulary should have applied an N100 classification; but it was only applied on five occasions. The four missing N100s all related to crimes that were transferred to other forces.

Separately, we also reviewed 22 sample records where an N100 classification had been applied. Among these, we found five reports that were correctly converted into crimes of rape and one correctly converted into a crime of sexual assault. The remaining 16 records were all correctly recorded as N100s.

As with other sexual offences, the recording of a report of rape is important. Victims generally require significant support from the outset and any delay in providing support can be detrimental to both the recovery of the victim and to any investigation. This, in turn, can negatively influence future judicial proceedings. It is therefore to the credit of the constabulary that its crime-recording arrangements for these offences are good.

However, we found that some frontline officers, including some investigators, had no knowledge of N100 classifications. It is important that the constabulary works to improve its frontline officers and staff's understanding of N100 classifications if it is to fully satisfy itself that the correct recording decisions are always taken in regard to reports of rape.

How efficiently do the systems and processes in the constabulary support accurate crime recording?



Good

Crime reports held on other systems

15 of 24 vulnerable victim crimes were recorded

In order to be confident that vulnerable victims always receive the support they need, the constabulary must improve its recording of crimes reported directly to its public protection teams.

We examined 60 vulnerable victim records on the constabulary's vulnerable victim system. Of these, we found that 24 crimes should have been recorded, of which 15 had been. Two of the missing crimes were from adult protection records, five were from child protection records and the remaining two were from domestic abuse records.

The unrecorded adult and child protection crimes involved additional offences disclosed during investigations by professionals from other agencies, such as schools. The two domestic abuse crimes were not recorded despite having been disclosed by professionals from partner agencies during a multi-agency risk assessment conference (MARAC).

Importantly, however, we found that although these crimes may not have been recorded, the constabulary investigated these offences and provided support and safeguarding to the victims. The constabulary has now recorded all of these crimes.

Modern slavery

Offences relating to modern slavery are an important and recent addition to the crimes that forces must record and investigate. We therefore reviewed the recording of reports of modern slavery offences. We also examined the constabulary's understanding of the origin of such reports.

We found that the constabulary has excellent crime-recording arrangements in respect of modern slavery crimes. Our audit showed that all 12 modern slavery crimes identified had been correctly recorded.

The constabulary had also correctly recorded three additional rape crimes and four other crimes associated with these modern slavery offences.

We also found five occasions where modern slavery crimes were over-recorded.

In addition, we examined eighteen modern slavery referrals received from other agencies. All of these were correctly recorded.

The constabulary's lead for modern slavery works at constabulary, regional and national levels with other forces, partner organisations and national enforcement organisations. This is good practice.

We also found that officers and staff have an improving, basic knowledge of modern slavery offences, and a good knowledge of their respective responsibilities in relation to the recording of such offences and of where they can find further information.

Timeliness

The HOCR require that reports of crime are recorded within 24 hours of the receipt of the report. We found that, of the reports of crime that had been recorded by Durham Constabulary, 152 out of 331 reports of violent crime and 128 out of 267 sexual offences had been recorded within 24 hours of the receipt of the report.

We found that in Durham Constabulary the staging database ensures that for those incidents identified as reports of crime a record is created within 24 hours on its crime-recording system. However, this does not become a recorded crime until it is classified, and this can take some days to complete. It is not until this classification and full recording of crime takes place that a referral is made to VCAS, delaying victims' access to the support this agency can provide. We made the constabulary aware of this delay, and it took immediate action to change its procedures by ensuring that all entries on the staging database created an immediate referral to VCAS. This is welcome.

Cancelled crimes

Where additional verifiable information (AVI) is obtained to show that a recorded crime did not occur, the crime record can be cancelled.

We reviewed cancelled recorded crimes of rape, violence and sexual offence crimes (excluding rape) and robbery crimes. Of these, we found that the FCR had correctly cancelled 28 out of 28 crimes of rape. Other crime cancellation decisions are the responsibility of designated staff, known as designated decision makers (DDMs). The DDMs had correctly cancelled 31 out of 33 sexual offences, 26 out of 33 violence offences and 13 out of 14 robbery offences. These findings demonstrate that the constabulary has an effective process for dealing with crime cancellations.

The small number of cancellation decisions that were incorrect related to the absence of sufficient AVI to demonstrate that the crime did not occur. We found that while frontline supervisors understood what amounts to AVI for the purpose of cancelling a recorded crime, some officers and investigators did not.

Where a crime has been cancelled or transferred to another constabulary for investigation, a victim should always know the status of his or her reported crime. In the case of a decision to cancel a recorded crime, the very least the victim should expect is an explanation of the reason for this decision. We found that not all victims who should have been informed of the transfer or cancellation had been. Again, the constabulary took immediate action to address this issue.

Code of Practice for Victims of Crime

The [Code of Practice for Victims of Crime](#) provides clear guidance to police forces regarding the service that should be provided to all victims of crime. We have concluded that the constabulary is aware of its responsibilities under this code.

All victims of crime whose reports are recorded by Durham Constabulary are offered the services of VCAS and can receive the relevant information by text, email or letter. These communications contain information about individual victims' cases and, in addition to directing them to the services of VCAS, also provide them with details of other relevant organisations that can provide them with support.

VCAS is also provided with the details of victims of crime to enable them to make direct contact with these victims to make their services available.

In addition, officers complete a form with every victim which contains the basic details of the crime, contact details of the investigating officer and an agreed victim contact contract. This is good practice.

Equality

HMICFRS found that the constabulary must improve in its collection of information regarding crimes affecting identifiable groups within communities.

Protected characteristics, such as gender, sexuality, disability, ethnicity, religion and age, do not necessarily increase the vulnerability of an individual to the risk of crime. However, it is important that the constabulary records information regarding the characteristics of victims of crime in order to identify any patterns which may exist between different community groups and their vulnerability to (or their relative likelihood to report) different types of crime.

We found that the constabulary records equality information in relation to the victim such as age and gender on every occasion, but only records other protected characteristics where these are determined to be relevant to the offence.

So long as the constabulary fails to record such information, it will be unable to understand clearly whether its crime-recording decisions are consistent across different community groups. This is, therefore, an area for improvement.

Officer and staff survey

We conducted a survey of officers and staff in Durham Constabulary of their experience in respect of crime recording. Some 254 respondents completed the survey. We were pleased to find that officers understand their responsibilities regarding ethical crime recording and that they are not under any pressure that prevents them from recording crimes when they should.

Furthermore, the vast majority of respondents stated that the chief officer team encourages officers and staff to challenge activities or behaviours that are unethical, unacceptable or unprofessional in respect of the recording of reported crime.

How well does the constabulary demonstrate the leadership and culture necessary to meet the national standards for crime recording?



Outstanding

The culture and leadership with regard to crime recording in the constabulary is outstanding.

We found that the constabulary has strong leadership and a clear commitment to get crime recording right. We also found good evidence that the current arrangements in the constabulary are supporting crime recording and examples of good interventions by the FCR and her team to ensure that correct crime-recording decisions are made.

Staff within the crime desk also provide feedback and identify trends in practice or constabulary processes which may affect crime-recording integrity. They also assist by providing support and advice to officers and staff. HMICFRS was impressed by the effectiveness of the feedback and governance provided by the FCR and her team, a view supported by many officers and staff.

We also found evidence of strong governance at senior level. There is an annual audit plan and regular audits are carried out in accordance with national guidance. The FCR and the deputy chief constable have regular meetings to discuss crime-recording audit findings and these audit results are reported through regular performance meetings. Crime recording features on the constabulary register of risks and is part of both strategic and local management meetings.

The constabulary responded immediately to the audit findings of this inspection and developed an action plan to progress and implement improvements. This is illustrative of the positive leadership and culture shown toward crime recording that we found among officers and staff throughout the constabulary.

The constabulary has implemented all of the recommendations made in our [our 2014 report](#), and in the national action plan developed by the national lead on crime statistics following our 2014 report.

Conclusion

Durham Constabulary has made good progress in its crime-recording processes since 2014. The very strong leadership and positive approach among officers and staff toward victims is welcome, as is the constabulary's immediate response in making changes to address the areas identified for further improvement in this inspection.

Victims reporting crimes to Durham Constabulary should have confidence that their report will be taken seriously.

What next?

HMICFRS expects the constabulary to make progress against the areas for improvement we identify in this report. We will monitor this progress.

The constabulary, as with all police forces, may be subject to a further unannounced crime data integrity inspection at any time.