23 February 2022

To: Members of the Public Accountability Board

This matter is being dealt with by: [redacted]
email: [redacted]

Dear Colleague

Public Accountability Board

You are invited to the next Public Accountability Board which will be held on **Monday 28th February 2022** at **3.30 pm** via MS Teams.

The agenda and supporting papers are attached.

Yours sincerely

[redacted]

Erika Redfearn
Head of Governance

Enc.

PUBLIC ACCOUNTABILITY BOARD

MONDAY 28TH FEBRUARY 2022

AGENDA

	Item		Page
1	Welcome and Apologies	Dr A Billings	Verbal Report
2	Filming Notification This meeting is being filmed as part of our commitment to make Public Accountability Board meetings more accessible to the public and our other stakeholders. The meeting will be streamed live on our You Tube channel (SYPCC Media) and will be recorded and uploaded via You Tube to our website (https://southyorkshire-pcc.gov.uk/) where it can be viewed at a later date. The OPCC operates in accordance with the Data Protection Act. Data collected during the filming will be retained in accordance with the OPCC's published policy. Therefore by entering the meeting room, you are consenting to being filmed and to the possible use of those images and sound recordings for publication on our website and/or training purposes.		
3	Announcements	Dr A Billings	Verbal Report
4	Public Questions	Dr A Billings	Verbal Report
5	Urgent Items	Dr A Billings	Verbal Report
6	Declarations of Interest	Dr A Billings	Verbal Report
7	Police and Crime Plan	M Buttery	3 - 32
8	Budget and Council Tax Precept for 2022/2023	S Abbott	33 - 110
9	Any Other Business		
10	Date and Time of Next Meeting		

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PUBLIC ACCOUNTABILITY BOARD

28 FEBRUARY 2022

Report of the Commissioner's Chief Executive and Solicitor

PCC's Police and Crime Plan for 2022-2025

1. Report Objectives

The Police and Crime Commissioner (PCC) to receive and approve the Police and Crime Plan for 2022-2025 (the Plan) so that it may be published.

2 Recommendations

The PCC is recommended to note the content of the Plan (attached at Appendix A) and approve it for publication.

3 Background Information

3.1 The Police Reform and Social Responsibility Act 2011 makes provision for the PCC to set objectives for the policing area in a new or varied Plan, in consultation with the Chief Constable, and following any recommendations from the Police and Crime Panel. This process allows for the Plan to respond to any changes in the strategic policing requirement issued by the Home Secretary, which the PCC is statutorily required to have regard to.

4 Comments

4.1 The PCC's Plan is attached to this report.

4.2 As in previous years, the Plan is based on information and consultation from a range of sources, and reflects the same three priorities that the PCC has set in previous Plans.

4.3 The Plan also contains 'Underlying Principles' of:

- 'Put victims first' and
- 'Show value for money'

and specific areas of focus under each of the three priorities, including:

- child sexual exploitation
- serious violence
- violence against women and girls, and
- road safety

4.4 The PCC uses his Performance Framework to monitor performance against the Plan locally. The Framework also incorporates certain National Crime and Policing Measures set by the Home Secretary. Using this Framework, the Office of the Police and Crime Commissioner (OPCC) produces a quarterly report which is published on the PCC's website. A performance report is also taken to the Police and Crime Panel.

4.5 The PCC's draft Plan was presented to the Police and Crime Panel on 4 February 2022. The Panel's report and recommendations were received on 10 February 2022 and taken into consideration. A written response was provided to the Panel on 21 February 2022, detailing how Panel members' comments had been considered and, for most of them, incorporated in the PCC's final Plan.

4.6 Thus, the final Plan is attached. Upon approval, the Plan will be published and made available on the PCC's website: www.southyorkshire-pcc.gov.uk

5 Financial and Value for Money Implications

5.1 This iteration of the Police and Crime Plan contains a section dedicated to achieving Value for Money.

M Buttery
Chief Executive and Solicitor

Contact Officer: Sally Parkin
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Background papers used in the preparation of this report are available for inspection at the OPCC, Carbrook House, and Carbrook Hall Road, Sheffield S9 2EH.

SAFER STREETS MORE POLICE

POLICE AND CRIME PLAN
(2022-2025)

Contents: **Page:**

FOREWORD

We are not living in a post-coronavirus world, as we thought at one time we might be, but in a world permanently impacted by it. We can only look back wistfully at what is now irrecoverable:

> *That is the land of lost content,*
> *I see it shining plain.*
> *The happy highways where I went*
> *And cannot come again.*[1]

Everything changed and we adjusted to a more uncertain future – more working from home; more on-line activity; new vulnerabilities; new pressures on the emergency services. At the same time we became acutely aware of climate change and the importance of making big adjustments to our way of living and working if we are to live meaningfully at all.

In this changed and uncertain world, the police, the wider criminal justice system, my office and all our partners are having to adapt. There has been gain as well as loss.

I have learnt to meet people remotely as well as in person which has saved travel time, reduced the carbon footprint and potentially enabled me and my engagement officers to speak to more people. We have had to re-think working arrangements and pay more attention to staff well-being. The police have likewise had to think again about what accommodation they need for staff and what sort of vehicles they will need as we move away from petrol and diesel. The courts have had to re-configure to enable social distancing and to find technological solutions, such as greater use of video links to allow people to appear in court virtually.

Against this changed landscape there have been new initiatives and new concerns.

The government has introduced a Beating Crime Plan focused on cutting crime and reducing the number of victims. Investment in resource is needed to support this plan, and the government has pledged to restore the 20,000 officers that were cut nationally from police forces after 2010. In South Yorkshire, we are receiving 487 officers as our share of this 20,000 and are committed to use local resources to go beyond that with an additional 220 officers.

And so there will be more police, but not all will be in high visibility jackets in neighbourhoods. For instance, we recognise that, if internet crime is growing, that will need a different kind of response. I hope too we can do more to make the force as diverse as South Yorkshire. It will have more women, though it must work harder to attract more police officer applicants from Black, Asian and other ethnic minority communities' It will certainly be younger and, for a while, less experienced.

I don't think the financial pressures will be any easier. Inflation is rising and, sooner or later, the government will have to pay down the national debts that have been accumulating. We still have to meet the costs arising out of the Hillsborough inquest verdicts and child sexual exploitation in Rotherham. But I am acutely aware that there are many South Yorkshire families who struggle financially. We must ensure that our

[1] A.E. Housman, 'A Shropshire Lad'

force offers good value for money and uses its finite resources to focus on the issues that matter most to our communities.

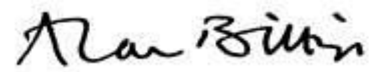
Particular crimes have given more concern – domestic abuse, child neglect, abuse and exploitation, hate crime, drugs supply and the gang violence that often accompanies it. Many of these areas require careful training with specialist officers and investigators. Above all, there has been growing anxiety around violence against women and girls and a concern from many organisations and individuals that more must be done – from ensuring safer streets to the relentless pursuit of perpetrators. We will be working hard to co-ordinate much of this work with partners through the Violence Reduction Unit. We recognise that we have an urgent task in encouraging victims to report crime, knowing the police will listen to them, and take their reports seriously.

During the time of the pandemic, as well as traditional concerns about crime and anti-social behaviour, residents have also told me repeatedly of their growing anxieties about road safety. This is not simply, or perhaps even mainly, a policing matter, but I am determined to spare communities as much as I can from inconsiderate road users. Feeling safe is not just about crime.

As well as local priorities, there are also national ones. We will, of course, ensure that the government's National Crime and Policing Measures are taken into account, but we will be careful not to turn them into 'targets'. In South Yorkshire, we know from our past the dangers of pursuing particular targets and missing other areas of acute but less visible concern. We need good information but information needs careful interpretation and must not be allowed to drive perverse behaviours.

The future is challenging. There will be more officers, but finances will be tight. Criminals will adapt. New crimes will emerge. But with more officers, we have a real opportunity to make the streets of South Yorkshire safer. That is the aim.

Photo



Dr Alan Billings, Police and Crime Commissioner for South Yorkshire

MESSAGE FROM THE CHIEF CONSTABLE

South Yorkshire Police has made significant progress in recent years. We now have an established operating model, which has local delivery at its core enhanced by a full spectrum of specialist resources.

As the number of officers grows and we continue to welcome significantly more new recruits, our key driver is to embed further the model we have, ensuring our foundations are strong and that we are getting the basics right and doing them well every time. This does not mean we are limiting our vision or ambition; it is recognition that after substantial change, consolidation is needed.

South Yorkshire Police is in a strong position to move forward, to deliver the priorities of the Police and Crime Plan and ensure the people of South Yorkshire can feel safe and be safe. It is my privilege to lead the next phase of our progress.

Photo

Lauren Poultney, Chief Constable of South Yorkshire Police

INTRODUCTION

Each Police and Crime Commissioner (PCC) sets the policing and crime priorities for their area in a Police and Crime Plan. They do this after consulting with the communities, police force and various partners and organisations in their locality. This is the Police and Crime Plan for South Yorkshire 2022-25 (the Plan).

While the Chief Constable has operational independence, she must take account of the Plan in directing and controlling the force's activity. I then hold the Chief Constable to account for the force's performance against the priorities in the Plan.

Having listened to the public in many meetings, I have kept the same overarching aim and three priorities for policing since I was first elected in October 2014 and then re-elected in 2016 and 2021. I would summarise in this way:

Aim

We want South Yorkshire to be a place in which it is safe to live, learn and work and travel.

Priorities

- Protecting Vulnerable People
- Tackling Crime and Anti-Social Behaviour
- Treating People Fairly

Under each priority I also identify some particular areas of focus. I will pay regular attention to them throughout the year.

Underlying Principles

I ask my Office, the police, our commissioned service providers and partners to address these priorities and as they do to follow two fundamental principles:

- Put victims first
- Show value for money

Anyone might become a victim of crime, though some will be more vulnerable than others. All crimes matter, but some are more serious than others. However, victims react in different ways. Some are able to disclose what has happened to them soon after the crime has been committed. Others may not feel able to do so until months or even years afterwards. They may all need support – practical and emotional – at the time of the crime, as a case moves to conclusion, and sometimes beyond.

I want to see services that are tailored to a victim's specific needs. The police should respect the needs of each victim, balanced of course by the duty to keep the wider public and other potential victims safe. I am encouraged by the Chief Constable's commitment to getting the basics right, first time. This should encourage more victims to report crimes when they arise. But I also want victims to be more confident with the criminal justice system as a whole.

I am directly responsible for the provision of support services for victims in South Yorkshire. Using funding provided by the government for this purpose, I commission/co-commission such support services as:

- Victim Support
- Sexual Assault Referral Centre (SARC) services
- Independent Sexual Violence Advisors (ISVA)
- Independent Domestic Violence Advocate (IDVA) services
- Restorative Justice services

I listen to victims and monitor victims' experiences, asking specifically whether they:

- have easy access to support services and the police
- are treated with empathy according to their particular needs
- receive a high quality service from support services, the police, and other criminal justice agencies – up to the resolution of their case
- receive support services at the earliest opportunity
- receive clear updates about the progress of their case, and are reminded about other rights within the Code of Practice for victims of crime (VCOP)
- feel satisfied when they are asked about their experience of support services, the police and their criminal justice journey.

South Yorkshire Police produces a booklet which is given to victims when they have reported a crime. The booklet provides information about the support that victims are entitled to and contact details of other support services. A copy of the booklet can be found here: https://www.southyorks.police.uk/find-out/advice-for-victims/

THE POLICING AND CRIME PRIORITIES FOR SOUTH YORKSHIRE

PRIORITY 1

PROTECTING VULNERABLE PEOPLE

Areas of focus

- **Working in partnership to protect vulnerable people**
- **Violence against Women and Girls (VAWG)**
- **Domestic Abuse**
- **Tackling the Exploitation of Adults and Children**
- **Cyber Crime**

Working in partnership to protect vulnerable people

Much of policing is not directly about crime, but about safeguarding the vulnerable – such as those who are missing from home or those with mental health issues. The police and other agencies have a duty to safeguard them, and their vulnerabilities need to be recognised at the earliest opportunity. The value of partnership working and the contribution that can be made by working together is one that must continue to if we are to protect the most vulnerable in society.

Our understanding of vulnerability has grown over recent years, as has our understanding of how agencies can intervene early to prevent someone becoming vulnerable, or a victim of crime, an offender, or all three.

It is not the sole responsibility of the police service to tackle crime or the sole responsibility of other agencies to protect vulnerable people. All organisations need to work together.

South Yorkshire Police (SYP) work in partnership with the NHS, clinical commissioning groups, social care partnerships and the voluntary and community sector to help those in mental health crisis obtain the right service at the right time. And SYP also works in partnership with local authorities and others to safeguard children and adults.

Violence against Women and Girls

In 2021, the nation was shocked by a number of high profile murders of women, sometimes in public spaces and sometimes involving a sexual element. It provoked a national debate about the safety of women and girls in contemporary society.

Women and girls in South Yorkshire have the right to feel safe in public spaces and their own homes. Children and young people should also feel safe in schools and educational settings. I want the police and partners to focus their activity in this area on preventative action, education and safety messages.

My Office has been granted Home Office funding through the Safer Streets Fund to achieve some of these things. But, I also want my Office and the Violence Reduction Unit (VRU) to lead work with the police and partners to influence attitudinal and societal change, especially around attitudes of men and boys in South Yorkshire to women and girls, their notions of masculinity and who they look to as role models.

Although rape and sexual offences perpetrated by strangers are rare, they are among the most serious of violent crimes. Victims need to have the confidence to come forward and report to the police.

But there are other less visible, violent crimes that women and girls are subjected to within communities, including forced marriage, so-called honour-based abuse and Female Genital Mutilation. The police rely on partners and communities recognising the signs of such activity and reporting matters to the police. And these crimes involve the police managing complex cultural issues, as well as pursuing difficult investigations.

There are also less violent crimes that can still have a devastating impact and may escalate to more serious incidents if not tackled. They include cyber bullying, revenge porn and stalking and harassment.

In July 2021, the Government published a National Strategy aimed at tackling the whole range of Violence against Women and Girls. The Strategy highlights four key areas of activity, namely: Prioritising Prevention, Supporting Victims, Pursuing Perpetrators and Strengthening the System.

In November 2021, I held a round table discussion with key agencies to discuss the Government's strategy, to ensure that everything we can do locally is being done and to identify any gaps. I followed this up with a 'listening event' with representative interest and lobbying groups, charitable organisations and service providers.

There is now a national delivery framework for policing, and SYP has appointed a strategic lead to co-ordinate the police response with partners, and to implement actions in this area.

Domestic Abuse

Domestic abuse can take many forms including emotional, psychological, physical, sexual, financial abuse, and coercive control. The increasing use of smart devices and social media has also seen victims being subject to 'tech abuse', for example through online harassment.

So often, we see children caught up in situations of domestic abuse - something that can have a lasting and damaging effect on their lives and future relationships. My office and SYP work with schools to improve awareness of these issues and increase reporting.

Domestic abuse victims are more likely to be hidden behind closed doors and there is known to be under-reporting nationally. SYP has put in place online facilities and provided victims with ways of reporting abuse safely and silently for those victims who may be at greater risk.

SYP has also rolled out specialist *Domestic Abuse Matters* training to frontline staff including officers, call handlers, senior leaders and local authority partners. This training is designed to increase professional curiosity, the ability to recognise domestic abuse in all its forms and to assist in identifying safeguarding concerns. Domestic Abuse Teams are now established in each of the four districts. All frontline officers are now better able to identify unreported domestic abuse in the first place and the specialist teams provide greater expertise and resilience when dealing with reported cases.

I want to see us getting better at our domestic abuse interventions and support. This will be aided by the introduction of the Domestic Abuse Act in 2021, which focuses on strengthening support for victims of domestic abuse and their families through improvements in protective measures and by providing an effective response to perpetrators.

SYP has already achieved much in this area - putting in place a team to apply for Domestic Violence Protection Orders, with SYP among those forces in the country to have secured the most court orders. The focus now needs to turn to maintaining this position and pursuing those perpetrators who breach the orders.

I was pleased to co-commission a perpetrator programme – *Inspire to Change* - so that individuals who recognise they have a problem with their behaviour can be helped to change.

The Act places much of what has been guidance for service providers on a statutory footing, covering not only criminal justice reform but also health, family courts and housing. All of which are key in keeping women safe. When victims report domestic abuse and tell us about their experiences, we need to actively listen and support them and their children by taking positive action.

Tackling the Exploitation of Adults and Children

Protecting vulnerable people includes preventing the exploitation of people through crimes such as Modern Slavery and Human Trafficking. Modern slavery exists in plain sight: people are deceived, threatened and coerced into ways of life that lead to domestic, sexual or economic exploitation.

Criminal gangs 'recruit' vulnerable people, many of them children, into illegal activities and unsafe lifestyle decisions, such as missing school and staying away from their homes. Gangs also seek to exploit children, online or on the street, through 'County Lines' for example. 'County Lines' is the term used for the trafficking of illegal drugs across geographic boundaries, often into smaller towns and rural areas. The 'County Line' is the phone used to take the order for drugs.

Children and young people's exposure to risk and vulnerability is likely to have increased during lockdown. With the reduction of funding for Youth Offending Services (YOS), nationally, there has been an increased demand on the police and a gap in service provision. I have maintained funding which contributes to the work of the YOS in each local authority in South Yorkshire to support them in engaging with young people who have committed crime or are on the cusp of offending.

I will continue to give full support to the Violence Reduction Unit and its approach, which brings together a wide range of partners in seeking, among other things, to prevent children and young people being harmed and exploited in the first place.

In 2021 the nation was transfixed by two high profile murder trials where step mothers were found guilty of abusing and killing a child in their care. Both cases highlighted in a most extreme way the importance of the police as well as other agencies understanding their role in safeguarding vulnerable children and being pro-active. I am pleased that SYP is developing intensive training for all front line officers and call handlers – *Child Matters* – to encourage professional curiosity and recognise signs of distress.

Child Sexual Exploitation – This section needs its own dedicated panel through the design please

Child Sexual Exploitation (CSE) remains a specific area of focus for me, and one that is prioritised by SYP.

I was first elected as PCC for South Yorkshire in the aftermath of the report by Professor Alexis Jay (the Jay Report) into the failure of Rotherham Metropolitan Borough Council and SYP to investigate thoroughly allegations of CSE in Rotherham between 1997 and 2013.

Two investigations had already begun. First, the National Crime Agency (NCA) had been commissioned by the then Chief Constable to independently investigate CSE in Rotherham for the period covered by the Jay Report – Operation Stovewood - the single largest law enforcement investigation of its kind in the UK. Second, SYP referred to the Independent Police Complaints' Commission (now the Independent Office for Police Conduct, IOPC) the issues raised in the Jay Report and related complaints.

Neither of these investigations have been as speedy as I felt they should be and I have said so to both. This has not been fair to either victims or officers.

In terms of Operation Stovewood, the public want to see more convictions and lengthy prison sentences for those perpetrators of the abuse. The investigation has so far seen more than 200 suspects arrested, with 20 people convicted and jail terms totalling almost 250 years handed down. Investigations are continuing and more charges are expected to be brought; the NCA has predicted that it will not conclude its investigations and resulting criminal trials until 2027/28. Further information on Operation Stovewood is available via the NCA website: www.nationalcrimeagency.gov.uk/Stovewood

In terms of the IOPC investigations, victims believe they were failed not by 'the system' but by individual officers, yet see little that they would recognise as bringing those officers to book. They do not think that justice has been or will be done. And officers have had a sword of Damocles hanging over them for too long. The IOPC is aiming to publish its final report in spring 2022 – seven years after it began. It has published some generic recommendations for SYP and the College of Policing, but the public are concerned about specific outcomes, given the amount of time and money spent on them.

In the meantime, the police approach to CSE nationally has changed significantly since 2013. And other forces have looked to SYP who have led the way in improved practices. SYP has a focus on identifying those who may be vulnerable to abuse, and putting safeguards in place to prevent the vulnerable becoming victims, as well as targeting those who prey on vulnerable children. SYP devotes significant attention to the changing nature of CSE and has seen a substantial increase in Child Sexual Exploitation offences taking place online. This focused attention enables SYP to continue~~s~~ to develop the capacity and capability to deal with new forms of offending. I routinely ask for assurance and formal reports to my Public Accountability Board throughout the year at both a district and force level.

There is a continuing need for the victims' voice to be central in designing support services and SYP's response to CSE. This is not new in South Yorkshire, despite what the IOPC wrote in its Operation Linden recommendations, published in November 2021. As soon as I was elected PCC in 2014, I set up a Victims, Survivors and their Families Panel who initially met with me and my staff for some time – they didn't want to meet SYP officers at first – and we learnt a great deal about grooming and abuse directly from them. They explained why they did not see themselves as victims and why they did not at first want to co-operate with the police. After a time, we introduced them to officers where they told them about their experiences. Some victims went on to advise the police on training both in South Yorkshire and in other forces. Some victims also organised a national conference for professionals from all over the country in Rotherham, where their powerful testimonies were well received and had considerable influence. Some of these victims have gone on to lead very positive lives and some refer to themselves as 'thrivers' rather than survivors and speak about their relationship with SYP quite differently from other victims. In other words, there is no single victim voice, but many. Their experiences of grooming and abuse were different, as were their relationship with the police, and some speak about how that relationship has changed over time.

I intend to continue my dialogue with CSE victims so that I can be assured they have confidence in policing and other criminal justice agencies. I will do this through the correspondence I receive and through targeted engagement I have with communities, groups and individuals.

I have always been a supporter of what has become known as Sammy's Law, Sammy being a South Yorkshire survivor. This initiative requires the government to change the law so that those victims of CSE who become involved in crime as part of their exploitation, are not criminalised and disadvantaged for the rest of their lives.

Cyber Crime

Cyber related crime and online offending can be complex and varied including offences such as possessing or transmitting indecent images, fraud, and cyber-attacks on both individuals and businesses. The most prevalent and harmful crimes in this area that I want SYP to focus on are online exploitation of adults and children, and online and cyber fraud, and I need the force to be pro-active with my office in highlighting the dangers to both businesses and the public.

Cyber criminals often see the vulnerable and elderly as easy targets for their offending, but this type of crime can happen to any of us at any time, and can leave victims feeling embarrassed and reluctant to report incidents to the police or even tell their family or friends.

It has been a challenge to build the capability and capacity in SYP with the expertise to keep up with the pace of technological advancement. Some of this challenge has been overcome through collaborating with the other 6 forces in the north east of England. The regional collaboration has resulted in the establishment of the North Eastern Business Resilience Centre which has attracted national funding to pursue innovative approaches and advise local businesses in preventing and protecting against cyber-attacks.

PRIORITY 2

TACKLING CRIME AND ANTI-SOCIAL BEHAVIOUR

Areas of focus

- **Neighbourhood Crimes and Policing**
- **Drugs Supply and Demand**
- **Organised Crime Gangs and Serious Violence**
- **Violence Reduction Unit and Strategy**
- **Other Local Partnerships**
- **Retail Crime**
- **Rural and Wildlife Crime**
- **Speeding and Road Safety**
- **National Threats**

Neighbourhood Crimes and Policing

I want SYP, working with partners, to continue to concentrate on tackling the crime and anti-social behaviour (ASB) that matters most in our neighbourhoods - due to its volume, the seriousness of the offences involved, or the harm or anxiety it causes within communities.

Such crime includes residential and commercial burglary, vehicle crime, theft - including retail theft - robbery, and hate crime. I am particularly keen the police understand why some crimes – such as burglary – are so prevalent in South Yorkshire compared with other areas, and how they should reduce them.

If they are to do this successfully, SYP need effective Neighbourhood Police Teams (NPTs) fairly deployed across the many, different communities, urban and rural. NPTs were cut during the period of austerity – from 2010 – but in 2016 I asked the previous Chief Constable to re-introduce them.

They are now becoming well established within each of the four districts. I wholeheartedly support the problem-solving approach to crime and ASB that SYP has led on developing nationally. The NPTs use analytical techniques and research about what has worked elsewhere to take an evidence-based approach to resolving issues. NPTs work with local partners, and only use police enforcement activities where appropriate and necessary.

NPTs are also the 'eyes and ears' in communities and a trusting relationship between local communities and officers helps secure vital information about issues of concern - from low level damage to suspected terrorist activity. I am asking SYP to continue to improve ways of contacting the police to provide information and intelligence. In this way, we will properly identify vulnerable people, keep places safe and iron out any issues of community tension.

The current Chief Constable has recently reviewed the NPT model, to ensure SYP's structures properly line up with local authority ward boundaries and the arrangements of Health partners. The Chief Constable's review has also looked at the level of resources needed in each district. This will lead to even more effective placed-based partnership working and services, with co-location of teams in the same building, where this makes sense – e.g. in relation to community safety or mental health service provision.

We have seen increased concerns around certain types of anti-social behaviour over the past couple of years. Fly-tipping has been raised many times, especially since COVID lockdowns, although that is principally a matter for local authorities rather than the police.

Drugs Supply and Demand

Drug use and drugs supply are major drivers of crime and are known to be linked to serious violence and organised crime gangs (OCGs). Drug suppliers may use violence to protect their markets, and many OCGs seek to exploit children and young people for criminal gain. I firmly believe that the loss of 20,000 police nationally and 500 or so in South Yorkshire after 2010, led to an expansion of the drugs markets and associated criminality, including child criminal exploitation, county lines, knife and gun crime.

Starting with recreational use, people can quickly become drug users, the drug use can escalate and this can then lead to them committing crimes to feed their addiction. Ensuring people understand how they can make worthwhile life choices, and the risks they run by being drawn into drug-dealing gangs, is something that concerns many agencies, not just the police. I will support as far as I can all such efforts.

The government released a Drugs Strategy at the beginning of December 2021, but SYP was already proactive in this area. Analysts are working on a drugs profile for South Yorkshire. This will allow us an improved understanding of our local drugs markets and county lines, more effective police enforcement activity around drugs supply, and better targeted intervention, prevention and treatment services.

SYP also continues to work closely with local authorities and criminal justice partners, and seizes and forfeits or confiscates cash and assets in order to disrupt drugs supply and OCG activity.

Drugs intervention and treatment services have been supported with funding through my office for some time, despite other PCC areas having withdrawn such funding. My office has recently worked with SYP on ensuring out of court disposal referral pathways through our existing Liaison and Diversion Service for lower level offences where offenders are alcohol and drugs misusers. This is part of a pilot initiative for conditional cautions in Barnsley and Doncaster. If successful, this initiative will be rolled out across the county, and continued going forwards.

Organised Crime Gangs (OCGs) and Serious Violence

The loss of around 500 police officers in South Yorkshire contributed, I believe, to an expansion of the drugs markets and associated criminality, including knife and gun crime. I welcome the government’s commitment to restoring police officer numbers, providing an additional 487 officers in South Yorkshire by 2024. I will go beyond that and fund a further 220 posts from local resources.

I have also welcomed SYP’s creation of a county wide Road Crime Team and an Armed Crime Team in Sheffield. I have seen the results already of SYP coming down hard on gangs and criminals who are utilising our strategic roads network, and I am encouraged that the Armed Crime Team is to be rolled out to other districts. There are some parts of our county that have been blighted for too long by organised criminality.

We need a two pronged approach. On the one hand there must be tough law enforcement, but on the other we need to take more preventive steps to keep people away from violence or to help them turn their lives round if they have been caught up in it. This is also part of the longer term work of the Violence Reduction Unit.

South Yorkshire's Violence Reduction Unit and Violence Reduction Strategy – This section needs its own dedicated panel through the design please

Since September 2019, South Yorkshire has had an effective Violence Reduction Unit (VRU). This is one of 18 units nationally that receives Home Office funding through PCCs, with South Yorkshire receiving a £1.6m annual grant.

The VRU co-ordinates work with a wide range of local partners - including the police and local authorities - to reduce serious violence by taking a 'public health' approach to tackling crime. This long term approach works alongside police enforcement activity, and focuses on the root causes of crime, delivering interventions to prevent serious violence happening in the first place.

The VRU has produced an area profile which has drawn together data held by the police, Public Health and other available evidence to provide an understanding of violence and its complex causes across South Yorkshire. Using this profile, the VRU worked with partners to develop a Violence Response Strategy, incorporating views from stakeholders across the system, as well as members of some of our most affected communities. The Strategy sets out a multi-agency response to be co-ordinated by the VRU and delivered by all partners across South Yorkshire.

Community Safety Partnerships (CSPs) are the agreed lead mechanism for local delivery, with each of the four CSPs in South Yorkshire having Violence Reduction Actions in their Partnership Plans.

In addition to these CSP actions, the VRU commissions bespoke interventions and training that address serious violence including:

Hot spot areas: The VRU works with SYP in areas identified as hot spots for violence. Projects that support young people involved or at risk of involvement in violence are grant-aided – such as support to young people who are out of schooling, mentoring, work with children who have experienced violence in their homes, providing positive diversionary activities.

Domestic Abuse: The VRU supports work to reduce domestic abuse as we know that this can be quite traumatic for children and lead to them being involved in violence themselves. We have also funded domestic abuse awareness campaigns and training for front-line officers – Domestic Abuse Matters.

Trauma informed training: The VRU and partners are collaborating to train all staff working with young people in Trauma Informed approaches.

Diversion: Diversionary activity directly commissioned:

- Hospital Navigators – providing one-to-one mentor support to those admitted to the major trauma centre in Northern General Hospital. This can be a 'reachable moment' when people become more reflective about their violent way of life and willing to consider ways out.
- Plan B Custody Navigators - using the reachable and teachable moment at the custody suites across South Yorkshire to provide person-centred support to people arrested for violence related offences.

Other Partnerships

CSPs are key ways in which all partners across South Yorkshire work together at a local level to tackle crime and anti-social behaviour and keep people safe. CSPs are made up of representatives from local authorities, SYP, Probation, health services, housing associations and the Fire & Rescue Service. CSPs in South Yorkshire have continued to work together throughout the pandemic, albeit using different ways of working in many cases. I chair a Countywide Community Safety Forum which brings together the chairs of the four district CSPs in South Yorkshire to look at countywide responses, good practice and co-commissioning opportunities.

The police service is just one part of a wider system bringing people to justice, known as the criminal justice system (CJS). I support and chair a Local Criminal Justice Board (LCJB), which brings together local criminal justice agencies to achieve common goals and priorities and solve local issues. So, for example, we have the Yorkshire and the Humber Rehabilitation Partnership which has been instrumental in supporting the implementation of probation service reforms. The Partnership now seeks to support successful rehabilitation of adult offenders in our region, including exploring opportunities to commission and co-commission services which help with offenders' employment and accommodation needs, for example.

Retail Crime

Over the past two years I have become more aware than ever before of the number of incidents at various retail outlets, not least the smaller or more isolated independent shops. I have had meetings with shop-owners and shop assistants. As a member of the Co-operative Party I have been kept informed of the way many of their stores have been targeted and staff have faced abuse and worse. Yet during the lockdowns we all became very aware of how dependent we are on these shops for our everyday needs.

I am pleased that SYP has prioritised retail crime, and I will ask for updates on progress in keeping retail workers safe. I will also continue to support nationally campaigns to strengthen the law to safeguard shop workers.

I particularly hope that the force will encourage shop owners who are targeted and where cases go to court, to submit not only business but also community impact statements, since these make a difference to sentencing.

Rural and Wildlife Crime

Many rural and farming communities and parish councils have expressed their thanks for the renewed commitment to understanding and tackling rural and wildlife crime. People in rural or smaller urban areas often feel that they have less of a claim on police resources than those who live in the bigger towns or the city. They need reassurance through careful explanation of how resources are allocated and by seeing more of the police in their area.

News of the expansion in 2021 of the Rural Crime Team, based at Ring Farm (Mounted Section), Barnsley, and specialist officers in all districts was greatly appreciated.

Nuisance off-road and quad bikes have become a growing concern. Complaints have come from every part of the county and from urban and rural areas. I have had meetings with farmers who have told me about damaged crops and terrified animals, and with residents in urban settings who have spoken of noise and danger on residential streets.

The work of the roads police and the off-road bike teams has been particularly appreciated and so I have ensured the Chief Constable plans to retain these teams. They can be deployed alongside local and specialist resources in tackling the anti-social behaviour that can blight communities.

Rural crime can range from theft of machinery and vehicles to organised crime, and it includes crime which damages employment, heritage and tourism prospects and, ultimately, the UK economy. Because rural crime is a growing concern in South Yorkshire, I have become a member of the National Rural Crime Network, which is a collaboration made up of PCCs, charities, commercial and non-profit organisations. The Network highlights issues affecting rural communities and shares good practice aimed at preventing and reducing crime and the fear of crime in these rural areas.

Speeding and Road Safety

The matter of speeding and road safety has become of greater concern to people in the last few years, and especially during the period when we were locked down and more people worked from home. The Roads Policing Team works to support the safety of the public across South Yorkshire's roads. But this is not solely a policing matter.

I will give support to the Road Safety Partnership in seeking to improve safety in towns and villages. I have begun discussions with partners about how we can ensure the public are better informed about who is responsible for all aspects of road safety. We must also work together to find ways of ensuring that drivers not only obey the speed limit but also drive in ways and at speeds that are appropriate to particular circumstances. I will support those communities who want to be involved in 'Speedwatch' campaigns.

I have consistently expressed my opposition to so-called 'All Lane Running' or 'Smart' motorways and will continue to do so. I have supported the work of campaigners in this area.

National Threats

Along with other PCCs and their respective Chief Constables, I am required to consider national threats identified by the Home Secretary (the 'Strategic Policing Requirement') when determining our local strategic policing priorities. These threats include: terrorism; civil emergencies; public disorder; organised crime; child sexual abuse and cyber-crime.

Whilst these national requirements may not always manifest themselves in South Yorkshire, the UK policing model is one which expects forces to contribute to meeting national threats. Some of this contribution is made by dedicating SYP's resources to regional or national specialist teams – e.g. the Regional Organised Crime Unit and Counter Terrorism Policing North East.

PRIORITY 3

TREATING PEOPLE FAIRLY

Areas of focus

- **Treating members of the public fairly**
- **Championing equality**
- **Fair allocation of police resources**

Treating members of the public fairly

The fair treatment of individual residents and communities in South Yorkshire is essential to maintain the public's trust and confidence in the police and partner organisations. Whoever the police engage with, they should seek at all times to treat people with courtesy and respect. This includes understanding and addressing such issues as racial and cultural differences.

Where there is disproportionality or discrimination, I would expect the police to address this. This shows itself in such police activity as stop and search and in SYP not being as ethnically representative of the population it serves as it might be.

I have asked my *Independent Ethics Panel* to work with the police in understanding whether different groups within communities are treated differently in their interactions with the police, or they believe they are, why this happens, and the implications for individuals, communities and levels of trust and confidence in the police.

I will monitor the progress of SYP against the above priorities as well as the Use of Force, receiving appropriate reports each month from the police and the independent panels. I also have a statutory role to hold the Chief Constable to account for SYP's handling of complaints against the police, and I am the review body for those people dissatisfied with how their complaints are resolved. From what we see, my office feeds learning back into SYP, and checks are made about improvements to the service that this leads to.

I am also seeking to understand disproportionality in the wider criminal justice system. In October 2021, I convened a special meeting of partners of the Local Criminal Justice Board with a focus on looking at the work which is being progressed in this area.

Those members of public who have interactions with the police also expect certain standards from police officers and staff dealing with them – this might be the only interaction they ever have with the police. SYP must ensure, therefore, that officers and staff not only act according to their code of ethics and standards of behaviour but that they treat every interaction as an opportunity to improve trust and confidence in the police.

These ethical of standards of behaviour need to underpin all officer interaction not just with members of the public but with other officers, staff and partners to create an inclusive culture where trust and confidence is paramount. It is important that officers and staff working in SYP have the confidence to challenge or raise concerns confidentially where they see behaviour, attitudes and language that fall below that which the public and service expect to see – and that such behaviour will be recognised, investigated and dealt with accordingly.

Championing equality

In SYP's workforce I want to see better representation of women and those from ethnic minority groups at all ranks and in all roles. The national uplift of police officer numbers has presented a critical opportunity to get this right. This is why I asked the *Independent Ethics Panel* to look at how SYP recruits, trains, promotes and retains officers and staff.

I know there is already much work going on in this area, but I hope the force will continue to consider new ways of making positive interventions that help us to achieve a more representative and inclusive workforce at every level.

While female representation has improved markedly – more than one third of SYP is female and some of the most senior officers – much more work needs to be done to improve workforce diversity including increasing the number of Black, Asian and Other ethnic minority officers and staff in SYP.

I will be supportive of the Race, Inclusion and Equality Association that was formed in 2021.

Fair allocation of police resources

South Yorkshire is a mix of communities – urban and rural inner-city and suburban. All deserve fair share of police resources. Determining what that means is something that the Chief Constable has to do basing her decisions on a careful understanding of threat and harm.

People need to be kept safe. But people also need to feel safe and I want the force to think about how communities can feel reassured, especially in those places that are more remote or are smaller townships or villages. For some that will mean that attention needs to be paid to visibility. People are reassured by the visible presence of the police in their neighbourhood or by knowing that officers call regularly at places in their community.

VALUE FOR MONEY

The funding I receive is ultimately from the public by way of national and local taxation. I provide the majority of that funding to the Chief Constable for the day-to-day running of South Yorkshire Police. With the remaining funds I commission services and award grants to organisations that help me achieve the priorities in this Plan, including specific funding for victim support services.

The PCC's Proceeds of Crime Act Community Grant Scheme.

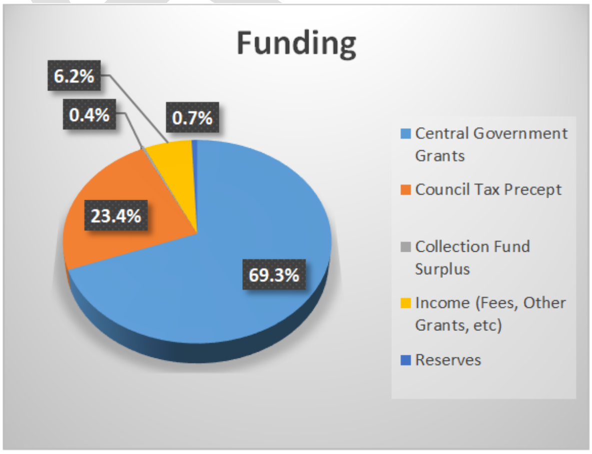
Each year I provide funding for a small grant scheme. I invite voluntary and community groups to apply for funding of up to £7,500 for projects that will help towards realising one or more of the three priorities in the Plan. Some of this money comes from money taken off criminals (under the Proceeds of Crime Act 2002).

Projects funded through this scheme have been many and various. The scheme is open all through the year. All the information needed to apply to my grant scheme can be found on my website https://southyorkshire-pcc.gov.uk/what-we-do/grants/

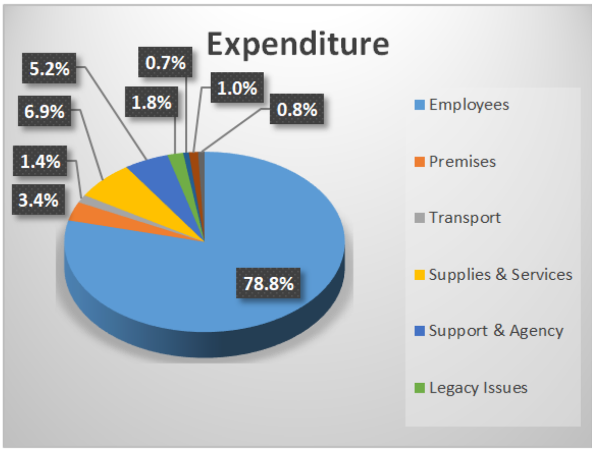
The Policing Budget

Each year I have to set a budget for policing. Most of the funding for SYP comes from the government's Police Grant, but money also comes from the policing element of the Council Tax (known as the Police Precept). The charts below show where funding comes from, as well as what the money is spent on.

Funding	£m
Central Government Grants	220.7
Council Tax Precept	74.6
Collection Fund Surplus	1.2
Income (Fees, Other Grants, etc)	19.6
Reserves	2.3
	318.4



Expenditure	£m
Employees	251.0
Premises	10.8
Transport	4.5
Supplies & Services	22.0
Support & Agency	16.4
Legacy Issues	5.8
Office of the PCC	2.1
Partnerships & Commissioning	3.3
Capital Charges	2.4
	318.4



There has been investment to support a further increase of 220 police officer posts in 2022/23, which should bring the total both from the local and national increases to 724 posts since April 2019. This increase means there are additional costs to take into account for what is needed to support those officers, in order to maximise their efficiency.

There are other factors that affect future budgets. General inflation levels are currently running higher than in recent years, especially the cost of utilities. Police pay had been frozen but a pay rise will be negotiated in 2022. These are challenging to predict, and so could cause unanticipated financial impact in the medium term which I must take account of in the Medium Term Resource Strategy (MTRS).

Reserves can be used to balance budgets, but once used in this way, they are gone and, given the range of pressures and risks that SYP face, some reserves will be needed to meet them. In particular, we will have to cover £13.1m of the funding of historic legacy costs between 2022 and 2024. Using reserves to meet other expenditure is not, therefore, a sustainable approach especially when, without further action, the prudent minimum reserve balance can only be maintained until 2024/25. SYP will also have to make substantial efficiency savings.

In these ways, I will be seek to ensure for local communities and taxpayers that the services provided are delivering Value for Money.

Our Value for Money Strategy

Value for Money (VfM) is defined by the National Audit Office as "*the optimal use of resources to achieve intended outcomes*". VfM is often broken down into core component parts to understand whether an organisation uses its resources economically, efficiently and effectively.

All public services must operate in a way that makes the most of available resources. To do this, they need to understand what their demand is now and into the future, and how they are going to organise themselves to meet that demand together in the most cost effective and sustainable way. While there may be some initial up-front costs to the police as they re-configure the service to meet changing demands, in the long run there should be efficiency savings. These savings can then be used to enhance service delivery, replenish reserves and repay any costs of borrowing.

Therefore, over the next few years I will continue to ask SYP to make efficiency savings - £7m between 2022 and 2024 - and the police have set up a savings team who are charged to do this.

I have a VfM Strategy which identifies key principles and approaches to ensure the most productive use of resources in delivering the priorities and the desired outcome of this Police and Crime Plan. I intend to use information my office, Internal Audit, External Audit and HMICFRS produces around cost drivers and, where possible, make links between finance and performance, there is more information about this in the Accountability section in the following pages.

I will continue to monitor the delivery of VfM services, and this will also be a key focus for the Joint Independent Audit Committee.

Sustainability

I also believe that one consequence of having a Sustainability Strategy is to reduce the force’s carbon footprint, we shall also see opportunities for making savings. The estate and the fleet should be run in ways that reduce the impact on the environment and reduce costs.

Collaboration with South Yorkshire Fire & Rescue Service

Unlike some other PCCs, I have not taken on a governance role over the Fire & Rescue Service in South Yorkshire. Instead, I am a voting member of the South Yorkshire Fire & Rescue Authority and I chair a Police and Fire Collaboration Board. Through these roles, I provide strategic oversight and governance to a number of areas of collaboration between police and fire services in South Yorkshire, where it is in the interests of efficiency and effectiveness for the two services to work together.

ACCOUNTABILITY

How do I monitor progress?

On behalf of the people of South Yorkshire, I monitor the progress made in meeting the priorities and areas of focus in this Plan.

I do this in a number of ways:

1) Firstly, I assess progress through a Value for Money 'lens', by which I mean that I have a number of high-level measures that I believe are important to victims and the wider public – e.g. victim satisfaction levels, call handling times, police attendance times, etc.

2) There is then a Performance Framework managed by my office, which uses a range of measures linked directly to the priorities in this Plan and to certain national priorities that I am required to publish information about – the National Crime and Policing Measures. Further information about this, including published reports, can be found on the OPCC website at https://southyorkshire-pcc.gov.uk/openness/5840-2/

3) At my monthly Public Accountability Board (PAB), which is live streamed, I ask the Chief Constable to report to me on how progress is being made by SYP against the areas of focus in this Plan.

4) I also receive assurance through the work of my Office, the Joint Independent Audit Committee, the Independent Ethics Panel, from Internal Audit and reports from Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services.

Who am I accountable to?

The public can access information on my website about how I am performing my functions as PCC, and how I am progressing with delivery of the Police and Crime Plan - https://southyorkshire-pcc.gov.uk/. I am ultimately accountable to the people of South Yorkshire at the ballot box at PCC elections, held every four years.

During those four years, my actions and decisions are reviewed and scrutinised by the Police and Crime Panel (the Panel).

The Panel is made up of 12 people – ten Councillors from each of the four districts in South Yorkshire, plus two independent members of the public.

It is the Panel's job to make sure I am making decisions in the best interests of the public, including decisions about what priorities are in each Police and Crime Plan, how much of our residents' council tax should be spent on policing, and decisions about the recruitment and dismissal of the Chief Constable.

I report regularly to the Panel and I am questioned by Panel members and members of the public about how I am discharging my responsibilities, how progress is being made with the Plan's priorities and the decisions I have made.

More information about the Panel can be found on their website at: https://www.barnsley.gov.uk/services/south-yorkshire-governance/south-yorkshire-governance/south-yorkshire-police-and-crime-panel/

AFTERWORD

Regardless of the financial situation, policing faces considerable issues next year and beyond.

I have asked the Chief Constable to ensure that the good practice that has been developed over recent years is firmly embedded and maintained. We must aim for a period of stability at central and district level – and the Chief Constable has acknowledged that.

But I do not underestimate the challenges:

- new national policing measures and initiatives
- reviews and investigations – Independent Office for Police Conduct (IOPC) over-arching report on non-recent CSE (Jay Report victims); Rotherham MBC independent report on CSE; Sheffield City Council investigations into racial equality and the 'trees' controversy
- implications for the estate of home-working for staff but also increased officer numbers
- implications of need to reduce emissions – buildings and fleet
- better modelling for resource allocation.

We must rise to the challenge.

How to Get Involved

Special Constabulary

'Specials' are volunteer police officers who give some of their spare time in this way because they want to make a contribution in their communities. There are few, if any, organisations that offer the variety of opportunities you will find as part of the Special Constabulary in South Yorkshire Police. ‘Specials’ are a vital part of the police service, working alongside regular officers to reduce crime and protect vulnerable people. Being a special constable is a way of developing new skills while serving the local community.

If you are interested in becoming a special constable, please visit www.southyorks.police.uk/work-us/specials or call: 0114 219 7000 for more information.

Police Support Volunteers

There a number of volunteer roles within the police, such as a Community Safety Volunteer, Puppy Walker, Lifewise Volunteer or Digital Outreach Officer. Each role plays a vital part in supporting South Yorkshire Police and is a way of giving back to the community.

If you are interested in a Police Support Volunteer role, please visit: www.southyorks.police.uk/content/volunteer-vacancies or call: 01709 832455 and ask for the Police Support Volunteer Project Officer.

Police Cadets

South Yorkshire Police currently run a cadet scheme, where young people aged 15-17 volunteer to help their local community, find out more about how the police work, and have the opportunity to work towards awards and qualifications. South Yorkshire Police Cadets have been involved in various aspects of policing, such as participating in test purchase operations.

If you are interested in becoming a Police Cadet, please visit: www.southyorks.police.uk/content/how-apply

Independent Custody Visitors (ICV)

I run an Independent Custody Visiting Scheme, where members of the public visit police stations unannounced to check people being held in custody are being treated properly. ICV’s perform a very important role on my behalf, and I am grateful for their continuing involvement and contribution.

If you are interested in applying to be a custody visitor, please visit: www.southyorkshire-pcc.gov.uk/Get-Involved/Independent-Custody-Visiting or call: 0114 296 4150

Independent Advisory Groups

I run a number of Independent Advisory Groups to provide the valuable role of 'critical friend' to me and South Yorkshire Police. The groups give independent advice on a number of policy issues, and provide a safeguard against disadvantaging any section of the community through a lack of understanding, ignorance or mistaken belief.

If you are interested in being an Independent Advisory Group panel member, please email: info@southyorkshire-pcc.gov.uk or call: 0114 296 4150

How to find out more or contact me:

PCC website: https://southyorkshire-pcc.gov.uk/

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Twitter: @sypcc

Instagram: @sypcc

PUBLIC ACCOUNTABILITY BOARD

28 February 2022

Report of the Chief Finance Officer

Budget and Council Tax Precept for 2022/23

1. PURPOSE OF REPORT

1.1 The Police and Crime Commissioner (PCC) is required to approve the 2022/23 budget and issue the Council Tax precept by 1 March 2022.

1.2 This report provides the recommendations of the Chief Finance Officer (CFO) in relation to the budget for consideration and approval by the PCC.

2. RECOMMENDATION

It is recommended that the PCC formally approves the following in accordance with the Local Government and Finance Act 1992:

(a) A budget requirement for 2022/23 of £310.7m, as set out in Section 7 of the report;
(b) A proposed annual increase in the policing element of the Council Tax (the precept) for 2022/23 of £10 for a Band D property taking it to £223.04 for the year. This is an increase of 4.69%;
(c) To note that most properties in South Yorkshire are in Bands A (57%) and B (17%) and C (12%) where the increase would be A 13p per week; B 15p, and C 17p;
(d) The Reserves Strategy as set out in ***Appendix D***;
(e) A Capital Strategy and Programme for 2022/23 of £24.9m as set out in ***Appendix E***;
(f) The Treasury Management Strategy and Minimum Revenue Provision policy statement (***Appendix F***) and the recommendations contained therein;
f) To note the Chief Finance Officer's statement on the robustness of estimates as set out in Section 8 of the report.

3. SUMMARY OF DECISION MAKING AND CONSULTATION

3.1 The proposals in this report will fulfil the PCC's duties under the Police Reform and Social Responsibility Act 2011 to set the budget, allocate assets and funds to the Chief Constable and propose the police element of the precept for the force area.

3.2 The 2022/23 budget priorities and precept increase proposed in this report have been previously debated and agreed at the following:

Meeting of South Yorkshire Council Leaders	24 January 2022
Police and Crime Panel Budget Familiarisation meeting	25 January 2022
Police & Crime Panel	4 February 2022

3.3 The Police & Crime Panel (PCP) agreed to support the proposed precept for 2022/23 at its meeting on 4 February 2022. The full response from the PCP is attached at ***Appendix A***. It should be noted that two figures have changed since the panel's precept approval, these relate to the finalisation of the council tax base, and direct revenue financing, and the panel has been notified accordingly.

3.4 The outcomes of consultation exercises with the public regarding the policing priorities and policing precept are attached at ***Appendix B***. Over 2,000 residents have engaged and expressed their views. The responses have been mixed and changed from over two thirds of respondents supporting an increase in precept in the priorities survey from October to just under half supporting an increase during the precept consultation in recent weeks.

4. POLICE AND CRIME PLAN

4.1 The Police and Crime Plan (Plan) is the key document that sets out the policing priorities for the area. The PCC has produced a new Plan to last until the year beyond the end of his term of office (i.e. to 2025). The draft Plan was presented to the Police and Crime Panel at its meeting on 4 February 2022. While keeping the same overall priorities – protecting vulnerable people, tackling crime and anti-social behaviour and treating people fairly – there are also some particular areas of focus in the coming year, such as:

- violence against women and girls (VAWG)
- drugs – and the gangs and serious violence associated with them
- better representation of the communities of SY – male/female, ethnic minorities
- Road Safety and speeding

Further details of the plan have been presented at item seven in this meeting.

5. 2022/23 NATIONAL FUNDING SETTLEMENT

5.1 The Home Office police funding settlement for 2022/23 announced additional funding of £795.8m, for policing areas, with 31% of this expected to come from increased local taxation, i.e. council tax (£246m). The settlement gives Police and Crime Commissioners (PCCs) in England flexibility to increase the policing element of council tax precept locally up to a limit of £10 on a Band D property. Government allocation calculations have assumed the maximum precept increase. The core grant for South Yorkshire amounts to £233.8m, a cash increase of 5.8%, which covers the current cost of the additional police officer uplift, national insurance increase, and contribution towards pay inflation. Future funding of the police officer uplift, beyond the spending review period, remains uncertain.

5.2 The funding settlement continues to be for one year, despite the three year comprehensive spending review (CSR) period. It is generally felt that the Home Office (and so policing) did as well as any department in the three-year Spending Review. But the Treasury has pushed back hard and wants to see empirically based results for spending decisions.

5.3 As mentioned above, the Home Office has assumed a £10 increase in precept. Based on the latest taxbase estimates from the four Local Authorities in South Yorkshire, after a £10 increase, the MTRS includes planned savings of £1.7m in 2022/23, with continuing savings plans for the whole of the MTRS period. Despite these savings, we will have to use £1.6m of reserves in 2022/23 to balance.

5.4 The pensions grant (£2.6m), council tax support and freeze grants continue at 'flat cash' rates, but the capital grant allocation (previously £0.3m) has now been abolished, and therefore PCCs are expected to fund all capital investment.

5.5 The Violence Reduction Unit funding (previously £1.6m) has not yet been announced, and there is some uncertainty as to whether an element of local match funding will be required. Formal confirmation of the grant position is expected shortly.

6. POLICE OFFICER NUMBERS

6.1 The government has committed to increase police officer numbers nationally by 20,000 before the next general election. The funding settlement is predicated on each police force playing its part. Our number for 2022/23 is 202 (of which 11 must go to the Regional Organised Crime Unit). Last year, we committed to increase numbers by a further 79 from our own resources, with 18 officers being planned for 2022/23. This is in addition to recruiting to fill vacancies that arise from the 'business as usual' existing police officer workforce. The recruitment profile is shown in the table below:

Recruitment type	To March 2020	To March 2021	To March 2022	To March 2023	Total
Assumed National Allocation	2,000	4,000	6,000	8,000	20,000
Business as usual (i.e. to replace leavers)	154	218	170	178	720
Local uplift	50	73	79	18	220
National Uplift	30	121	151	202	504
Total in year	**234**	**412**	**400**	**398**	**1,444**

6.2 All new police officers must either have a degree already, or gain one in training. Sheffield Hallam University has been contracted to teach these programmes *based on the full uplift of police numbers*.

7. 2022/23 BUDGET SUMMARY AND PRECEPT PROPOSAL

7.1 The PCC's proposal is to levy an annual increase in the precept equivalent to £10.00 per annum on a Band D property. It is worth noting that, although in South Yorkshire 74% of properties are in Bands A or B (57.1% and 17.3% respectively), 33% of Band A households, and 17% of Band B households claim a reduction in council tax through the council tax reduction schemes[1], and these people will be impacted to a lesser extent. The following table shows the proposed precept and weekly increase for each council tax band:

	Proposed Precept 2022/23	**Weekly Increase**	**Properties in each band**
	£	**£**	**%**
Band A	148.69	0.13	57.1
Band B	173.48	0.15	17.3
Band C	198.26	0.17	12.2
Band D	223.04	0.19	7.2
Band E	272.60	0.24	3.7
Band F	322.17	0.28	1.6
Band G	371.73	0.32	0.8
Band H	446.08	0.38	0.1
Total:			100.0

7.2 As part of our annual planning and budget-setting process, Chief Constable Poultney has recently submitted her assessment of policing need in South Yorkshire. It starts,

"*The key driver is around stability for the force with a key focus on getting the basics right rather than radical change - we want our foundations to be deep across all areas of our organisation. This doesn't mean that the force is limiting its vision or ambition, rather that it recognises that there has been substantial change over a short period and, add to this the largest change to officers numbers, the focus needs to be on consolidation and stability.*"

7.3 South Yorkshire Police's (SYP's) approach will complement the work of partner organisations and service providers commissioned through the PCC's partnerships and commissioning budget.

7.4 The proposed budget of £310.7m includes investment to support the further increase in police officer posts of 220 (18+202) in 2022/23 identified in the table above. Also included is investment into prioritised growth relating to essential core and uplift delivery, enhancement of the operating model and SYP's priorities with the key areas highlighted below:

Officer Uplift

The officer uplift is supported by a detailed and dynamic programme underpinned by demand, priority and need. SYP is looking to reinforce its core functions of response, neighbourhoods and Protecting Vulnerable People (PVP) first, with further investments in local teams around Child Criminal Exploitation (CCE) / Child sexual Exploitation (CSE), rape and other PVP areas. This will allow SYP to look at further aligning its service provision with that of local authorities. It recognises the importance of the growth in specialist functions, but will sequence this later in the uplift programme to safeguard its core functions. This ensures resilience in these areas, and ensures that the neighbourhood service remains at full strength and able to deliver a proactive problem-solving service directly to the people of South Yorkshire.

[1] Based on band D equivalents

SYP is investing in the infrastructure required to ensure that all the new officers are fully supported in their journey into the force – with further planned investment in both accommodation, Central Assessment and Practice Education (CAPE) assessment and tutoring support. These tutors maintain and set the standards required for the officers of the future.

Police Community Support Officers (PCSOs)

Linked to the above priority of reinforcing its core neighbourhood function, SYP is investing in PCSOs and maintaining the numbers at 126, an additional 10 PCSOs over and above the current planned post numbers.

Savings Team

SYP recognises the need for savings in the medium term and is investing in a multi-disciplinary savings team to work with senior management to identify and drive out savings to bridge the future gaps and ensure the budget is balanced over the CSR period.

Projects

SYP has some key projects including Oracle Cloud, smarter ways of working and Connect Express, plus others such as Emergency Services Network (ESN). These are a mixture of national programmes, where SYP has limited control over the investments required and programmes that are key enablers that support further transformation and efficiency and all will be robustly challenged in terms of benefits against costs.

Estate

Investment is also being made to bring the estate up to an acceptable standard and addressing a backlog of compliance and maintenance issues, which have built up over many years.

SYP is striking the balance between some smart investments required to further develop SYP, support uplift, address changing risks and demands and be cognisant of the financial challenge.

7.5 Savings of £1.7m in 2022/23 are reflected but SYP on top of the £1.6m already built in. Based on current estimates over the whole MTRS period there will be a requirement for £40.9m of savings in total. It should be noted however that there is uncertainty around government funding in the latter years of the MTRS (post CSR period), current assumptions are based on a 'flat cash' approach, and as such the estimates may change in the future.

SYP has gained a better understanding of demand and is developing its workforce strategy; future savings plans will be based on work being undertaken by a dedicated team based in business change and innovation.

7.6 There are **Legacy costs** arising from three issues:

- Civil claims against SYP as a result of the Hillsborough football disaster
- Civil claims against SYP as a result of non-recent child sexual exploitation (CSE) in Rotherham
- The National Crime Agency's on-going investigations into non-recent CSE.

7.7 The best estimate at the moment is that the *total* legacy costs will be a further £121m by 2026/27, of which £18m will have to be borne by us. This assumes that the Home Secretary will continue to fund most of the costs through Special Grant funding. But this is discretionary, and one reason why good relations with the Home Office and Home Secretary have to be maintained. In 2022/23, the cost of our legacy issues is anticipated to be £5.4m.

7.8 The assumptions above produced the following proposed budget and MTRS for the CSR period:

2022/23 Budget & Medium Term Financial Plan

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
SY Police Force	307.4	314.9	323.1	333.9	345.6
SY PCC	2.1	2.2	2.2	2.3	2.3
Commissioning & P'ships	3.3	3.3	3.3	3.3	3.3
Capital Financing	2.5	3.4	4.3	5.1	5.5
Legacy Costs (net)	5.4	4.1	3.6	2.5	2.5
External Funding	-10.0	-9.2	-9.2	-9.2	-9.2
Total Expenditure	**310.7**	**318.7**	**327.4**	**337.9**	**350.0**
Funding	**-311.1**	**-316.5**	**-322.8**	**-325.4**	**-327.8**
Net (Surplus) or Deficit	**-0.5**	**2.1**	**4.6**	**12.5**	**22.2**

Note small differences are due to rounding's

7.9 The impact of this position means that the 2022/23 will result in a £463k contribution to reserves in 2022/23. This will be used to offset against the deficit in future years. The use of reserves however is not a sustainable approach, as the prudent minimum reserve balance could only be sustained until 2025/26 (see ***Appendix D***).

7.10 Therefore, balancing the medium term financial position to ensure recurrent financial balance will require some, or all, of the following:

- Clarity around the government position on future uplift officer funding
- SYP's future integrated planning to balance demand and growth pressures and the need for efficiency savings
- Continuation of legacy cost funding from the Home Office
- Precept flexibility
- Clarity of funding post CSR period

8. ROBUSTNESS OF ESTIMATES

8.1 Section 25 of the Local Government Act 2003, as amended by the Police Reform and Social Responsibility Act 2011, requires the Chief Finance Officer to report on the robustness of estimates used for the budget and the adequacy of reserves.

The recommended 2022/23 precept increase and draft budget has been shared with the four South Yorkshire local authorities. The expenditure budget has been discussed and reviewed by the PCC and Chief Constable, and their respective senior leadership teams, through the Planning and Efficiency Group prior to publication for the Police and Crime Panel of 4 February.

The CFO can confirm that the figures included in the proposed budget are the best estimates based on the most up to date information available at the time of writing the report. That said, there are some uncertainties contained within the budget, the main ones being as follows:

8.1.1 Funding settlement

The budget has been prepared on the basis of the Home Office's final funding settlement for grant and council tax precept 2022/23. Even though it is a three year CSR, SYP's share has not been confirmed beyond March 2023, thus a proportional amount has been assumed for the remaining two years. There is further uncertainty within the Medium Term Resource Strategy

(MTRS), as the government is currently undertaking a funding formula review. It is expected to be conclude by the end of the year, and transitional arrangements are likely to be put in place to smooth the changes.

The violence reduction unit and 'Grip' funding have not been announced yet for the 2022/23 financial year. The funding has not been included in the MTRS. Late notification of grant funding is not helpful for financial planning, and can impact on the project delivery.

In recognition of the above we have reviewed our external funding and a less prudent approach has been taken. The assumption has been made that the ARV grant (£0.75m) will continue for another year, if it does not materialise it will leave a gap in the budget.

8.1.2 Taxbase and collection fund balances

The final tax base and collection fund positions are those notified recently by the Local Authorities. The position is extremely complicated due to Covid-19 and the current economic situation. Estimated 'exceptional balances' have been included in the MTRS calculations. It should be noted that the figures notified to us have changed from those notified to the police and crime panel at its meeting on February 4th. This has resulted in an amendment to the MTRS, and the panel has been notified accordingly.

8.1.3 Officer Uplift

The estimated costs and income associated with the recruitment of a further 202 officers until 2023 are included in the budget. Given that we only have a one year settlement, the position for maintaining overall numbers future years isn't yet certain. This will be re-assessed in line with future government announcements.

Whilst the recruitment pipeline of future new recruits will necessarily be maximised, South Yorkshire will carefully monitor and manage the balance between all expenditure forecasts and certainty of income to ensure financial sustainability is maintained.

8.1.4 Covid 19

There is uncertainty whether ongoing Covid-19 costs will be re-imbursed by the Home Office. Currently Covid-19 expenditure is still being incurred and minimal indemnity is in the form of the Covid enforcement grant of £1.46m which sits in reserves. Some growth has been built into the MTRS to cover Covid expenditure.

8.1.5 National charges

The Home Office top slices for some nationally provided functions, but separate charges are levied for others.

The National Police Air Service (NPAS) budget in the MTRS assumes inflation on the current charges. This covers the charges that have recently been agreed in February 2022.

There has been recent notification that the emergency services network (ESN) business case has been revised. The aim to deliver remains very challenging. Based on the Gwent model we have included £7.6m in the capital programme.

8.1.6 Oracle System

To support the efficiency and development of key business systems, such as payroll, SYP has invested into upgrading its Oracle system to be on an Enterprise Resource Planning (ERP) platform, utilising the Cloud rather than local hosting and storage. This programme commenced in March 2020 and was paused in early July 2021. There were a number of issues relating to data quality and migration that resulted in progress being paused. An independent review of the programme occurred in October 2021 which resulted in a re-planning of the programme. Subsequently, additional funding was secured that would achieve on-premise ERP upgrades and tax compliance, providing a more stable environment with which to eventually migrate to the Oracle Cloud product. This involves fundamental changes to the configuration of the current ERP product across Finance, HR, Procurement, Payroll and Duties and remains ongoing at January 2022. There remains a risk in relation to accounting for cloud based products which could see a requirement to recognise these capital costs as revenue during 2022/23.

8.1.7 McCloud pensions

The McCloud and Sargeant Judgements concerned the introduction of career average revalued earnings (CARE) pension schemes to replace the former final salary based pension schemes as part of the Hutton recommendation to reform public service pension schemes. Under the changes introduced to each scheme, members were required to transfer to the new schemes from specific transition dates. There was protection provided for older members under each scheme.

The McCloud and Sargeant Judgements have upheld the claimants' cases that the method of implementation of the new schemes discriminated against younger members.

In July 2020 the Government published its consultation setting out its proposals for addressing the discrimination that was found to be upheld. The Treasury published the outcomes of the consultation in February 2021, resulting in the 'Deferred Choice Underpin (DCU)' method being chosen. Eligible members would get, upon retiring after implementation, would get to choose between legacy and reform benefits. To supplement this, the Home Office and Treasury issued 'immediate detriment' guidance for those officers approaching retirement; this was not mandatory and Scheme Managers were free to choose whether to adhere or not. SYP chose not to. In late 2021 the guidance was effectively rescinded due to legal and taxation-complexity concerns.

The costs of the ruling are likely to be significant, however work is ongoing nationally with the Home Office around the implications of it. SYP has commenced resourcing for this demand and has also received some one-off government funding. This will unlikely cover all costs to be incurred, and significant activity, via the NPCC, is still being managed in relation to future costs of remedy. Aside from Staffing, this would also cover software costs and any compensatory costs that fall due. In this regard, there are ongoing actions by Staff Associations relating to 'injury to feelings' where the potential for costs remains high.

The costs of the ruling are likely to be significant, however work is ongoing nationally with the Home Office around the implications of it. At this stage no additional costs have been recognised in the MTRS in respect of this ruling.

8.1.8 Pay and inflation

2022/23 is the final year of the superannuation actuarial revaluation and only general inflation has been built into the MTRS. If the next revaluation provides figures which depart from assumption used there could be a significant variance that has to be contained.

With the pay award for Police staff not being finalised for 2021/22 with the Unions this causes an unusual platform to base future assumptions upon. Therefore, forward negotiations may have a bigger impact than previously anticipated, especially as inflation is running at 5.1%, and a pay freeze has been in operation during 2021/22 for those earning over £24k.

Based on the current inflation levels running higher than recent years, and other economic factors this has caused some significant increases in cost pressures. Until this stabilises it will create volatility in utilities, fuel, and other supply and services prices, they are challenging to predict thus could cause unanticipated financial impact to the MTRS.

9. RESERVES POSITION

9.1 If the precept is increased by £10 for the year, the proposed budget position for 2022/23 would show a £0.5m surplus, which will be added to reserves and contribute to future deficits.

9.2 Reserves can only be used once and, given the range of pressures and risks that SYP face, in particular to have to cover £18.1m of the funding of historic Legacy costs in the MTRS period, it is necessary to hold additional reserves. The 2022/23 Reserves Strategy is attached ***Appendix D***.

9.3 The attached ***Appendix D*** reflects the reserves position over the life of the MTRS to 2026/27, maintaining a level of general reserve at or above 5% of the net revenue budget until the end of 2025/26.

The CFO reports that reliance on reserves to balance annual budgets and medium term financial plans is not a sustainable position, the impact of the current deficits in the forecast MTRS being significant. The use of reserves to balance is envisaged to be a short term position. Work is underway within the Force and the OPCC to ensure that the measures outlined in 7.10 above are implemented effectively in order to present a more balanced position in the future.

10. Conclusion

10.1 It is recommended that the increase in precept of £10.00 on a Band D property, is levied to support:

- The investment in the required infrastructure to ensure all officers are fully supported in their journey into the force with further planned investment in both accommodation, Central Assessment and Practice Education (CAPE) assessment and tutoring support
- Enhancement of the operating model and investment in SYP priorities:
    - Maintaining the current levels of PCSO numbers at 126, and
    - Improving the assets e.g. technology and estates

It is recognised that despite the precept increase, there will still have to be some savings and use of reserves.

10.2 The outcomes of consultation exercises with the public regarding the policing priorities and policing precept are attached at ***Appendix B***. Over 2,000 residents have engaged and expressed their views. The responses have been mixed and changed from over two thirds of respondents supporting an increase in precept in the priorities survey from October to just under half supporting an increase during the precept consultation in recent weeks.

Attachments:

Appendix A Police and Crime Panel precept setting letter
Appendix B Public consultation report
Appendix C Commissioning needs assessment report
Appendix D Reserves Strategy
Appendix E Capital Strategy
Appendix F Treasury Management Strategy

Sophie Abbott
Chief Finance Officer
Office of the South Yorkshire Police & Crime Commissioner

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South Yorkshire
POLICE & CRIME PANEL

Our ref: JAGU / RH / LN

Date: 7th February 2022

Dr A Billings
Police and Crime Commissioner
South Yorkshire Police
Carbrook House
Carbrook Hall Road
SHEFFIELD 29 2EH

Sarah Norman
Chief Executive
Barnsley MBC
Church Street
Barnsley S70 2TA

www.southyorks.gov.uk

This Matter is being dealt with by: Linda Noble
Service Improvement and Scrutiny Officer
Email: lindanoble@barnsley.gov.uk
Tel: 01226 772931

Dear Dr Billings

Proposed Council Tax Precept 2022/23

At the meeting of the Police and Crime Panel held on Friday 4th February 2022, 9 of the 11 Members present voted to support the Council Tax Precept for 2022/23 and the minute from the meeting is as follows:

Item 10 - Proposed Council Tax Precept and Revenue Budget for 2022/23

A report of the Chief Finance Officer, OPCC was presented to notify the Police and Crime Panel of the South Yorkshire Police and Crime Commissioner's proposal for the policing element of the Council Tax precept for 2022/23.

The Chair, Councillor Haleem referred to the recommendation in the report which asked the Police and Crime Panel to consider and support a proposed annual increase in the policing element of the Council Tax (the precept) for 2022/23 of £10.00 for a Band D property, which would be an increase of 4.69%. The Panel noted that most properties in South Yorkshire are in Bands A (57%) and B (17%) and C (12%) where the increase would be A 13p per week, B 15p per week, and C 17p per week.

A recorded vote was taken and recorded as follows:-

For accepting the proposed increase in the policing element of the Council Tax precept for 2022/23 – (9) Councillors Haleem, Cherryholme, Garbutt, Knowles, Lodge, Milsom, Pickering, Mr W Carratt and Professor A James.

Against the proposed increase (2) Councillors Baum-Dixon and Ransome. Abstained (0).

The proposal was approved.

RESOLVED – That Members of the Police and Crime:-

i) Voted to accept the proposed annual increase in the policing element of the Council Tax (the precept)for 2022/23 of £10.00 for a Band D property, which would be an increase of 4.69%.

ii) Noted that most properties in South Yorkshire are in Band A (57%) and B (17%) and C (12%) where the increase would be A 13p per week, B 15p per week and C17p per week.

Yours sincerely

[redacted]

Cllr Rukhsana Haleem
Chair - South Yorkshire Police & Crime Panel

PUBLIC ACCOUNTABILITY BOARD

Date: 28 February 2022

Report of the Communications & Engagement Manager

CONSULTATION ON THE SETTING OF THE COUNCIL TAX PRECEPT 2020/21

1. PURPOSE OF REPORT

1.1 This report provides details of the consultation carried out with the public of South Yorkshire around the raising of the council tax precept for 2022/2023.

2. BACKGROUND

2.1 The Police and Crime Commissioner (PCC) has a statutory duty to consult with the public and with rate payers to obtain their views before the precept is set.

2.2 The Government Spending Review and Autumn Statement, last month (December 2021), announced that South Yorkshire Police will receive central core grant funding of £233m in 2022/23, which is an increase on the previous year (£221.1m).

2.3 This central grant funding makes up 74% of the police budget. The other 26% is funded by the council tax precept. In the annual spending assessment the Home Secretary, The Rt Hon Priti Patel announced that South Yorkshire Police would have funding of £314mn – an overall increase of 5.8%.

2.4 However, the £81m funded by the council tax precept would only be available if the PCC raised the precept by the full amount the government was allowing - £10pa on a Band D property equivalent to a 4.69% rise for all households. If the precept is not raised by this amount, funding will be less.

2.5 Most households (around 75%) in South Yorkshire are Band A & B properties. The proposed 4.69% increase will equate to a rise precept rise of 55 pence per month (£6.67 p.a) on a Band A property and 64 pence per month (£7.78 p.a) on a Band B property.

2.6 The Government Spending Review (GSR) and Autumn Statement was published on 16 December 2021 and the formal consultation process began on 17 December and ended on Friday 14 January 2022.

3. INTRODUCTION

3.1 Due to the Covid pandemic and limited opportunities for face-to-face engagement the Consultation and Engagement Team have conducted the consultation around the policing priorities and the council tax precept online

3.2 This year a pre-consultation on policing priorities and willingness to pay more was undertaken during October 2021 to act as a pre-cursor to the statutory consultation that took place in December and January. The aim of this was to gather the views of the public on policing priorities and to seek a view from the public as to their support for a possible increase in the council tax precept. As part of this process we also asked which areas the public would like to see more money spent on and asked if they would be willing to pay a little more in their council tax to maintain or improve policing services.

3.3 The results of the Priorities Survey showed that two thirds of respondents indicated that they would be willing to pay more in their council tax to improve policing services.

3.4 On 17 December we launched the formal statutory consultation around the setting of the precept. The results from this consultation showed a slightly different picture with just 46% indicating that they would be willing to pay up to £10 p.a (based on a Band D property) more and 54% indicating that they would not support an increase.

4. CONSULTATION & ENGAGEMENT METHODS AND FINDINGS

Priorities Survey

4.1 The Policing Priorities survey was launched on 6 October 2021 to identify public priorities to support the upcoming version of the Police and Crime Plan.

4.2 The survey was carried out online and was shared regularly throughout the month across the OPCC's social media channels and was also shared widely by partners. A total of 791 responses were received – it should be noted that respondents did not have to answer every question.

4.3 Primarily the consultation asked the public to identify what they wanted to see the police concentrating on as priorities in the coming year. It also asked whether they felt safe in their local community and how they feel the police deal with reported issues. They were also invited to prioritise which crimes they feel are more important for the police to tackle.

4.5 The final question on the consultation asked respondents if they would be willing to pay more in their council tax to be able to maintain / improve existing police services. Of the 667 respondents to this question, two thirds said they would be prepared to pay a little more:

- One third (33%) said they can afford to pay a little more
- One third (36%) said they could not afford to pay more
- Nearly one third (31%) saying they would pay a little more but no more than inflation

Precept Consultation

4.6 The survey launched on 17 December 2021 and closed on 14 January 2022. During the 4 week period the survey was promoted heavily across the OPCC social media channels (Twitter and Facebook) and was supported by South Yorkshire Police social media accounts – both corporate and neighbourhood accounts – as well as on social media accounts of partners.

4.7 The Police and Crime Commissioner writes a weekly Blog which is circulated to over 1,200 individuals and organisations and information on the survey and the link were included in this Blog during the consultation period. It is also posted across the PCC's social media accounts and was supported by a press release and articles within the local media, including an interview on BBC Radio Sheffield over the Christmas and New Year period.

4.8 A total of 1,042 responses were received and the results show that 46% of respondents (479) are supportive of up to a £10 (Band D property) increase. 54% (563) were not supportive of an increase.

4.9 Within the survey there was a free text section which allowed respondents to provide comment on why they were or were not supportive of an increase. Of the 1048 respondents, 520 provided a response. Of those responses 379 had responded that they would not want to pay anymore. The most prevalent theme amongst those not wanting to pay more was the rise in the cost of living. This accounted for nearly one third (107) of the comments. This is something that hasn't featured heavily in previous precept consultation exercises.

4.10 These comment included:

"To ask people to pay more, particularly in the current climate of the cost of living increasing across the board is unacceptable. People are taxed enough and the money should be gov funded."

"We are already facing substantial rises in fuel and energy costs which in turn will lead to rises in food prices. Wages have not increased in line with these price rises so any additional rise on the council tax is not welcome."

"Families are struggling and many are facing poverty and struggling to meet their needs."

"We pay enough council tax at the moment it's just not wise to increase it knowing people are struggling'

4.11 There was clearly some confusion from some residents between the precept and the entirety of the council tax, as a number of comments received showed evidence of a lack of understanding around the precept. Several comments referred to paying enough for council services already. A number referencing bins, road repairs and social care.

4.12 The survey respondents can be broken down by each district as follows:

Barnsley	358 (36%)
Doncaster	126 (13 %

Rotherham	205 (21%)
Sheffield	284 (29%)
Don’t live but work in S Yorks	4 (0.4%)
Don’t live or work in S Yorks	5 (0.5%)

4.13 The respondents can be broken down by property band as shown:

Band A	264 (27%)
Band B	135 (14%)
Band C	142 (14%)
Band D	199 (20%)
Band E	42 (4%)
Band F	23 (2%)
Band G	12 (1%)
Band H	5 (0.5%)
Don’t Know	160 (16%)

5. Summary

5.1 Across the two surveys, there were 1709 responses to the specific question asking if people were willing to pay more for policing in the council tax precept.

5.2 Of those respondents who answered the Priorities survey in October 2021, 64% indicated they were willing to pay more in their council tax precept.

5.3 Of those respondents who answered the specific council tax precept survey in December 2021-January 2022, 46% of respondents were supportive of up to a £10 (Band D property) increase, and 54% were not supportive of this increase.

5.4 I have considered this mixed picture, as well as the timing of when the questions were posed, in my considerations before putting forward the precept proposal.

6. RECOMMENDATION

6.1 That views of the public are noted in the decision to set the Council Tax Precept at the recommended level.

Fiona Topliss
Communications & Engagement Manager
Office of the Police and Crime Commissioner

Partnership and Commissioning Budget 2022-23

1. Background

1.1. The Office of the Police & Crime Commissioner (OPCC) strategic planning timetable for 2022-23 set out when input was required regarding the Partnership & Commissioning budget to feed into the OPCC process. The intention being to have recommendations for the Planning and Efficiency Group 24 November 2021.

1.2. Keeping to this timeline enables the Police and Crime Commissioner (PCC) to make a timely decision on the Partnership and Commissioning budget for 2022-23 and to consider the financial settlement expected late December 20.

1.3. The Partnership & Commissioning team developed a timeline of activity (Appendix A) to create a budget proposal for the PCC which considered existing contracts and commitments, known future requirements, consultation responses from key stakeholders and public responses to the priorities survey.

2. Recommendations

2.1. To increase transparency and openness in year requests for funding will be considered by Partnership & Commissioning team officer who will liaise with relevant SYP lead and/or other stakeholders. A briefing will be brought to the OPCC Senior Leadership Team for discussion on the request before a recommendation is made to the PCC.

2.2. The Partnership & Commissioning team will continue to work with the relevant SYP subject lead to ensure that services being recommissioned in year continue to support SYP needs.

2.3. The Partnership and Commissioning team will continue to explore opportunities to bid for additional funding when opportunities are identified.

2.4. Review in 2022-23 the funding provided to Youth Offending Teams to ensure the SYP in-kind (officer) contribution is considered in the funding model. To be done with support and involvement of SYP.

2.5. Commissioning reserve to be used to support the Independent Sexual Violence Advisor service as required. Additionally if there are in year requirements which cannot be met from the Partnerships and Commissioning budget then the reserve could also be considered.

2.6. The Community Grant scheme budget will be set at £150,000, the maximum grant available will remain at £7,500.

2.7. Support continued funding to address Modern Slavery, the manner in which this is done to be considered with the SYP Modern Slavery lead.

3. External Funding in 2021-22

3.1. The Partnership & Commissioning team secured £3.2m additional funding through 2021-22. This is set out in Appendix B. The team will continue to submit bids for external funding when opportunities are identified and will continue to work in partnership with SYP colleagues, Local Authorities and other partners.

4. Methodology

4.1. In order to develop the budget proposal for the PCC, the activities as set out in the timeline mentioned previously were conducted.

4.2. In October a letter was sent to all existing funding recipients informing them of the intention to consult on needs for the coming financial year. At the same time an email was sent to all District Commanders informing them of the letter, providing details of existing funding in their District and requesting a meeting with them to discuss current funding arrangements and any needs identified by them.

4.3. A simple consultation document was shared with all existing recipients to capture views and needs for funding in the next financial year. Not all existing recipients responded but there was a reasonable a completion rate. The questions can be found in appendix C.

4.4. The PCC was consulted for a strategic steer a various point and the information provided in the needs assessment responses was considered by OPCC staff as part of the process.

4.5. Further to the District Commander meetings the Partnership & Commissioning manager met with the ACC Poolman to discuss the budget proposals. SYP. In addition to the above consideration was given to the results of the OPCC priorities survey. A list of information considered is available at Appendix D.

4.6. This piece of work forms part of the ‘analyse’ section of the commissioning cycle helping to ensure the Partnership & Commissioning team is following best practise. In completing the activity as part of the OPCC strategic planning timetable it is intended to enable timely notification of funding to recipients.

5. Information gathered/emerging themes

5.1. Through engagement with the Local Criminal Justice Board (LCJB) manager a number of potential requirements or activities the PCC may wish to support in year have been identified. These were noted in an unallocated part of the budget, the ‘one-off commissions line and will be explored in year. These include additional work around race disproportionality in the criminal justice system (victims and offenders), the Doncaster Prison Departure Lounge project and regional activity as part of the Yorkshire and the Humber Rehabilitation Partnership (YatHRP). The partnerships and commissioning manager is part of the YatHRP commissioning sub-group.

5.2. In 2022-23 consideration will be given to promoting specific themes for the PCC’s community grants scheme once the Police & Crime Plan is finalised. Additionally, as part of the whole budget it will be highlighted to any recipient if there is a particular area of focus that the PCC wishes the recipient to consider and/or support through the his grant.

5.3. Modern slavery was seen as an important area to support SYP priorities and if possible the PCC continuing to support a South Yorkshire Modern Slavery partnership would be beneficial, the manner in which this occurs will be developed with the SYP Modern Slavery lead.

5.4. A paper has been tabled at the South Yorkshire Safeguarding Forum setting out the PCC’s position on funding partnership boards in 2022-23, this was supported by ACC Poolman. Partners at the meeting had opportunity to comment and ask questions. This see the budget for Partnership Boards remain the same for 2022-23.

6. Possible Pressures in 2022-23

6.1. It is not clear at this point whether anticipated statutory changes such as the Domestic Abuse Act 2021, Police Crime Sentencing and Courts Bill 2021 or Victims’ Law will bring new responsibilities requiring PCCs to commission additional services.

6.2. Early engagement with colleagues in SYP has identified the need to secure rehabilitative community services to which offenders can be referred as part of conditional cautions. Work will be undertaken to identify the need and explore opportunities for co-commissioning with other YatH commissioners.

6.3. As mentioned earlier additional funding has been secured in 2021-22, of which a number of awards were to support additional need for victims of sexual violence or domestic abuse. Some of the awards do continue into 2022-23 but awards to third sector organisations end 31 March 2022. The partnership and commissioning team will consider onward need in this area and if required will seek permission to use the commissioning reserve to ensure victims receive support.

7. Budget Proposal 2022-23 & In year priority activity

7.1. The table below provides a summary of the budget, there is no increase in budget in comparison to 2021-22 meaning the overall budget for 2022-23 is £3,342,788 aside from any external funding secured. A number of assumptions have been made on external funding expected. The agreed/committed requirements are where there is either contract in place or the PCC has already made a decision on the funding required. The income shown the table supports these commitments many of which are around the contracted services for victims of crime.

7.2. The recommended items are those recommended or where the PCC has indicated a priority and wishes to continue funding. There are no contracts or previously agreed decisions here. Most of the have been previously funded but amounts are not already set and therefore could be changed if required.

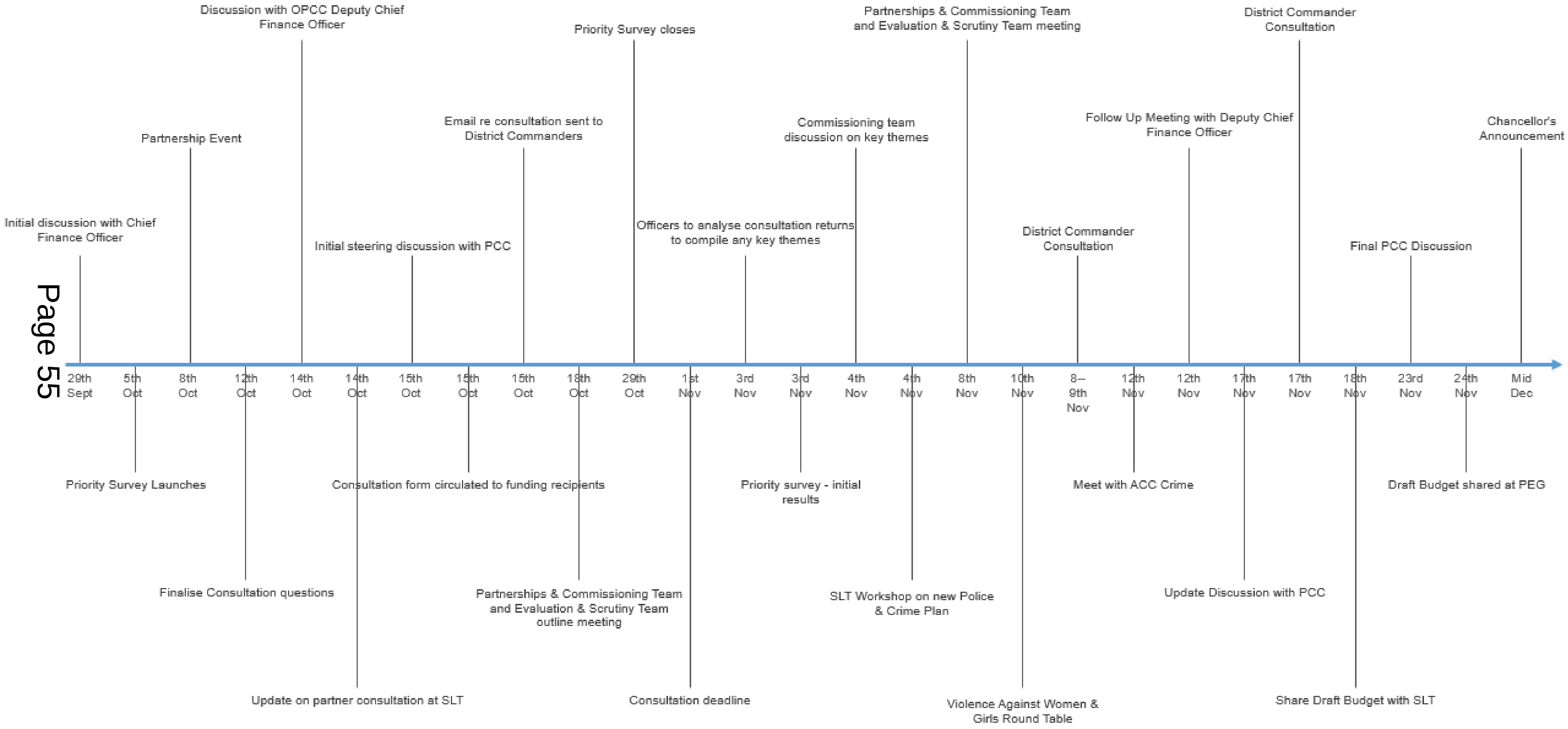
Category	Budget 2021/22	Budget 2022/23
Agreed/Committed	2,966,477	3,995,016
Recommended	1,873,351	1,959,273
Flexible	13,000	13,000
Amended stream in 2022/23	552,220	0
Not required in 2022/23	81,729	0
Total	5,486,777	5,967,289
Income	2,143,989	2,624,500
Grand Total	3,342,788	3,342,788

7.3. During the year the process to commission a number of key contracts will continue/commence, these include the Adult Sexual Assault Referral Centre Service, Victim Support Service and Restorative Justice service

Appendices
Appendix A - Commissioning Proposals Timeline
Appendix B – External Funding 2021-22
Appendix C – Needs Assessment Questions
Appendix D – Information Considered in this Assessment

Appendix A

Commissioning Budget Proposals Timeline 2022-23



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Appendix B

Funding Body	Funding Stream	Brief Description	Max Bid Amount	Bid Submitted	Amount Secured
Home Office	Safer Streets 2	Project to reduce acquisitive crime in the Sharrow/Ecclesall Road area. CCTV/ANPR, Target hardening, Home security improvement scheme working with private landlords, Alley gates, Operation Shield Rollout	£432,000	£432,000	£432,000
Home Office	Safer Streets 2 (2nd bid)	Tri-borough partnerships targeting hotspots for acquisitive crime in the Dearne. Each local authority granted money for community engagement and purchasing CCTV. Op. Shield and ANPR also included in the bid.	£432,000	£418,000	£418,000
Home Office	Safer Streets 3	A project that focuses on improving safety in public areas, particularly that of women & girls.	£550,000	£550,000	£550,000
Home Office	Perp Phase 2	Further funding announced in spring budget by chancellor of an additional 15m for perpetrator activity. Funding for phase 2 was allocated to match that of phase 1 for a further six months from 1st October – 31st Match 22. No match funding is required for this allocation.	N/A	£232,027	£232,027
Home Office	Perp Phase 3	21/22 Perpetrator Fund of £11.1m split into three areas: 1. Programmes that address known issues in relation to DA offending (~£7.1m). 2. Programmes that focus on children and adolescents (~£2m). 3. Programmes aimed at stalking perpetrators (~£2m). Applications can be made to all three of the above.	Min £200,000	£321,228	£321,228
MoJ	Victims Uplift Grant	Single year increase to the Victim services grant allocation. Local allocation calculated based on previous Covid distribution amount. Open process run via OPCC inviting applications from local groups	£314,710	£314,710	£314,710
MoJ	Victims Uplift – IDVA & ISVA	£40m victim support funding for DA & SV victims. £12m of this was specifically identified to increase capacity of ISVA & IDVAS. EOI submitted to increase ISVA & IDVA capacity across South Yorkshire by 9 fte IDVA's & 2 fte ISVA's	N/A	£738,952	£683,667
MoJ	Critical Support Funding	A total of 1.5m has been made available to support areas that have critical levels of high demand that the Victims uplift grant and previous EOI will not sufficiently address	N/A	£361,023	£328,293
Total				**£3,367,940**	**£3,279,925**

Needs Assessment Questions

- Name
- Service Provided
- District
- Details of other funding contributors incl funding amount
- Anticipated need/priorities for 21-22, in priority order
- How have the priorities been established?
- Any financial commitments which extend past 21-22 of which the PCC should be aware
- Is this a contracted service? If so when is the end date of the contract?
- Any identified service gaps which the PCC may wish to consider supporting?

Appendix D

Information and sources considered in this Assessment

- Consultation with District Commanders
- Consultation with relevant theme lead in South Yorkshire Police
- Consideration of the transitional Police and Crime Plan and discussions on the future Police and Crime Plan
- Public consultation findings (PCC priorities survey)
- Consultation with OPCC Evaluation and Scrutiny Team and other OPCC colleagues
- Consultation with OPCC Senior Leadership Team
- Needs Assessment questionnaire responses provided by current funding recipients
- National information from Association of Police and Crime Commissioners
- Legislation (Victims Law, Domestic Abuse Bill, Police, Crime, Sentencing and Courts Bill)
- Discussions with Chief Finance and Deputy Chief Finance Officers

South Yorkshire Police and Crime Commissioner
Your Voice

Appendix D

RESERVES STRATEGY 2022/23

Introduction

1. The Reserves Strategy is published, annually, as part of the Police and Crime Commissioner's (PCC's) annual budget setting report. It sets out the latest position and the strategy regarding the use of reserves in future years.

2. It is a statutory requirement that the Chief Finance Officer (the CFO) presents a report to the PCC, as part of the budget approval process, which assesses the adequacy of reserves in the context of corporate and financial risks facing the PCC and the Chief Constable for South Yorkshire Police (SYP).

3. In 2018/19, the Minister for Policing, Fire and Criminal Justice and Victims called for greater transparency in how public money is used locally. This included guidance as to the information PCCs should publish in relation to reserves. Subsequently in September 2021, the formally named Ministry of Housing, Communities & Local Government had proposed changes to the reserves categories to acquire more clarity, so there is still a focus on this area now. Additional information is also included in accordance with the requirements of the CIPFA financial management code of practice.

4. This strategy has been produced in line with the relevant guidance. It provides information on the estimated level of reserves, both general and earmarked, balances currently held and explains how some of these will be applied over the medium term to help support the revenue budget and capital programme.

Background

5. Reserves may be used by the PCC for the annual budget and, over the longer term, as part of the overall Medium Term Resourcing Strategy (MTRS). There are a number of legislative safeguards in place that help prevent the PCC from over-committing financially. These include:

    - The requirement to set a balanced budget,
    - The requirement for PCCs to make arrangements for the proper administration of their financial affairs and the appointment of a CFO (Section 151 Officer) to take responsibility for the administration of those affairs,

- The CFO's duty to report on the robustness of estimates and the adequacy of reserves,
- The requirements of the Prudential Code, Treasury Management in Public Services Code of Practice and the Financial Management Code of Practice.

6. This is reinforced by Section 25 of the Local Government Act 2003, as amended by the Police Reform and Social Responsibility Act 2011, which requires the CFO to report on the robustness of estimates used for the budget and the adequacy of reserves and to report to the PCC, Police and Crime Panel and the External Auditor if there is, or is likely to be, unlawful expenditure or an unbalanced budget. This would include situations where the PCC does not have sufficient resources to meet expenditure in a particular year or where reserves have become depleted.

7. There is no statutory guidance on the 'right' level of reserves. Guidance from CIPFA confirms that PCCs should, on the advice of their CFOs, make their own judgements on such matters, taking into account relevant local circumstances and an assessment of risk. In a House of Lords debate of the policing precept in January 2018, the Minister of State stated that '5% of the revenue budget is deemed a reasonable level of reserves'.

8. There is also a requirement for three-year revenue forecasts across the public sector. This is achieved through the MTRS. Within the Comprehensive Spending Review, the PCC has received confirmation of revenue and capital grants from government for one year. This provides limited ability to focus on the levels of reserves and application of balances and reserves in the future medium term.

9. CIPFA's Prudential Code requires a CFO to have full regard to affordability when making recommendations about a PCC's future capital programme. Considerations include the level of long-term revenue commitments. When considering affordability, the PCC is required to consider all of the resources available and estimated for the future, together with the totality of their capital plans and revenue forecasts for the forthcoming year and future years as set out in the MTRS.

10. The PCC must retain adequate reserves so that unexpected demand-led pressures on budgets can be met without adverse impact on the achievement of the outcomes set out in the Police and Crime Plan. This will include known areas where financial implications are uncertain and more widely in respect of risks associated with assumptions of external support and income from Council Tax increases.

<u>Types of Reserves</u>

11. The PCC holds reserves which fall into two distinct categories:

- **General Reserves:** these are necessary to fund any day to day cash flow requirements and also to provide a contingency in the event of any unexpected events or emergencies.

- **Earmarked Reserves:** these have been created as a means of building up funds for specific purposes and involve funds being set aside to meet known or predicted future liabilities. By establishing such reserves, it will avoid liabilities being met from Council Tax or grant in the year that payments are made and impacting the revenue budget. See ***Appendix D*** for further details of the earmarked reserves held.

Reserves Strategy

12. The required level of reserves needs to be assessed against potential risks and uncertainty that the PCC and the Chief Constable face in 2022/23 and beyond. The Finance Settlement from Government in 2022/23 is for one year only despite the three year comprehensive spending review (CSR) period, which sets long term police budgets and look at how resources are allocated fairly across police forces, in particular to increase police officer numbers towards the government's national 'Uplift' target of 20,000.

13. The factors that need to be considered will include the financial risks associated with:

- The deliverability of savings plans proposed to balance the revenue budget,
- The potential for additional demand led pressures and costs,
- The likelihood of any additional government funding to fully fund the national Uplift programme beyond the CSR period, Covid-19, or offset unforeseen or unbudgeted expenditure, and
- The nature of any historic events and potential liabilities arising from these events e.g. the legacy issues associated with the Hillsborough Disaster and cases of child sexual exploitation (CSE).

In general however reserves will not be utilised to fund day to day revenue expenditure, unless exceptional, and the use of reserves requires specific PCC approval through normal governance mechanisms.

14. The uncertainty surrounding the cost of the three legacy issues within South Yorkshire has led to the continuation of a separate 'legacy reserve'. This reserve is not generally available for other activity, and as there is no certainty around the Home Office funding in this area, it is specifically earmarked so the other reserves can be dedicated to supporting local investment and activity. Once depleted however, the use of earmarked then general reserves will have to be considered for legacy issues if necessary.

15. It has been previously established by the CFO that General Reserves, where possible, will be maintained at a level of approximately 5% of the total net revenue budget. Other earmarked revenue reserves, if necessary, would be released to protect the level of general reserves as far as possible. The impact of this on the ability to fund potential future risks, will need to be assessed at the time.

Reserves Balances 2022/23

16. The balance as at 1 April 2021 for the total general and earmarked reserves was £64.9m. Of this, general reserves (£42.2m) were above 5% of the net revenue budget. The remaining reserves were all earmarked at £22.7m.

17. It is forecast that £246k would be taken from the general reserves in 21/22 following year end focus as at December 2021. However, there is still scope for this to change as we enter the last quarter.

18. The MTRS forecasts that the 2022/23 Force/ OPCC budget will balance and make a contribution to general reserves. However, reducing this is a funding deficit of £5.4m in relation to legacy issues (the difference between the costs of legacy issues to the South Yorkshire PCC, and the Special Grant income received from the Home Office towards legacy costs). The net impact is that a £0.5m contribution is forecast to the reserves in 2022/23.

Future Reserves Balances

19. There are significant risks and uncertainty that could affect the level and adequacy of reserves in the future, without further efficiencies and savings generated by SYP beyond those assumed in the MTRS to support future budgets in the medium term.

    The impact of this position is that the 2022/23 budget is in balance before Legacy, but the MTRS requires the use of reserves to balance the budget from 2023/24 onwards. This is not a sustainable approach, as the prudent minimum reserve balance could only be sustained until 2025/26 and thus corrective action will be required to be taken.

    The 2022/23 budget report states that balancing the medium term financial position to ensure recurrent financial balance will require some, or all, of the following:

    - Clarity around the government position on future funding for uplift officers
    - SYP's future integrated planning to balance demand and growth pressures and the need for efficiency savings
    - Continuation of legacy cost funding from the Home Office
    - Precept flexibility
    - Clarity of funding post CSR period

Impact of Legacy Costs

20. The level of Legacy costs, and uncertainty regarding central government funding support, are a significant risk to maintaining adequate levels of reserves in the future. The Legacy costs can be summarised as:

- Operation Stovewood: This is the work being undertaken by the National Crime Agency (NCA), with support from SYP, to investigate historic allegations of child sexual exploitation in Rotherham. In previous years, a significant percentage of these costs have been met by the Home Office through Special Grant funding. These costs have increased and will continue to 2026/27, at this time the level of Home Office support through Special Grant funding is unconfirmed for 2022/23 and onwards. Allowing for anticipated Home Office Special Grant under the current rules, the estimated net funding gap which South Yorkshire will have to resource is reflected in the 2022/23 budget and MTRS.

- Civil Claims: To assist budget setting, SYP's Legal Services team provided forecasts for 2022/23 and future years regarding Hillsborough and historic CSE-related civil claims. Allowing for anticipated Home Office Special Grant under the current rules, the estimated net funding gap which South Yorkshire will have to resource is also reflected in the 2022/23 budget and MTRS.

21. The expected costs of legacy issues in 2022/23 and future years have been updated. Between 2022/23 and 2026/27 costs are expected to total £121m, with £103m of Special Grant receivable under the current rules. This leaves a funding gap of £18m to be met from the PCC's resources, mainly reserves. Due to the complexity of the issues, these costs can shift to later years depending on the pace of the Operation Stovewood investigations, or the progress of civil claims passing through the legal process. Future costs have now been projected over the next year only for CSE Civil Claims and the next three years for Hillsborough Civil Claims, and these are included in the earmarked reserves.

22. There is ongoing dialogue with the Minister of State for Crime and Policing, to demonstrate the affordability impact on South Yorkshire and also to encourage the Home Office to move away from annual grant funding applications, recognising that these are complex issues with a financial impact over the next five years. The Home Office continues to review its funding on special grant year by year, and thus there is a significant risk associated with legacy issues and the outcome of any Special Grant funding applications to the Home Office. Access to Special Grant funding is not guaranteed. Any unsuccessful application for special funding could affect the level and adequacy of reserves. Therefore the overall level will be kept under review during 2022/23 as part of medium term planning and the monitoring of risks. Based on the ongoing Home Office support and dialogue, the strategy assumes that current levels of Home Office funding will continue.

Summary and Conclusion

23. Unlike general reserves, earmarked reserves have been identified for specific areas of expenditure where there are anticipated costs that can only be estimated. It is therefore prudent for the PCC to identify such areas and set aside amounts that limit future risk. Attached is a summary showing the movement of the reserves over the medium term.

24. The future forecast of reserves is based on the 2022/23 MTRS, proposed for approval in February 2022. The strategy has assumed that in order to retain general reserves at 5%, or in a positive balance, all available earmarked reserves will be released first to support the general reserve.

25. This will have an opportunity cost associated with it, in terms of constraining investment in transformation to the estate or in technology that would support the successful operation of a more efficient operating model. Additionally, to maintain the general reserves to 5%, significant savings from the revenue policing budget will be required, potentially impacting on the policing service in South Yorkshire. Hence dialogue remains open with the Home Office regarding certainty of government funding to support legacy costs.

26. This strategy is reviewed annually with the PCC. During the year changes may occur in the MTRS, which may affect this strategy. Such changes will be monitored by the CFO and reported to the PCC appropriately.

Sophie Abbott
Chief Finance Officer

Reserves Forecast 2022/23 to 2026/27

South Yorkshire Police & Crime Commissioner - Proposed Budget 2022/23

Reserves Forecast (Including Insurance Provision)

(Millions)	31.3.22	Forecast Movement	31.3.23	Forecast Movement	31.3.24	Forecast Movement	31.3.25	Forecast Movement	31.3.26	Forecast Movement	31.3.27
General Fund Reserve	£41.2	£0.8	£42.0	£-2.1	£39.9	£-4.6	£35.3	£-12.5	£22.8	£-16.4	£6.4
Earmarked Reserves	£6.1	£-0.3	£5.9	£0.0	£5.9	£0.0	£5.9	£0.0	£5.9	£-5.9	£0.0
Insurance Reserve	£12.1	£-3.4	£8.7	£0.0	£8.7	£0.0	£8.7	£0.0	£8.7	£0.0	£8.7
Total Reserves	**£59.5**	**£-2.9**	**£56.6**	**£-2.1**	**£54.5**	**£-4.6**	**£49.9**	**£-12.5**	**£37.5**	**£-22.3**	**£15.1**
5% min General Fund Reserve	**£14.8**		**£15.5**		**£15.9**		**£16.4**		**£16.9**		**£17.5**

Note: Regular discussions take place with the Home Office and the Crime and Policing Minister regarding affordability and impact for South Yorkshire of the current Special Grant rules.

Earmarked Reserves

Home Office Category	Earmarked Reserve	Description/Use
Funding for planned expenditure over the period of the current medium term financial planning	Council Tax Support Reserve	This reserve is for any external grant from the Government in regards to Council Tax Support.
	Legacy Reserve	This reserve has been set aside from underspends on legacy costs to fund future potential liabilities in relation to Hillsborough and CSE.
	Devolved Reserve	As part of the devolved financial management arrangements, budget holders are allowed to carry forward underspends up to approved limits to fund expenditure in future years.
Funding for specific expenditure beyond the current planning period	Revenue Grant Reserve	This reserve is for any external grant that has not been used in year, to allow it to be carried forward to fund future activity associated with the grant in forthcoming years.

	PCC Commissioning Reserve	This reserve is for any underspends on the PCC's Commissioning Budget. It will be carried forward to use in future years for both revenue and capital spend within approved limits. Also, used to underwrite commissioned services where the funding period does not cover the full contract length.
As a general contingency/resource to meet other expenditure needs held in accordance with sound principles of good financial management	Insurance Reserve	This represents sums set aside to fund potential liabilities under the current insurance arrangements. This reserve is subject to periodic actuarial review.
	Redundancy Reserve	This reserve is set aside to cover any future redundancy liabilities in relation to the Local Criminal Justice Board's (LCJB) Business Manager. The LCJB is funded by the PCC and external partners.

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CAPITAL STRATEGY 2022 TO 2027

1. Introduction

1.1 The Capital Strategy is an integral part of the Police and Crime Commissioner's (PCC's) strategic planning and governance. It summarises how the PCC's capital investment and financing decisions are aligned with the aims of the Police and Crime Plan and the Medium Term Resources Strategy (MTRS) over a five year planning timeframe to 2026/27.

1.2 The Strategy will reinforce the holistic approach taken by the PCC and the South Yorkshire Police Force (SYP) in taking a longer term view of demand and need and closely aligning strategic planning to improve outcomes for the people of South Yorkshire.

1.3 Our approach to planning includes ensuring the MTRS, Reserves Strategy, VFM Strategy and Capital Strategy all support the delivery of the aims of the Police and Crime Plan. Collaboration is a strong feature of the Capital Strategy, with the three major components of the capital programme – estates, IT and fleet – working with either South Yorkshire Fire and Rescue Services (SYFR), or with neighbouring police forces, to maximise the efficiency and effectiveness of services wherever possible.

1.4 This is a higher level strategy. It sets the framework for the more detailed Treasury Management Strategy, which covers investment and borrowing approaches. This strategy concludes with a summary of expected capital expenditure to 2026/27, with the capital financing requirement and Minimum Revenue Provision policy over the same planning horizon.

2. Background

2.1 CIPFA's revised Prudential and Treasury Management Codes requires the PCC to prepare a capital strategy for 2022/23, covering the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services,
- an overview of how the associated risk is managed, and
- the implications for future financial sustainability.

2.2 The aim of this capital strategy is to ensure the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite are documented and understood by all the PCC's stakeholders.

2.3 The capital strategy includes capital expenditure, capital financing and aligns with the treasury management strategy, with a long term timeframe to 2026/27 and beyond.

2.4 The proposed capital strategy is sustainable, affordable and prudent in the long term. A key priority of the PCC's Police and Crime Plan is to develop further our ability to demonstrate value for money for South Yorkshire residents and the broader taxpayer and this will include capital programmes.

2.5 The PCC's capital expenditure plans are the key driver of treasury management activity. The output of capital expenditure plans is reflected in the prudential indicators within the Treasury Management Strategy, which are designed to provide an overview and confirm capital expenditure plans.

3. The Capital Strategy

3.1 The Capital Strategy builds on three key underlying strategies which set out how our key assets such as buildings, vehicles and IT systems are designed, managed and utilised to deliver the most effective services. For instance, are the buildings we use in the right locations and of the right configuration to support the increased presence of neighbourhood-based police officers, with the right IT equipment and information systems to enable more time for officers to be visible in neighbourhoods, rather than completing paperwork at a desk, and with the most efficient and fit for purpose fleet of vehicles utilised.

3.2 Collaborative approaches, good governance, value for money and effective procurement arrangements exist for each component strategy, with clear links to demonstrate how they support delivery of the PCC's and SYP's strategic and operational plans.

3.3 Following the SYP assessment of need exercise an ambitious capital programme has been prepared from Asset Management Plans, Senior Command Team (SCT) decision papers and business cases that have been progressed through Strategic Boards, aligned to strategic priorities. The capital programme includes ongoing schemes and new schemes requiring approval. All new schemes require a capital scheme brief or business case that is generally progressed through Strategic Resourcing Board (SRB) prior to the scheme commencing. SRB brings scrutiny and challenge prior to the submission to SCT for approval and then on to the PCC for a final decision where this is greater than £250k. Further work has also been undertaken jointly to improve capital processes by the PCC's CFO, the Force CFO and the Director of Resources. Work in this area is continuing.

3.4 Estates Strategy

A new five year Estates Strategy and accompanying Delivery Plan and Roadmap was created in light of the Collaboration Board decision for SYP and SYFRS to no longer progress with a shared estates service.

The current SYP Estates Strategy 2021 – 2026 was prepared by the Head of Estates and Facilities and approved at the PCC's Estates Board in December 2021. It details the ideologies by which the estate will be managed to ensure that it is fit for purpose, well maintained, and appropriately located buildings are available to support the policing of South Yorkshire with the three key principles:

a) Enabling frontline policing delivery

b) Maintaining a well-managed, integrated estate

c) Driving efficiency and effectiveness through transformation

These support the priorities encapsulated in the PCC's Police and Crime Plan and in force priorities too, enabling the efficient and effective delivery of policing and crime services wherever and however they are needed. The Strategy and Delivery Plan is facilitated by a strengthened and increasingly professionalised Estates and Facilities team.

The Delivery Plan and Roadmap includes key workstreams such as uplift, Smarter Ways of Working, and a five year plan of works and projects, providing additional structure to programmes of work and the need for the financing of them and when. The Delivery Plan is formed from existing agreed programmes, from emerging requirements due to nationally changing priorities and from the annual business planning process. The programmes also include projects to support local policing initiatives, major schemes borne out of condition surveys and designed to improve resilience and efficiency in the estate for the future. Repurposing of buildings to reflect changing needs and other minor schemes of work, forming part of the day-to-day management of the estate alongside a robust programme of planned maintenance.

Major schemes in the current Delivery Plan include:

- Doncaster Police Station & Custody Suite
- Robert Dyson House
- Swan House (Europa 3)
- Ecclesfield
- Atlas Court
- Carbrook House
- Rotherham Main Street
- Force Archive facility

3.5 IT Strategy

South Yorkshire Police has a joint IT Service shared with Humberside Police Force. The 'Information Services Shared Strategy 2021-2025' has been created in response to a changing environment in which the forces are increasingly depending on efficient IT services to meet the needs of the public they serve within Humberside and South Yorkshire Policing areas. A new Target Operating Model (TOM) has been created, aligned to the IT Strategy in order to drive the businesses forward over the coming years.

The joint IT Strategy is designed to deliver a range of benefits some of which are listed below:

- Increased User Satisfaction
- Reduced Service Desk Demand
- Reduced Cost
- Decreased Incident Resolution Times
- Improved Project Delivery

The vision and mission conveyed in the strategy are as follows:

Vision: To be the "IT Shared Service" of choice, providing the ability for our businesses to be digitally enabled with the right tools to perform their roles and meet the business goals.

Mission: The “IT Shared Service” fulfils the IT needs of the Forces by providing proven, high-quality, cost effective services on a day-to-day basis with minimal disruption to the businesses.

The following key activities are included (amongst others) in the capital programme stemming from strategy:

- ESN
- Asset Refresh
- Uplift

3.6 Fleet Strategy

The 10-year Joint Vehicle Fleet Management Strategy is in place to provide a focus for the activities of the department, in support of the wider organisational priorities of both SYP and SYFR. The strategy outlines how we intend to ensure that our vehicles and associated equipment are procured, maintained and disposed of, whilst meeting operational needs and the needs of our communities. Advances in technology and the road to Net Zero are key considerations, along with the impacts of Brexit and the pandemic, during a time when the number of Police Officers are being uplifted nationally. Our plans are centred on increasing our in-house provision and ability to meet demand in a more cost-effective manner, through training, income generation and the management of data.

The strategy is reviewed annually and is currently undergoing a refresh for 2022.

4. Governance

4.1 Capital investment planning is undertaken as part of the service strategic and financial planning process, where the need for capital investment is considered along with need, demand, impact, affordability (both the capital and revenue aspects), sustainability and risk. The capital programme is examined in detail during the process, and prioritised and phased in line with the above considerations. The final programme is reflected in the MTRS.

4.2 Governance of the capital programme follows Financial Regulations and Financial Instructions, to ensure available resources are allocated to deliver value for money.

4.3 The PCC’s Public Accountability Board (PAB) has ultimate responsibility for approving the capital strategy for investment and the multi-year capital programme. At PAB, the PCC will also approve any forecasted changes to the capital programme, in line with Financial Regulations.

4.4 The joint Planning and Efficiency Group (PEG) between the PCC and Chief Constable reviews strategic and financial planning, including the development of the capital programme.

4.5 Specific investment business cases are reviewed at the Chief Constable's Strategic Change Board. In developing the proposed capital programme, SYP's Strategic Resources Board will further consider the business cases as Capital Scheme Briefs prior to inclusion in the draft capital programme proposed by the Chief Constable for approval by the PCC. This will usually be considered alongside an updated Police and Crime Plan and MTRS.

4.6 The Estates Board (chaired by the PCC) and respective joint collaboration boards for IT and Fleet will provide oversight to the development and evaluation of individual business cases and broader, longer term programmes that support strategic priorities prior to their submission for approval by the PCC.

4.7 The Treasury Management Strategy that supports the Capital Strategy will be considered by the Joint Independent Audit Committee (JIAC).

5. Capital Expenditure 2022/23 to 2026/27

5.1 The table below summarises the capital expenditure plans over the life of the Medium Term Resources Strategy and how these plans are expected to be financed. Any shortfall of resources results in a funding borrowing need. Forecasts have been included with regards to capital receipts due to the update of the estates strategy. Financing arrangements will be adjusted as/when disposals are completed and the disposal proceeds are received. More detailed information around the financing of the capital programme, and associated risks can be found in the Treasury Management Strategy.

Categories for Capital Programme	Forecast 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000	Forecast 2026/27 £000
Land & Buildings	16,690	23,222	9,131	1,100	1,100
Vehicles	2,825	2,711	2,937	3,410	3,601
IT	8,652	6,145	10,240	3,575	2,395
Other Equipment	1,133	808	690	464	299
Slippage adjustment	(4,380)	(1,183)	3,263	7,590	0
Total	**24,920**	**31,702**	**26,261**	**16,138**	**7,395**

Capital Budget	Budget 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000	Forecast 2026/27 £000
External Grants	287	0	0	0	0	0
Capital Receipts	0	300	300	300	300	300
Specific/Grants	0	0	0	0	0	0
Revenue Contribution	100	1,850	0	0	0	0
Contribution from Capital Reserves	0	0	0	0	0	0
Borrowing	17,412	22,770	31,402	25,961	15,837	7,095
Overall Total	**17,799**	**24,920**	**31,702**	**26,261**	**16,137**	**7,395**

5.2 Other long-term liabilities - The above financing need excludes other long-term liabilities, such as leasing arrangements that already include borrowing instruments.

5.3 The introduction of the anticipated IFRS16 following its delay due to the pandemic may have an impact on existing assets/leases that have a material effect on the balance sheet is being conducted in 2021/22, though, it will be a requirement for closing of the accounts for 2022/23 and thus will be reflected in next year's Treasury Management Strategy. Postponing the change is further supported, as CIPFA in February 2022 launched an emergency consultation to delay IFRS 16 implementation.

6. Borrowing Need (the Capital Financing Requirement)

6.1 The second prudential indicator is the PCC's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the PCC's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

6.2 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge, which broadly reduces the borrowing need.

6.3 The CFR includes any other long-term liabilities (e.g. leases). Whilst these increase the CFR, and therefore the PCC's borrowing requirement, these types of scheme include a borrowing facility so the PCC is not required to separately borrow for these schemes.

6.4 The CFR projections are set out below:

Capital Financing Requirement	**2021/22 £000 Forecast**	**2022/23 £000 Forecast**	**2023/24 £000 Forecast**	**2024/25 £000 Forecast**	**2025/26 £000 Forecast**	**2026/27 £000 Forecast**
Opening CFR	**75,177**	**93,479**	**115,303**	**145,538**	**170,032**	**184,144**
Capital Investment						
Property, Plant, Equipment	19,656	**24,920**	**31,702**	**26,261**	**16,137**	**7,395**
Source of Finance						
Capital Receipts	0	**-300**	**-300**	**-300**	**-300**	**-300**
Govt Grants & Contributions	-387	**-1,850**	**0**	**0**	**0**	**0**
Sums set aside from revenue						
Minimum Revenue Provision	-967	**-946**	**-1,167**	**-1,468**	**-1,724**	**-1,888**
Closing CFR	**93,479**	**115,303**	**145,538**	**170,032**	**184,144**	**189,352**

Note small differences are due to rounding's

7. Minimum Revenue Provision (MRP) Policy Statement

7.1 The PCC is required to pay off an element of the accumulated capital expenditure each year (the CFR) through a revenue charge (MRP), although he is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

7.2 Department for Levelling Up, Housing and Communities (DLUHC) have issued regulations which require the PCC to approve **an MRP Statement** in advance of each year. A variety of options is available to the PCC, as long as the provision is prudent.

7.3 A review of the options has been undertaken and it is recommended that the MRP Statement for 2022/23 is as follows:-

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

- **Existing practice** - MRP will follow the existing practice outlined in the DLUHC regulations (option 1), which provides for an approximate 4% reduction in the borrowing need (CFR) each year.

7.5 From 1 April 2008 for all unsupported borrowing (including leases) the MRP policy from 2019/20 will be*:*

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (option 3), whereby the annuity method has been adopted.

TREASURY MANAGEMENT STRATEGY

REPORT OF CHIEF FINANCE OFFICER

PURPOSE OF REPORT

1. To allow the PCC to scrutinise the following documents in relation to 2022/23, and if satisfied, to approve the Treasury Management Strategy. The documents below have been updated to reflect the approved 2022/23 budget. It is intended to present the finalised document at the next JIAC meeting.

    - CIPFA Treasury Management Code and Prudential Code revised codes implications (**Annex A**)
    - Treasury Management Policy Statement 2022/23 (**Annex B**)
    - Treasury Management Strategy Statement 2022/23 (**Annex C**)
    - Borrowing Strategy (**Annex D**)
    - Investment Strategy 2022/23 (**Annex E**)
    - Prudential Indicators 2022/23 (**Annex F**)
    - Minimum Revenue Provision (MRP) calculation policy 2022/23 (**Annex G**)
    - Treasury Management Practices 2022/23 (**Annex H**)
    - Detailed Economic Commentary (**Annex I**)

KEY INFORMATION

2. It should be noted that the Chartered Institute of Public Finance and Accountancy (CIPFA) published updated Treasury Management and Prudential Codes on 20th December 2021, they stated that there will be a soft introduction of the codes with PCC's, with full implementation required for 2023/24. A brief outline of the requirements of the new codes are provided in **Annex A** for information.

3. However, there is a requirement that PCC's must not borrow to invest primary for financial return, which was always implicit in the previous code. It is now explicit in the revised code with immediate adherence. The CFO confirms that we were already complying with this requirement.

4. The proposed Treasury Management Policy Statement for 2022/23 is shown at **Annex B** and covers the definition of treasury management activities and the key principles underpinning them. The definition includes the investment of surplus cash and the sourcing of external borrowing. The PCC's average daily cash surplus is made up of the amounts held in balances, reserves and provisions, usable capital receipts, unapplied capital grants and temporary cash flow surpluses.

5. The proposed treasury management strategy statement for 2022/23 is attached at **Annex C**. This continues to focus on economy and stability, to achieve the lowest net interest rate costs recognising the risk management implications, and protect the annual revenue budget from short term fluctuations on interest rates.

6. CIPFA Prudential Code for Capital Finance in Local Authorities provides the formal guidance for the manner in which capital spending plans are to be considered and approved, and this strategy complies with the recommendations contained within the code.

7. Prudential Indicators in respect of capital expenditure, external debt and treasury management activity are included at **Annex D**. This includes the Authorised Limit for external borrowing required under section 3(1) of the Local Government Act 2003.

8. Guidance from The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) requires the PCC to set an annual investment strategy. The proposed strategy is set out at **Annex E** and has as its primary principle the security of investments.

   The criterion for choosing counterparties provides a sound approach to investment in "normal" market circumstances. Whilst the PCC is asked to approve this base criteria, under exceptional current market conditions the PCC's Chief Finance Officer will temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly the time periods for investments will be restricted.

9. The DLUHC (formerly MHCLG) has also issued statutory guidance setting out options for the way MRP may be calculated. Further background to the guidance and the policy is set out at **Annex F**.

10. The latest guidance from CIPFA recommends that detailed scrutiny of Treasury Management proposals is undertaken prior to approval, with a view to informing and expediting the formal consideration by the PCC.

11. One of the cornerstones of effective treasury management is the preparation and implementation of suitable Treasury Management Practices (TMPs), which set out the manner in which the organisation will seek to achieve the treasury management policies and objectives and prescribe how it will manage and control those activities. A summary of the Treasury Management Practices relevant to the PCC is attached at **Annex G**. Detailed schedules are being updated in consultation with our treasury management service providers which specify the systems and routines that are employed and the records that are maintained.

12. Attention is drawn to the fact that under the Police and Social Reform Act 2011 the PCC continues to have responsibility for the Treasury Management activity of the South Yorkshire Police Group.

The UK is currently rated as AA- but is still an approved country for investments. However, there are other countries (see table below for the current list) which have higher sovereign ratings than the UK (based on the two out of three ratings from the agencies Fitch, Moody's and S&P) and have banks operating in sterling markets which have credit ratings of green or above in the Link Assets Services Treasury Solutions credit worthiness service.

AAA	AA+	AA
Australia; Denmark; Germany; Luxembourg	Finland	Abu Dhabi (UAE)
Netherlands; Norway; Singapore; Sweden	Canada	France
Switzerland	USA	

The strategy to investment with countries with ratings of AAA, AA+ and AA from two of the three rating agencies outlined above is still in place, provided they are also rated as green, or above, through Link Asset Services Treasury Solutions. Any investment outside of the UK must be agreed with the PCC beforehand.

13. There are no major changes to the content of the strategy this year, other than the introduction of the anticipated IFRS16 following its delay due to the pandemic.

14. IFRS16 – In December 2020 leasing implementation had been deferred to 2022/23 due to pressures on staff from the pandemic. Therefore, any impact on existing assets/leases that have a material effect on the balance sheet will be conducted in 2021/22, though, it will be a requirement for closing of the accounts for 2022/23 and thus will be reflected in next year's Treasury Management Strategy. Postponing the change is further supported, as CIPFA in February 2022 launched an emergency consultation to delay IFRS 16 implementation.

15. Affordability: Balanced Budget Requirement

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992 to produce a balanced budget. In particular, Section 33 requires the PCC, as a Local Authority, to calculate his budget requirement for each financial year to include the revenue costs that flow from capital financing decisions.

This means that capital expenditure must be limited to a level where increases in charges to revenue from additional external interest and running costs are affordable within the projected income levels for the foreseeable future.

Budget Assumptions

The budget estimates associated with treasury management activity are set out below:

	Estimate 22/23 £000	Estimate 23/24 £000	Estimate 24/25 £000
Interest payable	1,739	2,395	3,035
Debt Management Expenses	8	11	9
Interest Receivable	(75)	(75)	(75)
Total	**1,672**	**2,331**	**2,969**

16. Treasury management activities expose the PCC to a variety of financial risks, the key risks being credit risk, liquidity risk, re-financing risk and market risk. Overall procedures for managing risk include adopting the requirements of CIPFA's Code of Practice (including an approved Treasury Strategy and Investment Strategy), and approving annually in advance prudential indicators for the following three years.

17. The treasury service itself is provided to the PCC by Doncaster Council through a service level agreement. Additionally, under the service level agreement with Doncaster, the PCC uses Link Asset Management Services as his external treasury management advisers. The company provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of member reports;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;
- Credit ratings/market information service comprising the three main credit rating agencies.

It must be recognised that responsibility for treasury management decisions remains with the PCC at all times, which will ensure that undue reliance is not placed upon external service providers. Whilst the advisers provide support to the internal treasury function under current market rules and the CIPFA Code of Practice, the final decision on treasury matters remains with the PCC. The PCC will ensure that the terms of the advisor's appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

SUPPORTING DOCUMENTATION:

Annex A – CIPFA Treasury Management Code and Prudential Code revised codes implications
Annex B – Treasury Management Policy Statement
Annex C – Treasury Management Strategy Statement
Annex D – Borrowing Strategy
Annex E – Investment Strategy
Annex F – Prudential Indicators
Annex G – Minimum Revenue Provision (MRP) calculation policy
Annex H - Treasury Management Practices
Annex I - Detailed Economic Commentary provided by Link Asset Management

BACKGROUND PAPERS

- CIPFA's Treasury Management in the Public Services: Code of Practice 2001 as revised November 2009, 2011, 2017 and 2021.
- CIPFA's Prudential Code for Capital Finance in Local Authorities 2003 as revised November 2009, 2011 and 2018.
- Local Government Act 2003
- DLUHC Investment Guidance
- DLUHC Minimum Revenue Provision Guidance
- Local Authorities (Capital Finance and Accounting Regulations) 2003
- PWLB Circulars

2021 REVISED CIPFA TREASURY CODE AND PRUDENTIAL CODE IMPLICATIONS

The following is a summary of the changes to the CIPFA prudential and treasury codes:

- a requirement for the PCC to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- clarifies what CIPFA expects a local authority to borrow for and what it does not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment *(note - the PCC is not currently allowed to borrow for commercial purposes);*
- address ESG issues within the Capital Strategy;
- require implementation of a policy to review commercial property, with a view to divest where appropriate; *(not applicable to the PCC at the moment)*
- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
- ensure that any long term treasury investment is supported by a business model;
- a requirement to effectively manage liquidity and longer term cash flow requirements;
- amendment to TMP1 to address ESG policy within the treasury management risk framework;
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

In addition, all investments and investment income must be attributed to one of the following three purposes: -

Treasury management

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council’s financial capacity – i.e., that ‘plausible losses’ could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

Under current regulations the PCC only operates in the “Treasury Management” category.

As this Treasury Management Strategy Statement and Annual Investment Strategy deals soley with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report. However, as investments in commercial property have implications for cash balances managed by the treasury team, it will be for each authority to determine whether they feel it is relevant to add a high level summary of the impact that commercial investments have, or may have, if it is planned to liquidate such investments within the three year time horizon of this report, (or a longer time horizon if that is felt appropriate).

Members will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023/24 TMSS report.

TREASURY MANAGEMENT POLICY STATEMENT

1. The PCC defines his treasury management activities as:

   "The management of the PCCs borrowing, investments, and cash flows, his 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 key principles underpinning treasury management activities are as follows:

2.1 The PCC, along with his Chief Finance Officer, retains the responsibility for Treasury Management activity relating to the whole of the South Yorkshire Police Group.

2.2 The PCC regards the successful identification, monitoring and control of risk to be the prime criterion by which the effectiveness of treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the PCC, and any financial instruments entered into to manage these risks.

2.3 The PCC acknowledges that effective treasury management will provide support towards the achievement of group business and service objectives. He is therefore committed to the principles of achieving best value in treasury management, and employing suitable performance measurement techniques, within the context of effective risk management.

3. There are two main objectives in relation to Treasury Management:

3.1 To ensure that the PCCs cash flows are planned adequately, and that cash is available when it is required. Surplus monies are invested in low risk counterparties or instruments commensurate with the PCC's low risk appetite, providing adequate security and liquidity, before considering investment return.

3.2 The funding of the PCC's capital plans. These capital plans provide a guide to the borrowing need of the PCC, essentially the longer-term cash flow planning, to ensure that the PCC can meet capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economical, outstanding debt could be restructured to meet the PCC's risk or cost objectives.

4. The PCC's high level policies for borrowing and investments are:

   Borrowing

   - If it was felt that there is a significant risk of a sharp fall in long and short term rates, then long term borrowing will be postponed.

- If it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Investments

- The PCC's investment strategy has as its primary objective safeguarding the re-payment of the principal and interest of investments on time first, with ensuring adequate liquidity second and investment return third. In the current economic climate there is over-riding risk consideration, that of counterparty security. The investment strategy therefore considers security, liquidity then yield as the order of precedence.

- The PCC will continue to favour quality counterparties when placing funds, even if this involves a yield sacrifice.

5. Prudential Code

The PCC has adopted the CIPFA Treasury Management Framework and Prudential Code for Local Authorities.

TREASURY MANAGEMENT STRATEGY STATEMENT 2022/23

APPROVED ACTIVITIES OF TREASURY MANAGEMENT

Treasury Management encompasses the following:

a) Raising loans to fund capital payments, to re-finance maturing debt and to cover any temporary short-term cash flow deficits. Arranging other financial instruments and credit arrangements.
b) Debt restructuring to improve portfolio efficiency.
c) Investment of the PCC’s long term and short term cash surpluses.
d) Managing the PCC’s cash flow.
e) Arranging leasing finance (excluding land and buildings) on behalf of the PCC.
f) Dealing with financial institutions and brokers.

FORMULATION OF TREASURY MANAGEMENT STRATEGY

This involves a consideration of the following:

a) General objectives when financing capital expenditure.

- To minimise the net revenue costs of debt.
- To optimise the use of borrowing, usable capital receipts, capital grants, operating leases and revenue resources.
- To comply with all statutory controls and professional guidelines relating to treasury management.

b) The prospects for interest rates and economic outlook. A detailed commentary from our treasury advisors can be found at **Annex I**.

c) Current interest rates and forecasts are as follows:

Link Group Interest Rate View

Link Group Interest Rate View	7.2.22												
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
3 month av. earnings	0.80	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
6 month av. earnings	1.00	1.10	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
12 month av. earnings	1.40	1.50	1.60	1.70	1.70	1.60	1.60	1.50	1.40	1.40	1.40	1.40	1.40
5 yr PWLB	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
10 yr PWLB	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
25 yr PWLB	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
50 yr PWLB	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40

Table provided by Link Asset Services

BORROWING STRATEGY

The PCC is currently maintaining an under-borrowed position. This means that the capital borrowing need (the CFR), has not been fully funded with loan debt as cash supporting the PCC's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered. Note that this position has to be managed with need and timing balanced appropriately.

Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- If it if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.
- If it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.
- Excess funds, as a result of taking borrowing in advance of need, will be invested with high quality counterparties as set out in the annual investment strategy.

Maturity Profile

It is considered good practice to have a reasonably even spread of maturity dates for outstanding loans, thereby avoiding the need to replace a large proportion of total borrowings in a single year.

The PCC's current policy is to observe the Prudential Indicators for the maturity profile.

The maturity limit will continue to be reviewed as the PCC strives to achieve the best practice requirements of the Prudential Code.

Any decisions will be reported to the PCC and JIAC at the next available opportunity.

Borrowing in advance of need

The PCC will not borrow more than or in advance of his needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the PCC can ensure the security of such funds. Risks associated with any borrowing in advance of activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020. This situation will be monitored however, if rescheduling was to be undertaken, it would be reported to the PCC formally.

Financial institutions as a source of borrowing and / or types of borrowing

Approved Sources of Long and Short term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Overdraft		●
Internal (capital receipts & revenue balances)	●	●
Finance leases	●	●

Consideration may also be given to sourcing funding at cheaper rates from the following:

- Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates)
- Municipal Bonds Agency

The degree to which any of these options proves cheaper than PWLB Certainty Rate is still evolving, but our advisors will keep us informed. Any decisions will be based on security, liquidity and yield, in that order.

Annex E

INVESTMENT STRATEGY 2022/23

BACKGROUND

The PCCs investment strategy has regard to the following:

- DLUHC's (formally MHCLG) Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

Investment strategy

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

A spread of maturity dates for investments will be maintained.

To monitor fixed and variable interest rates, and if it is considered appropriate, to have up to the level of investable funds on variable rates of interest.

Investment returns expectations.

Economists view is that investment returns are expected to improve in 2022/23. Bank Rate forecasts for financial year ends (March) are:

- Q1 2022 0.75%
- Q1 2023 1.25%
- Q1 2024 1.25%
- Q1 2025 1.25%

Risk Management Policy

The PCC's investment priorities will be, as its primary objective, safeguarding the repayment of the principal and interest of investments on time first, with ensuring adequate liquidity second and investment return third (security, liquidity then yield). Counterparty limits are monitored through Link (our treasury advisors) and other information, in order for officers to maintain adequate control over the operational investment process.

Guidance from the DLUHC and CIPFA places a high priority on the management of risk. The PCC has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

Minimum acceptable credit criteria

These are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

Other information

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the PCC will engage with his advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Creditworthiness Policy

The PCC applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody’s and Standard & Poor’s. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit in a weighted scoring system which is then combined with an overlay of credit default swap spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the PCC to determine the suggested duration for investments. The PCC will therefore use counterparties within the following durational bands:

- Yellow 5 years *
- Dark pink 5 years for Ultra-Short Dated Bond Funds or Enhanced money market funds(EMMFs) with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds or Enhanced money market funds (EMMFs) with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue weight to just one agency's ratings.

Typically the minimum credit ratings criteria the PCC will use will be a short term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored at least monthly. The PCC is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the PCC's minimum criteria, further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the PCC will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via the "Passport" website, provided by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the PCC's lending list.

Sole reliance will not be placed on the use of this external service. In addition the PCC will also use market data and market information, information on any external support for banks to help support the decision making process. The following information summarises the credit worthiness policy:

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long term rating where applicable)	**Time Limit**
Banks *	**yellow**	**5yrs**
Banks	**purple**	**2 yrs**
Banks	**orange**	**1 yr**
Banks – part nationalised	**blue**	**1 yr**
Banks	**red**	**6 mths**
Banks	**green**	**100 days**
Banks	**No colour**	**N/A**
DMADF	**UK sovereign rating**	**6 months**
Local authorities	**n/a**	**365 days**

Credit and Counterparty Risk Management

The following will be used to manage counter party risk:

- **Specified Investments**

  All such investments will be sterling denominated, with maturities up to maximum of 365 days, meeting the minimum 'high' quality criteria where applicable.

- **Non- Specified Investments**

  These are any investments which do not meet the specified investment criteria. A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made, it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are as follows:

	Minimum credit criteria / colour band	**Maximum % of total investments/ £ limit per institution**	**Maximum maturity period**
DMADF – UK Government	N/A	100%/No limit	6 months
UK Government gilts	UK sovereign rating	100%/No Limit	12 months
UK Government Treasury bills	UK sovereign rating	100%/No limit	12 months
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	100%	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	100%	Liquid
Money market funds (CNAV/LVNAV or VNAV)	AAA	100%	Liquid
Local authorities	N/A	100%	12 months
Term deposits with banks and building societies - £30m with any one institution and £30m with any one banking group.	Blue Orange Red Green No Colour	£30m	12 months 12 months 6 months 100 days Not for use
Term deposits with other counterparties - £15m with any one institution and £30m with any one banking group.	Blue Orange Red Green No Colour	£15m	12 months 12 months 6 months 100 days Not for use

The above criteria is unchanged from last year.

Accounting treatment of investments:

The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by the PCC. To ensure that the PCC is protected from any adverse revenue impact, which may arise from these differences, the accounting implications of new transactions will be reviewed before they are undertaken.

As a result of the change in accounting standards for 2022/23 under IFRS 9, the PCC will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

Country limits

The UK is currently rated as AA- but is still an approved country for investments. However, there are other countries (see table below for the current list) which have higher sovereign ratings than the UK (based on the two out of three ratings from the agencies Fitch, Moody's and S&P) and have banks operating in sterling markets which have credit ratings of green or above in the Link Assets Services Treasury Solutions credit worthiness service.

AAA	**AA+**	**AA**
Australia; Denmark; Germany; Luxembourg	Finland	Abu Dhabi (UAE)
Netherlands; Norway; Singapore; Sweden	Canada	France
Switzerland	USA	

The strategy enables investment with countries with ratings of AAA, AA+ and AA from two of the three rating agencies outlined above, provided they are also rated as green, or above, through Link Asset Services Treasury Solutions. Any investment outside of the UK must be agreed with the PCC beforehand.

End of year investment report

At the end of the financial year, the PCC will report on his investment activity as part of the Annual Treasury Report.

PRUDENTIAL INDICATORS

1. Capital Expenditure

Capital expenditure £'000	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Total	11,779	19,656	24,920	31,702	26,261

Other long-term liabilities - The above financing need excludes other long-term liabilities, such as leasing arrangements that already include borrowing instruments. The PCC no longer holds any other long term liabilities.

The table below summarises the above capital expenditure plans and how these plans are forecast to be financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need. Forecasts have been included with regards to capital receipts due to the estate strategy, which is a change from last year. Financing arrangements with be adjusted as/when disposals are completed and the disposal proceeds are received.

It should be noted that the government's capital grant has now been abolished, and as such any capital investment will have to be funded locally.

Financing of capital expenditure £'000	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Capital receipts	320	0	300	300	300
Capital grants	287	287	0	0	0
Capital reserves	0	0	0	0	0
Revenue	0	100	1,850	0	0
Net financing need for the year	**11,172**	**19,269**	**22,770**	**31,402**	**25,961**

2. The Capital Financing Requirement (CFR)

The second prudential indicator is the PCC's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the PCC's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge, which broadly reduces the borrowing need.

The CFR includes any other long-term liabilities (e.g. leases). Whilst these increase the CFR, and therefore the PCC's borrowing requirement, these types of scheme include a borrowing facility so the PCC is not required to separately borrow for these schemes.

The PCC is asked to approve the CFR projections below:

£'000	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Total CFR	75,177	93,479	115,303	145,539	170,032
Movement in CFR	10,183	18,302	21,824	30,236	24,494

Movement in the CFR represented by:

Net financing need for the year (above)	11,172	19,269	22,770	31,402	25,961
Less MRP/VRP and other financing movements	-989	-967	-946	-1,167	-1,468
Movement in CFR	10,183	18,302	21,824	30,236	24,494

3. Debt and the CFR

In accordance with best professional practice, the PCC does not associate borrowing with particular items or types of expenditure.

The PCC has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The PCC has, at any point in time, a number of cashflows both positive and negative, and manages his treasury position in terms of borrowings and investments in accordance with the approved treasury management strategy and practices.

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 of the PCC and not simply from those arising from capital spending. In contrast, the capital financing requirement reflects the PCC's underlying need to borrow for a capital purpose.

CIPFA's Prudential Code for Capital Finance in Local Authorities 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 PCC should ensure that net 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".

The PCC's Chief Finance Officer reports that the PCC has had no difficulty meeting this requirement in 2021/22, and does not envisage any difficulties in the future. The PCCs external debt is not currently above his borrowing need or CFR.

	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
External Debt					
a. PWLB debt at 1 April	37,070	35,570	34,070	55,340	83,742
Repayment of debt	-1,500	-1,500	-1,500	-3,000	-1,786
Forecast new debt	0	0	22,770	31,402	25,961
Total PWLB debt	**35,570**	**34,070**	**55,340**	**83,742**	**107,918**
Gross debt at 31 March	35,570	34,070	55,340	83,742	107,918
The CFR	75,177	93,479	115,303	145,539	170,032
Under / (over) borrowing	**39,607**	**59,409**	**59,963**	**61,796**	**62,115**

4. Authorised Limit for External Debt

It is recommended that the PCC authorises the following limits for his total external debt gross of investments for the next three financial years:

Authorised limit £'000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Debt	102,827	126,834	160,092	187,035
Other long term liabilities	0	0	0	0
Total	**102,827**	**126,834**	**160,092**	**187,035**

The limits separately identify borrowing and other long term liabilities such as finance leases.

The PCC's Chief Finance Officer reports that these authorised limits are consistent with the PCC's current commitments, existing plans and the proposals in the 2022/23 budget report for capital expenditure and financing, and with the PCCs approved treasury management policy statement and practices.

The PCC's Chief Finance Officer confirms that the limits are based on the estimate of most likely, prudent but not worst case scenario, with sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Plans for capital expenditure, estimates of the capital financing requirement and estimates of cashflow requirements for all purposes have been taken into account.

The PCC is asked to note that the authorised limit determined for 2022/23 will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

5. Operational Boundary for External Debt

The PCC is also asked to approve the following operational boundary for external debt.

The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly the PCC's Chief Finance Officer's estimate of the most likely, prudent but not worst case scenario, without the additional headroom. It reflects the limit beyond which external debt is not normally expected to exceed. Within the operational boundary, figures for borrowing and other long term liabilities are separately identified.

The operational boundary represents a key management tool for in year monitoring by the PCC's Chief Finance Officer and it is based on the CFR.

Operational boundary £'000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Debt	93,479	115,303	145,538	170,032
Other long term liabilities	0	0	0	0
Total	**93,479**	**115,303**	**145,538**	**170,032**

In 2022/23 the PCC will be required to implement IFRS 16 which is replacing the previous accounting standard applied for leases. This standard removes the distinction between finance and operating leases which means that many of the PCC's existing leases will now be brought onto the balance sheet, potentially increasing the PCC's CFR and therefore increasing the operational boundary. The effect of this for the PCC is currently projected to be minimal, however this will be monitored on an ongoing basis.

6. Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the PCC's overall finances. The PCC is asked to approve the following indicators:

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

	2020/21 Actual %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %	2024/25 Estimate %
Total	1.64	1.15	1.12	1.45	1.82

Impact of Capital Expenditure Proposals on Precept

The estimate of the incremental impact of capital investment decisions proposed in 2021/22 and the forecast for 2022/23 to 2023/24 over and above capital investment decisions that have previously been taken by the PCC is:

	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %
Incremental Impact	-0.0002	-0.0001	0.0002	0.0010

7. Maturity structure of borrowing

These gross limits are set to reduce the PCC's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.
The PCC is asked to approve the following treasury indicators and limits:

Maturity structure of fixed interest rate borrowing 2022/23		
	Lower	**Upper**
Under 12 months	0%	50%
12 months to 2 years	0%	75%
2 years to 5 years	0%	80%
5 years to 10 years	0%	80%
10 years and above	25%	100%

8. Adoption of the CIPFA Code of Practice for Treasury Management in the Public Services

The PCC has adopted this code as outlined in section 2, paragraph 7 of Financial Regulations 2018, as the 2021 revised codes formal adoption is not required until the 2023/24 financial year and therefore not followed.

9. Total Principal Sums invested for periods longer than 364 days

The PCC's strategy does not allow for investments longer than 364 days.

10. PCC and Officer Training

The increased consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for officers.

Officer Training: Regular Intermediate and Advanced Treasury Management training is undertaken by key members of staff. The majority of this training is provided by Link, however, staff are encouraged to undertake other relevant training as it becomes available.

Training for the PCC and members of the Independent Audit Committee is available through Treasury Management courses provided by Link, these have been provided for in the OPCC budget.

MRP POLICY STATEMENT

1. BACKGROUND

The PCC is required to pay off an element of the accumulated capital spend each year (the CFR) through a revenue charge (minimum revenue provision - MRP), although he is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

DLUHC (formerly MHCLG) have issued regulations which require the PCC to approve an MRP Statement in advance of each year. A variety of options is available to the PCC, as long as the provision is prudent.

By way of explanation, under Regulations 27 and 28 of the 2003 Local Authorities Capital and Finance and Accounting (England) Regulations, local authorities, including Police and Crime Commissioners (PCCs), are required to charge MRP to their revenue account each financial year. It gives them flexibility in how they calculate MRP, providing the calculation is 'prudent' and has regard to the Statutory Guidance on MRP issued by the Secretary of State.

There are four options for calculating a prudent provision. Local authorities can use a mix of these options for debt taken out at different times whilst having regard to the guidance and complying with the statutory duty to make a prudent provision.
The four suggested MRP options available (in the statutory guidance) are:

Option 1: Regulatory Method
Option 2: CFR Method
Option 3: Asset Life Method
Option 4: Depreciation Method

The PCC approved the 2019/20 MRP Policy Statement in February 2019. The Policy followed Option 1, the regulatory method, for capital expenditure incurred before 1 April 2008, i.e. an approximate 4% reduction in the borrowing need (CFR) each year and Option 3, the asset life method for all unsupported expenditure incurred on or after 1 April 2008, with the charge based on the life of the assets. The latter charge commencing in the year in which the asset first becomes operational.

The review of the PCC's MRP was undertaken, based on the Statutory Guidance with a view to implementing the change from the 2019/20 financial year.

No change was recommended to the treatment of capital expenditure incurred prior to 1 April 2008. The current method of applying a 4% charge on a reducing balance basis will therefore continue to apply.

For post 1 April 2008 capital expenditure, the current method, Option 3, has two options as to how to calculate the MRP for capital expenditure incurred after this date that is undertaken through the Prudential system where there is no Government support (self-financed). The first is the equal instalment method. This has been applied to 31 March 2019, whereby an equal annual amount is charged to the revenue account over the estimated life of the asset. The second option is the annuity method. This links MRP to the flow of benefits from an asset where the benefits are expected to increase in later years.

The PCC approved a change to the MRP policy, adopting the annuity method from 1.4.19, and this method continues into 2022/23.

2. MRP POLICY STATEMENT 2022/23

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

Existing practice

MRP will follow the existing practice outlined in the DLUHC regulations (option one), which provides for an approximate 4% reduction in the borrowing need (CFR) each year.

b. From 1 April 2008 for all unsupported borrowing (including leases) the MRP policy from 2019/20 will be*:*

Asset life method

MRP will be based on the estimated life of the assets, in accordance with the regulations (option three), whereby the annuity method has been adopted.

TREASURY MANAGEMENT PRACTICES

CIPFA recommends that an organisation's treasury management practices (TMP's) include those of the following that are relevant to its treasury management powers and the scope of its treasury management activities. Treasury management practices documents for each of the following are in use for the PCCs treasury management activities. A detailed review of these is currently being undertaken in conjunction with Doncaster Council's Treasury Management Department (our providers). Further details can be provided to members should they required them.

TMP1	Risk management This practice document covers the following risks: credit and counterparty, liquidity, interest rate, exchange rate, inflation, re-financing, legal and regulatory, price risk, fraud, error, corruption and contingency management.
TMP2	Performance measurement
TMP3	Decision-making and analysis
TMP4	Approved instruments, methods and techniques
TMP5	Organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP6	Reporting requirements and management information
TMP7	Budgeting, accounting and audit arrangements
TMP8	Cash and cash flow management
TMP9	Money laundering/Bribery
TMP10	Training and qualifications
TMP11	Use of external service providers
TMP12	Corporate governance

Annex I

DETAILED ECONOMIC COMMENTARY

COVID-19 vaccines.

These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pingdemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.

- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

MPC MEETING 16H DECEMBER 2021

- The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.

- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.

- **On 10th December we learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.

- **On 14th December, the labour market statistics** for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.

- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.

- **On 15th December we had the CPI inflation** figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

- **Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.

- Although it is possible that the Government could step in with some **fiscal support for the economy**, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!

- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%.** What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".

- On the other hand, it did also comment that **"the Omicron variant is likely to weigh on near-term activity".** But it stressed that at the November meeting it had said it <u>would</u> raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation form Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)

- On top of that, there were no references this month to inflation being expected to be below the **2% target in two years' time,** which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.

- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only **a "modest tightening"** in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.

- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory,** and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.

- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).

- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
    - Raising Bank Rate as "the active instrument in most circumstances".
    - Raising Bank Rate to 0.50% before starting on reducing its holdings.
    - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
    - Once Bank Rate had risen to at least 1%, it would start selling its holdings.

- **US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.
- **Shortages of labour** have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.
- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed's meeting of 15th December** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly $120bn QE purchases announced at its November 3rd meeting. was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – "maximum employment". The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was

also significant was that this month the Fed dropped its description of the current level of inflation as being “transitory” and instead referred to “elevated levels” of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent “for some time”. It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.
See also comments in paragraph 3.3 under PWLB rates and gilt yields.

- **EU.** The slow role out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.
- **November’s inflation figures** breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB’s target of 2% and it is likely to average 3% in 2022, in line with the ECB’s latest projection.
- **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB’s target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.
- The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.
- The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.

- **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.

- However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.
- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

- **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.
- The Bank of Japan is continuing its **very loose monetary policy** but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.

- **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is likely that we are heading into a period where there will be a **reversal of world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

- **SUPPLY SHORTAGES**. The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

INTEREST RATE FORECASTS

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- The threat from Omicron was a wild card causing huge national concern at the time of December's MPC meeting; now it is seen as a vanquished foe disappearing in the rear-view mirror.

- The MPC shifted up a gear last week in raising Bank Rate by another 0.25% and narrowly avoiding making it a 0.50% increase by a 5-4 voting margin.

- Our forecast now expects the MPC to deliver another 0.25% increase in March; their position appears to be to go for sharp increases to get the job done and dusted.

- The March increase is likely to be followed by an increase to 1.0% in May and then to 1.25% in November.

- The MPC is currently much more heavily focused on combating inflation than on protecting economic growth.

- However, 54% energy cap cost increases from April, together with 1.25% extra employee national insurance, food inflation around 5% and council tax likely to rise in the region of 5% too - these increases are going to hit lower income families hard despite some limited assistance from the Chancellor to postpone the full impact of rising energy costs.

- Consumers are estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above increases. But most of those holdings are held by more affluent people whereas poorer people already spend nearly all their income before these increases hit and have few financial reserves.

- The increases are already highly disinflationary; inflation will also be on a gradual path down after April so that raises a question as to whether the MPC may shift into protecting economic growth by November, i.e., it is more debatable as to whether they will deliver another increase then.

- The BIG ISSUE – will the current spike in inflation lead to a second-round effect in terms of labour demanding higher wages, (and/or lots of people getting higher wages by changing job)?

- If the labour market remains very tight during 2022, then wage inflation poses a greater threat to overall inflation being higher for longer, and the MPC may then feel it needs to take more action.

Globally, our views are as follows: -

- **EU.** The ECB joined with the Fed by announcing on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases during the first half of 2022. The ECB did not change its rate at its 3rd February meeting, but it was clearly shocked by the increase in inflation to 5.1% in January. The President of the ECB, Christine Lagarde, hinted in the press conference after the meeting that the ECB may accelerate monetary tightening before long and she hinted that asset purchases could be reduced more quickly than implied by the previous guidance. She also refused to reaffirm officials' previous assessment that interest rate hikes in 2022 are "very unlikely". It, therefore, now looks likely that all three major western central banks will be raising rates this year in the face of sharp increases in inflation - which is looking increasingly likely to be stubbornly high and for much longer than the previous oft repeated 'transitory' descriptions implied.

- **China.** The pace of economic growth has now fallen back after the initial surge of recovery from the pandemic and China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. However, with Omicron having now spread to China, and being much more easily transmissible, lockdown strategies may not prove so successful in future. To boost flagging economic growth, The People's Bank of China cut its key interest rate in December 2021.

- **Japan.** 2021 was a patchy year in combating Covid. However, recent business surveys indicate that the economy is rebounding rapidly now that the bulk of the population is fully vaccinated, and new virus cases have plunged. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back towards its target of 2% any time soon.

• **World growth.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

The balance of risks to the UK: -

• The overall balance of risks to economic growth in the UK is now to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

• **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed or unable to be administered fast enough to stop the NHS being overwhelmed.

Labour and supply shortages prove more enduring and disruptive and depress economic activity.

• • **Bank of England** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

• • **The Government** acts too quickly to increase taxes and/or cut expenditure to balance the national budget.

• • **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

• • **Geopolitical risks,** for example in Ukraine/Russia, Iran, China, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -
• • The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

• • Longer term US treasury yields rise strongly and pull gilt yields up higher than forecast.