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West Midlands Office for Policing and Crime Pay Policy

West Midlands Office for Policing and Crime (WMOPC) is committed to the principles of equality and diversity. No member of the public member of staff, volunteer or job applicant shall be discriminated against on the grounds of age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; or sexual orientation.

Introduction

1. Staff pay is determined by a national pay spine agreed by the Police Staff Council which represents Chief Constables and the Home Secretary of England and Wales and the employees of chief constables and police and crime commissioners.

2. Adjustment to pay points (cost of living increase) will take place annually with effect from 1 September (unless otherwise agreed by the two sides of the Council) negotiated by the Council having regard to pay movements elsewhere in the public sector, pay movements elsewhere in the economy, movements in the retail price index, recruitment and retention factors and police service funding.

3. The basic pay of each individual will consist of either a single point or a scale of points selected from the national spine.

Widebanding Pay Scales

4. There are five A-E Wide Salary Bands covering the Spinal Column Points (SCP) of the national pay scale plus four management bands. Bands cover a number of spinal column points which allows for the individual to progress through the band, subject to satisfactory performance and attendance until they reach the top of the band or the progression bar for their job role. Job roles can be either evaluated as covering the full band, just the lower part of the band, to the progression bar or straddle across two bands.

5. All new appointments and promotions will be made in accordance with this policy.

Progression Principles

6. Decisions on the pay progression within the wide salary bands will be taken by the local line manager. The approach adopted by managers will always be in accordance with relevant employment protection legislation and with consideration for all aspects of diversity.

   Increments will be awarded on the following basis:-

i) Normal salary progression of one pay point each year for satisfactory performance, i.e. taking into account achievement of PDR objectives, and satisfactory attendance,

ii) In cases of excellent performance salary progression may be accelerated to two pay points. Excellent performance will give consideration to areas such as work output, work quality, commitment to diversity, flexibility and teamworking.

iii) Progression through a band may be delayed in cases of poor performance. This will take account of PDR objectives and attendance.

7. Decisions on incremental progression will be linked to the delivery of PDR objectives and take into account the attendance target for the previous 12 months.

8. Where there is concern over an individual's performance/or attendance sufficient notice should be given to provide the opportunity for the necessary improvements to be achieved, prior to the withholding of an increment.

9. In order to move through the progression bar, the following principles will apply:-

a) There must be a requirement for the work to be carried out at the higher level, which is anticipated to be a sustained future requirement.

b) Individuals are able to evidence achievement of the required knowledge, skills and delivery required for the higher level.

c) Individuals must demonstrate excellent performance, as evidenced in their portfolio and PDR, again giving consideration to areas such as work output, work quality, flexibility, team-working, commitment and use of initiative.

d) Demonstration of satisfactory performance in undertaking work of the higher level, subject to the necessary training and/or learning opportunities being provided.

e) Satisfactory attendance.

Attendance

10. Salary progression will be linked to individual performance taking into account attendance. There may be cases where individuals have not achieved this target as a result of injury/illness, maternity related absence or for disability related reasons etc. This is not an exhaustive list and there may be other exceptional circumstances that line managers need to consider.

11. In the above cases discretion should be used, and line managers should take account of previous high levels of attendance. Decisions will always be made with due regard to relevant legislation.

Excellent Performance

12. Staff identified as excellent will typically:-

a) Exceed performance/PDR targets set.

b) Be able to demonstrate high attendance.

c) Demonstrate a flexible approach, e.g. in terms of the range of duties carried out and/or hours worked. Proper account of diversity, family friendly policies and disability related matters should be taken in reaching a management view of what constitutes excellent performance.

13. Evidence, such as a commitment to diversity, letters of appreciation etc. will also be relevant in terms of assessments of excellent performance.

Withheld Increments

14. Where an increment is withheld either as a result of attendance and/or performance then subject to the achievement of these targets by a subsequent increment date, salary will be reinstated at the SCP that would otherwise have been reached had withholding of the increment(s) not taken place.

Local Remuneration Committee

15. The Local Remuneration Committee will review recommendations made by line managers with regards to pay progression. Membership of the committee will be determined by the Chief Executive.

16. The committee will be responsible for ensuring consistency and fairness of approach and for challenging recommendations where they believe evidence is lacking.

17. Representatives of the Committee will meet with local trade union representatives following Committee Meetings on an "exception basis", to discuss any cases of individual concern. This will provide representatives with the opportunity to make submissions in respect of their members, before final decisions are implemented.

Audit

18. Decisions taken to accelerate or withhold incremental progression, or to progress an individual through the bar, will be overseen by Internal Audit supported by HR advice as necessary. This should scrutinise local decision making to ensure fairness and consistency of approach.

Evidencing

19. Individuals should be able to evidence achievement of personal objectives against the requirements of their role. The appropriate proforma can be used to assist the PDR discussion. Where decisions are made to withhold, or accelerate incremental progression, or to move an individual through the progression bar, this should be recorded, along with the rationale for the decision. A copy of a pro-forma, available for this purpose, should be held on the personal file, together with the copy of the pay variation.

Training & Development

20. Line managers have joint responsibility with their staff for their personal and professional development. Whilst individuals are encouraged to maintain a portfolio to evidence their development and growth, the organisation has an obligation to ensure that appropriate training and learning opportunities are provided. As such, access to development and training facilities, e-learning etc., will be made available to all.

Resolution of Complaints

21. Where staff disagree with reviews of their performance, attendance or the opportunities available for development or pay progression, these should be directed in the first instance to their line manager. The employee will have the opportunity to personally present their case to the line manager, accompanied by a colleague or Trade Union Representative.

22. Where the Local Remuneration Committee confirms the decision of the line manager the matter may, where it remains unresolved, be referred to the Chief Executive for a decision.

Review Process

23. It is recognised that the Salary Wide Banding Agreement may, over time, need to be adjusted to reflect any changes, which take place.

New starter/promotion Pay Scales

24. New starters into post will usually start at the bottom SCP for their band. However some individuals may transfer into the new role with skills and competencies that have gained in previous roles or organisations and therefore it can be justified that they should start on a higher SCP. In these cases the higher starting point should be agreed by the Chief Executive.

New starter/promotion incremental progression

26. All new starters and individuals promoted to a higher graded job are subject to a normal probationary period lasting six months which can be extended to a maximum of twelve months before being confirmed into post. At the end of the probationary period when an individual has been confirmed into post they are also eligible for a probationary incremental review. The dates an individual becomes eligible for a probationary increment review is dependent on their appointment/promotion date as detailed below:

27. Appointment/Promotion date between 1st October and 31st March will be eligible for review six months after the date of their appointment/promotion.

Appointment/Promotion date between 1st April and 30th September will be eligible for review the following 1st April after the date of their appointment/promotion.

28. Where an increment is awarded, it must be based on a PDR discussion with a review of progress and objectives, and achievement of the performance objectives and good attendance.

Entitlement to occupational sick pay

29. The basic entitlement to paid sick leave depends on the completed period of service as follows:

Period of Service	Full Pay	Half Pay
During 1st 4 months	30 days	Nil
4 months to end of 1st year	30 days	60 days

After completion of 1 year	60 days	60 days
After completion of 2 years	120 days	120 days
After completion of 3 years	150 days	150 days
After completion of 5 years	183 days	183 days

30. The actual entitlement to basic salary during a period of sickness will depend on the payments made during previous periods of sickness in the 12 month period immediately before the start of the period in question. The allowance for each period of sickness is calculated by:

- Starting with a basic entitlement to full - and/or half pay relating to the completed period of service.
- Reducing the allowance for full pay by any period of sick leave occurring during the twelve months immediately preceding the first day of absence for which occupational sick pay at full-pay has been paid. This gives the number of days for which payments at full pay is due.
- Reduce the allowance for half-pay by any period of sick leave occurring during the twelve months immediately preceding the first day of absence for which occupational sick pay at half-pay has been paid. This gives the number of days for which payment at half-pay is due.

Staff Pay Panel

31. The Chief Executive has discretion to extend the period of full pay and/or the period of half pay in individual cases. In the case of a member of staff about to go onto half or no pay a Staff Pay Panel will meet and make recommendations to the Chief Executive based on managerial and medical advice. The Staff Pay Panel will consist of the Head of Internal Audit together with occupational health and HR advisers as necessary. A report should be presented to the Panel setting out the following information:

- Dates of absence
- Nature of illness/injury
- Whether the medical condition is disability related
- Whether recommended reasonable adjustments have been provided
- Medical/Occupational Health support being provided, e.g. physiotherapy and any local support put in place.
- Advice received from Occupational Health.
- Managerial view on the likelihood of a return to work (with timescales) and an indication of what duties the member of staff could do on his/her return (restrictions, etc).

These details will ensure that an informed debate can take place and an objective recommendation submitted to the Chief Executive.

Statutory Sick Pay (SSP)

32. All employers have to pay Statutory Sick Pay (SSP) from the fourth day of sickness absence, for the first 28 weeks of a period of sick absence. A period may be deemed to be continuous if periods of absence of more than 4 days are separated by 56 days or less.

33. However, WMOPC staff are entitled to receive occupational sick pay during sickness as described above. Where both SSP and occupational sick pay payments are due for the same day(s), then the occupational sick pay is said to include the SSP element, and the member of staff does not receive both payments. This is referred to as "offsetting".

Employment and Support Allowance (ESA)

34. In a few specific circumstances, employers are not allowed to pay SSP (e.g. when a period of sickness closely follows a period for which the Department for Work and Pensions (DWP) has paid other state benefits). In such cases, if the employee is eligible, the DWP will pay ESA directly to the member of staff concerned after the member of staff has applied for ESA.

35. In such cases the DWP payment is deducted from occupational sick pay if the member of staff is still receiving full pay.

West Midlands Office for Policing and Crime Payment of Professional Fees Policy

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Introduction

1. WMOPC may pay an individual's fees for belonging to a professional body where the following criteria are satisfied:
   i. Membership is necessary for the career development of the individual and the maintenance of an efficient and competent workforce.
   ii. Membership of the professional body must be of direct benefit to WMOPC.

2. In normal circumstances no more than one professional subscription per individual, per year will be paid, in exceptional circumstances, a maximum of two lots of fees may be claimed where it is mandatory to have the required membership in order to practice their profession.

3. Entry fees to a professional body and upgrading fees may also be paid in appropriate circumstances.

4. Should an individual cancel their membership, any professional fees reimbursed will then need to be repaid from the individual's salary.

Method of Claim and Payment

5. Individuals should pay their fees direct to their professional body in the usual way and should obtain a receipt or other proof of payment, which should be scanned and forwarded via email to their line manager for authorisation.

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West Midlands Police and Crime Commissioner

Redaction Policy

Introduction

1. This policy establishes the general approach and principles to be applied in the redaction of information required under the Elected Local Policing Bodies (Specified Information) Order 2011 and the Elected Local Policing Bodies (Specified Information) (Amendment) Order 2012. This includes that applied to each item of expenditure of the elected local policing body exceeding £500 (other than a crime and disorder reduction grant), by the Police and Crime Commissioner for the West Midlands (the Commissioner). It outlines the redaction process together with providing information on how decisions will be made as to which items of information are to be subject to redaction.

Background

2. When developing this policy, consideration was given to the Opening up Government Data site which outlined the principles to be applied. The full Guidance details and principles have been published on the Commissioner's website. Within this guidance, two particular tables deal with the issue of redaction and define:

   - The data to be included;

No.	Examples of transactions that should be published	Reason
1	Payments to other government and public sector bodies	All transactions whether with other public or private sector bodies should be included
2	Payments to government or other third party service providers	All transactions should be included
3	Payments to sole traders	Business rather than personal expenditure
4	Payments for secondees	Payment for service rather than personal or pay bill expenditure. However, if a secondee's pay would become transparent, this should be redacted.
5	Travel and subsistence claims	
6	Service charge element of pension contributions	
7	Ex-gratia payments above contract price	The full payment cost is required
8	Credit notes	Needed to ensure correct transaction values have been recorded

No.	Examples of transactions that should be published	Reason
9	Policy lending (other than to individuals, or funds management)	Regarded as spend
10	Gifts	Publishable under FOI
11	Rent and business rates	Standard expenditure costs

- and that permissible for redaction

No.	Examples of transactions that may be excluded from publication	Reason	Redacted or Excluded
1	Salary payments to staff (including bonuses)	Personal information protected by the Data Protection Act	Excluded
2	Pension contributions (excluding service charge) and National Insurance Contributions		Excluded
3	Severance payments		Redacted
4	Payments to individuals from legal process - compensation payments, legal settlements, fraud payments		Redacted
5	Competition prizes – where a normal part of operations		Redacted
6	Settlements made with companies as an arbitration which is conditional on confidentiality	Commercial-in-confidence – exempt under FOI	Redacted
7	Potential betrayal of a commercial confidence, or prejudice to a legitimate commercial interest	Very rare and will need to be justified	Redacted
8	Transactions relating to the financing or underwriting of debt e.g. purchase of credit default swaps	Outside the definition of expenditure for this purpose	Excluded
9	Provisions or promises to pay not yet realised		Excluded

3. These tables form the basis on which information is to be published. However, other factors will be applied. Consideration will be given to whether the information, if published:

   - would, in the view and advice of the chief officer of police and/or the Commissioner's statutory officers, be against the interests of national security;

   - might, in the view and advice of the chief officer of police, jeopardise the safety of any person;

- might, in the view and advice of the chief officer of police, prejudice the prevention or detection of crime, the apprehension or prosecution of offenders, or the administration of justice; or

- is prohibited by or under any enactment.

Redaction framework

4. Accordingly, to comply with the above demands the Commissioner will adopt the redaction principles detailed in the tables above, within the following redaction policy framework;

   A. Expenditure

   - Expenditure for sensitive areas such as counter-terrorism that may endanger individuals or compromise an operation will be removed;

   - Where people's names are listed in the context of "not in the line of West Midlands Police duties" – this includes names of people that have received payments for destroyed lost property but not the names of employees who have claimed work-related expenses, the name will be redacted but the other details will remain;

   - Any expenditure that relates to a legal settlement and which may identify the recipient, in case the terms of the settlement are breached, will be removed; and

   - Expenditure that reveals the identity of service providers where confidentiality is required to ensure their safety e.g. commercial kennels that accommodate seized dogs on behalf of West Midlands Police will be removed.

   B. Estates

   - Address details for covert buildings will be excluded.

   C. Contracts

   - As for expenditure, contracts that are sensitive in terms of protecting the safety of others will not be published however it should be noted that this will be the exception rather than the rule and could include contracts such as for agreements with kennels to house dangerous dogs on the Force's behalf. In most cases the decision making process will already have been undertaken by Contracts and Procurement who will have applied the same criteria to manage the circulation of the Invitation to Tender; and

   - Where contracts include details of technical design that could put the Force infrastructure at risk if in the public domain, these sections will be redacted.

   D. Gifts and Hospitality

   - Details containing personal information such as the name of a victim who has sent in a gift of thanks to an officer will be redacted as "personal information".

E. Senior employees

- The job title, responsibilities and salary of each senior employee, as defined by the Elected Local Policing Bodies (Specified information) Order 2011 will be published. The name of the employee will also be published unless, as permitted by the Order, the senior employee refuses to consent to the publication of their name. However it should be noted that this may only give them limited protection as there is likely to be only one such senior manager in any given senior role.

West Midlands Office for Policing and Crime Temporary Promotions and Honorarium Policy

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Introduction

Acting Up (up to three months) into a substantive role.

1. An Acting-up allowance is paid where an individual is undertaking the full, or part of, the duties/responsibilities of an established, higher graded post. Typically an acting up arrangement will be offered where the substantive post holder is absent for reasons of maternity or long term sickness, or the post is vacant.

2. Payments in respect of Acting-Up Allowance are calculated on the basis of the difference between an individual's current spinal column point and the minimum point of a higher grade, taking into account the percentage of the duties being undertaken. Where it is identified that the acting up duties call upon the individual to discharge most/all of the duties of the higher graded post, up to a further three increments within the scale may be awarded. Payments are made on a monthly basis, once a four week qualifying period has been completed - and backdated to the original start date.

Temporary Promotions (Three Months plus)

3. An employee required to undertake the full duties and responsibilities of a higher graded post over an extended period of 3 Months should be temporarily promoted to that higher grade. The terms of the temporary promotion should be set out as a written amendment to the permanent contract of employment and signed by the employee.

4. Individuals may receive up to a maximum of four increments on top of their current spinal column point. The number of increments awarded will depend upon the level and nature of duties involved and the likely time scale of the arrangements. Payments are made on a monthly basis, once a four week qualifying period has been completed and backdated to the original start date.

5. Payments in respect of temporary promotions will be subject to Income Tax, National Insurance Contributions & Pension Contributions.

6. There is no entitlement to incremental progression beyond the four increment

maximum, without approval of the Chief Executive.

Honoraria

7. An honorarium is normally paid retrospectively where an individual has undertaken duties/responsibilities outside the normal scope of their role and can be appropriate recognition for discrete pieces of work warranting acknowledgement due to their importance/impact on the effectiveness of WMOPC. Payments are normally made as a single lump sum. In some circumstances this may be converted into monthly payments but these will be shown separately, and not consolidated into basic pay. Payments under this arrangement should not continue beyond a given and agreed review date.

8. Because of their nature there is no set formula for calculation of these payments and it is appropriate for payment of relatively small amounts to reflect the individual contributions of staff.

9. Payment of Honorarium remains entirely at the discretion of WMOPC. Staff have no contractual right to such payments.

10. Payments will be subject to Income Tax, National Insurance Contributions & Pension Contributions

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West Midlands Office for Policing and Crime Travel Allowances and Expenses Policy

West Midlands Office for Policing and Crime (WMOPC) is committed to the principles of equality and diversity. No member of the public, member of staff, volunteer or job applicant shall be discriminated against on the grounds of age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; or sexual orientation.

Introduction

Policy

1. This policy applies to all members of staff.
2. There are four methods of reimbursing official travelling expenditure. These are: -

   (i) Casual vehicle allowance.
   (ii) Public transport fare.
   (iii) Local travel rate.
   (iv) Leased Car rate

3 Before a private vehicle may be used the following general criteria must be satisfied:

   (a) the journey being made must be necessary,

   (b) the journey could not be effectively completed by public transport,

   (d) the use of the vehicle is the most cost effective method of travel,

   (e) the use of the vehicle is the most efficient method or is in the interests of the efficiency of WMOPC

   (f) All claims for official journeys shall be based on the **shortest distance**.

   (g) Travelling from home to base and return is not normally classed as travelling on official business. Paragraph 11 outlines the circumstances when this mileage may be claimed.

   Where the above criteria are not satisfied WMOPC considers that public transport could and should be used.

4. Casual User. A member of WMOPC staff will be a Casual User where the duties normally performed by that post make it desirable that he/she has a car at his/her disposal at all material times.

WMOPC will maintain a list of the posts that are deemed Casual Users, all remaining posts will claim local transport rate, which will be reviewed periodically. 5. Types of journey covered by this policy. All journeys carried out in relation to duties normally performed will be covered, except those journeys which could and should be carried out by public transport (see clause 3). In cases where public transport could and should be used, if the user decides to use his/her own vehicle for his/her own convenience then he/she can only claim reimbursement to the value of a public transport fare.

6. Public Transport Rate. There are two instances when the value of a public transport fare will be reimbursed: -

(a) where public transport is actually used or

(b) where it is deemed that a journey could and should be made by public transport but the employee decides to use his/her own car for his/her own convenience.

7. Public Transport Actually Used. This is self explanatory and relates to any member of staff who for any reason actually uses public transport. Reimbursement will be of actual cost expended. Expenditure must be actually incurred before a claim can be made, with receipts provided.

8 Vehicle Used for own Convenience. Where a journey is of such a nature (as decided by a supervisor in accordance with clause 3) that it could and should be made by public transport but the employee chooses for his/her own convenience to use his/her own vehicle then he/she will be reimbursed at for the value of a public transport fare only.

9. Local Travel Rate. To be applied in cases where a member of staff chooses to use his/her own car for a journey which, in the opinion of his/her supervisor, could and should be undertaken by public transport, but where the actual cost of public transport is difficult to establish.

10. Leased Car Rate. To be applied in cases where the member of staff is using a vehicle provided, to them, under the Senior Officer's Leased Car Scheme (this is a West Midlands Police scheme that may on occasion be utilised by eligible senior managers within WMOPC).

11. Types of Journey Covered. There is no particular class of journey where travel by public transport or by any other means is automatically deemed appropriate. All journeys will be subject to the test of what is the most cost effective and most efficient way of undertaking the journey.

12 Insurance Requirement Any vehicle used under this policy must be insured under a policy of insurance which:

(i) Gives comprehensive protection.

(ii) Covers the use of the vehicle for business use and also the carrying of passengers in that capacity.

(iii) Indemnifies WMOPC against claims by third parties (including claims concerning passengers) arising from the use of the vehicle on official duty, unless the company by which the policy was issued has already given a general undertaking in this regard to WMOPC or appropriate Association of Local Authorities in respect of civilian users.

13. WMOPC Staff should be aware that when a claim form is signed by the member of staff claiming under this policy, they are also stating that they have the appropriate level of business insurance.

14. Rate. The amount of allowance payable to authorised users is dependent on the cubic capacity of the vehicle concerned. Reimbursement will be in accordance with the rates published.(published on Internal Audit intranet page)..

15. Taxation. Users should be aware that the Inland Revenue have determined that there is a profit element on casual allowances. Advice on the extent of the liability may be obtained from the Staff Associations or Inland Revenue. It is the responsibility of the individual user to ensure that the Inland Revenue are applying the correct code. At its current level, local travel rate is non-taxable.

16. National Insurance. At its current level, local rate does not attract National Insurance Contributions

Claims

17. WMOPC staff will use the appropriate claim form for claiming mileage and associated car parking and all other forms of reimbursement. Payment will be through payroll. Claims, once fully completed and authorised, will be forwarded to the Force Finance Department in accordance with the agreed time-table.. Claims should be submitted on a monthly basis, multiple months should not be submitted.

It is essential that details of all journeys are recorded to include:-

(a) start point of each journey;
(b) all locations visited (not necessary to detail the exact address);
(c) the ultimate destination;
(d) the purpose of every journey (not necessary to indicate the names of individuals);
(e) a recent VAT petrol receipt (to enable the VAT to be claimed on mileage); and
(f) receipts for any other travel expenditure to be claimed (bus, train and metro tickets etc).

18. Authorisation. It is the responsibility of the manager authorising car mileage claim forms to ensure that the claimants have complied with the conditions detailed herein.

19. Home to Office Travelling from home to office and return is not normally regarded as travelling on official business. Appendix (A) provides examples to illustrate the point. Officers and staff may not claim for this mileage unless:-

(a) It is an emergency call out, or in circumstances outside their normal work times.

(b) Approval is given to start and finish work from their home address, without attending their office base during the day. Such occasions should be the exception rather than the rule and should be in the interest of efficiency. Under these circumstances mileage should be claimed as follows:-

(i) The mileage incurred between the first official appointment and journeys in between, to the last official appointment only.

NB If the distance from home to the first appointment is further than the normal home to office, then the excess mileage only should be claimed. Similarly, if the distance between the last appointment and home is further than the normal home to office, then the excess mileage only should be claimed.

(ii) In instances where home to the first official appointment and return to home is the only official journey undertaken during the day, mileage should not be claimed unless the mileage incurred is greater than the normal home to office return mileage. The excess mileage only is payable.

20. Travel outside the WMOPC Area. ALL mileage claimed will be reimbursed at the local travel expense rate dependent on the cubic capacity of the vehicle used.

21. Car Parking. WMOPC staff attending their normal office base may not claim any car parking expenses. If any expenses are incurred on a subsequent journey these may be claimed subject to the provision of satisfactory receipts, and should be claimed using the appropriate claim form. .

22. Carriage of Additional Passengers/Sharing Vehicles. Where there is potential to increase the cost effectiveness by the sharing of private vehicles, members of staff, in receipt of vehicle allowances or travel expenses, shall undertake to carry official passengers to the total authorised capacity of the vehicle without a claim for additional financial reimbursement.

23. Travel Cards. Where a member of staff regularly uses public transport and claims reimbursement from WMOPC, consideration must be given to the possible advantage of issuing that person with a travel card. Employees already in possession of a travel card for personal travel may claim reimbursement for WMOPC business journeys only if additional expense is incurred.

24. Motorcycle Allowance. The general criteria detailed at clause 3 have to be satisfied before a motorcycle is used. The same conditions and controls which apply to the use of a motor vehicle for official duties will be applied when a motorcycle is used.

25. Motorcycle Reimbursement.

(i) Motorcycles up to 451cc. Half the lowest car allowance rate dependent on the journey type.

(ii) Motorcycles over 451cc. The full car allowance rate dependent on the journey type authorised and the appropriate cc category.

26. Additional Travel Allowance (Excess Travel)

Where there is an organisation requirement for an employee to move work location, but not to move home, they may be entitled to claim additional travel expenses, if there is additional 'home to work' travel.

Individuals who gain a promotion following a restructure will not normally be eligible to receive the allowance. However, where an individual is promoted and a managerial decision is taken to post them to a specific work location, they will be eligible to receive the allowance if additional travel costs are incurred.

Individuals who apply for a secondment to the WMOPC will not be eligible to claim the allowance.

27. Excess Travel - Determination of Allowance

27.1 The allowance paid shall be equal to the difference between the cost of travelling from home to the new place of work, and from home to the old place of work. Where there is no difference in costs, e.g. current users of a travel card, then no additional payment will be made. The calculation will be based on 45 working weeks per year, thereby taking account of annual leave entitlements and public holidays.

27.2 The allowance will be based on either the current mileage rates for local travel or standard train or bus fare and will be paid on a monthly basis subject to tax and National Insurance deductions. The amount will not be pensionable.

27.3 Individuals will only be able to claim an allowance based on the local travel mileage rate if they are an authorised car user for WMOPC.

There are circumstances where non-authorised car users can claim local travel mileage if there are staff with disabilities, staff work outside standard office hours where the level of public transport decreases or for staff who do not live within a reasonable distance of a bus or train stop.

Staff that do not live near a train or bus station should, where reasonable, drive to a location to access public transport meaning that claims will be based on a mixture of mileage and public transport.

For these individuals, details should be disclosed on the claim form as to why they are claiming local travel mileage, which should be supported by their appropriate line manager.

In all other cases the allowance will be based on public transport rates (train, or bus fares), regardless of whether the individual previously drove to their old work location.

28. Excess Travel - Payment

Once the allowance has been calculated, checked and authorised, payment will be made along with the monthly salary. However where an individual moves their place of work or home address, they must inform their line manager as this may affect the additional travelling allowance.

29. Excess Travel - The Period of Claim

Individuals will be able to claim for a four year period on a monthly basis. Payment will be subject to tax and National Insurance deductions.

30. Excess Travel- Interim / Temporary Relocation

The principle for calculating the additional travel allowance remains the same. Individuals will receive a monthly payment.

It should be noted that if the employee uses a bus or train travel card and therefore there are no additional costs incurred, no allowance is payable. 31. Resignation / Career Break

When an individual leaves WMOPC, the monthly payment will cease.

Reimbursement of Expenditure (Expenses)

32. Enabling Framework

The following principles will apply to the reimbursement of additional expenditure incurred by WMOPC staff in the course of their duties:-

(i) Where staff, during their standard working day are ***necessarily*** prevented from taking their usual meal arrangements, they will be reimbursed the difference between the cost of the meal taken and that of their usual meal arrangements.

(ii) Staff will only be reimbursed for expenditure incurred if that expenditure was necessary, i.e. that there was a real / genuine need for the expenditure and it was reasonable.

Claims must be supported with receipts (only in exceptional circumstances, agreed by the line manager, will claims without a receipt be authorised) and the claim must be certified for payment by the line manager.

Amounts reimbursed must normally be paid with salaries, and only in exceptional circumstances should they be reimbursed in cash.

33. Supporting Guidance

The key part of this policy is that the reimbursement of expenses is 'reasonable and necessary'. Local management discretion will need to be exercised when assessing individual claims against these criteria. Issues taken into account should include:-

- The facilities available at the time of day and location; and

- The cost of the facilities available and whether there were any other alternatives.

A degree of judgement will need to be used in assessing claims against the circumstances of individual cases and it will be in the interests of all parties to ensure that the reimbursement arrangements are properly managed and applied.

For illustrative purposes only, meal costs will not be expected to exceed £6 (breakfast), £7.50 (lunch) and £10 (dinner).

Please note in the case of claiming during the course a standard day these represent the cost of meals before the deduction that must be made in respect of the meal / refreshment normally taken.

The amounts detailed above are not entitlements against which claims can be made. Claims must be approved and certified for payment by the line manager who in doing so will be confirming that the expense was necessary, and in the case of claims for expenditure incurred during the standard working day, is additional to what the individual would have otherwise incurred. Where the claim is not supported by receipts, certification for payment will also mean that the line manager agrees that there are good exceptional reasons why the claim should be paid without receipts.

Amounts reimbursed must normally be paid within the individuals' salaries, and only in exceptional circumstances should they be reimbursed in cash (e.g. where a substantial expense has been incurred by the individual, such as for hotel accommodation etc).

APPENDIX 'A'

If a member of staff calls at a location on his/her normal home to work or return route, the full journey must be shown, but only excess mileage may be claimed.

Example 1

An employee living north of Birmingham (Four Oaks), travelling from there to Tally Ho! The employee's normal office base is Lloyd House and the normal home to office base route is 10 miles.

The claim should be as follows:-

Home to Tally Ho! to Lloyd House	16 miles
Less normal home to office mileage	10 miles
miles claimed	6 miles

ie the excess miles claimed.

Example 2

An employee living South of Birmingham (Cotteridge) whose normal office base is Lloyd House and whose normal home to office mileage is 6 miles.

Travelling from Lloyd House to Tally Ho! then home, the employee may not claim because:-

Lloyd House to Tally Ho! to Home = 6 miles

Less normal home to office mileage = 6 miles

The journey to Tally Ho! forms part of normal home to office.

Example 3

An employee living North of Birmingham (Four Oaks) who has to attend an all day meeting South of Birmingham (Bournville). The employee's normal office base is Lloyd House and normal home to office journey is 10 miles.The claim should be as follows:-

Home to Bournville to Home	= 30 miles
Less normal home to office return mileage	= 20 miles
Therefore amount claimed	= 10 miles

ie the excess mileage.

NB If the home location was as per Example 2 (Cotteridge) and the return mileage to/from Bournville was less than the return mileage to Lloyd House, then no mileage could be claimed.

WEST MIDLANDS POLICE AND CRIME COMMISSIONER	**NON-CONFIDENTIAL**
	NOTICE OF DECISION
	016/2013

Contact Officer:	Caroline Jones, T/Head Finance & Procurement
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Treasury Management Strategy 2014/15

EXECUTIVE SUMMARY

This report sets out the Police and Crime Commissioner's Treasury Strategy Statement 2014/15 and updates on debt management activity and investment activity during the financial year 2013/14 as reported to the Joint Audit Committee on 26th March 2014.

DECISION

(a) The Commissioner approves the treasury management activity in 2013/14 set out in paragraphs 6 to 18, and the interest rate observations in paragraph 20.

(b) The Commissioner formally adopts the CIPFA Code of Practice for Treasury Management.

(c) The Commissioner approves the Treasury Strategy Statement for 2014/15 set out in Appendix B.

(d) The Commissioner approves the criteria for selecting counter parties and the current eligible counter parties and their limits as set out in Appendix C.

(e) The Commissioner will undertake a mid-year review of Treasury Management activity in accordance with the CIPFA Code of Practice for Treasury Management.

West Midlands Police and Crime Commissioner

I confirm that I do not have any disclosable pecuniary interests in this decision and take the decision in compliance with the Code of Conduct for the West Midlands Office for Policing and Crime. Any interests are indicated below.

Signature……Bob Jones……………………………………………

Date…………16 May 2014…………………………..

NON - CONFIDENTIAL FACTS AND ADVICE TO THE POLICE AND CRIME COMMISSIONER

INTRODUCTION AND BACKGROUND

1. The Commissioner is legally required to produce an Annual Investment Strategy. Therefore, included is an Investment Strategy as part of the Treasury Strategy Statement shown in Appendix B.

2. **In order to protect the Commissioner's position if an individual or organisation were to act upon this advice, it is deemed necessary to produce a disclaimer, which is shown as a note at the head of Appendix B.**

3. The Commissioner is responsible for administering a Capital Programme of £110.3m between 2014/15 and 2017/18. As far as possible all surplus revenue money and other reserves are invested on a daily basis until they are required.

4. The Commissioner follows the Code of Practice for Treasury Management produced by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code emphasises the following key points:

    - The Commissioner must formally adopt the Code.
    - The strategy report will affirm that the effective management and control of risk are prime objectives.
    - The Commissioner's appetite for risk must be clearly identified within the strategy report and the priority given to security of capital and liquidity when investing funds and an explanation as to how that will be carried out.
    - Responsibility for risk management and control lies within the organisation.
    - Credit ratings should be used as a starting point when considering risk but use should also be made of market data and information, the quality financial press, information on government support for banks and the credit ratings of that government support.
    - The Commissioner needs a sound diversification policy with high credit quality counterparties and should consider setting country, sector and group limits.
    - Borrowing in advance of need is only allowed when there is a clear business case for doing so and only for the current capital programme or to finance future debt maturities.
    - There needs to be, at a minimum, a mid year review of treasury management strategy and performance to highlight any areas of concern that have arisen since the original strategy was approved.
    - The Commissioner must delegate the role of scrutiny of treasury management strategy and policies to a specific named body.
    - Treasury management performance and policy setting should be subjected to prior scrutiny.
    - The Commissioner, and his staff, should be provided with access to relevant training as those charged with governance are also personally responsible for ensuring they have the necessary skills and training.
    - Officers involved in treasury management must be explicitly required

to follow treasury management policies and procedures when making investment and borrowing decisions on behalf of the Commissioner.

5. The Commissioner's Treasury Management activity is governed by the following documents:

   1 **Treasury Policy Statement.** This is a statement, defining treasury management and the general approach to it. It emphasises firstly the control of risk and secondly the pursuit of best value as the main factors defining the approach. A copy is attached at Appendix A.

   2 **Treasury Management Practices** (TMPs) and Schedules to TMPs. TMPs define the overall approach to various aspects of treasury management, including such things as risk management, performance monitoring and management, segregation of duties and dealing arrangements, cash flow management, money laundering and staff training. The Schedules to TMPs deal with the criteria for selecting third parties (banks and building societies) with whom the Commissioner is prepared to deposit funds. The TMPs and Schedules are reviewed regularly by the Commissioner's CFO and copies are available on request.

   3 **Annual Treasury Strategy Statement** details the expected activities of the treasury function in the financial year 2014/15. A copy is attached at Appendix B.

DEBT MAMAGEMENT ACTIVITY 2013/14

6. Since April 1986, the Police Authority had been incurring long term debt from the Public Works Loans Board to finance major capital expenditure. All long-term borrowing has transferred to the Commissioner.

7. Borrowing at the 31st March 2014 will total £49.2m all at fixed rates and repayable over various periods up to 2061.

8. The Commissioner has the capacity to undertake variable rate borrowing (up to 20% of the total debt portfolio) should the need arise or to take advantage of favourable rates to fund identified need.

9. There have been no maturities during 2013/14. Capita, the Commissioner's treasury advisors, continue to advise on debt restructuring to enable the Commissioner to take advantage of opportunities to reduce the overall cost of debt, set in the context of the financial constraints and markets. There were no opportunities for this during 2013/14.

10. The table below shows that the level of borrowing has remained constant during 2013/14 and the average interest rate is still 4.84%.

PWLB Borrowing

Loan Type	Borrowing £'m		Average Interest Rates %	
	2012/13	2013/14	2012/13	2013/14
Fixed	49.2	49.2	4.84	4.84
Variable	0.0	0.0	0.0	0.0
Total	49.2	49.2	4.84	4.84

INVESTMENT ACTIVITY 2013/14

11. As far as possible, all surplus funds have been invested on a daily basis. The target was to achieve an average return on investments as close as possible to the 3 month London Inter Bank Offer Rate (LIBOR).

12. Interest earned on investments up to the end of March is predicted to average 0.77%, approximately 26 basis points above the average return on 3 month LIBOR (0.51%) as at 28/02/14. This represents good performance given the continued depressed state of the money markets and the continued low Base Rate.

13. In the 2013/14 report the Commissioner approved a revised list of counter parties with whom investments could be placed. This list has been updated during the year to take account of the effects of the national economic conditions and the significant amounts invested (at the 4th March 2014, the Commissioner had £200m invested with a range of maturity dates between one day and two and a half years).

14. All of the Commissioner's investments are with UK based entities: 80% Local Authorities, 20% British Banks, 0% Building Societies.

15. As previously stated, since October 2008 the Police Authority had £5.4m of investments frozen in the Icelandic bank Landsbanki; the rights to this investment transferred to the Commissioner.

16. Having recovered approximately a third of the original investments over the last five years, the opportunity arose in January 2014 to sell, via auction, the outstanding balances. With support from the Local Government Association, and their legal representatives, the majority of Landsbanki public sector investors were able to recover a significant proportion of their original investment. This represents a good result when considered in the context of increasing on going legal costs, the continual uncertainty of future pay outs, and the returns on investment.

17. Based on market information provided by Capita, the counter party list has been fully reviewed to reflect: current market conditions, credit ratings of sovereign nations, and the impact of Government support for the banking sector. As a consequence the limits, both financial and for duration, have been adjusted for some institutions. Specifically the group limits (£60m) for the part government owned institutions (Lloyds TSB Bank, Bank of Scotland, National Westminster Bank, Royal Bank of Scotland) have been retained as it is considered that they are less risky than other UK institutions that are not directly supported by the government.

18. If institutions now fall below the set criteria they have been removed from the list and added if they become eligible. A copy of the latest list, which will be kept under

review by the Commissioner's CFO, in accordance with the TMP Statements, is attached at Appendix C. Details of the criteria are contained within the annual investment strategy in Appendix B.

19. The day to day work of Treasury Management is carried out in the Finance Department with oversight from the Director of Resources. The Treasury Management Strategy is therefore managed using appropriate delegations and periodic management reporting to the Director of Resources and the Commissioner's CFO. This will continue for the next financial year.

TREASURY STRATEGY STATEMENT 2014/15

20. The Treasury Strategy Statement covers the Commissioner's latest capital funding requirements, view of interest rate movements, and strategy for borrowing and investment in the light of that view. As such, it needs to be reviewed annually. The Treasury Strategy Statement for 2014/15 is attached at Appendix B.

21. The expectations for interest rates over the next twelve months, which will be subject to continuous review with the Commissioner's treasury advisors, are as follows:

Short-term rates.

- The Bank of England Base Rate has been unchanged at 0.50% since March 2009 and is forecast to remain unchanged during 2014/15 but then rise from December 2015 to reach 1.50% by December 2016.
- Growth in the UK economy is expected to be low in the next two years and as Base Rate underpins investment returns it is unlikely that this forecast is an under estimate especially if the economic recovery is slower or weaker than currently anticipated.
- The low interest rates will continue to depress future interest receivable estimates and an average investment return as low as 0.50% on new investments made in 2014/15 can be expected.

Long-term rates.

- Very long term rates (50 year PWLB rate) are expected to be around 4.50% for most of 2014/15.
- Long term rates (25 year PWLB rate) are also expected to be around 4.50% during 2014/15.
- The view of long term rates will affect the borrowing strategy in 2014/15. Although borrowing rates are currently attractive, they should remain low for some time. The timing of any borrowing will need to be monitored carefully. Any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

22. The Local Government Act 2003 introduced a new system of "prudential borrowing" which allows the Commissioner to set borrowing limits subject to criteria of prudence and affordability. These criteria are set out in more detail in the CIPFA Prudential Code that specifically requires a number of prudential indicators are set. The full range of prudential indicators was considered when the 2014/15 Budget and Precept

were agreed in February 2014. This is particularly relevant when set in the context of the overall limitation of planned capital resources and therefore a potential increase in prudential borrowing across the medium term plan. The proposed indicators that relate to treasury management are set out in the Treasury Strategy Statement.

23. The Local Government Act 2003 also requires the Commissioner to set out a treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act); this sets out the Commissioner's policies for managing investments and for giving priority to the security and liquidity of those investments.

FINANCIAL IMPLICATIONS

24. The financial implications of the Treasury Management function are included in the Commissioner's annual budget. The estimated total net cost of capital financing in 2014/15 (including direct charges to revenue) is £3.8m.

LEGAL IMPLICATIONS

25. These matters are governed by Part IV of the Local Government and Housing Act 1989 and Section 111 of the Local Government Act 1972, which empowers the Commissioner to do anything which is calculated to facilitate or is conducive or incidental to the discharge of their various statutory functions.

26. Adoption of the CIPFA Code of Practice on *Treasury Management in the Public Services* as part of the Commissioner's Standing Orders and Financial Regulations gives it the status of "a code of practice made or approved by or under any enactment" and hence proper practice under the provisions of the Local Government and Housing Act 1989.

27. The Commissioner's CFO continues to delegate the responsibility for the discharge of Treasury Management on a daily basis to the Director of Resources through the appropriate Finance Department staff.

EQUALITY IMPLICATIONS

28. Any issues of Equality and Diversity that may arise during the undertaking of Treasury Management activities will be noted, considered and reported upon.

Schedule of Background Papers
Appendix A – Treasury Policy Statement and Treasury Management Practices
Appendix B – Treasury Strategy Statement 2014/15
Appendix C – External Investments – Approved Counterparty List 2014/15

Public Access to Information Information contained in this decision is subject to the Freedom of Information Act 2000 and other legislation. This decision will be made available on the Commissioner's website.

APPENDIX A

TREASURY POLICY STATEMENT AND TREASURY MANAGEMENT PRACTICES

TREASURY POLICY STATEMENT

1. The Commissioner defines treasury management activities as:
   - the management of cash flows;
   - banking, money market and capital market transactions;
   - the effective control of the risks associated with those activities;
   - the pursuit of optimum performance consistent with those risks.

2. The Commissioner regards the successful identification, monitoring and control of risk to be the prime criteria 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 Commissioner.

3. The Commissioner acknowledges that effective treasury management will provide support towards the achievement of business and service objectives. It is therefore a commitment to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques within the context of effective risk management.

4. Treasury operations are managed within the overall strategy approved by the Commissioner at three levels:
   - Formal reviews of strategy and performance by the Commissioner's CFO, Director of Resources and Head of Finance & Procurement, in conjunction with representatives from the external advisors (Capita).
   - Monthly monitoring is conducted by the Commissioner's CFO, Director of Resources and Head of Finance & Procurement.
   - On a daily basis by trained staff under the direction of the Head of Finance & Procurement.

APPENDIX B

Note:
It is important to note that the Treasury Strategy Statement is adopted by the Commissioner based upon advice from external treasury advisors, and accordingly the Strategy is tailored to meet the specific and unique needs of the Commissioner. All financial information contained within this Report and Statement should not be used by any individual or organisation as a basis for making investment or borrowing decisions. The Commissioner and the treasury advisors will not accept any liability on behalf of any individual or organisation who seeks to act on the financial information contained within this Report and Statement.

TREASURY STRATEGY STATEMENT 2014/15

1.0 INTRODUCTION

1.1 This Treasury Strategy Statement details the expected activities of the treasury function in the financial year 2014/15. The suggested strategy is based upon views of interest rates as advised by external advisors, supplemented with leading market forecasts. The strategy covers:

- the current portfolio position
- prudential indicators
- prospects for interest rates
- the borrowing requirement & strategy
- the investment strategy
- debt rescheduling opportunities
- MRP strategy

2.0 CURRENT PORTFOLIO POSITION

2.1 The Commissioner's estimated debt position as at 1st April 2014 is as follows:

	£m
Long-term Debt	
- PWLB fixed rate	49.2
- PWLB variable rate	0.0
	49.2

2.2 The average rate of interest on the above debt is expected to be 4.84%.

2.3 The estimated value of investments at 1st April 2014 is £200m:

- £160m maturing between one day and up to a year.
- £40m maturing between one and one and a half years.

3.0 PRUDENTIAL INDICATORS for 2014/15 to 2016/17

3.1 The 2003 Prudential Code for Capital Finance in local authorities introduced requirements for the manner in which capital spending plans are to be considered and approved. It requires the Commissioner to set a number of prudential indicators over a period of three years.

3.2 The following prudential indicators are relevant for the purposes of setting an integrated treasury management strategy:

External debt

These indicators are intended to ensure that levels of external borrowing are affordable, prudent and sustainable. The authorised limit for external debt is a statutory limit (section 3 of the Local Government Act 2003) that should not be breached under any circumstances. It has been calculated to take account of the Commissioner's capital expenditure and financing plans and allowing for the possibility of unusual cash movements. The operational boundary for external debt has also been calculated with regard to the Commissioner's capital expenditure and financing plans allowing for the most likely, prudent, but not worst case scenario for cash flow. Temporary breaches of the operational boundary, due to variations in cash flow, will not be regarded as significant.

	2014/15 £m	**2015/16 £m**	**2016/17 £m**
Authorised limit for external debt - Borrowing	100.0	100.0	100.0
Operational boundary - Borrowing	90.0	90.0	90.0

The Commissioner's actual external debt as at 31/03/14 is £49.2m, excluding transferred debt managed by Dudley M.B.C.

CIPFA Code of Practice for Treasury Management in the Public Services

The Commissioner continues to adopt the CIPFA Code of Practice for Treasury Management in the Public Services first adopted by the Police Authority in March 2002.

Interest rate exposures

These indicators allow the Commissioner to manage the extent to which he is exposed to changes in interest rates. The upper limit for fixed interest reflects the fact that it is possible to construct a prudent treasury strategy on the basis of using only fixed rate debt and investments, so long as the maturity dates of these debts and investments are reasonably spread. The same does not apply to variable rates where a 100% exposure could lead to significant year on year fluctuations in the cost of debt. The upper limit for variable rate exposure allows for the use of variable rate debt to offset the exposure to changes in short-term rates on the portfolio of investments. This limit reduces over time as the strategy is to gradually reduce the level of investments.

	2014/15 %	2015/16 %	2016/17 %
Upper limit for fixed interest rate exposure Net principal fixed rate borrowing / investments	100	100	100
Upper limit for variable rate exposure Net principal variable rate borrowing / investments	20	20	20

Maturity structure of borrowing and Investments longer than 364 days
The purpose of the prudential limits for principal sums invested for periods longer than 364 days is for the Commissioner to contain his exposure to the possibility of loss that might arise as a result of having to seek early repayment of principal sums invested. The maturity structure of fixed rate borrowing is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

Upper limit of principal invested for periods over 364 days	£60m

Maturity structure of fixed rate borrowing	**Upper limit %**	**Lower limit %**
under 12 months	25	0
12 months and within 24 months	25	0
24 months and within 5 years	50	0
5 years and within 10 years	75	0
10 years and above	100	25

3.3 In considering the capital programme for 2014/15, the anticipated future borrowing requirements were considered in the context of overall capital resources and the impact on the revenue budget.

	31st March 2013 £'m	**31st March 2014 £'m**	**31st March 2015 £'m**	**31st March 2016 £'m**	**31st March 2017 £'m**
Capital financing requirement (CFR)	51.6	50.1	54.2	52.8	51.3
External borrowing	-49.2	-49.2	-49.2	-47.2	-47.2
Variance	2.4	0.9	5.0	5.6	4.1

The CFR increases when expenditure is incurred and reduces when provision is made to repay debt.

4.0 PROSPECTS FOR INTEREST RATES

4.1 The Commissioner continues to use Capita Asset Services as a treasury advisor and has made use of their services in formulating a view on interest rates. Capita has in turn drawn upon the work of a number of City economic forecasters. Having discussed these, the following view of the prospects for interest rates over the next twelve months has been derived:

- **Short-term rates.**

The Bank of England Base Rate has been 0.5% for the whole of 2013/14 and it is expected to remain there until December 2015 with a rise to 1.50% by December 2016. The continuing low rate is a consequence of the global recession. If the recovery from the recession takes longer, or is slower, than is currently forecast Base Rate may rise more slowly, or remain low for longer. For 2014/15 an investment return of 0.50% can be expected because a proportion of the funds are already invested at rates above 1.0% but it is expected that the majority of maturities during 2014/15 will be at rates of less than 0.5%.

- **Long-term rates.**

The 50 year PWLB rate is expected to be around 4.50% in 2014/15 before rising to 5.00% by the end of 2015. Similarly, the 25 year PWLB rate is estimated at 4.50% for 2014/15 and then gradually rising to 4.90% by the end of 2015.

4.2 The overall strategy will be based on the projections above. However, the Commissioner will maintain flexibility to take account of unexpected variations from the forecast.

5.0 ANNUAL INVESTMENT STRATEGY

5.1 The Commissioner's investment activities have regard to guidance issued by the Government and CIPFA from time to time.

5.2 In making investment decisions, the priorities will be security of the Commissioner's funds and liquidity. Pursuit of the best possible return on investments will only be allowed to the extent that this is consistent with very low levels of risk in terms of security and liquidity.

5.3 The borrowing of monies purely to invest or on-lend and make a return is unlawful and the Commissioner will not engage in such activity.

5.4 The Commissioner will make use of both specified investments and non-specified investments. Specified investments are those that satisfy the following conditions:

a) The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.
b) The Commissioner requires that the investment be repaid or redeemed within 12 months of the date on which the investment was made.
c) The investment does not involve the acquisition of share capital or loan capital in any corporate body.
d) The investment satisfies any of the following conditions:

The investment is made with the UK government (Debt Management Agency Deposit Facility), a local authority, a parish council or a community council.

The investment is made with a body which has been awarded a "high credit rating" by a credit rating agency.

If the body is not a UK bank, the sovereign country must be awarded a "high credit rating" by a credit rating agency.

5.5 For the purposes of this strategy use is made of the creditworthiness service provided by Capita Asset Services to define a "high credit rating" as follows (credit ratings taken from Fitch IBCA):

UK banks and building societies – short-term rating F1 or higher and viability rating of "a" or higher or a support rating of 3 or higher.

Foreign banks – short-term rating F1+, support rating of 1 or 2, and a viability rating of a minimum of "a" with a sovereign rating of AAA.

These will be supported by other accredited rating systems (Standard & Poor's and Moody's), credit watches and outlooks, Credit Default Swap spreads, and data from the financial press.

5.6 Since the credit crisis, there are several semi-nationalised banks in the UK with credit ratings which do not conform to the credit criteria usually used to identify banks which are of high credit worthiness. In particular, as they no longer are separate institutions in their own right, it is impossible for the rating agencies to assign them an individual rating for their stand alone financial strength. However, these institutions are now recipients of an F1 short term rating as they effectively take on the creditworthiness of the Government itself. That is deposits made with them are effectively being made to the Government; they have the highest ratings possible.

5.7 The Commissioner's CFO will monitor credit ratings through the receipt of credit rating bulletins from the treasury management consultants at Capita Asset Services. Institutions that cease to meet the criteria above will immediately cease to be treated as specified investments.

5.8 Non-specified investments are those that do not meet the criteria in 5.4 to 5.6 above. In determining which categories of non-specified investments may prudently be used, account will be taken of advice from the advisors, Capita, and, if investments are for 12 months or more, long-term credit ratings as determined by Fitch IBCA.

5.8 So far, the following categories of investment have been identified as prudent for use. The table also shows a maximum proportion of the pool of investments that may be held in any one category:

Category of investment	**Maximum for this category of investments as a proportion of total investments (at the time of making a new investment)**
Sterling deposits in excess of 364 days with Local Authorities and UK banks (where these are not "specified investments" as defined above).	30%

5.10 In determining the maximum period for which investments may be held, regard to the most recent cash flow forecast (Schedule 15 to our Treasury Management Practices) will be taken. No investment will be entered into where the cash-flow forecast indicates that, as a result of that investment, the Commissioner would be forced to borrow money in a future year that would not otherwise have had to be borrowed.

5.11 Also at the time of making a new investment, long-term investments (investments of one year's duration or more) should not constitute more than 30% of the total pool of investments.

5.12 Investments with a single institution should not exceed 25% (15% for Building Societies) of the total pool of investments at month end. Investments with a group of banks should not exceed 30% of the total pool of investments at month end.

6.0 CAPITAL BORROWING REQUIREMENT & STRATEGY

6.1 The Commissioner's CFO has undertaken a review of capital investment requirements and likely resource levels. Although there is currently uncertainty around specific requirements and future funding levels, it is unlikely that there will be a need to borrow to fund the Capital Programme in the next few years.

6.2 If however there is a need to borrow, forecasts suggest that there are potential options available. Variable rate borrowing may be attractive throughout 2014/15 as it is expected to be cheaper than long term fixed borrowing. Under 10 year PWLB rates are forecast to be lower than longer term borrowing which could enable the spread of debt maturities as the focus in recent years has been to concentrate on long dated debt.

6.3 Little difference between 25 and 50 year borrowing is forecast, however, borrowing in the 25 to 30 year period could be more attractive than 50 year borrowing as the spread between the PWLB new borrowing and early repayment rates is considerably less. This strategy would also allow for debt rescheduling in the future; again improving the spread in the debt maturity profile.

6.4 Should PWLB rates fall below the forecast rates, borrowing could be undertaken at any time to take advantage of low rates.

6.5 However, the next financial year is expected to see a continuation of the relatively low Bank Rate which may present an opportunity to review the Commissioner's external borrowing strategy. As investments exceed the borrowing requirement over the next year, and cash can be accessed from maturing investments, consideration needs to be given to the potential of internal borrowing.

6.6 As long term borrowing rates are expected to be higher than rates on the loss of investment income, and look likely to be so for the next couple of years, it may be preferable to avoid some new external borrowing to maximise savings in the short term. A reduction of investments also has the benefit of reducing exposure to interest rate and credit risk.

6. 7 Against this background caution will be adopted with the 2014/15 treasury management operations. The Commissioner's CFO will monitor the interest rate market and adopt a pragmatic approach to any changing circumstances.

7.0 TEMPORARY INVESTMENTS STRATEGY

7.1 Capita has forecast Bank Base Rate to be 0.50% for 2014/15 which suggests that an investment return of 0.50% can be achievable assuming that the Bank rate does not decrease.

7.2 Capita also predict that Bank Base Rate may begin to rise from 2015 back to about 1.75% by the end of 2016/17 which suggests locking into long term investments while rates are so historically low should be resisted.

8.0 DEBT RESCHEDULING AND PREMATURE REPAYMENT OPPORTUNITIES

8.1 The introduction of different PWLB rates on 1 November 2007 for new borrowing as opposed to early repayment of debt, and the setting of a spread between the two rates (of about 40 – 50 basis points for the longest period loans narrowing down to 25 – 30 basis points for the shortest loans), has meant that PWLB to PWLB debt restructuring is now much less attractive.

8.2 Due to short term borrowing rates expected to be considerably cheaper than longer term rates, there may be opportunities to generate savings by switching from long term debt to short term debt. These savings will need to be considered in the light of their short term nature and the cost of refinancing short term loans as they mature. Any rescheduling and repayment of debt is likely to cause a rebalancing of the Commissioner's debt maturities towards a flatter maturity profile because in recent years there has been a concentration on longer dated PWLB loans.

8.3 The potential for making savings by reducing investment balances by repaying debt prematurely should also be considered as short term rates on investments will be lower than rates paid on currently held debt. However, this will need careful consideration in the light of premiums that may be due on early debt repayment.

9.0 MINIMUM REVENUE PROVISION STRATEGY

9.1 Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, and machinery. As it would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred, such expenditure is spread over several years to try to match the useful life of the asset. This is done by an annual Minimum Revenue Provision, which was previously determined under regulation but now is determined under guidance.

9.2 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 which came into force on 31 March 2008 states that an annual MRP statement needs to be produced which details the methodology for the charge to revenue for debt redemption. The Regulations require that the Commissioner "shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent".

9.3 Methods of making prudent provision for MRP include four options. Options 1 and 2 should only be used in relation to Capital expenditure incurred before 1 April 2008 and Capital expenditure incurred on or after that date which the Commissioner is satisfied forms part of Supported Capital Expenditure. For all unsupported borrowing covered by the Prudential Code on or after 1 April 2008, Options 3 or 4 must be used.

9.4 The MRP options are:

- **Option 1 – Regulatory Method**. MRP is equal to the amount determined in accordance with the former sections 28 and 29 of the 2003 Regulations as if they had not been revoked.

- **Option 2 – Capital Financing Requirement Method**. MRP is equal to 4% of the Capital Financing Requirement at the end of the previous year.

- **Option 3 – Asset Life Method**. Revenue provision is spread over the determined useful life of the Asset either in equal instalments or using an annuity method. The first charge can be delayed until the asset is operational.

- **Option 4 – Depreciation Method**. MRP is equal to the provision required in accordance with depreciation accounting in respect of the asset.

9.5 It is recommended that for 2014/15, Option 2 will continue to be used for Capital expenditure incurred before 1 April 2008. For all subsequent Capital expenditure financed by Borrowing, the equal instalment method of Option 3 will be used. In the future it will be necessary to choose which assets are financed by borrowing carefully since the useful lives of the assets could increase or decrease MRP charges.

APPENDIX C

EXTERNAL INVESTMENTS - APPROVED COUNTERPARTY LIST 2014/15

BRITISH BANKS & SUBSIDIARIES	IBCA RATING L/T	S/T	Viab	Sup	LIMIT £000	GROUP LIMIT	PERIOD
Lloyds Banking Group						60,000	1 year +
Lloyds Bank	A	F1	bbb+	1	30,000		1 year +
Bank of Scotland	A	F1		1	30,000		1 year +
RBS Group						60,000	1 year +
National Westminster	A	F1		1	30,000		1 year +
Royal Bank of Scotland	A	F1	bbb	1	30,000		1 year +
Ulster Bank Ltd	A-	F1	ccc	1	30,000		1 year +
HSBC	AA-	F1+	a+	1	10,000		1 year
Standard Chartered Bank	AA-	F1+	aa-	1	10,000		6mth
Bank of England (DMADF)					100,000		1 year +
Santander UK plc	A	F1	a	1	10,000		3mth
Barclays	A	F1	a	1	10,000		3mth

BUILDING SOCIETIES	IBCA RATING L/T	S/T	Viab	Sup	LIMIT £000	PERIOD
Nationwide	A	F1	a	1	25,000	3mth
Coventry	A	F1	a	5	10,000	1mth

FOREIGN COUNTRIES	NATIONAL RATING	LIMIT £000	PERIOD
Australia	AAA	20,000	3mth
Canada	AAA	20,000	3mth
Denmark	AAA	20,000	3mth
Finland	AAA	20,000	3mth
Germany	AAA	20,000	3mth
Luxembourg	AAA	20,000	3mth
Netherlands	AAA	20,000	3mth
Norway	AAA	20,000	3mth
Singapore	AAA	20,000	3mth
Sweden	AAA	20,000	3mth
Switzerland	AAA	20,000	3mth
USA	AAA	20,000	3mth

LOCAL AUTHORITIES	IBCA RATING L/T	S/T	Indiv	Supp	LIMIT £000	PERIOD
All Local Authorities					30,000	1 year+