Suffolk Police and Crime Commissioner

ORIGINATOR: PCC CHIEF FINANCE OFFICER

DECISION NO. 9 - 2017

REASON FOR SUBMISSION: FOR DECISION

SUBMITTED TO: POLICE AND CRIME COMMISSIONER

SUBJECT: UPDATE TO THE MEDIUM TERM FINANCIAL PLAN 2017-18 TO 2020-21

SUMMARY:

1. This paper provides for a decision to be made by the PCC upon a change to be made to the Medium Term Financial Plan (MTFP) 2017-18 to 2020-21

RECOMMENDATION:

It is recommended that:

1. The PCC notes the change to the MTFP 2017-18 to 2020-21 following late notification of an increased collection fund surplus from one the councils.

2. The MTFP is updated and posted on the PCC's website.

APPROVAL BY: PCC

The recommendations set out are agreed.

Signature Tim Passmore

Date 24/3/2017

NOT PROTECTIVELY MARKED

DETAIL OF THE SUBMISSION

1. INTRODUCTION

1.1 The PCC's draft Medium Term Financial Plan (MTFP) 2017-18 to 2020-21 was approved by the PCC on 20 January 2017 (Decision number 3-2017), following which, the PCC's proposed precept level and council tax requirement 2017-18 was presented, and unanimously approved, at the Police and Crime Panel (PCP) meeting on 31 January 2017.

1.2 Subsequent to the PCP meeting and issuing of the precept by the PCC (Decision number 6-2017), the PCC's office was notified of an increase in the police element of the collection fund surplus in 2016-17 of £185k from one of the councils in late February 2017.

2. FINANCIAL IMPLICATIONS

2.1 There are no changes required to the precept issued for 2017-18, and the savings to be identified over the period of the MTFP remain unchanged at £2.651m.

2.2 The total revenue funding for 2017-18 increases from £113.334m to £113.518m, with the following years revenue funding remaining unchanged.

3. OTHER IMPLICATIONS

3.1 There are no other implications and risks associated with the recommendations.

4 RECOMMENDATIONS FOR DECISION

4.1 It is recommended that:

- The PCC notes the change to the MTFP 2017-18 to 2020-21 following late notification of an increased collection fund surplus from one the councils.

- The MTFP is updated and posted on the PCC's website.

ORIGINATOR CHECKLIST (MUST BE COMPLETED)	PLEASE STATE 'YES' OR 'NO'
Has legal advice been sought on this submission?	No
Has the PCC's Chief Finance Officer been consulted?	Yes
Have equality, diversity and human rights implications been considered including equality analysis, as appropriate?	N/A
Have human resource implications been considered?	N/A
Is the recommendation consistent with the objectives in the Police and Crime Plan?	Yes
Has consultation been undertaken with people or agencies likely to be affected by the recommendation?	N/A
Has communications advice been sought on areas of likely media interest and how they might be managed?	No
In relation to the above, have all relevant issues been highlighted in the 'other implications and risks' section of the submission?	Yes

APPROVAL TO SUBMIT TO THE DECISION-MAKER

Chief Executive

I am satisfied that relevant advice has been taken into account in the preparation of the report and that this is an appropriate request to be submitted to the PCC.

Signature: **Date** 24 March 2017

Suffolk Police and Crime Commissioner

Making Suffolk a safer place to live, work, travel and invest

UPDATED MEDIUM TERM FINANCIAL PLAN 2017-18 TO 2020-21

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1 INTRODUCTION

1.1 By way of a financial context in which to consider this Medium Term Financial Plan, it is important to recognise the relative position of Suffolk in respect of the cost of policing the County. This was reported in the HMIC PEEL: Police Efficiency 2016 Report published on 5 November 2016, and states that 'the officer cost per head of population in the 12 months to 31 March 2016 for Suffolk Constabulary was £78, with the England and Wales force average being £98'.

1.2 This report covers the spending proposals and key issues relating to the budget for 2017-18 to 2020-21. It provides the Police and Crime Commissioner (PCC) with information relating to the revenue budget, capital programme and council tax options, together with associated financing issues.

1.3 The report contains appendices that provide more detailed information relating to the proposals.

Appendix A(i)	Medium Term Financial Plan (MTFP)- 4 Year Overview- Option 1-. increase council tax by just less than 2% in each year of the medium-term plan.
Appendix A(ii)	MTFP- 4 Year Overview- Option 2- no increase to Council Tax over the medium-term plan
Appendix B	Planned Revenue Changes 2017-18 to 2020-21
Appendix C	Savings Plan 2017-18 to 2020-21
Appendix D	Capital Programme 2017-18 to 2020-21
Appendix E	Precept Option Scenarios
Appendix F	Forecast Use of Reserves
Appendix G	Precept Level and Council Tax Requirement Options.
Appendix H	Treasury Management Strategy
Appendix I	Lending Limits and proposed List of Approved Institutions

Budget process and consultation

1.4 A joint financial planning process has been on-going over recent months in accordance with a timetable previously agreed by the Suffolk and Norfolk Chief Officers.

1.5 An enhanced Service and Financial Planning process was developed this year using Outcome Based Budgeting (OBB) principles, and a new Outcome Based Budgeting modelling tool.

1.6 OBB is a method for aligning budgets to demand, performance, outcomes and priorities. This approach analyses the activity spending of the entire force, in terms of budgets, establishment, performance, demand and outcomes. This information is then lined up against the priorities and demands of the constabulary and PCC. This allows projects to be developed to target areas that can be made more efficient, and those areas requiring more investment. This process enables improved strategic financial planning.

1.7 The first stage was capturing activity, financial and performance information across the constabularies and developing and implementing the tool and its content. Risk and strategic priority information was also added into the tool.

1.8 The second stage was to analyse the information in the modelling tool. The tool presents information in either the traditional functional view of the forces, but also in the new activity view that enables a strategic review of the inputs and outputs against these activities.

1.9 The information was used in two ways. Functional Senior Managers, having reviewed the information in the tool and the associated inputs and outputs, attended Challenge Panels to present submissions about their strategic issues, savings proposals, growth pressures and capital spend requirements.

1.10 The second strand of the Service and Financial Planning process strategically reviewed the information from the modelling tool from cross-departmental activity spend, and where there were areas that suggested efficiency savings could be made.

1.11 A number of cross-cutting themed Challenge Panels were run, and these scoped the potential value for savings, and whether business cases should then be developed.

1.12 As this process involved both Suffolk and Norfolk Constabularies, including all the joint departments, all the submissions were reviewed by a panel consisting of the Deputy Chief Constables and Chief Finance Officers of both forces, and the joint Heads of Finance and Corporate Development and Change. The submissions were reviewed against OBB principles, and decisions made about limiting growth, and increasing savings. An initial view of the new Change Programme was also developed.

1.13 These outputs were then presented to the Joint Chief Officer team, and further refined after these sessions. Finally the outcomes of the process were presented for consultation with the PCC and final amendments made between the Chief Constable and the PCC. The process concluded with agreement on Suffolk only budgets, the agreement of joint budgets, costs and savings arising from the process to be included in spending plans.

1.14 Decisions regarding the annual budget proposals should be made in the context of the medium to longer-term forecasts, particularly in the current uncertain economic climate. The budget proposals within the report are made within the context of a four-year strategic and financial planning cycle, including the current year. The figures contained within the strategy are based upon current information and stated assumptions.

1.15 In accordance with the requirements of Section 96 (1) (b) of the Police Act 1996, as amended by section 14 of the Police Reform and Social Responsibility Act 2011, the PCC has an obligation to obtain the views of ratepayer representatives.

1.16 Following the re-election of the PCC on 5 May 2016, the PCC has attended a variety of public meetings, including 18 District Meetings across the county. A meeting on 24 January 2017 between the PCC and members of the Suffolk Business Liaison Group, including the Suffolk Chamber of Commerce, ISSBA (Ipswich and Suffolk Small Business Association) and Country Land and Business Association (CLA) will be discussing amongst other issues, the PCC's precept intentions for 2017-18.

1.17 The results from the above-mentioned meetings will be presented by the PCC to the Police and Crime Panel at its meeting on 31 January 2017.

2 REVENUE BUDGET 2017-18

Home Office Grant 2017-18

2.1 The provisional central government grant settlement announcements were made on 15 December 2016. The proposals in this report are based on the provisional settlement, final local tax base figures and planning assumptions regarding future funding levels, on-going commitments and capital expenditure plans.

2.2 In the provisional Police Grant Report on 15th December, Brandon Lewis, The Minister of State for Fire and Policing stated "direct resource funding for each PCC, including precept, will be protected at flat cash levels compared to 2015-16, assuming that precept income is increased to the maximum amount available in both 2016-17 and 2017-18."

2.3 The table below provides a comparison between the 2017-18 provisional grant settlement and 2016-17 figures.

	2016-17 £m	2017-18 £m	Reduction %
Police Main Grant (incl ex-DCLG funding)	63.591	62.701	1.40
Legacy Council Tax Grants	6.786	6.786	0.00
Total General Grant Allocation	70.377	69.487	1.26

2.4 The Legacy Council Tax grants are based on two historic elements. The first element is in respect of former Council Tax Freeze Grants of £1.895m relating to the decision to freeze the Council Tax in 2011-12, 2013-14 and 2014-15. The second element relates to the Council Tax Support Grant of £4.891m that has been payable since April 2013 when the Government made significant changes to Council Tax Benefit arrangements.

2.5 There are no new Council Tax freeze grant schemes available for 2017-18. The Provisional Settlement is predicated on PCCs increasing council tax up to the referendum trigger level of 2%.

2.6 Top-slicing has substantially increased by 392% from £165m in 2014-15 to £812m in 2017-18.

2.7 The Home Office has "re-allocated" (top sliced) £812m in total from the national police grant pot (42% higher than the £572m in the prior year). The main items making up the £240m increase are an additional £111m for the development of the Emergency Services Network (ESN) to replace Airwave and also to fund other technology programmes, £44m for the national Police Transformation Fund, £28m to strengthen the response to organised crime through the National Crime Agency and Regional Organised Crime Units, £25m for the Police Special Grant, £15m to help fund changes arising from the new Bail reforms, and £17m to increase funding to Arms Length Bodies such as Her Majesty's Inspectorate of Constabulary, and the Independent Police Complaints Commission (IPCC).

2.8 The Home Office is currently engaging with the police sector on changes to the police funding formula, with a report due to go to the Minister in March 2017 for a decision on next steps. The PCC and CC will be meeting the Minister of State for Fire and Policing in early February 2017 to present a case for a more equitable funding formula, which acknowledges that Suffolk has some of the most deprived neighbourhoods in the country, and has a disproportionately high rate of rural residents compared to England. It is expected that the new formula, with agreed transitional arrangements, will take effect in 2018-19.

2.9 This means that the Home Office has continued to apply a 'floor-damping' financial model which results in a cash reduction in main grant for 2017-18 of 1.4% for all police force areas. The scheme is self-financing within the overall police grant allocation.

2.10 This does mean, however, that there is only funding certainty for one year, as the new formula could have significant implications for police funding locally. Therefore a prudent and flexible approach to financial planning needs to continue and has been adopted.

2.11 The MTFP includes an assumption that £765k of the 2017-18 main grant of £62.701m will be retained by the PCC to continue funding grants that contribute to delivering the objectives in the Police and Crime Plan 2017-2021 relating to cutting crime, crime prevention, reducing re-offending and community safety.

2.12 Confirmed funding for 2017-18 from the MoJ of £870k for victims services and restorative justice services, has been included in the MTFP for both grant income and planned expenditure.

2.13 The Council Tax base, which is a key factor in the calculation of the precept, is based on final information received from the Borough, District and County Councils.

2.14 The table below summarises the 2017-18 income position for Option 1 (increase council tax by 1.972% in 2017-18) and Option 2 (no increase in council tax in 2017-18).

	Option 1 £m	Option 2 £m
Police Main Grant (including ex-DCLG funding)	62.701	62.701
Legacy Council Tax Grants	6.786	6.786
Precept Income	44.031	43.196
Other Income	8.257	8.257
Total Income (£m) in 2017-18	**121.775**	**120.940**

Assumptions in the Financial Model

2.15 A significant assumption included in the model is related to the Apprenticeship Levy. The levy was announced by the former Chancellor. The levy applies to all organisations with a pay bill over £3m, and equates to 0.5% of the pay bill to be paid over each month. The levy will be applied from April 2017.

2.16 The Constabulary is to be included on the Register of Apprenticeship Training Providers (RoATP) and will be an employer-provider enabling funded delivery to our own staff (and therefore can draw down income from the Levy). Apprenticeship schemes in Policing are being developed by the College of Policing.

2.17 A prudent assumption of being able to draw down a quarter of the contribution in 2017/18 is included in the plans, and this will be kept under-review as the apprenticeship schemes are implemented.

2.18 In addition, the following financial assumptions have been used:

	17-18	18-19	19-20	20-21
Police main grant reductions	-1.4%	-1.5%	-1.0%	-1.0%
Legacy council tax grant changes	0%	0%	0%	0%
Council tax base change	1.51%	1.5%	1.5%	1.5%
Collection fund surplus	£639k	£0k	£0k	£0k
Pay awards – officers	1%	1%	1%	1%
Pay awards – staff	1%	1%	1%	1%
Non-pay inflation (average)	2.5%	2.5%	2.5%	2%

The following table identifies potential changes to the annual budget (up or down) if the planning assumptions are changed.

	Variation	Variation £k
Main government grants	1.0%	627
Legacy council tax grants	1.0%	68
Tax base increase	1.0%	417
Precept	1.0%	417
Pay awards officers (full year impact)	1.0%	605
Pay awards staff (full year impact)	1.0%	142
Non-pay inflation	1.0%	512

All the financial planning assumptions will be kept under review.

Collaboration and the Change Programme

2.19 The Chief Constable has run a well-established and effective Change Programme over recent years. The programme was developed to address the savings requirements arising from the spending reviews of 2010 and 2013 that covered the period up to 2015-16.

2.20 The programme had a number of principal work streams, involving collaboration with Norfolk as well as Suffolk only initiatives.

2.21 In total, by the end of 2016-17 over £26m of savings specific to Suffolk have already been taken from budgets through the Change Programme.

The New Change Programme

2.22 As the financial tables in **Appendices A(i)** and **A(ii)** demonstrate, savings over the medium-term are still required. Government grants are still reducing, and raising the precept does not even cover inflation. In addition, there is clearly an imperative to modernise working practices and ensure the force is fit-for-purpose going forward, resulting in a requirement to develop a new change programme.

2.23 The new change programme will concentrate on two strands:

- Service and Financial Planning process (Outcome Based Budgeting)
- Regional collaboration on new work streams

Service and Financial Planning Process

2.24 As outlined in the introduction Suffolk and Norfolk Constabularies have embarked on a strategic review across both organisations of what is spent on the different activities of both forces, and what outcomes are being delivered to the communities. This information has then be assessed against the developing priorities and desired outcomes and cross-departmental themes have been scoped and reviewed in the processes set out in Section 1, for inclusion in the new Change Programme. These themes are set out below. The new programme will ensure the use of the budget available is optimised and supports the continuation of transformation and modernisation of policing.

2.25 The Strategic and Financial Planning process is an annual process, and the OBB tool and principles will continue to be used each year, and therefore the Change Programme will be kept under constant review.

2.26 The main programme themes for the new change programme are outlined below:

Property and Exhibit Management

2.27 The purpose of the project is to produce a plan to develop a joint strategy for the management of property, exhibits and files across both forces.

Organisational Transformation

2.28 This theme is wide-ranging and considers many aspects of the organisations including a review of all administration activity across both forces, the organisational redesign of back office functions and back office systems optimisation to ensure the most efficient processes are adopted, enabling additional savings to be generated.

2.29 **Applications Rationalisation**

2.30 This programme will continue the work already undertaken to reduce the overall number of applications used by the forces and therefore reducing costs.

Athena Related Efficiencies

2.31 Athena is the new system that merges intelligence, investigation management, case preparation and custody data and processes as well as other supporting services. As the system is optimised, and process efficiencies are maximised additional savings will be realised.

Telematics

2.32 Vehicle telematics is a proven enabler to identify and make significant fleet savings and involves monitoring how fleet vehicles are driven on a real time basis, collecting information on a wide range of crucial indicators. This will enable the organisations to move vehicles to support operational demand as there will be real time information as to where fleet is being utilised, reduce the bureaucracy of keeping manual log books and increase efficiency by replacing existing service schedules. The main areas for savings are fuel, maintenance, fleet optimisation and accident costs.

2.33 **Regional Collaboration**

2.34 The PCCs and Chief Constables (CC) for the 6 police areas in the East of England together with the CC and PCC for Kent have confirmed their unanimous support for a 'Seven Force Strategic Collaboration Programme'. The costs of the work are being shared by the 7 forces.

2.35 As well as the development of business cases that will generate savings, the programme is also identifying areas of required convergence, e.g. in terms of systems and processes, to enable future collaboration to take place more easily.

2.36 Savings from the programme will be developed over time and will contribute to the "savings to be idenfitied" figures shown in the appendices.

Precept Option Scenarios

2.37 The financial planning process now considers a range of precept options in order to consider the medium term financial outlook. Two scenarios have been modelled in terms of precepting options over the MTFP planning period:

2.38 **Option 1**- increase council tax by nearly 2% in each year of the MTFP

1.972% Council Tax Increase	Budget 2017/18 £000	Forecast 2018/19 £000	Forecast 2019/20 £000	Forecast 2020/21 £000
Total Funding (Grant + Precept)	(113,518)	(113,273)	(114,227)	(115,235)
Net Revenue Budget before changes and savings	114,167	116,627	118,254	119,770
REVENUE DEFICIT BEFORE KNOWN CHANGES	**648**	**3,354**	**4,026**	**4,535**
Known / Expected Changes	3,463	1,572	2,000	1,876
Planned use of reserves	(2,398)	(394)	343	346
REVENUE DEFICIT BEFORE SAVINGS	**1,713**	**4,532**	**6,370**	**6,757**
Planned Savings	(1,714)	(2,940)	(3,754)	(4,106)
REVENUE DEFICIT / (SURPLUS) AFTER SAVINGS	**0**	**1,592**	**2,615**	**2,651**
SAVINGS TO BE IDENTIFIED	**0**	**-1,592**	**-2,615**	**-2,651**
REVENUE DEFICIT / (SURPLUS)	**0**	**0**	**0**	**0**

2.39 **Option 2**- no increase in council tax over the MTFP

Council Tax Freeze	Budget 2017/18 £000	Forecast 2018/19 £000	Forecast 2019/20 £000	Forecast 2020/21 £000
Total Funding (Grant + Precept)	(112,683)	(111,554)	(111,582)	(111,625)
Net Revenue Budget before changes and savings	114,167	116,627	118,254	119,770
REVENUE DEFICIT BEFORE KNOWN CHANGES	**1,484**	**5,072**	**6,672**	**8,144**
Known / Expected Changes	3,463	1,572	2,000	1,876
Planned use of reserves	(2,398)	(394)	343	346
REVENUE DEFICIT BEFORE SAVINGS	**2,549**	**6,250**	**9,015**	**10,367**
Planned Savings	(1,714)	(2,940)	(3,754)	(4,106)
REVENUE DEFICIT / (SURPLUS) AFTER SAVINGS	**835**	**3,310**	**5,261**	**6,261**
SAVINGS TO BE IDENTIFIED	**-835**	**-3,310**	**-5,261**	**-6,261**
REVENUE DEFICIT / (SURPLUS)	**0**	**0**	**0**	**0**

Option 1 Appendix A(i)

2.40 Based on the planning assumptions set out in this report, further savings of £2.651m are required to be made in the period 2018-19 to 2020-21, in order to achieve a balanced budget over the period of the MTFP

Option 2 Appendix A(ii)

2.41 Based on the planning assumptions set out in this report, further savings of £6.261m (including £836k in 2017-18) are required to be made in the period 2018-19 to 2020-21, in order to achieve a balanced budget over the period of the MTFP

2.42 **Appendix E** shows graphically the level of cumulative savings to be achieved for both options, in order to achieve a balance financial position over the financial planning period.

Council Tax Referendum Principles

2.43 As part of the settlement, the Government has confirmed the 2017-18 threshold levels for council tax rises, which would trigger a referendum among voters, as being 2% or higher.

3 CAPITAL PROGRAMME 2017-18 to 2020-21

3.1 The proposed outline capital programme has been updated to 2020-21. The revenue consequences of the proposed capital programme have been taken into account in preparing the MTFP.

3.2 Due to the continuing pace of modernisation, and ensuring that the force is fit-for-purpose, appropriately equipped and has an appropriate estate footprint, there is an increased requirement on the capital programme over the medium-term. This includes significant investment in refreshing the growing ICT / digital estate; increasing investment in infrastructure e.g. in networks and servers to deal with the growth in requirements for investigating and storing digital data; new enabling programmes such as Body Worn Video and the Emergency Services Network.

3.3 The growth of the investment in the "short-term" capital estate will need to deliver efficiencies in staffing to avoid putting undue pressure on revenue reserves over the medium-term. This issue will be expanded further in the review of adequacy of reserves later in this report.

3.4 **Appendix D** provides a more detailed analysis of the outline capital programme over the medium term, with the table below summarising these plans.

	17-18	18-19	19-20	20-21
	£k	£k	£k	£k
Suffolk only schemes				
Building Schemes	2,160	1,560	565	0
ICT replacement strategy	738	416	249	684
Emergency Services Network	301	474	1,250	
Vehicles and Equipment	984	958	986	986
	4,183	**3,408**	**3,050**	**1,670**
Share of Joint Programme				
ICT Schemes	2,812	1,112	822	684
Grand Total	**6,995**	**4,520**	**3,872**	**2,354**

The Programme **(Appendix D)** is arranged in 3 tables:-

Table A	Schemes or technical refresh programmes already approved for 2017-18
Table B	Schemes requiring a business case or further report to the PCC(s) for approval,
Table C	Longer term, provisional schemes requiring further development.

The Programme identifies those schemes which are joint projects with Norfolk. Where applicable, the figures shown relate to the Suffolk share of the overall cost, which is calculated in proportion to net revenue budget.

Key aspects of the programme are outlined below.

Capital Expenditure

3.5 Capital costs for ICT include an improved programme of equipment and infrastructure replacement.

3.6 New projects to help modernise the force are set out in the capital programme including Body Worn Video, and investment in additional ICT storage capabilities to cope with the increasing requirements from policing the modern environment.

3.7 There is also an estimated amount for the Emergency Services Network. This is in relation to a national programme which will bring all emergency services onto the same communications infrastructure. This is a major programme requiring a large number of partners and will require significant resources and project management nationally to implement.

3.8 Building Schemes include the one-off costs incurred in relation to the disposal of estate infrastructure that is either too large or not fit for purpose, and replace it with premises that better meet operational and service requirements. The re-provision will be financed by the sale of existing properties.

3.9 Capital costs for fleet are for replacement vehicles and equipment used to service them.

Funding the Capital Programme

3.10 Funding of the capital programme is provided from a number of sources. Building schemes tend to have a longer life span, typically up to 50 years. As a general rule, these will be funded from capital receipts from buildings that are being replaced and from long-term borrowing.

3.11 Vehicles and equipment tend to have a shorter lifespan, typically 3 to 7 years. In the first instance these items will be funded from capital grant, specific grant or revenue contribution. However, the ongoing replacement cost of vehicles and ICT assets and the required investment in collaborative initiatives is greater than the level of capital grant received. The forecast assumes that revenue contributions will fund the shortfall in the programme. As stated this is putting pressure on revenue reserves, and the schemes designed to modernise the force capabilities will have to deliver additional revenue savings in order to fund the ongoing refresh of the short term assets.

3.12 The following funding sources have been identified to support the outline capital programme **(Appendix D)**, which will be updated to take account of approved changes to the programme. In addition, funding will move with the asset whenever there is slippage in the programme.

	17-18 £k	18-19 £k	19-20 £k	20-21 £k
Capital Receipts	2,220	1,760	900	0
Capital Grant	439	400	400	400
Revenue Contribution	1,300	750	1,300	1,300
Capital Financing Reserve	842	0	657	654
Internal / External Borrowing	2,195	1,610	615	0
Total	**6,995**	**4,519**	**3,872**	**2,354**

3.13 Modest external borrowing will be required over the medium-term, but the precise amount and timing of the borrowing has not been decided upon at this point. This will be reviewed over the coming months and will be discussed with the PCC. Any such borrowing will comply with the requirements of the prudential code and will be affordable.

3.14 Annually, PCCs receive a capital grant which must be used to support capital expenditure. The Home Office has given provisional figures for the capital grant for 2017-18 as being £439k.This is almost a 50% reduction from £857k in 2015-16.

3.15 This reduction puts further significant pressure on revenue and reserve funding of the capital programme.

Minimum Revenue Provision (MRP)

3.16 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 place a duty on authorities to make an amount of Minimum Revenue Provision (MRP) each year that is considered to be prudent. The regulations are supported by statutory guidance to which authorities are required to have regard.

3.17 MRP is only used where funding of the asset does not use revenue contributions, capital grants or receipts from asset sales. MRP is charged annually against the Revenue Account reflecting the cost of the asset over its life, with the MTFP reflecting the required provision.

4 ANNUAL TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2017-18

4.1 **Treasury Management Strategy**

4.2 Government regulations require the PCC to approve the investment and borrowing strategies and borrowing limits for 2017-18 prior to the start of the financial year. This is incorporated within an over-arching Treasury Management Strategy, which is attached as **Appendix H.**

4.3 The Treasury Management Strategy, which includes a number of Prudential Code and Treasury Management Indicators **(Appendix H)**, and Lending Limits and proposed List of Approved Institutions **(Appendix I)** have been developed in accordance with the latest guidance issued by the Audit Commission and CIPFA.

Compliance with the Prudential Code

4.4 PCCs have flexibility over capital investment in fixed assets that are central to the delivery of appropriate standards of public services. Levels of borrowing can be determined locally, provided that capital investment plans are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with sound professional practice and in a manner that supports prudence, affordability and sustainability. The Prudential Code is a statutory code, compliance with which ensures prudent financial management.

4.5 To demonstrate that these objectives have been fulfilled, the Prudential Code sets indicators that must be determined by the PCC. They are designed to support and record local decision making and for comparison over time. They are not designed to be comparative performance indicators. Details of the proposed indicators for 2017-18 are provided in **Appendix H.** Progress against the indicators will be monitored and reported during the year. The indicators can be changed during the year with the approval of the PCC CFO.

5 RESERVES STRATEGY

Reserves Strategy

5.1 It is important to consider the PCC's reserves at the same time as the budget to ensure that resources are available to fund spending at a level commensurate with the needs of the PCC and Constabulary. Forecasting cash flows and balances over the budget period ensures efficient and effective financial management and avoids unnecessary finance charges. Reserves are held for either general purposes (such as working capital or fallback to cover exceptional unforeseen circumstances), or earmarked for specific purposes. The PCC complies with the definition of reserves contained within CIPFA's Accounting Code of Practice.

5.2 The Strategy requires an annual review of reserves to be undertaken and reported to the PCC. This reflects guidance on reserves issued by CIPFA. The most recent guidance requires an annual review of reserves to be considered by the PCC as part of good practice in the management of financial reserves and balances.

5.3 The minimum prudent level of reserves is a matter of judgement rather than prescription. Neither CIPFA nor statute sets a minimum level of reserves. In determining the level and type of reserves, the PCC has to take into account relevant local circumstances and the advice of the Chief Constable and CFO in making a reasoned judgement on the appropriate level of its reserves.

5.4 The ultimate use of reserves will be dependent upon both the timing and level of costs and saving over the period of the MTFP.

General Reserve and Earmarked Reserves

5.5 The PCC's reserves consist of two main categories:

- General Reserve – this is held to enable the PCC to manage unplanned or unforeseen events. In forming a view on the level of General Reserve, account is taken of the level of financial control within the organisation, comparisons with similar bodies and the risk of unforeseen expenditure occurring.
- Earmarked Reserves – These are reserves that are held for a specific purpose, whereby funds are set aside for future use when that specific purpose arises.

Forecast Use of Reserves

5.6 **Appendix F** summarises the projected use and level of the PCC's reserves over the MTFP period. The closing balances as at 31 March 2017 are dependent upon decisions taken by the PCC as part of the out-turn report for 2016-17 to be considered in June 2017.

6 SECTION 25 RESPONSIBILITIES

6.1 Under Section 25 of Part II of the Local Government Act 2003, there is a specific requirement for the PCC CFO and the CC CFO to report on the robustness of the budget estimates, the adequacy of balances and reserves and issues of financial risk before the statutory budget decisions are taken.

Robustness of Budget Data

6.2 In regard to the robustness of budget information, confidence in this data is the subject of regular review and it has reconfirmed that the processes followed this year (which are the same as that adopted in the previous year's budget setting round) remain sound.

6.3 The integrated financial planning model provides the high-level financial data that is used to generate the annual revenue and capital budgets, all of which are reconciled to control totals.

6.4 The comprehensive Service and Financial Planning process has given a significant review of the various savings proposals and programmes. This process has involved Chief Officers, Heads of Department, Finance, Corporate Development and Change and other enabling departments from both Norfolk and Suffolk Constabularies, resulting in greater financial clarity and consistency in financial plans.

6.5 In summary, I am satisfied that the financial data contained within this report is robust; the assumptions underpinning the MTFP have been rigorously reviewed and challenged, and can be relied upon when considering the financial proposals contained in the report and related appendices.

Managing Financial Risk

6.6 The Constabulary and PCC are undertaking a substantial number of projects in collaboration with Norfolk constabulary, other forces and public sector partners, all of which have degrees of risk. Successful delivery of these projects is important, as they are a key element of the savings plans detailed in **Appendix C**.

6.7 Risk registers are in place for all the major projects and robust project management principles are being utilised to help minimise the possibility of not delivering the changes on time or within budget. Any delays in securing planned capital receipts will be managed through the re-phasing of capital investments.

6.8 Detailed monthly financial reports will continue to be prepared throughout 2016-17 in respect of year-to-date financial performance and year-end projection for 2016-17, considered in detail by the PCC and CC and CFO, and any corrective action agreed and taken to ensure financial balance in 2016-17.

6.9 Monitoring and oversight of the implementation of the savings plans, together with consideration and approval of future business cases for service redesign and savings will continue to be undertaken through the already established governance arrangements.

Adequacy of Reserves

6.10 The projected levels of reserves are detailed in Appendix F. Over the MTFP period, the general reserve is planned to be constant at £5.0m, which equates to approximately 4.5% of Net Revenue Expenditure (NRE).

6.11 Over the last few years, reserves have been used appropriately to fund the capital programme in respect of short-term assets, the cost of change (e.g. redundancies arising from implementing the significant change programme), and planned temporary staffing costs to respond to service pressures, and transition programmes.

6.12 Careful consideration has been given to reserve levels over the medium-term, and beyond when considering and modelling capital financing over the next 20 years.

6.13 The MTFP therefore includes planned contributions to reserves in 2019/20 and 2020/21 in order to protect reserve levels at a sustainable level for the medium and longer-term. This will require additional savings to be found, and this is the basis for further development of the Change Programme over the next 12 months.

6.14 The two principal reasons for the reduction in the overall level of reserves from £9.086m at 31 March 2017 to £7.033m at 31 March 2021 is accounted for by the planned use of the Change Reserve (£1.7m), the planned use of the capital financing reserve (£2.0m) offset by the planned £2m contribution to the Budget Reserve as described above.

6.15 The CIPFA guidance notes on reserves include the statement that '*A well-managed authority, for example, with a prudent approach to budgeting should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed*'.

6.16 Having considered the levels of reserves included in the MTFP and making planning assumptions already referred to for the period beyond this MTFP, and acknowledging the Chief Constable's commitment to work with the PCC to balance the budget over the period of the MTFP without further reliance on reserves (with the exception of the planned use of the Change and Capital Finance Reserves), and taking account of the approach to managing financial risk set out in Section 6, my advice is that there will be adequate general and earmarked reserves to continue the smooth running of the PCC and Constabulary's finances over the medium term financial planning period.

7 CHIEF CONSTABLE'S COMMENTARY ON THE FINANCIAL POSITION

7.1 The financial impact of the 2017-18 settlement results in the Main Police Grant being reduced by £890k in comparison with the 2016-17 funding level, which, together with the requirement to fund national cost pressures, including auto-enrolment to pension schemes (£200k) and contribution to the apprenticeship levy (£400k) results in the Constabulary having to find significant savings to fund inescapable inflationary increases.

7.2 Uncertainty regarding future Police Grant settlements will remain until the outcome of the funding formula review is known.

7.3 The financial pressures, together with the stark change in the nature of crime and incidents, mean that the Constabulary's structure needs to continue to transform in order to maintain the delivery of high quality policing in the future.

7.4 We will continue to prioritise dealing with those incidents which cause the highest levels of threat, harm and risk to our communities, and also address key priorities within the PCC's 2017-2021 Police and Crime Plan, whilst continuing to build upon the joint investments with our local public sector partners and collaborative ventures with the eastern region.

7.5 A further challenge facing the Constabulary in 2017-18 will be in the recruitment and retention of police officers, as a consequence of a further 10% reduction in officer numbers, due to retirement and other reasons. Pro-active work is already underway to explore alternative ways of attracting people to consider applying for employment within the Constabulary, which will contribute to reaching the budgeted 1098 full time equivalent police officer posts in 2017-18.

8 CONCLUSION AND SUMMARY OF OPTIONS

8.1 The MTFP has been prepared following notification of the 2017-18 government grants via the Home Office on 15 December 2016 and in conjunction with a wide range of assumptions summarised in Section 2 of this report. Greater financial clarity will be achieved when the outcome of the police funding formula is known.

8.2 Due to the "cash flat" settlement approach the government has adopted for the life of this parliament, the constabulary has to be able to find, as a minimum, savings to fund inflation (around £1.2m each year). In addition to this there are statutory and service pressures, as well as pressures from the changing nature of crime.

8.3 As a result, the Constabulary remains committed to finding further savings, and drive out efficiencies through organisational change and continuing to modernise the policing model and work with other partner agencies, as well as other police forces.

8.4 The two alternative budget options are proposed to the PCC for consideration, the financial consequences of which are contained in **Appendices A (i), A(ii) and G**, and summarised below:

Option 1
Based on the planning assumption set out in this report, further savings of £2.651m are required to be made in the period 2018-19 to 2020-21, in order to achieve a balanced budget over the period of the MTFP.

Option 2
Based on the planning assumption set out in this report, further savings of £6.261m (including £836k in 2017-18) required to be made in the period 2018-19 to 2020-21, in order to achieve a balanced budget over the period of the MTFP.

9 <u>RECOMMENDATIONS</u>

9.1 It is recommended that the PCC:

(i) Takes account of the overall financial strategy, when considering the 2017-18 budget proposals;
(ii) Approves funding of the known changes to the 2017-18 base revenue budget set out at **Appendix B**;
(iii) Approves the savings plans in **Appendix C**;
(iv) Approves the proposed capital programme for 2017-18 and the draft capital programme over the medium term as set out at **Appendix D**;
(v) Approves the Treasury Management Strategy, Prudential Indicators, Treasury Management Indicators, Borrowing Limits in **Appendix H**, and Lending Limits and List of Approved Institutions in **Appendix I**;
(vi) Approve the proposed use and transfer of reserve balances in **Appendix F**;
(vii) When setting the precept level and council tax requirement, consideration is given to the medium- term financial implications of Options 1 and 2, and the assessment of financial risks detailed within the MTFP.

SUFFOLK MEDIUM TERM FINANCIAL PLAN - 4 YEAR OVERVIEW

Appendix A (i)

Precept increase 1.9+% plus grant reductions

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Comments
REVENUE FUNDING					
Home Office Grant	-62,701	-61,761	-61,143	-60,532	1.4% reduction in 17/18, 1.5% in 18/19, 1% reduction thereafter
Legacy Council Tax Grants	-6,786	-6,786	-6,786	-6,786	
Precept Income	-44,031	-44,726	-46,298	-47,917	2% Precept Increase in each year, 1.5% increase in CT base
TOTAL FUNDING	(113,518)	(113,273)	(114,227)	(115,235)	
BASE REVENUE BUDGET INCLUDING INFLATION:					
Constabulary Revenue Budget before savings	118,097	120,557	122,183	123,700	Excludes Capital and cost of change
PCC Corporate Budget	928	928	928	928	
PCC Commissioning Budget	1,635	1,635	1,635	1,635	
Revenue Funding of Capital, Minimum Revenue Provision and Interest	1,761	1,761	1,761	1,761	
Total Revenue Income Inc Specific Grants	-8,254	-8,254	-8,254	-8,254	
NET REVENUE BUDGET BEFORE KNOWN CHANGES AND SAVINGS	114,167	116,627	118,254	119,770	
REVENUE DEFICIT BEFORE KNOWN CHANGES	648	3,354	4,026	4,535	
Known / Expected Changes	[illegible]	1,572	[illegible]	1,878	Appendix B
Planned use of reserves					Appendix B
REVENUE DEFICIT BEFORE SAVINGS	1,713	4,532	6,370	6,757	
Change Programme Savings				[illegible]	Appendix C
Other Savings	-1,557	-1,952	-2,246	-2,540	Appendix C
Total Cumulative Impact of Savings	-1,714	-2,940	-3,754	-4,106	
REVENUE DEFICIT AFTER SAVINGS	0	1,592	2,615	2,651	
SAVINGS TO BE IDENTIFIED	0	-1,592	-2,615	-2,651	
REVENUE DEFICIT / (SURPLUS)	0	0	0	0	
ABOVE BASED ON FOLLOWING ASSUMPTIONS					
Police Pay awards	1.00%	1.00%	1.00%	1.00%	) Impact in each year is a combination of pay
Staff Pay awards	1.00%	1.00%	1.00%	1.00%	) awards in previous and current year
Price Inflation	2.50%	2.50%	2.50%	2.00%	Average figure.
General Grants	-1.40%	-1.50%	-1.00%	-1.00%	As per Provisional Settlement
Freeze Grants	0.00%	0.00%	0.00%	0.00%	
Precept - Tax base increase	1.51%	1.50%	1.50%	1.50%	
Precept - Bill increase	1.972%	1.985%	1.985%	1.968%	

SUFFOLK MEDIUM TERM FINANCIAL PLAN - 4 YEAR OVERVIEW					Appendix A (ii)
0% Precept plus grant reductions					
	2017/18	2018/19	2019/20	2020/21	Comments
REVENUE FUNDING	£000	£000	£000	£000	
Home Office Grant	-62,701	-61,761	-61,143	-60,532	1.4% reduction in 17/18, 1.5% in 18/19, 1% reduction thereafter
Legacy Council Tax Grants	-6,786	-6,786	-6,786	-6,786	
Precept Income	-43,196	-43,008	-43,653	-44,308	0% Precept Increase in each year, 1.5% increase in CT base
TOTAL FUNDING	(112,683)	(111,554)	(111,582)	(111,625)	
BASE REVENUE BUDGET INCLUDING INFLATION:					
Constabulary Revenue Budget before savings	118,097	120,557	122,183	123,700	Excludes Capital and cost of change
PCC Corporate Budget	928	928	928	928	
PCC Commissioning Budget	1,635	1,635	1,635	1,635	
Revenue Funding of Capital, Minimum Revenue Provision and Interest	1,761	1,761	1,761	1,761	
Total Revenue Income inc Specific Grants	-8,254	-8,254	-8,254	-8,254	
NET REVENUE BUDGET BEFORE KNOWN CHANGES AND SAVINGS	114,167	116,627	118,254	119,770	
REVENUE DEFICIT BEFORE KNOWN CHANGES	1,484	5,072	6,672	8,144	
Known / Expected Changes	3,463	1,572	2,000	1,876	Appendix B
Planned use of reserves					Appendix B
REVENUE DEFICIT BEFORE SAVINGS	2,549	6,250	9,015	10,367	
Change Programme Savings	[illegible]	[illegible]	[illegible]	[illegible]	Appendix C
Other Savings	-1,567	-1,952	-2,246	-2,540	Appendix C
Total Cumulative Impact of Savings	-1,714	-2,940	-3,754	-4,106	
REVENUE DEFICIT AFTER SAVINGS	835	3,310	5,261	6,261	
SAVINGS TO BE IDENTIFIED	-835	-3,310	-5,261	-6,261	
REVENUE DEFICIT / (SURPLUS)	0	0	0	0	
ABOVE BASED ON FOLLOWING ASSUMPTIONS					
Police Pay awards	1.00%	1.00%	1.00%	1.00%	) Impact in each year is a combination of pay
Staff Pay awards	1.00%	1.00%	1.00%	1.00%	) awards in previous and current year
Price Inflation	2.50%	2.50%	2.50%	2.00%	Average figure.
General Grants	-1.40%	-1.50%	-1.00%	-1.00%	As per Provisional Settlement
Freeze Grants	0.00%	0.00%	0.00%	0.00%	
Precept - Tax base increase	1.51%	1.50%	1.50%	1.50%	
Precept - Bill increase	0.00%	0.00%	0.00%	0.00%	

PLANNED REVENUE CHANGES - SUFFOLK - 2017/2021	Proposed 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000
STATUTORY CHANGES				
Rent and Housing Allowances	-30	-240	-390	-540
Variation in Bank Holiday Numbers (8 in 2016/17 then 9, 7, 8 & 9).	100	-100	0	100
Auto-enrolment to Pension schemes	200	200	200	200
Local Government Pension Scheme Increase	57	60	60	60
Firearms Licensing Income	43	128	94	10
Apprenticeship Levy impact	400	400	400	400
Apprenticeship Levy draw down	-100	-200	-200	-200
TOTAL STATUTORY CHANGES	610	248	164	30
SERVICE DEVELOPMENTS				
Road Casualty Reduction Team	210			
Civil Parking Enforcement	190			
Contribution to Victims Services	150			
TOTAL SERVICE DEVELOPMENTS	550	0	0	0
CHANGES SUBJECT TO BUSINESS CASES				
7 Force Collaboration Contribution	124	124	0	0
Cost of Change	250	0	0	0
TOTAL CHANGES SUBJECT TO BUSINESS CASES	374	124	0	0
CAPITAL FINANCING				
Minimum Revenue Provision	-78	-44	-3	10
Revenue Funding of Capital	842	0	657	654
TOTAL CAPITAL FINANCING	764	-44	654	664
GROWTH FOLLOWING CHALLENGE PANEL PROCESS REVIEW				
Permanent Growth:				
Pay	271	271	271	271
Non Pay	262	703	911	911
Temporary Growth:				
Pay	632	270	0	0
TOTAL GROWTH FOLLOWING CHALLENGE PANEL PROCESS	1,165	1,244	1,182	1,182
Total Changes Before Reserve Movement Adjustments	3,463	1,572	2,000	1,876
Reserve Funded adjustments				
7 Force Collaboration Contribution	-124	-124	0	0
Capital Funding	-842	0	-657	-654
Temporary growth (pay)	-632	-270		
Road Casualty Reduction Team	-210			
Civil Parking Enforcement	-190			
Contribution to Counselling Service	-150			
Cost of Change	-250	0	0	0
Contribution to reserves			1,000	1,000
Total Reserve funded adjustments				
Total	1,065	1,178	2,343	2,222

SAVINGS PLAN - SUFFOLK - 2017/2021				
	Forecast 2017/18 £000	Forecast 2018/19 £000	Forecast 2019/20 £000	Forecast 2020/21 £000
Change Programme Savings:				
Change Programme themes				
Property and Exhibit Management	0	39	43	43
Organisational Transformation	93	676	1,018	1,062
Applications Rationalisation	13	52	52	52
Athena related efficiencies	0	0	160	160
Telematics	0	112	112	112
+ 1% Inflation		9	23	37
Joint Savings:	**106**	**888**	**1,408**	**1,466**
Single Force:				
Suffolk Policing Model	50	100	100	100
Single Force Savings Savings:	**50**	**100**	**100**	**100**
Total Change Programme Savings Including Inflation:	156	988	1,508	1,566
Other Savings:				
As per challenge panels:				
Pay (including inflation)	678	738	745	753
Non-Pay (including inflation)	283	318	330	337
ERP Legacy Systems	56	86	86	86
NPAS	290	290	290	290
Absorb 1% of non-pay inflation each year	250	500	750	1000
Total Other Savings	1,557	1,932	2,202	2,466
1% Increase on savings from 2016/17		19	44	74
Total Other Savings Including Inflation:	**1,557**	**1,952**	**2,246**	**2,540**
PERMANENT SAVINGS AGAINST 15/16 BASE:	**1,714**	**2,940**	**3,754**	**4,106**

Suffolk - Capital Programme

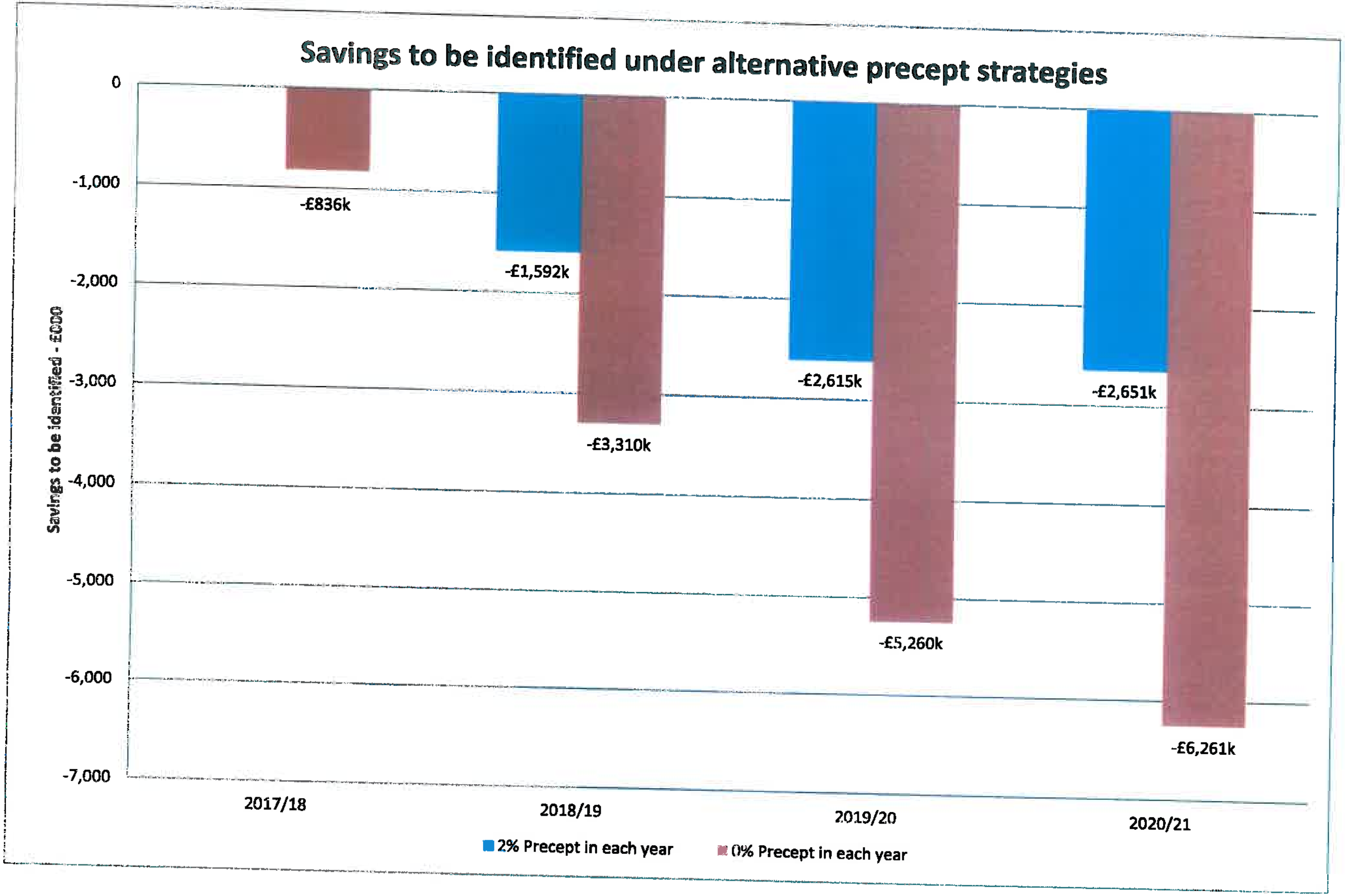
PROJECT	Slippage assumed in 2016/17 monitoring	Additional requirement in 2017/18	2017/18 Total Requirement			2018/19	2019/20	2020/21
	Capital MTFP							
			Table A	Table B	Table C			
Estates								
Carbon Management		25,000	25,000					
Estates Downsizing - Beccles DCLG Project		295,000		295,000				
Estates Downsizing - Felixstowe DCLG Project.		70,000	70,000					
Estates Downsizing - Newmarket Police Station Project.		510,000	510,000			100,000		
Estates Downsizing - Saxmundham DCLG Project.	50,000	45,000	95,000					
Estates Downsizing - Stowmarket DCLG Project.		440,000		440,000		20,000		
Estates Downsizing - Haverhill		20,000		20,000		520,000		
Estates Downsizing - Leiston		215,000		215,000				
Estates Downsizing - Sudbury		30,000		30,000		820,000		
Estates Downsizing - Hadleigh		50,000		50,000				
Martlesham PHQ -Security	15,000	0	15,000					
Ips NE SNT		300,000		300,000				
Bury Car Park		75,000		75,000				
Halesworth Car Park							150,000	
Estates Downsizing - Mildenhall Hub Project		20,000		20,000		100,000	415,000	
TOTAL	65,000	2,095,000	715,000	1,445,000	0	1,560,000	565,000	0
ICT								
ICT Replacements - Desktop Services		649,640	649,640			379,640	227,140	662,140
ICT Replacements - Communications		36,200	36,200			36,200	22,000	22,000
Athena		52,495	52,495					
ESN		301,000		301,000		474,000	1,250,000	
TOTAL	0	1,039,335	738,335	301,000	0	889,840	1,499,140	684,140
Equipment & Vehicles								
Vehicle Replacements	40,000	944,000	984,000			958,000	986,000	986,000
TOTAL	40,000	944,000	984,000	0	0	958,000	986,000	986,000
Total - Suffolk Only	105,000	4,078,335	2,437,335	1,746,000	0	3,407,840	3,050,140	1,670,140
Suffolk Share of Joint Projects (see below table)	419,142	2,393,496	1,006,878	1,805,760	0	1,112,141	821,707	683,899
Total Suffolk only plus Suffolk share of Joint	524,142	6,471,831	3,444,213	3,551,760	0	4,519,981	3,871,847	2,354,039

Joint - Capital Programme

PROJECT	Slippage assumed in 2016/17 monitoring	Additional requirement in 2017/18	2017/18 Total Requirement			2018/19	2019/20	2020/21
	Capital MTFP							
			Table A	Table B	Table C			
ICT								
ANPR Cameras	360,000	0	360,000				500,000	
Chronicle Software		80,000		80,000				
Digital Recording / Streaming		400,000		400,000				
Intranet	36,000	0	36,000					
Mobile/Smart phone/tablets		1,200,000		1,200,000				
Satellite Navigation		0				150,000		30,000
Joint ICT Replacements - Servers & Applications		885,000	885,000			828,000	773,000	914,000
ICT Replacements - Network	180,000	344,500	524,500			686,400	629,100	539,100
CCR Telephony	282,000	0	282,000					
Telematics		500,000		500,000				
Business Data Management (BRC)		800,000		800,000				
Body Worn Video		1,200,000		1,200,000		600,000		
WAN Contract Renewal	105,000	0	105,000					
Transearch	7,237	0	7,237					
ANPR Vehicle Equipment						260,000		
Equipment								
Tasers		50,000	50,000			50,000	0	0
Firearms Renewal		81,000	81,000			0	0	0
TOTAL	970,237	5,540,500	2,330,737	4,180,000	0	2,574,400	1,902,100	1,583,100
Joint Capital Projects - Suffolk	419,142	2,393,496	1,006,878	1,805,760	0	1,112,141	821,707	683,899
	970,237	5,540,500	2,330,737	4,180,000	0	2,574,400	1,902,100	1,583,100

Capital Funding Summary	2016/17	2017/18	2018/19	2019/20	2020/21
Total Capital Programme	4,730,133	6,995,973	4,519,981	3,871,847	2,354,039
Funded By:					
Grant Funding	817,422	439,273	400,000	400,000	400,000
Capital Receipts	694,338	2,220,000	1,760,000	900,000	-
Revenue Funding of Capital	1,300,000	1,300,000	749,981	1,300,000	1,300,000
Revenue / Reserve Funding	1,093,373	841,700	-	656,847	654,039
Internal Funding (MRP)	825,000	2,195,000	1,610,000	615,000	0
Total Capital Financing	4,730,133	6,995,973	4,519,981	3,871,847	2,354,039

MRP	309,357	311,423	345,102	386,235	399,536


Savings to be identified under alternative precept strategies
Savings to be identified - £000
0
-1,000
-2,000
-3,000
-4,000
-5,000
-6,000
-7,000
-£836k
-£1,592k
-£3,310k
-£2,615k
-£5,260k
-£2,651k
-£6,261k
2017/18
2018/19
2019/20
2020/21
2% Precept in each year
0% Precept in each year

RESERVES SUMMARY										
PROJECTION OF RESERVES LEVELS:										
	General £000	**Budget** £000	**Change** £000	**Specified Purposes Fund** £000	**PCC Reserve** £000	**Crime and Disorder Reduction Reserve** £000	**Safecam Reserve** £000	**Pensions** £000	**Capital Financing** £000	**Total** £000
31/03/2016 Actual	**5,000**	**5,327**	**0**	**129**	**200**	**366**	**374**	**0**	**1,043**	**12,439**
Proposed Changes 2016/17:										
Contribution to (-) / from Revenue Budget				-129						-129
Use of reserves to support cost of change and temporary transitional resources			-1,331							-1,331
Transfer from Budget Reserve		-1,381	1,331						50	0
Use of capital financing reserve									-1,093	-1,093
PCSOs -12 partnership funded		-189								-189
Road Casualty Reduction Team		-206								-206
Police Officer Recruitment		-205								-205
Ill Health Retirement Costs		-200								-200
31/03/2017 Forecast	**5,000**	**3,146**	**0**	**0**	**200**	**366**	**374**	**0**	**0**	**9,086**
Proposed Changes 2017/18:										
Transfer from Budget Reserve		-2,188	1,346						842	0
Temporary posts			-632							-632
Road Casualty Reduction Team		-210								-210
Civil Parking Enforcement			-190							-190
Contribution to Victims Services						-150				-150
Cost of Change			-250							-250
7 Force Collaboration Contribution			-124							-124
Use of capital financing reserve									-842	-842
31/03/2018 Forecast	**5,000**	**748**	**150**	**0**	**200**	**216**	**374**	**0**	**0**	**6,688**
Proposed Changes 2018/19:										
Transfer from Budget Reserve		-394	394							0
Temporary posts			-270							-270
7 Force Collaboration Contribution			-124							-124
31/03/2019 Forecast	**5,000**	**354**	**150**	**0**	**200**	**216**	**374**	**0**	**0**	**6,294**
Proposed Changes 2019/20:										
Contribution to Budget Reserve		1,000								1,000
Transfer from Budget Reserve		-657							657	0
Use of capital financing reserve									-657	-657
31/03/2020 Forecast	**5,000**	**697**	**150**	**0**	**200**	**216**	**374**	**0**	**0**	**6,637**
Proposed Changes 2020/21:										
Contribution to Budget Reserve		1,000								1,000
Transfer from Budget Reserve		-654							654	0
Use of capital financing reserve									-654	-654
31/03/2021 Forecast	**5,000**	**1,043**	**150**	**0**	**200**	**216**	**374**	**0**	**0**	**6,983**

COUNCIL TAX and BUDGET OPTIONS 2017/18

	1		2	
Options for Percentage Increase in Council Tax Bills:	**1.97198%**		**0.00000%**	
2017/18 Recommended Budget Summary:	£-p		£-p	
Operational costs before Savings	117,487,678.62		117,487,678.62	
Specific Grants (excluding Council Tax Freeze Grants)	-4,620,835.00		-4,620,835.00	
New Savings from 2017/18	-1,713,643.26		-1,713,643.26	
Savings to be identified			-835,418.20	
Known Changes	3,462,718.19		3,462,718.19	
Revenue Funding of Capital	1,300,000.00		1,300,000.00	
Appropriations to / from (-) Reserves	***-2,397,512.60***		***-2,397,653.12***	
Total Budget	113,518,405.95		112,682,847.23	
Budget financed by:				
Police Grant	40,154,673.00		40,154,673.00	
Business Rates	22,546,666.00		22,546,666.00	
Council Tax Freeze Grant (for no precept increase in 2011/12)	1,030,300.00		1,030,300.00	
Council Tax Freeze Grant (for no precept increase in 2012/13)	0.00		0.00	
Council Tax Freeze Grant (for no precept increase in 2013/14)	430,720.00		430,720.00	
Council Tax Freeze Grant (for no precept increase in 2014/15)	433,830.00		433,830.00	
Council Tax Freeze Grant (for no precept increase in 2015/16)	0.00		0.00	
Collection Fund Surplus/Deficit	823,544.00		823,544.00	
CT Support Funding Allocation	4,890,925.00		4,890,925.00	
Council Tax Requirement (based on 244,319 taxbase)	***43,207,747.95***		***42,372,189.23***	
	113,518,405.95		112,682,847.23	
Council Tax Rate Bands 17/18 (& increase over 16/17):	**Rate**	**Annual Increase**	**Rate**	**Annual Increase**
A	117.90	2.28	115.62	0.00
B	137.55	2.66	134.89	0.00
C	157.20	3.04	154.16	0.00
D	176.85	3.42	173.43	0.00
E	216.15	4.18	211.97	0.00
F	255.45	4.94	250.51	0.00
G	294.75	5.70	289.05	0.00
H	353.70	6.84	346.86	0.00

Appendix H

The Office of the Police and Crime Commissioner for Suffolk
Annual Investment and Treasury Strategy 2017/18

1. Introduction

1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice for Treasury Management in the Public Services (the Code) requires local authorities to produce a treasury management strategy for the year ahead. The PCC is required to comply with the Code through regulations issued under the Local Government Act 2003 and has adopted specific clauses and policy statements from the Code as part of its Financial Regulations.

1.2 Complementary to the CIPFA Code is the Department for Communities and Local Government's (DCLG's) Investment Guidance, which requires local authorities and PCCs to produce an Annual Investment Strategy. This report combines the reporting requirements of both the CIPFA Code and DCLG's Investment Guidance.

1.3 The primary objectives of the PCC's Investment Strategy are to safeguard the timely repayment of principal and interest, whilst ensuring adequate liquidity for cash flow and the generation of investment yield. A flexible approach to borrowing for capital purposes will be maintained which avoids the 'cost of carrying debt' in the short term. This strategy is prudent while investment returns are low and counterparty risk (the other party involved in a financial transaction, typically a bank or building society) remains relatively high.

2. The Treasury Management Function

2.1 The CIPFA Code defines treasury management activities as "the management of the PCC's cash flows, its banking, money market and capital market transactions; the effective management of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.2 The PCC is required to operate a balanced budget, which broadly means that cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensures this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties, providing adequate liquidity before considering investment return.

2.3 A further function of the treasury management service is to provide for the borrowing requirement of the PCC, essentially the longer term cash flow planning, typically 30 years plus, to ensure the PCC can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using internal cash balances on a temporary basis. Debt previously borrowed may be restructured to meet PCC risk or cost objectives.

2.4 The PCC has delegated responsibility for treasury management decisions taken within the approved strategy to the PCC CFO. Day to day execution and administration of investment and borrowing decisions is undertaken by the Specialist Accountant (Treasury Management, Cash Management & VAT) based in the Joint Finance Department for Suffolk and Norfolk Constabularies.

2.5 External treasury management services continue to be provided by Capita Asset Services in a joint contract with the PCC for Norfolk. Capita Asset Services provides a range of services which include:

- Technical support on treasury matters and capital finance issues.
- Economic and interest rate analysis.
- Debt services which includes advice on the timing of long term borrowing.
- Debt rescheduling advice surrounding the existing portfolio.
- Generic investment advice on interest rates, timing and investment instruments.
- Credit ratings/market information service for the three main credit rating agencies (Fitch, Moody's and Standard & Poors).

2.6 Whilst Capita Asset Services provide support to the treasury function, under market rules and in accordance with the CIPFA Code of Practice, the final decision on treasury matters remains with the PCC.

2.7 Performance will continue to be monitored and reported to the PCC as part of the budget monitoring report.

3. Capita Asset Services Economic Forecast

Economic Overview

3.1 **UK.** GDP growth rates in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% were some of the strongest rates among the G7 countries. The latest Bank of England forecast for growth in 2016 as a whole is +2.2%. During most of 2015 and the first half of 2016, the economy had faced headwinds for exporters from the appreciation of sterling against the Euro, and weak growth in the EU, China and emerging markets, and from the dampening effect of the Government's continuing austerity programme.

3.2 The referendum vote for Brexit in June 2016 delivered an immediate fall in confidence indicators and business surveys at the beginning of August, which were interpreted by the Bank of England in its August Inflation Report as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post reasonably strong growth numbers through the second half of 2016 and also in 2017, albeit at a slower pace than in the first half of 2016. The Bank of England reduced the Bank Rate from 0.50% to 0.25 in August 2016 and it has remained at this level since.

3.3 The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017. This increase was largely due to the effect of the fall in the value of sterling since the referendum, however the MPC is expected to look through the acceleration in inflation caused by external influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of cost pressures on consumers, then they would take action to raise the Bank Rate.

3.4 **Brexit Timetable / Process:**

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: two-year negotiation period on the terms of exit. This period can be extended with the agreement of all members.
- UK continues as an EU member during this two-year period with access to the single market and tariff free trade between the EU and UK.
- The UK and EU would attempt to negotiate a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU but may also exit without any such agreements.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU.
- On exit from the EU the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.
- It is possible that some sort of agreement could be reached for a transitional time period for actually implementing Brexit after March 2019 so as to help exporters to adjust in both the EU and in the UK.

3.5 **USA.** Overall, despite some data setbacks, the US is still, probably, the best positioned of the major world economies to make solid progress towards a combination of strong growth, full employment and rising inflation; the Fed. indicated that it expected three further increases of 0.25% in 2017 to deal with rising inflationary pressures. The result of the presidential election in November is expected to lead to a strengthening of US growth if President Trump's election promise of a major increase in expenditure on infrastructure is implemented. This policy is also likely to strengthen inflation pressures as the economy is already working at near full capacity. In addition, the unemployment rate is at a low point verging on what is normally classified as being full employment

3.6 **Europe.** GDP growth in the first three quarters of 2016 has been 0.5%, +0.3% and +0.3%, (+1.7% y/y). Forward indications are that economic growth in the EU is likely to continue at moderate levels. ECB measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from low levels towards the target of 2%. Given the number and type of challenges the EU faces in the next eighteen months, there is an identifiable risk for the EU "project" to be called into fundamental question.

3.7 **Greece** continues to cause issues to the EU due to its delay in implementing key reforms required by the EU to make the country more efficient and to make significant progress towards the country being able to pay its way – and before the EU is prepared to agree to release further bail out funds.

3.8 **Spain** has had two inconclusive general elections in 2015 and 2016. At the eleventh hour on 31 October, before it would have become compulsory to call a third general election, the party with the biggest bloc of seats was given a majority confidence vote to form a government. This is potentially an unstable situation, particularly given the need to deal with an EU demand for implementation of a package of austerity cuts which will be highly unpopular.

3.9 **Italy / Germany** The under capitalisation of Italian banks poses a risk. Some German banks are also undercapitalised, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation. What is clear is that national governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, while, at the same time, those banks are unable realistically to borrow additional capital in financial markets due to their vulnerable financial state. However, they are also 'too big, and too important to their national economies, to be allowed to fail'

3.10 The following table gives Capita Asset Services central view of UK Base Rate and Public Works Loan Board (PWLB) borrowing rates:

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB rate	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

4. Investment Strategy 2017/18

4.1 Forecasts of short-term interest rates, on which investment decisions are based, suggest that the 0.25% Bank Rate will remain unchanged until the end of the first quarter of 2019 and not to rise above 0.75% by the first quarter of 2020.

4.2 The investment earnings rates which most closely matches our average deposit profile is the 3 month LIBID (London Intra Bank Bid rate for money market trades) forecast. The suggested budgeted interest rates for the following 3 financial years are as follows:

Financial Year	Budgeted Interest Earnings
2017/18	0.25%
2018/19	0.25%
2019/20	0.50%

4.3 There are 3 key considerations to the treasury management investment process. CLG's Investment Guidance ranks these in the following order of importance:

- security of principal invested,
- liquidity for cash flow, and
- investment return (yield).

Each deposit is considered in the context of these 3 factors, in that order.

4.4 CLG's Investment Guidance requires local authorities and PCCs to invest prudently and give priority to security and liquidity before yield, as described above. In order to facilitate this objective, the Guidance requires the PCC to have regard to CIPFA's Code of Practice for Treasury Management in the Public Sector.

4.5 The key requirements of both the Code and the Investment Guidance are to produce an Annual Investment and Treasury Strategy covering the following:

- Guidelines for choosing and placing investments – Counterparty Criteria and identification of the maximum period for which funds can be committed – Counterparty Monetary and Time Limits (Section 5).
- Details of Specified and Non-Specified investment types (Section 6).

5. Investment Strategy 2017/18 - Counterparty Criteria

5.1 The PCC works closely with its external treasury advisors to determine the criteria for high quality institutions.

5.2 The criteria for providing a pool of high quality investment counterparties for inclusion on the PCC's 'Approved Authorised Counterparty List' is provided below

(i) **UK Banks** which have the following minimum ratings from at least one of the three credit rating agencies:

UK Banks	**Fitch**	**Standard & Poors**	**Moody's**
Short Term Ratings	F1	A-1	P-1
Long Term Ratings	A-	A-	A3

(ii) **Non-UK Banks** domiciled in a country which has a minimum sovereign rating of AA+ and have the following minimum ratings from at least one of the credit rating agencies:

Non-UK Banks	**Fitch**	**Standard & Poors**	**Moody's**

Short Term Ratings	F1+	A-1+	P-1
Long Term Ratings	AA-	AA-	Aa3

- **Part Nationalised UK Banks** – Royal Bank of Scotland Group (including Nat West). These banks are included while they continue to be part nationalised or they meet the minimum rating criteria for UK Banks above.
- **The PCC's Corporate Banker** – If the credit ratings of the PCC's corporate banker (currently Lloyds Bank plc) fall below the minimum criteria for UK Banks above, then cash balances held with that bank will be for account operation purposes only and balances will be minimised in terms of monetary size and time.
- **Building Societies** – The PCC will use Building Societies which meet the ratings for UK Banks outlined above.
- **Money Market Funds (MMFs)** – which are rated AAA by at least one of the three major rating agencies. MMF's are 'pooled funds' investing in high-quality, high-liquidity, short-term securities such as treasury bills, repurchase agreements and certificate of deposit. Funds offer a high degree of counterparty diversification that include both UK and Overseas Banks.
- **UK Government** – including the Debt Management Account Deposit Facility & Sterling Treasury Bills. Sterling Treasury Bills are short-term (up to six months) 'paper' issued by the UK Government. In the same way that the Government issues Gilts to meet long term funding requirements, Treasury Bills are used by Government to meet short term revenue obligations. They have the security of being issued by the UK Government.
- **Local Authorities, Parish Councils etc.** – Includes those in England and Wales (as defined in Section 23 of the Local Government Act 2003) or a similar body in Scotland or Northern Ireland.

5.3 All cash invested by the PCC in 2017/18 will be either Sterling deposits (including certificates of deposit) or Sterling Treasury Bills invested with banks and other institutions in accordance with the Approved Authorised Counterparty List.

5.4 The Code of Practice requires local authorities and PCCs to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for use, additional market information will be used to inform investment decisions. This additional market information includes, for example, Credit Default Swap rates and equity prices in order to compare the relative security of counterparties.

5.5 The current maximum lending limit of £10m for any counterparty will be maintained in 2017/18 to reflect the level of cash balances and to avoid large deposits with the DMO.

5.6 In addition to individual institutional lending limits, "Group Limits" will be used whereby the collective investment exposure of individual banks within the same banking is restricted to a group lending limit of £10m.

5.7 The Strategy permits deposits beyond 365 days (up to a maximum of 2 years) but only with UK banks which meet the credit ratings at paragraph 5.2. Deposits may also be placed with UK Part Nationalised Banks and Local Authorities for periods of up to 2 years.

5.8 A reasonable amount will be held on an instant access basis in order for the PCC to meet any unexpected needs. Instant access accounts are also preferable during periods of credit risk uncertainty in the markets, allowing the PCC to immediately withdraw funds should any concern arise over a particular institution.

6. Investment Strategy 2017/18 – Specified and Non-Specified Investments

6.1 As determined by CLG's Investment Guidance, Specified Investments offer "high security and high liquidity". They are Sterling denominated and have a maturity of less than one year. Institutions of "high" credit quality are deemed to be Specified Investments. From the pool of high quality investment counterparties identified in Section 5, the following are deemed to be Specified Investments where the period of deposit is 364 days or less:

- Banks: UK and Non-UK;
- Part Nationalised UK Banks;
- The PCC's Corporate Banker (Lloyds Bank plc)
- Building Societies (which meet the minimum ratings criteria for Banks);
- Money Market Funds;
- UK Government;
- Local Authorities, Parish Councils etc.

6.2 Non-Specified Investments are those investments that do not meet the criteria of Specified Investments. From the pool of counterparties identified in Section 5, they include:

- Any investment greater than 364 days.

6.3 The categorisation of 'Non-Specified' does not in any way detract from the credit quality of these institutions, but is merely a requirement of the Government's guidance.

6.4 The PCC's proposed Strategy for 2017/18 therefore includes both Specified and Non-Specified Investment institutions.

7. Borrowing Strategy 2017/18

7.1 Capital expenditure can be paid for immediately by applying capital receipts, capital grants or revenue contributions. Capital expenditure in excess of available capital resources or revenue contributions will add to the PCC's borrowing requirement. The PCC's need to borrow is measured by the Capital Financial Requirement, which simply represents the total outstanding capital expenditure, which has not yet been paid for from either capital or revenue resources.

7.2 For the PCC, borrowing principally relates to long term loans (i.e. loans in excess of 364 days). The borrowing strategy includes decisions on the timing of when further monies should be borrowed.

7.3 The main source of long term loans is the Public Works Loan Board (PWLB), which is part of the UK Debt Management Office (DMO). The maximum period for which loans can be advanced by the PWLB is 50 years.

7.4 External borrowing currently stands at £8.36m. At 31 March 2016 there was a £11.69m capital funding requirement relating to unfunded capital expenditure financed from internal resources. The net capital funding requirement is estimated to be £12.20m at 31 March 2017 and £14.09m at 31 March 2018. The new borrowing requirement is estimated at £0.83m for 2016/17 and £2.20m for 2017/18. The capital funding requirement figure does not include the funding requirement in respect of assets financed through PFI or leasing

7.5 The challenging and uncertain economic outlook outlined by Capita Asset Services in Section 3, together with managing the cost of "carrying debt" requires a flexible approach to borrowing. The PCC, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks identified in Capita Asset Services economic overview (Section 3).

7.6 The level of outstanding debt and composition of debt, in terms of individual loans, is kept under review. The PWLB provides a facility to allow the restructure of debt, including premature repayment of loans, and encourages local authorities and PCCs to do so when circumstances permit. This can result in net savings in overall interest charges. The PCC CFO and Capita Asset Services will monitor prevailing rates for any opportunities during the year. As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred). Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt

7.7 The PCC has flexibility to borrow funds in the current year for use in future years. but will not borrow more than or in advance of its 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 Capital Financing Requirement 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

7.8 PWLB borrowing has become less attractive in recent years, due to its policy decision to increase the margin payable over interest rates (Gilts). In response, the Local Government Association is currently in the process of setting up a "Municipal Bond Agency" which will be offering loans to local authorities in the near future. It is hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB).

7.9 The PCC will continue to use the most appropriate source of borrowing at the time of making application, including; the PWLB, commercial market loans and the Municipal Bond Agency.

8. Treasury Management Prudential Indicators

8.1 There are four treasury related Prudential Indicators. The purpose of the indicators is to restrict the activity of the treasury function to within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However, if these indicators are too restrictive, they will impair the opportunities to reduce costs/improve performance. The Indicators are:

- **Upper Limits on Variable Interest Rate Exposure** – This identifies a maximum limit for variable interest rates based upon the debt position net of investments. It is recommended that the PCC set an upper limit on its variable interest rate exposures for 2017/18, 2018/19 and 2019/20 of 100% of its net outstanding principal sums.

- **Upper Limits on Fixed Interest Rate Exposure** – Similar to the previous indicator, this covers a maximum limit on fixed interest rates. It is recommended that the PCC set an upper limit on its fixed interest rate exposures for 2017/18, 2018-2019 and 2019-2020 of 100% of its net outstanding principal sums.

Maturity Structures of Borrowing – These gross limits are set to reduce the PCC's exposure to large fixed rate sums falling due for refinancing and require upper and lower limits. It is recommended that the PCC sets the following limits for the maturity structures of its borrowing:

	Lower Limit	Upper Limit
Under 12 months	0%	15%
12 months and within 24 months	0%	15%
24 months and within 5 years	0%	45%
5 years and within 10 years	0%	75%
10 years and above	0%	100%

- **Total Principal Funds Invested for Greater than 364 Days –** This limit is set with regard to the PCC's liquidity requirements. It is estimated that in 2017/18, the maximum level of PCC funds invested for periods greater than 364 days will be no more than £10m.

List of Approved Counterparties for Lending for Police & Crime Commissioner for Suffolk

Counterparty		Monetary Limit	Duration
Australia			
Banks	Australia and New Zealand Banking Group Ltd.	10.00 Million	364 Days
	Commonwealth Bank of Australia	10.00 Million	364 Days
	National Australia Bank Ltd.	10.00 Million	364 Days
	Westpac Banking Corp.	10.00 Million	364 Days
Canada			
Banks	Bank of Montreal	10.00 Million	364 Days
	Bank of Nova Scotia	10.00 Million	364 Days
	Canadian Imperial Bank of Commerce	10.00 Million	364 Days
	National Bank of Canada	10.00 Million	364 Days
	Royal Bank of Canada	10.00 Million	364 Days
	Toronto-Dominion Bank	10.00 Million	364 Days
Finland			
Banks	Nordea Bank Finland PLC	10.00 Million	364 Days
	OP Corporate Bank plc	10.00 Million	364 Days
Germany			
Banks	DZ BANK AG Deutsche Zentral-Genossenschaftsbank	10.00 Million	364 Days
	Landesbank Baden-Wuerttemberg	10.00 Million	364 Days
	Landesbank Berlin AG	10.00 Million	364 Days
	Landesbank Hessen-Thueringen Girozentrale	10.00 Million	364 Days
	Landwirtschaftliche Rentenbank	10.00 Million	364 Days
	NRW.BANK	10.00 Million	364 Days
Netherlands			
Banks	Bank Nederlandse Gemeenten N.V.	10.00 Million	364 Days
	Cooperatieve Rabobank U.A.	10.00 Million	364 Days
	Nederlandse Waterschapsbank N.V.	10.00 Million	364 Days
Singapore			
Banks	DBS Bank Ltd.	10.00 Million	364 Days
	Oversea-Chinese Banking Corp. Ltd.	10.00 Million	364 Days
	United Overseas Bank Ltd.	10.00 Million	364 Days
Sweden			
Banks	Nordea Bank AB	10.00 Million	364 Days
	Skandinaviska Enskilda Banken AB	10.00 Million	364 Days
	Svenska Handelsbanken AB	10.00 Million	364 Days
	Swedbank AB	10.00 Million	364 Days
Switzerland			
Banks	UBS AG	10.00 Million	364 Days
United Kingdom			
AAA rated and Government	Debt Management Office		6 Months
Banks	Bank of Scotland PLC	10.00 Million	2 Years
	Barclays Bank PLC	10.00 Million	2 Years
	Close Brothers Ltd	10.00 Million	2 Years
	Goldman Sachs International Bank	10.00 Million	2 Years
	HSBC Bank PLC	10.00 Million	2 Years
	Lloyds Bank Plc	10.00 Million	2 Years
	Santander UK PLC	10.00 Million	2 Years
	Standard Chartered Bank	10.00 Million	2 Years
	Sumitomo Mitsui Banking Corporation Europe Ltd	10.00 Million	2 Years
	UBS Ltd.	10.00 Million	2 Years
Building Society	Coventry Building Society	10.00 Million	2 Years
	Leeds Building Society	10.00 Million	2 Years
	Nationwide Building Society	10.00 Million	2 Years
	Skipton Building Society	10.00 Million	2 Years
	Yorkshire Building Society	10.00 Million	2 Years
Nationalised and Part Nationalised Banks	National Westminster Bank PLC	10.00 Million	2 Years
	The Royal Bank of Scotland Plc	10.00 Million	2 Years
Local Authorities		20.00 Million	2 Years
United States			
Banks	Bank of New York Mellon, The	10.00 Million	364 Days
	JPMorgan Chase Bank N.A.	10.00 Million	364 Days