Suffolk Police and Crime Commissioner

ORIGINATOR: PCC CFO and CC CFO

DECISION NO. 3-2013

REASON FOR SUBMISSION: **For Decision**

SUBMITTED TO: **PCC**

SUBJECT: **Medium Term Financial Plan 2013-14 to 2016-17**

SUMMARY:

1. The Medium Term Financial Plan (MTFP) sets out the key financial issues facing the PCC and Constabulary over the period 2013-14 to 2016-17 and includes information and recommendations relating to the revenue budget, capital programme and associated financing issues.

2. The MTFP is based on accepting the Council Tax Freeze Grant of 1% in 2013-14 (payable in 2013-14 and 2014-15), and then levying a 2% increase in council tax precept for each year commencing 2014-15. The report also presents the financial impact of an alternative option to levy a 2% increase in council tax precept in each year from 2013-14.

RECOMMENDATION:

It is recommended that:

1. The PCC consider the Medium Term Financial Plan 2013-14 to 2016-17 attached as Appendix 1, and approves the recommendations contained therein.

2. When setting the precept level and council tax requirement, consideration is given by the PCC to the financial impact of Options 1 and 2 (Appendices A (i) and (ii), E and I) and paragraph 2.14, and the assessment of financial risks in Section 5 and 6 of the MTFP.

OUTCOME/APPROVAL BY: PCC

The recommendations above are approved.

Signature Tim Passmore

Date 17/1/2013

NOT PROTECTIVELY MARKED

DETAIL OF THE SUBMISSION

1. KEY ISSUES FOR CONSIDERATION:

1.1 The requirement to develop a Medium Term Financial Strategy is articulated in both the CIPFA Statement on the Role of the Chief Finance Officer (CFO) of the PCC and the CFO of the Chief Constable (CC), and the Home Office Financial Management Code of Practice.

1.2 The attached Medium Term Financial Plan (MTFP) 2013-14 to 2016-17 has been drawn up in line with the PCC's manifesto commitment to maintain the number of constables and police community support officers and not increase council tax in 2013-14. It also includes an alternative option for consideration by the PCC to levy a 2% increase in council tax precept in each year from 2013-14.

1.3 The report contains a number of recommendations relating to the MTFP, which are summarised below:

- Known changes to the Constabulary's 2012-13 base revenue budget;
- Planned savings proposals;
- Proposed capital expenditure plans;
- Treasury management strategy and associated financial limits/indicators;
- Use and transfer of reserve balances.

1.4 The report also asks the PCC to considers the medium-term financial impact of Options 1 and 2 (**Appendices A (i) and (ii), E and I**) and paragraph 2.14, and the assessment of financial risks in Section 5 and 6, when setting the precept level and council tax requirement.

2. FINANCIAL IMPLICATIONS:

2.1 The purpose of the MTFP is to provide the PCC sufficient financial information in the main report, supported by detailed appendices, to enable informed decisions to be taken with regard to the revenue and capital plans, associated financial issues, precept level and council tax requirement.

2.2 An assessment of financial risk and its management is summarised in Section 6 of the report.

3. OTHER IMPLICATIONS

Equality and Diversity

3.1 An Equality Analysis has been undertaken in the development of the MTFP and there are no factors of direct material significance in terms of the process of preparing the MTFP. However, an important consideration in the development and implementation of the Constabulary's savings plans is to ensure compliance with Equality and Diversity legislation.

ORIGINATOR CHECKLIST (MUST BE COMPLETED)	PLEASE STATE 'YES' OR 'NO'
Has legal advice been sought on this submission?	Yes
Has the PCC's Chief Finance Officer been consulted?	The PCC CFO and CC CFO are co-authors of the report
Have equality, diversity and human rights implications been considered including equality analysis, as appropriate?	Yes- see paragraph 3.1
Have human resource implications been considered?	Yes
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?	Yes- through consultation on the draft Police and Crime Plan
Has communications advice been sought on areas of likely media interest and how they might be managed?	Yes
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 (this approval is required only for submissions to the PCC).

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** 17 January 2013

Suffolk Police and Crime Commissioner

MEDIUM TERM FINANCIAL PLAN 2013-14 TO 2016-17

CONTENTS: PAGE(S):

1 INTRODUCTION

1.1 This report covers the spending proposals and key issues relating to the budget for 2013-17. 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.

1.2 The plans have been drawn up in line with the PCC's manifesto commitment to maintain the number of constables and police community support officers and not increase council tax in 2013-14.

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

Appendix A(i)	Medium Term Financial Plan- 4 Year Overview- Option 1- take council tax freeze grant in 2013/14
Appendix A(ii)	Medium Term Financial Plan- 4 Year Overview- Option 2- increase council tax by 1.997% in 2013-14
Appendix B	Known Changes 2013-17
Appendix C	Savings Plan 2013-17
Appendix D	Capital Programme 2013-17
Appendix E	Precept Option Scenarios
Appendix F	Treasury Management Strategy
Appendix G	Lending Limits and proposed List of Approved Institutions
Appendix H	Forecast Use of Reserves
Appendix I	Precept Level and Council Tax Requirement Options.

Budget process and consultation

1.4 A financial planning process between Norfolk and Suffolk has been ongoing over recent months in accordance with a timetable agreed by the two constabularies and the former police authorities. This process was established as a consequence of the substantial and increasing number of collaborated areas and, therefore, the requirement to align as far as possible the service delivery plans in these areas.

1.5 The process to date has involved Chief Officers meeting with the senior managers within their portfolios, and representatives from the Finance and Strategic Change departments. These planning meetings reviewed and challenged progress on current savings targets; additional revenue savings and pressures for 2013-14; future medium-term savings opportunities to be developed, and changes to the capital programme. The process concluded with a Joint Chief Officer meeting to review the findings of these meetings and made further recommendations to develop the detailed spending and savings options for 2013-14 and beyond.

1.6 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 five-year strategic and financial planning cycle, including the current year. The figures contained within the strategy are based upon current information and stated assumptions.

1.7 In accordance with the requirements of Section 134 of the Local Government Act and as required under regulations, the PCC has an obligation to consult with business ratepayers and other partners, as well as a general obligation to consult the public, when setting the Constabulary budget and council tax precept for 2013-14. This requirement will be met through the extensive consultation activities that have already been undertaken to date, and with the inclusion of key financial information in the Police and Crime Plan, which is being consulted upon in the period leading up to its publication by 31 March 2013.

2 REVENUE BUDGET 2013-14

Assumptions in the Financial Model

2.1 The provisional central government grant settlement announcements were made on 19 December 2012. The proposals in this report are based on the provisional settlement, provisional local tax base figures and planning assumptions regarding future funding levels, on-going commitments and capital expenditure plans.

2.2 The table below provides a comparison between the 2013-14 provisional grant settlement and 2012-13 figures.

	2012-13	2013-14	Variance
	£m	£m	%
Home Office Core Grant / Neighbourhood Policing Fund	45.8	45.3	-1.1
Revenue Support Grant / Business Rates	25.5	24.9	-2.4
Total General Grant Allocation (£m)	71.3	70.2	-1.6

2.3 In addition to the figures above, the Council Tax Freeze Grant (CTFG) in relation to 2011-12 of £1.03m will continue to be received in 2013-14 and 2014-15.

2.4 The government has used the floor-damping scheme to ensure that the cash reduction in formula grant for the police next year is 1.6% for all PCC areas. This has been achieved by reducing the formula allocation for those PCCs who are above the floor. The scheme is self-financing within the overall police grant allocation, with Suffolk receiving additional formula grant funding of £1.13m in 2013-14 as a result of the redistribution of resources under the current arrangements.

2.5 The Home Office is planning to undertake a major review of the police funding mechanism in 2013-14, which may result in different grant levels being received in future years.

2.6 In determining the financial forecast, the following assumptions have been used:

	2013-14	2014-15	2015-16	2016-17
Government grant	-1.60%	-2.80%	-1.80%	-1.00%
Council tax base decrease	-11.07%	0.00%	0.00%	0.00%
Precept	0.0%	2.00%	2.00%	2.00%
Pay awards – officers	0.58%	1.00%	1.59%	2.00%
Pay awards – staff	0.79%	1.00%	1.59%	2.00%
Non-pay inflation (average)	2%	2%	2%	2%
Borrowing (long term)	4.51%	4.51%	4.51%	4.51%
Freeze Grant	1.00%	1.00%	0.00%	0.00%
Number of Officers	1200	1200	1200	1200
Number of PCSO's – Non-Partner	142	142	142	142
Number of Specials	350	350	350	350

2.7 The only financial figure that is certain is the 1.6% decrease in government grant in 2013-14. The council tax base decrease and collection fund surplus for 2013-14 are provisional figures, with the tax base decrease arising from national changes in council tax benefit arrangements, which are largely mitigated by a corresponding grant to the PCC.

Financial Summary 2013-17

2.8 The table below illustrates the budget summary for the forthcoming four years **(Appendix A (i))**, based on the assumptions summarised above:

	2013-14 £m	2014-15 £m	2015-16 £m	2016-17 £m
Revenue Expenditure	-125.3	-126.1	-127.8	-130.1
Revenue Income	5.2	5.3	5.4	5.5
Precept Income	42.4	43.7	44.6	45.5
Freeze Grant	1.5	1.5	0.0	0.0
General Grants & Business Rates	70.2	69.7	69.7	69.7
General Grant Reductions	0.0	-1.4	-2.6	-3.3
Other Grants	4.3	4.3	4.3	4.3
Revenue Funding of Capital	-2.0	-1.7	-0.5	-2.2
Cumulative Savings Plans	3.7	4.6	5.1	5.9
Cumulative Funding Gap Before Further Savings (£m)	0.0	-0.1	-1.8	-4.7

2.9 In respect of former community safety and crime and disorder reduction grants, it has been assumed that the sum of £572k, which is included in the general grant figure above in 2013-14, will be fully committed in that year in pursuance of the PCC's crime and disorder objectives.

2.10 It has also been assumed that the former Police Authority's corporate budget of £1.19m for 2012-13 will be ring-fenced to meet the on-going running costs associated with the Office of the Police and Crime Commissioner.

Estimated Funding Gap

2.11 Based on the current assumptions, which together with the changes to the Constabulary's recurring cost base detailed in **Appendix B,** represent a balanced budget for 2013-14, with further savings required of £0.1m in 2014-15, £1.7m in 2015-16 and £2.9m in 2016-17 respectively. These savings are in addition to those already planned and being implemented **(Appendix C)**.

2.12 Substantial work has already been undertaken to identify options for achieving the further savings required, and it is anticipated that a provisional plan will be in place by 31 March 2013. With the forecast shortfall in the first two years being only £100k, the Constabulary has more time to formulate robust plans to deliver the savings required in 2015-16 and 2016-17, whilst minimising the impact on service provision.

Precept Option Scenarios

2.13 The MTFP is based on accepting the Council Tax Freeze Grant (CTFG) of 1% in 2013-14 (which is payable in 2013-14 and 2014-15), and then levying a 2% increase in council tax precept for each year commencing 2014-15 **(Appendix A (i) - Option 1 and Appendix E)**.

2.14 An alternative option is to levy a 2% increase in each year from 2013-14. This would generate additional recurring income of £425k in 2013-14 and £442k in 2014-15 **(Appendices A (ii) - Option 2 and Appendix E)**.

2.15 The increased income arising from Option 2 would contribute to making modest contributions to reserves of £394k and £350k in 2013-14 and 2014-15. It would still be necessary, however, to make recurring savings of £901k in 2015-16 and £2,933k in 2016-17. Option 2 would provide greater financial stability by incorporating the precept income stream into the recurring base budget in 2013-14.

2.16 In a recent survey undertaken on behalf of PCC Chief Finance Officers, of the 26 respondents, 6 indicated that the PCC was likely to take the CTFG, 14 were likely to increase council tax, and the remaining 6 were currently undecided.

Council Tax Referendum Principles

2.17 On 20 December 2012 the Department for Communities and Local Government issued guidance on council tax freeze. The paragraphs below are relevant extracts from the letter:

'The Secretary of State announced to the House of Commons on 19 December the council tax referendum principles he proposes to set. He has proposed that a two per cent referendum principle will apply for all principal local authorities, PCCs and Fire and Rescue Authorities. This means that if an authority or PCC wishes to raise their relevant basic amount of council tax in 2013-14 by more than two per cent, they will have to arrange for a referendum to give the local electorate the opportunity to approve or veto the increase. The result of a referendum will be binding.

There are some exceptions to the 2 per cent excessiveness principle, covering shire district councils, Fire and Rescue Authorities and PCCs whose 2012-13 own Band D council tax is in the lower quartile for their category of authority. For these authorities and PCCs, a referendum need only be held where the increase in the relevant basic amount of council tax for 2013-14 is more than 2 per cent and there is a cash increase of more than £5 in the relevant basic amount'.

2.18 In regard to the exceptions to the 2% 'excessive principle' described in the paragraph above, it has been confirmed that Suffolk is not in the lower quartile for their category of authority, therefore the excessive limit which would trigger the requirement for a referendum for Suffolk would be if the basic amount of council tax increase for 2013-14 is more that 2% higher than the equivalent 2012-13 figure. Option 1 and 2, therefore, would not trigger a referendum.

3 CAPITAL PROGRAMME 2013-17

3.1 The proposed outline capital programme has been updated to 2016-17, and plays an integral part in delivering the infrastructure that will support the Constabulary in maintaining and improving its operational performance. The revenue consequences of the capital programme have been fully taken into account in preparing the MTFP.

Outline Spending Plans

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

	2013-14 £k	2014-15 £k	2015-16 £k	2016-17 £k
Recurring schemes				
ICT	300	300	300	300
Estates	325	325	325	325
Fleet	1,374	1,230	1,230	1,230
Total recurring schemes	1,999	1,855	1,855	1,855
Projects				
ICT	1,288	484	64	
Estates	1,600	2,010	2,110	2,154
Other	352	75	39	
Total	5,239	4,424	4,068	4,009

3.3 The above programme does not include slippage in 2012-13 of partly completed schemes, the balance for which will be carried forward to 2013-14.

Capital Expenditure on Recurring Schemes

3.4 Recurring capital costs for ICT are predominantly equipment replacement and updating.

3.5 Recurring costs for estates include minor improvement works and the strategy budget, which is used to facilitate internal and external moves.

3.6 Recurring capital costs for fleet are for replacement vehicles and equipment used to service them.

Capital Expenditure on Projects

3.7 This section contains one-off expenditure for specific items, including some significant collaborative arrangements designed to deliver future operational efficiencies and recurring financial savings:

- Airwave - minor expansion of the existing coverage.
- New Property Store – a collaborative venture to accommodate the storage requirements of the six Eastern Region Forces, Suffolk County Council and the MOD, is currently being led by Suffolk.
- Body Armour Replacement – backlog due to re-tendering delay at a national level.
- Estates Re-provision – as part of the Suffolk Estates Strategy it is planned to dispose of estate infrastructure that is either too large or not fit for purpose, and replace it with premises that better meet need operational and service requirements. The re-provision will be financed by the sale of existing properties.
- Replacement of Back Office System (ERP) – Procurement options for Norfolk & Suffolk joint replacement systems (covering Duties Management, HR, Payroll, Procurement and Finance) are currently being finalised. Assuming approval, expenditure will be incurred in 2013-14.

Funding the Capital Programme

3.8 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.

3.9 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.

3.10 The following funding sources have been identified to support the outline capital programme **(Appendix D - Page 3)**, 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.

	2013-14 £m	2014-15 £m	2015-16 £m	2016-17 £m
Capital Receipts	1.9	2.3	3.1	1.3
Capital Grant	1.0	1.0	1.0	1.0
Revenue Contribution (including MRP)	1.5	1.1	0.0	1.7

Change Reserve	0.8			
Total	5.2	4.4	4.1	4.0

3.11 Each PCC receives a capital grant, which must be used to support capital expenditure. The Home Office has confirmed the capital allocation of a capital grant of £1.01m for 2013-14.

Minimum Revenue Provision (MRP)

3.12 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 backed up by statutory guidance to which authorities are required to have regard.

3.13 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.

4 ANNUAL TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2013/14

Treasury Management Strategy

4.1 Government regulations require the PCC to approve the investment and borrowing strategies and borrowing limits for 2013-14 prior to the start of the financial year. This is incorporated within an over-arching Treasury Management Strategy, which is attached as **Appendix F**.

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

Compliance with the Prudential Code

4.3 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 good professional practice and in a manner that supports prudence, affordability and sustainability. The Prudential Code is a statutory piece of legislation, compliance with which ensures prudent financial management.

4.4 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 2013-14 are provided in **Appendix F**. 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.

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 Authority. 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 such as the Major Crime fund. 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 PCC CFO and CC CFO in making a reasoned judgement on the appropriate level of its reserves.

5.4 The use of reserves will be dependent upon the successful delivery of efficiency savings in the timeframes planned and on the basis of the information provided within the report.

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 A description of the purpose of each of the PCC's reserves, together with a summary of the projected use and level of reserves over the MTFP period, is set out in **Appendix H**. The closing balances as at 31 March 2013 are dependent upon decisions taken by the PCC as part of out-turn report for 2012-13 to be considered in June 2013.

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 data, confidence in the robustness of this data has been the subject of a recent comprehensive review. The review 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 A comprehensive review of the various savings programmes has been undertaken with the Programme Management Office (PMO) and finance staff from both Norfolk and Suffolk CFO's and Constabularies, resulting in greater financial clarity and consistency in financial plans.

6.5 In summary, we are satisfied that the financial data contained within this report is robust 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 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 ambitious savings plans detailed in **Appendix C**.

6.7 A prudent approach has been taken within the savings plans in respect of collaboration by re-profiling the PMO projected savings in 2013-14 from £2.1m to £1.6m, to allow for possible slippage in the programme of 3 months, with a 6 month delay being included for the period 2014-15 to 2016-17.

6.8 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.

Adequacy of Reserves

6.9 The projected levels of reserves are detailed in **Appendix H**. Over the MTFP period, the general reserve is projected to be constant at £7.46m, which equates to 6.6% of Net Revenue Expenditure (NRE).

6.10 The principle reason for the reduction in the overall level of reserves from £14.2m at 31 March 2013 to £11.3m at 31 March 2017 is accounted for by the planned use of the Change Reserve to fund the one-off costs of change arising from various efficiency savings initiatives.

6.11 The sum of £325k has been transferred from Corporate Contingency Reserve to the General Reserve following a review of its potential future requirement.

6.12 The Budget Reserve of £1.97m is available to pump-prime initiatives which will deliver permanent savings.

6.13 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'.*

6.14 Having considered the levels of reserves included in the MTFP and taking account of the approach to managing financial risk set out in Section 5, our 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 CONCLUSION AND SUMMARY OF OPTIONS

7.1 The MTFP has been prepared following notification of the 2013-14 government grants via the Home Office on 19 December 2012 and in conjunction with a wide range of assumptions summarised in Section 2 of this report.

7.2 Delivery of a balanced budget across the 4-year planning period is dependent upon the Constabulary delivering the planned savings of £3.7m, £0.9m, £0.6m and £0.7m respectively over the 4 years of the MTFP period, and in addition, currently unplanned savings initiatives of £0.1m in 2014-15, £1.7m in 2015-16 and a further £2.9m in 2016-17.

7.3 This represents both a significant financial and operational challenge in the context of delivering the PCC's manifesto commitment to maintain the number of constables and police community support officers and not increase council tax in 2013-14.

7.4 Two alternative budget options are proposed to the PCC for consideration, the financial consequences of which are set out in **Appendices A (i), A (ii) and E**.

7.5 Under both options, whilst it is proposed to maintain police officer numbers at 1,200 and PCSO numbers at 142, there remains uncertainty in relation to future government funding, which will necessitate the need to keep under review the number of police officer, PCSO and police staff numbers over the medium-term planning period and beyond.

8 RECOMMENDATIONS

8.1 It is recommended that the PCC:

(i) Takes account of the overall financial strategy, when considering the 2013-14 budget proposals;

(ii) Approves funding of the known changes to the 2012-13 base revenue budget set out at Appendix B;

(iii) Approves the savings plans in Appendix C;

(iv) Approves the proposed capital programme for 2013-14 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 F, and Lending Limits and List of Approved Institutions in Appendix G;

(vi) Approve the proposed use and transfer of reserve balances in Appendix H;

(vii) Considers the medium-term financial impact of Options 1 and 2 (Appendices A (i) and (ii), E and I) and paragraph 2.14, and the assessment of financial risks in Section 5, when setting the precept level and council tax requirement.

	MEDIUM TERM FINANCIAL PLAN - 4 YEAR OVERVIEW - OPTION 2	Proposed 2013/14 £k	Forecast 2014/15 £k	Forecast 2015/16 £k	Forecast 2016/17 £k	4 Year Total £k	APPENDIX A (ii) Comments
1	**FORWARD PROJECTION OF 2012/13 REVENUE BUDGET:**						
2	Total Revenue Expenditure before savings	124,755	124,837	126,868	129,357		Excludes Capital and cost of change
3	Community Safety and Crime & Disorder Expenditure	572	572	572	572		
4	Total Revenue Income	-5,240	-5,321	-5,404	-5,489		Includes Courses, Sponsorship, Secondments and Private Employment etc.
5	General Grant & Business Rates Income	-70,199	-69,697	-69,697	-69,697		13/14 & 14/15 as CSR.
6	Assumed additional grant reductions		1,401	2,630	3,301		2%, 1.8% & 1% cuts
7	Council Tax Freeze Grant (for no precept increase in 2011/12)	-1,030	-1,030	0	0		Grant payable for 4 years (2011/12 to 2014/15)
8	Other Special Grants	-3,735	-3,735	-3,735	-3,735		Neighbourhood Policing Grant of £3.054m is subsumed into General Grant from 13/14.
9	Community Safety and Crime & Disorder Grant	-572	-572	-572	-572		Unringfenced funding within the General Grant
10	Precept Income	-43,842	-44,324	-45,216	-46,127		2% increase each year.
11	Revenue Funding of Capital Expenditure	2,024	1,663	514	2,172		Recuring capital & MRP (Appendix D)
12	**DEFICIT BEFORE KNOWN CHANGES**	**2,733**	**3,794**	**5,960**	**9,782**		
13	Known / Expected Changes	526	415	93	-72		Appendix B
14							
15							
16	**REVENUE DEFICIT BEFORE SAVINGS**	**3,259**	**4,209**	**6,053**	**9,710**		
17							
18	Total Cumulative Permanent Savings	**-3,654**	**-4,559**	**-5,153**	**-5,876**		Appendix C
19	Additional Savings to be identified			-901	-3,834	-4,735	
20	**REVENUE DEFICIT/SURPLUS (-) AFTER SAVINGS**	**-394**	**-350**	**0**	**0**		**Excludes one-off costs met from Change Reserve**
21							
22	Contribution to / from (-) Cash / Reserves	394	350	0	0	744	
23							
24							
25	**ABOVE BASED ON FOLLOWING ASSUMPTIONS**						
26	Police Pay awards	0.58%	1.00%	1.59%	2.00%		) Impact in each year is a combination of pay
27	Staff Pay awards	0.79%	1.00%	1.59%	2.00%		) awards in previous and current year
28	Price Inflation	2.00%	2.00%	2.00%	2.00%		Average figure.
29	General & Specific Revenue Grants	-0.96%	-1.23%	-1.29%	0.05%		13/14 & 14/15 as CSR. Then 1.8 & 1.0% cuts. Loss of CTFG in 15/16
30	Additional grant reduction - assumption over CSR		-2.00%	-1.80%	-1.00%		
31	Precept - Tax base increase	0.00%	0.00%	0.00%	0.00%		
32	Precept - Bill increase	2.00%	2.00%	2.00%	2.00%		

	MEDIUM TERM FINANCIAL PLAN - 4 YEAR OVERVIEW - OPTION 1						APPENDIX A (i)
		Proposed 2013/14	**Forecast 2014/15**	**Forecast 2015/16**	**Forecast 2016/17**	**4 Year Total**	**Comments**
		£k	**£k**	**£k**	**£k**	**£k**	
1	**FORWARD PROJECTION OF 2012/13 REVENUE BUDGET:**						
2	Total Revenue Expenditure before savings	124,755	125,137	127,168	129,657		Excludes Capital and cost of change
3	Community Safety and Crime & Disorder Expenditure	572	572	572	572		
4	Total Revenue Income	-5,240	-5,321	-5,404	-5,489		Includes Courses, Sponsorship, Secondments and Private Employment etc.
5	General Grant & Business Rates Income	-70,199	-69,697	-69,697	-69,697		13/14 & 14/15 as CSR.
6	Assumed additional grant reductions		1,401	2,630	3,301		2%, 1.8% & 1% cuts
7	Council Tax Freeze Grant (for no precept increase in 2011/12)	-1,030	-1,030	0	0		Grant payable for 4 years (2011/12 to 2014/15)
8	Council Tax Freeze Grant (for no precept increase in 2013/14)	-432	-432	0	0		Grant payable for 2 years (2013/14 to 2014/15)
9	Other Special Grants	-3,735	-3,735	-3,735	-3,735		Neighbourhood Policing Grant of £3.054m is subsumed into General Grant from 13/14.
10	Community Safety and Crime & Disorder Grant	-572	-572	-572	-572		Unringfenced funding within the General Grant
11	Precept Income	-42,985	-43,750	-44,625	-45,518		No CT increase in 13/14 and 2% thereafter.
12	Revenue Funding of Capital Expenditure	2,024	1,663	514	2,172		Recurring capital & MRP (Appendix D)
13	**DEFICIT BEFORE KNOWN CHANGES**	**3,158**	**4,236**	**6,851**	**10,691**		
14	Known / Expected Changes	526	415	93	-72		Appendix B
15							
16							
17	**REVENUE DEFICIT BEFORE SAVINGS**	**3,684**	**4,651**	**6,944**	**10,619**		
18							
19	Total Cumulative Permanent Savings	**-3,654**	**-4,559**	**-5,153**	**-5,876**		Appendix C
20	Additional Cumulative Savings to be identified	**-30**	**-92**	**-1,792**	**-4,743**	-6,657	
21	**REVENUE DEFICIT/SURPLUS (-) AFTER SAVINGS**	**0**	**0**	**0**	**0**		**Excludes one-off costs met from Change Reserve**
22							
23	Contribution to / from (-) Cash / Reserves	0	0	0	0	0	
24							
25							
26	**ABOVE BASED ON FOLLOWING ASSUMPTIONS**						
27	Police Pay awards	0.58%	1.00%	1.59%	2.00%		) Impact in each year is a combination of pay
28	Staff Pay awards	0.79%	1.00%	1.59%	2.00%		) awards in previous and current year
29	Price Inflation	2.00%	2.00%	2.00%	2.00%		Average figure.
30	General & Specific Revenue Grants	-0.40%	-1.22%	-1.86%	0.00%		As per CSR, 15/16 includes loss of freeze grants
31	Additional grant reduction - assumption over CSR		-2.00%	-1.80%	-1.00%		
32	Precept - Tax base increase	0.00%	0.00%	0.00%	0.00%		
33	Precept - Bill increase	0.00%	2.00%	2.00%	2.00%		
34							
35	1% Precept = £432k						
36	1% Home Office Grant = £700k						
37	1% Officer Pay = 600k						
38	1% Staff Pay = £350k						
39	Average cost of an officer = £50k						
40	Average cost of a PCSO = £33k						

KNOWN CHANGES 2013/17				APPENDIX B
	Proposed	Forecast	Forecast	Forecast
	2013/14	2014/15	2015/16	2016/17
	£k	£k	£k	£k
Reduction of external income due to reduced number of events (Private Employment)	225	225	225	225
Television Licences	6	6	6	6
Firearms Licensing Income - based on info provided Nov 12	59	-30	-85	1
On-Call allowance	75	75	75	75
Vehicle Crime Scene Investigators - 5 posts approved by PA	123	123	123	123
TOTAL OF NEW CHANGES	**488**	**399**	**344**	**430**
KNOWN CHANGES REPORTED IN 2012/16 S&FP	**38**	**16**	**-251**	**-502**
TOTAL OF ALL KNOWN CHANGES	**526**	**415**	**93**	**-72**

SAVINGS PLAN 2013/2017						APPENDIX C
		Cumulative Savings:				
		Proposed	Forecast	Forecast	Forecast	
	PROJECTS:	2013/14	2014/15	2015/16	2016/17	Comments
		£k	£k	£k	£k	
1	**Business Support Collaboration**	33	661	661	661	Programme Management Office forecast 10/1/13
2	**Criminal Justice Collaboration**	144	854	854	854	Programme Management Office forecast 10/1/13
3	**Protective Services Collaboration**	1941	2,059	2,059	2,059	Programme Management Office forecast 10/1/13
4	COLLABORATION SUB-TOTAL:	2,118	3,574	3,574	3,574	
5						
6	**Assume 3 months delay in above in 13/14 and 6 month delay from 14/15**	1,589	2,317	2,681	3,574	It is prudent to allow for a three to six month average delay in achievement of these savings in view of the workload and complexity in completing these reviews
7	**Savings following scrutiny:**					
8	**Accelerated collaboration savings**	23	0	0	0	Included in collaboration totals from 14/15 onwards
9	**Further savings identified**	707	707	707	707	Includes £30k IP Telephony
10	**Air Support (adoption of National Police Air Service - NPAS)**	202	202	202	202	Savings shown are based on a NPAS cost of £804k compared to current running costs of £1.006m (net of income from Norfolk). Savings are partially offset by a top-slice of capital grant of £70k, £90k and £50k in the next 3 years.
11	**Winsor Part 1 savings (officers only)**	675	640	470	300	Based on implementation from 1/4/12. Figures revised to include estimated impact of Arbitration outcome.
12	**Running cost savings from Ipswich Joint Property Project**	327	327	327	327	
13	**Project Athena - a collaboration of 10 founder Forces to provide an integrated ICT solution to, and replacement of, existing applications for 4 business areas (Case, Custody, Investigation & Intelligence). Expected implementation Jan 13.**	77	312	312	312	First two years involve a lock-in of existing costs of Case & Custody and CIS. Will also be opportunity costs. Criminal Justice staff savings depend on implementation of these modules.
14	**Change of Command and Control system from Polaris to Storm**	54	54	54	54	Assumes shared costs with Norfolk Constabulary.
15	**Completion of change programme**			400	400	Removal of costs associated with the Change programme.
16	**PERMANENT SAVINGS AGAINST 12/13 BASE:**	**3,654**	**4,559**	**5,153**	**5,876**	

		PROPOSED CAPITAL PROGRAMME 2013/2017					APPENDIX D - PAGE 1
		Scheme	**Forecast**	**Forecast**	**Forecast**	**Forecast**	
		**** Indicates recurring scheme***	**2013/14**	**2014/15**	**2015/16**	**2016/17**	
			£k	**£k**	**£k**	**£k**	**Comments**
1		**A - SUFFOLK ICT REPLACEMENT PROGRAMME (FOR COST-SHARE WITH NORFOLK CONSTABULARY):**					
2	*	Equipment Renewals - ICT	250	250	250	250	Hardware renewals (Networks & Desktop)
3	*	IT System Support	50	50	50	50	Server Hardware renewals
4		Airwave	50	360			14/15 includes covert refresh.
6		Confidential Network			50		Overlay of Confidential Network post Wide Area Network (WAN) replacement
7		IP Telephony	210	14	14		Current ISDX platform no longer supported by Siemens from April 2012. To avoid an upgrade on the ageing hardware, deployment of the previously approved IPT solution is proposed. This will provide savings of around £30k pa. The IPT platform provides flexibility of deployment of telephony services and negates the need to buy any further hardware.
9		Supanet Network					Software Upgrade / Wan replacement
10		Airwave (Snoasis)	150	50			Required to provide additional capacity for proposed SNT site (and surrounding area) at the Community Centre on the Snoasis site.
14		Control Room Voice Recording	85				
15		CJX Migration to PNN4		60			PNN replacement
16		**A - ICT REPLACEMENT PROGRAMME TOTAL**	**795**	**784**	**364**	**300**	
17		The above figures reflect the anticipated costs to replace ICT equipment in Suffolk. Both Norfolk and Suffolk are looking to centralise ICT revenue and capital expenditure from April 2013 and share costs in accordance with the agreed formula, subject to undertaking work prior to April to identify a level playing field for current overall expenditure. Thus the figures above may change, subject to PCC approval.					
18		**B - PROJECTS AND OTHER ICT RELATED SCHEMES**					
19		**Joint Norfolk and Suffolk projects (Suffolk share):**					
20		Storm Command & Control	43				43.5% of total cost of £800k.
21		Enterprise Resource Planning (ERP) System	750				43.5% of total cost of £2.3m
22		**B - PROJECTS AND OTHER ICT RELATED SCHEMES TOTAL**	**793**	**0**	**0**	**0**	
23		**C - ESTATES:**					
24	*	Minor Improvements	75	75	75	75	
25	*	Estates Strategy	250	250	250	250	To support alterations, minor works, removals and sales.
26		New Property & Vehicle Store	500				Joint collaborative development with Suffolk Public Sector Partners.
27		New Facilities where stations closing (see Appendix E)	1,100	1,410	1,410	1,404	Related to downsizing receipts of £9.016m (1.136m in 17/18)
28		**C - ESTATES TOTAL**	**1,925**	**1,735**	**1,735**	**1,729**	

			Forecast 2013/14 £k	Forecast 2014/15 £k	Forecast 2015/16 £k	Forecast 2016/17 £k	Comments
29	**D - EQUIPMENT & VEHICLES**						
30	*	Equipment Renewals	200	200	200	200	Office Equipment including printers
31	*	Vehicle Replacement	1,174	1,030	1,030	1,030	
32		Replacement Body Armour	350	52			1098 in 13/14 & 162 in 14/15
33		Firearms Equipment	2	23	39		Ballistic Armour & Shields etc
34	**D - EQUIPMENT & VEHICLES TOTAL**		**1,726**	**1,305**	**1,269**	**1,230**	
35	**E**	**OTHER NON RECURRING CAPITAL PROJECTS**		**600**	**700**	**750**	Provision for non recurring projects
36	**TOTAL CAPITAL (A TO E)**		**5,239**	**4,424**	**4,068**	**4,009**	
37	**TOTAL RECURRING SCHEMES**		**1,999**	**1,855**	**1,855**	**1,855**	
38	**TOTAL NON-RECURRING SCHEMES**		**3,240**	**2,569**	**2,213**	**2,154**	

PROPOSED CAPITAL FINANCING 2013/2017

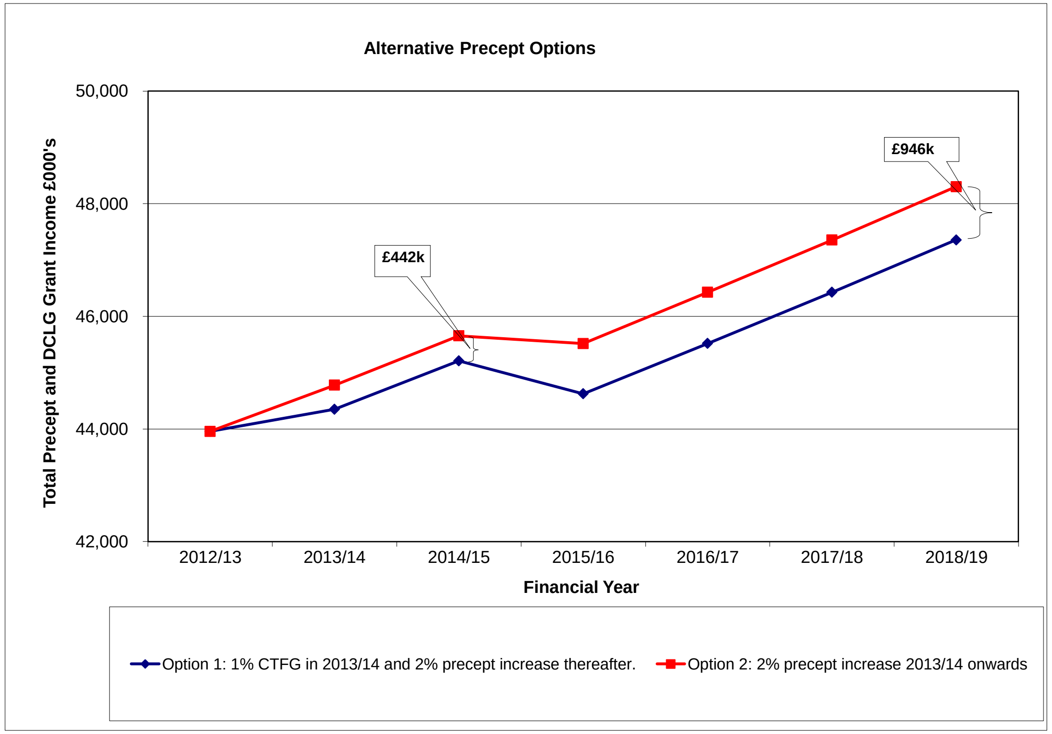
			Forecast 2013/14 £k	Forecast 2014/15 £k	Forecast 2015/16 £k	Forecast 2016/17 £k	
39	**REVENUE BUDGET**						
40		Revenue Funding of Capital in Year	1,504	1,146	0	1,661	
41	**CAPITAL RECEIPTS:**						
42		Estates Downsizing	1,730	2,130	2,880	1,140	plus £1.136m deferred to 2017/18
43		Receipt C/fwd - due to excess funding projected			-10	10	
44		Capital receipt - Helicopter	198	198	198	198	
45	**RESERVES:**						
46		Capital Financing Reserve					
47		Change Reserve (for ERP and Storm)	793				
48	**CAPITAL GRANTS**		1,014	950	1,000	1,000	Reduced by topslicing for National Police Air Service (NPAS).
49	**TOTAL FUNDING OF CAPITAL PROGRAMME IN YEAR (excluding borrowing)**		**5,239**	**4,424**	**4,068**	**4,009**	
50	Additional borrowing requirement to fund Capital Programme		0	0	0	0	
51	**TOTAL FINANCING OF CAPITAL PROGRAMME**		**5,239**	**4,424**	**4,068**	**4,009**	
52	Revenue budget used to fund capital programme in year		1,504	1,146	0	1,661	
53	Revenue Financing of Unfunded Capital Programme in Previous Years (MRP)		520	517	514	511	
54	**TOTAL CHARGE TO GENERAL FUND IN RESPECT OF CAPITAL FINANCING**		**2,024**	**1,663**	**514**	**2,172**	

Council Tax and Council Tax Freeze Grant Income 2012/13 to 2018/19 **APPENDIX E**

Option 1	**1% CTFG in 2013/14 and 2% precept increase thereafter.**							
		2012/13	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**
		£k	**£k**	**£k**	**£k**	**£k**	**£k**	**£k**
Council Tax income		42,892	42,892	43,750	44,625	45,517	46,428	47,356
Collection Fund Surplus		34	93					
Estimate of Reduced Government support for Council Tax benefit								
Freeze Grant 2011/12		1,030	1,030	1,030				
Freeze Grant 2013/14 - 2014/15			432	432				
		43,956	44,447	45,212	44,625	45,517	46,428	47,356

Option 2	**2% precept increase 2013/14 onwards**							
		2012/13	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**
		£k	**£k**	**£k**	**£k**	**£k**	**£k**	**£k**
Council Tax income		42,892	43,749	44,624	45,516	46,426	47,355	48,302
Collection Fund Surplus		34	93					
Estimate of Reduced Government support for Council Tax benefit			0	0	0	0	0	0
Freeze Grant 2011/12		1,030	1,030	1,030				
		43,956	44,872	45,654	45,516	46,426	47,355	48,302

Difference between options 1 & 2	0	-425	-442	-891	-909	-927	-946
Cumulative	0	-425	-866	-1,757	-2,666	-3,594	-4,539



APPENDIX F

THE OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR SUFFOLK

ANNUAL TREASURY MANAGEMENT STRATEGY & PRUDENTIAL INDICATORS 2013-14

1. INTRODUCTION

1.1 The Office of the Police and Crime Commissioner for Suffolk (PCC) has prepared this document under the recommendations of the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes.

1.2 The aim of this document is to ensure that treasury management is led by a clear and integrated strategy, and recognition of the pre-existing structure of the PCC's borrowing and investment portfolios.

2. TREASURY MANAGEMENT OVERVIEW

2.1 The PCC defines its treasury management activities as

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

3. TREASURY MANAGEMENT POLICY

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

3.2 The PCC acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

3.3 The PCC will create and maintain suitable treasury management practices ('TMPs'), setting out the manner in which it will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities. These are detailed below, and follow the recommendations contained in the Code of Practice, subject only to amendment where necessary to reflect the particular circumstances of the PCC without materially deviating from the Code's key principles.

4. TREASURY MANAGEMENT PRACTICES

4.1 **TMP 1: Risk Management**. The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the PCC's objectives in this respect.

This includes the following risks;

- Credit and Counterparty Risk
- Liquidity Risk
- Interest Rate Risk
- Exchange Rate Risk
- Refinancing Risk
- Legal and Regulatory Risk
- Fraud, Error, Corruption and Contingency Management
- Market Risk

4.2 **TMP 2: Performance Management**. Treasury management will be the subject of on-going analysis of the value added in support of the PCC's stated business or service objectives.

4.3 **TMP 3: Decision Making and Analysis**. Full records will be maintained of the PCC's treasury management decisions.

4.4 **TMP 4: Approved Instruments, Methods and Techniques**. The PCC will undertake its treasury management activities by employing only approved instruments, methods and techniques as detailed in this document.

4.5 **TMP 5: Organisation, clarity & segregation of responsibilities, and dealing arrangements.** The PCC considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, that there is clarity of responsibilities. There will be a clear distinction between those charged with setting policies and those charged with their control and implementation, in particular with the execution and transmission of funds, the administering of decisions, and the audit and review of the treasury management function. If there is a departure from these principles due to a lack of resources, the implications are to be properly considered and evaluated.

The responsible officer will ensure that those engaged in treasury management will follow all policies and procedures, which there is proper documentation for all transactions, and that procedures exist for the effective transmission of funds.

4.6 **TMP 6: Reporting Requirements and Management Information Arrangements.** As a minimum the PCC will receive an annual report on the strategy and plan to be pursued in the coming year as well as a performance review. The PCC will receive regular monitoring reports on treasury management activities and risks.

4.7 **TMP 7: Budgeting, Accounting and Audit Arrangements.** The PCC will account for its treasury management activities in accordance with appropriate accounting practices and standards.

4.8 **TMP8: Cash and Cash flow management**. All of the PCC's funds will be aggregated for cash flow and investment purposes. Cash flow projections will be prepared on a regular basis and be adequate for compliance with TMP1: Risk Management.

4.9 **TMP9: Money Laundering.** The PCC is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money, and will maintain procedures for reporting suspicions.

4.10 **TMP10: Training and Qualifications**. The PCC recognises the importance of ensuring that all staff involved in treasury management are fully equipped to undertake the duties and responsibilities allocated to them and have access to relevant training.

4.11 **TMP11: Use of External Service Providers.** Although brokers are used for market information and for the execution of some deals, the PCC recognises that responsibility for treasury management decisions remains with itself at all times.

4.12 **TMP12: Corporate Governance**. The PCC has adopted and implemented the key principles of the CIPFA Treasury Management Code of Practice. This together with the arrangements detailed in this document, are considered vital to the achievement of proper corporate governance in treasury management.

5. <u>TREASURY MANAGEMENT RESPONSIBILITIES</u>

5.1 The PCC delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the PCC CFO, and for the execution and administration of treasury management decisions to the Financial Accountant, who will act in accordance with the PCC's policy statement and TMPs, CIPFA's Standard of Professional Practice on Treasury Management, and within the guidelines outlined in the Bank of England's Non-Investment Products Code.

5.2 The PCC nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

6. <u>INVESTMENT STRATEGY</u>

6.1 It is recommended that the current investment strategy continues in 2013/14, whereby the PCC only lends via the money markets, or places funds in direct accounts, with eligible institutions on the Approved lending list, i.e.

- UK Government (HM Treasury)
- Bank of England
- All Local Authorities
- CCLA Public Sector Deposit Fund
- UK Banks and Building Societies (minimum of P-1 rating from Moody's)
- Wholly owned UK subsidiaries of the above

A full list of approved institutions is shown in Appendix G. The PCC pays an annual subscription to the rating agency Moody's, and is alerted by e-mail of any changes in the credit rating for any of its approved institutions. The PCC does not rely solely on this service, but supplements it with information gained via brokers in the money markets or through research via the Internet. The PCC CFO is advised should any concerns arise, and the Approved Lending List can be revised immediately if necessary.

6.2 The PCC currently only invests in

- instant access bank accounts,
- money market funds (pooled, managed, high quality liquid investment accounts)
- call deposits
- fixed term deposits up to 364 days in duration
- interest rate collars (fixed term deposits with a minimum and maximum rate of interest).

Any requirement to invest in additional products must be approved by the PCC CFO.

6.3 A reasonable amount should 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 withdraw funds should any concern arise over a particular institution.

6.4 Cash flow forecasting will be used to calculate the total available for investment, with a balance retained in the PCC's main bank account to cover the expected net cost of forecasted cash flows.

7 INVESTMENT PERFORMANCE 2012-13

7.1 In line with the Treasury Management strategy originally approved by Suffolk Police Authority, all surplus funds were invested with institutions on the Approved Lending List. Despite the Bank of England base rate remaining at 0.50%, and a government benchmark rate of 0.25%, the PCC is expected to achieve a return of around 0.80%, meeting the budget of £200k.

7.2 The main reasons for achieving the budget was the continued enhanced rates arranged with Lloyds Bank and Santander UK on the PCC's instant access accounts, and the interest earned by the investment of funds borrowed from the PWLB, currently being held until required for capital expenditure. However, it should be noted that this extra interest is offset by the costs of the loan.

7.3 At the start of 2013 rates continue to remain at low levels, which will impact interest receipts for 2013/14. The Bank of England base rate is predicted to remain unchanged during the financial year. In 2012 it was anticipated that the enhanced rates achieved on the instant access accounts held by the PCC would be phased out, as banks in general looked to meet new requirements to attract longer-term funds for liquidity purposes. To date this has only happened with the Santander account, which lowered their interest rate to 0.50% (from 0.85%). Lloyds Bank continues to pay an exclusive rate of 1.00% on the PCC's account but this is expected to be reduced in line with other banks in the near future.

8 BORROWING STRATEGY

8.1 The borrowing strategy will comply with the policy agreed by the PCC against the provisions of the Prudential Code for Capital Finance. This includes the following as a key indicator of prudence:

> 'In considering the affordability of its capital plans, the PCC is required to consider all of the resources currently available to it or estimated for the future, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the following two years. The authority is also required to consider known significant variations beyond this timeframe. This requires the development of three-year revenue forecasts as well as three-year capital expenditure plans. These are rolling scenarios, not fixed for three years'.

8.2 For the PCC, the borrowing strategy principally relates to long-term loans. Capital expenditure in excess of the available capital resources or revenue contributions will increase the PCC's borrowing requirement.

8.3 In May 2010 Suffolk Police Authority borrowed £10m from the Public Works Loan Board (PWLB) for a period of 25 years, to fund the purchase of property in conjunction with Suffolk County Council. The PWLB is a statutory body operating within the Debt Management

Office, an Executive Agency of HM Treasury, and its function is to lend money from the National Loans Fund to local authorities and other prescribed bodies. This debt is being managed as part of the Treasury Management activities, with funds being invested short term until required for capital expenditure.

9 PRUDENTIAL CODE INDICATORS

9.1 The key objectives of the CIPFA Prudential Code for Capital Finance in Local Authorities are to ensure that capital plans are affordable, prudent and sustainable. The Code specifies indicators that must be used and factors that must be taken into account. Once determined these indicators can be changed so long as this is reported to the PCC. As well as capital expenditure and debt, the code also requires the PCC to set and monitor performance on treasury management

9.2 The main Prudential Indicator in respect of treasury management is that the PCC has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The recommendations in the Code have been used in preparing this document

9.3 There are also four treasury management related indicators, the purpose of which is to manage risk and reduce the impact of an adverse movement in interest rates.

Upper limit for fixed interest rate exposure (% of total invested)			
2013/14	2014/15	2015/16	2016/17
100%	100%	100%	100%

Upper limit for variable interest rate exposure (% of total invested)			
2013/14	2014/15	2015/16	2016/17
100%	100%	100%	100%

Upper limit for total principal sums invested over 364 days (£)			
2013/14	2014/15	2015/16	2016/17
0	0	0	0

Maturity Structures of Borrowing				
>1 year	1 - 2 years	2-5 years	5-10 years	10+ years
0%	0%	0%	0%	100%

9.4 The PCC's Capital Financing Requirement is a measure of its underlying borrowing need; it is the outstanding capital expenditure which is not funded by either revenue or capital receipts, or by capital grants. Estimates for the end of the next four years are:

Capital Financing Requirement				
	2013/14	2014/15	2015/16	2016/17
Police Investigation Centres (PICS) Via Private Finance Initiative (PFI)	£24.6m	£24.4m	£24.1m	£23.8m
Other	£14.1m	£13.5m	£13.0m	£12.4m
TOTAL	**£38.7m**	**£37.9m**	**£37.1m**	**£36.2m**

9.5 The PCC is required to approve the Authorised Limits for its expected maximum total external borrowing, excluding investments, for the next four years. The Authorised Limits will need to provide headroom over and above the Operational Boundary, sufficient for unusual cash movements.

9.6 The recommended authorised limits are in the table below and are consistent with the PCC's current commitments, existing plans and the proposals for capital expenditure and financing, and with the treasury management policy statement and practices. Figures for borrowing and other long-term liabilities are identified separately.

Authorised Limit for External Borrowing				
	2013/14	2014/15	2015/16	2016/17
Borrowing	£15.0m	£15.0m	£15.0m	£15.0m
Other long term liabilities (PFI)	£26.0m	£26.0m	£26.0m	£26.0m
TOTAL	**£41.0m**	**£41.0m**	**£41.0m**	**£41.0m**

9.7 The PCC is also required to set an Operational Boundary for external debt for the same period, being the projected maximum level of debt. This will always be a lower figure than the Authorised Limit for external borrowing. CIPFA guidance states 'it will not be significant if the operational boundary is breached temporarily on occasions due to variations in cash-flow. However a sustained or regular trend above the operational boundary would be significant and should lead to further investigation and action as appropriate'

Operational Boundary for External Debt				
	2013/14	2014/15	2015/16	2016/17
Borrowing (PWLB)	£9.4m	£9.2m	£8.9m	£8.6m
Other long term liabilities (PFI)	£24.6m	£24.4m	£24.1m	£23.8m
TOTAL	**£34.0m**	**£33.6m**	**£33.0m**	**£32.4m**

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APPENDIX G

THE OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR SUFFOLK

LENDING LIMITS AND LIST OF APPROVED INSTITUTIONS

2013-14

Banks and Building Societies - Maximum of 1 year (364 days) unless stated*				
OWNER		**COUNTERPARTY**	**LICENCE**	**MOODYS RATING**
BANCO SANTANDER CENTRAL HISPANO	**£10m**	**Santander UK** *** INSTANT ACCESS ONLY**	Santander UK plc	A2/P-1
BARCLAYS BANK PLC	**£5m**	**Barclays Bank**	Barclays Bank plc	A2/P-1
HSBC BANK PLC	**£5m**	**HSBC**	HSBC Bank plc	Aa3/P-1
LLOYDS BANKING GROUP	**£15m**	**Lloyds TSB**	Lloyds TSB Bank plc	A2/P-1
NATIONWIDE BUILDING SOCIETY	**£5m**	**Nationwide Building Society**	Nationwide Building Society	A2/P-1
NATIONAL AUSTRALIA BANK	**£5m**	**Clydesdale Bank**	Clydesdale Bank plc	A2/P-1
STANDARD CHARTERED BANK	**£5m**	**Standard Chartered Bank**	Standard Chartered Bank	A1/P-1
Others - Maximum of 1 year (364 days)				
BANK OF ENGLAND	**£5m**			
ALL LOCAL AUTHORITIES	**£5m**			
CCLA (Churches, Charities & Local Authorities)	**£5m**	Public Sector Deposit Fund		
HM TREASURY	**£10m**	Debt Management Office		
100% owned UK Subsidiaries of Banks with limits as above				

Note on Ratings:

"P" Prefixes are short-term ratings.

"P-1" indicates that issuers or supporting institutions have a **superior** ability to repay short-term debt obligations.

"P-2" indicates that issuers or supporting institutions have a **strong** ability to repay short-term debt obligations.

"P-3" indicates that issuers or supporting institutions have an **acceptable** ability to repay short-term debt obligations.

The PCC Policy only allows investment with P-1 rated issuers or institutions.

Ratings prefixed A, B, or C are long-term ratings of relative credit risk.

A ratings have very low or minimal risk, B are subject to moderate risk and C are judged to be of poor standing.

The PCC policy only allows investment with A rated issuers or institutions.

Within the A rating there are several categories:

"Aaa" are of the highest quality with minimal risk.

"Aa" are of the high quality with very low risk.

"A" are of upper-medium grade with low risk.

RESERVES SUMMARY													APPENDIX H - PAGE 1
A. PROJECTION OF RESERVES LEVELS:													
			General	Change	Budget	Major Crime	Pensions	Insurance	Carry Forwards	Corporate Contingency	Capital Financing	Total	See note
			£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	
1	**31/03/2012 Actual**		5,785	2,855	1,973	1,192	833	250	1,306	275	2,670	**17,139**	
2													
3	**Changes 2012/13:**												
4		**Capital Financing**									-2,670	**-2,670**	1
5		**Budgeted Revenue withdrawal**	-185									**-185**	2
6		**Forecast Revenue Underspend**	1,530							100		**1,630**	2
7		**Storm**		-207								**-207**	4
8		**Police medical retirements**					-150					**-150**	5
9		**Use of Carry-Forwards**							-1,306			**-1,306**	6
10		**Transfer**	325							-325		**0**	
11	**31/03/2013 Forecast**		**7,455**	**2,648**	**1,973**	**1,192**	**683**	**250**	**0**	**50**	**0**	**14,251**	
12													
13	**Proposed Changes 2013/14:**												
14		**Redundancy/Pay Protection/Temp Staff**		-801								**-801**	3
15		**Contribution to (-) / from Revenue Budget**	0									**0**	2
16		**Use of Carry-Forwards**										**0**	
17		**Police medical retirements**					-150					**-150**	5
18		**Storm**		-120								**-120**	4
19		**ERP**		-1,000								**-1,000**	7
20	**31/03/2014 Forecast**		**7,455**	**727**	**1,973**	**1,192**	**533**	**250**	**0**	**50**	**0**	**12,180**	
21													
22	**Proposed Changes 2014/15:**												
23		**Redundancy/Pay Protection/Temp Staff**		-509								**-509**	3
24		**Contribution to (-) / from Revenue Budget**	0									**0**	2
25		**Police medical retirements**					-150					**-150**	5
26		**Storm**										**0**	4
27		**ERP**										**0**	7
28	**31/03/2015 Forecast**		**7,455**	**218**	**1,973**	**1,192**	**383**	**250**	**0**	**50**	**0**	**11,521**	
29													
30	**Proposed Changes 2015/16:**												
31		**Redundancy/Pay Protection/Temp Staff**		-204								**-204**	3
32		**Contribution to (-) / from Revenue Budget**	0									**0**	2
33		**Transfer**	14	-14								**0**	
34	**31/03/2016 Forecast**		**7,469**	**0**	**1,973**	**1,192**	**383**	**250**	**0**	**50**	**0**	**11,317**	
35													
36	**Proposed Changes 2016/17:**												
37		**Contribution to (-) / from Revenue Budget**	0									**0**	2
38	**31/03/2016 Forecast**		**7,469**	**0**	**1,973**	**1,192**	**383**	**250**	**0**	**50**	**0**	**11,317**	

Reserve	Explanation of purpose of Reserve
General	This uncommitted reserve is made up of prior years underspends against the approved annual budget.
Change	Established in Feb 2011 to meet expected one-off costs of changes to the Constabulary which will deliver permanent savings. Reserve established as response to CSR and collaboration.
Budget	Used to pump-prime initiatives to produce cost reductions.
Major Crime	Meets costs of major incidents up to level when Government financial support available. Should be fully covered by cash and should equal 1% of total gross expenditure.
Pensions	Meets the costs of Police officer ill-health retirements.
Insurance	Meets uninsured losses in excess of amounts set aside in Insurance provision.
Carry Forwards	Represents planned under-spends from previous year which are carried forward to meet a specific purpose.
Corporate Contingency	Established to finance the set-up costs of elected Police and Crime Commissioner.
Capital financing	Financing of Capital expenditure

COUNCIL TAX and BUDGET OPTIONS 2013/14					**APPENDIX I**	
		1		**2**		
1	**Options for Percentage Increase in Council Tax Bills:**	**0.00000%**		**1.99700%**		
	2013/14 Recommended Budget Summary:	£-p		£-p		
2	Operational costs before Efficiency Savings	120,086,788.18		120,086,788.18		
3	Specific Grants (excluding Council Tax Freeze Grants)	-4,307,000.00		-4,307,000.00		
4	Council Tax Freeze Grant (for no precept increase in 2011/12)	-1,030,000.00		-1,030,000.00		
5	Council Tax Freeze Grant (for no precept increase in 2013/14)	-432,000.00		0.00		
6	New Efficiency Savings from 2013/14	-3,683,527.04		-3,653,500.00		
7	Known Changes	526,000.00		526,000.00		
8	Revenue Funding of Capital	2,024,000.00		2,024,000.00		
9	***Appropriations to / from (-) Reserves - details below***	***0.00***		***394,611.70***		
10	Total Budget	113,184,261.14		114,040,899.87		
11						
12	**Budget financed by:**					
13	Police Grant	45,264,273.00		45,264,273.00		
14	Revenue Support Grant	0.00				
15	Business Rates	24,934,774.00		24,934,774.00		
16	Collection Fund Surplus	92,954.00		92,954.00		
17	CT Support Funding Allocation	4,746,779.51		4,841,653.00		
18	***Council Tax Requirement (based on 228731.07 taxbase)***	***38,145,480.63***		***38,907,245.87***		
19		**113,184,261.14**		**114,040,899.87**		
20						
21	DCLG Guidance is that there is now a need to set a "Council Tax Requirement" but no longer a need to set a "Budget Requirement".					
22	**Council Tax Rate Bands 13/14 (& increase over 12/13):**	**Rate**	**Annual Increase**	**Rate**	**Annual Increase**	
23	A	111.18	0.00	113.40	2.22	
24	B	129.71	0.00	132.30	2.59	
25	C	148.24	0.00	151.20	2.96	
26	**D**	**166.77**	0.00	**170.10**	3.33	
27	E	203.83	0.00	207.90	4.07	
28	F	240.89	0.00	245.70	4.81	
29	G	277.95	0.00	283.50	5.55	
30	H	333.54	0.00	340.20	6.66	
31						
32	**Appropriations to / from (-) Reserves**					
33	Budget Reserve	0.00		0.00		
34	General Reserve (1)	0.00		394,611.70		
35						
36	Appropriations to / from (-) Reserves Total	0.00		394,611.70		