



ORIGINATOR: PCC CFO and CC CFO

DECISION NO. 4-2015

REASON FOR SUBMISSION: FOR DECISION

SUBMITTED TO: POLICE AND CRIME COMMISSIONER

SUBJECT: MEDIUM TERM FINANCIAL PLAN 2015-16 TO 2019-20

SUMMARY:

1. The Medium Term Financial Plan (MTFP) sets out the key financial issues facing the PCC and Constabulary over the period 2015-16 to 2019-20.
2. It also includes information and recommendations relating to the revenue budget, capital programme and associated financing issues, together with a financial appraisal of three precept options.

RECOMMENDATION:

It is recommended that:

1. The PCC considers the draft Medium Term Financial Plan 2015-16 to 2019-20 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 medium-term financial implications of Options 1, 2, and 3, the assessment of financial risks detailed within the MTFP, and the Chief Constable's response to the Comprehensive Spending Review 2.

APPROVAL BY: PCC

The recommendations above are approved.

Signature

Tina Parry

Date 20/01/2015

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) (July 2012), and the Home Office Financial Management Code of Practice for the Police Forces of England and Wales (October 2013).
- 1.2 The attached Medium Term Financial Plan (MTFP) 2015-16 to 2019-20 provides information relating to the proposed revenue budget (including planned revenue changes and savings plans), capital programme, alternative precept levels and council tax requirement, together with associated financing issues.
- 1.3 The report contains a number of recommendations relating to the MTFP, which are summarised below:
- Known changes to the Constabulary's 2014-15 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 consider the medium term financial impact of:
- **Option 1-** take the CTFG of 1% in 2015-16, and assumes taking a one-year only CTFG of 1% in each of the remaining years of the medium term plan;
 - **Option 2-** increase council tax by 1.997% in 2015-16, and assumes a 2% council tax increase in each of the remaining years of the medium term plan;
 - **Option 3-** increase council tax by 1.997% in 2015-16, and assumes taking a one-year only CTFG of 1% in each of the remaining years of the medium term plan.

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 In addition to delivery of planned savings of £10.1m over the period of the MTFP, further cumulative savings are required to be delivered as set out below:
- Option 1- nil, £2.9m, £5.8m, £7.9m and £11.3m over the 5 years of the MTFP
 - Option 2- nil, £1.7m, £3.8m, £4.9m and £7.4m over the 5 years of the MTFP
 - Option 3- nil, £2.1m, £5.0m, £7.1m and £10.5m over the 5 years of the MTFP
- 2.3 An assessment of risks is considered throughout the report, with Section 6 summarising how the risks will be mitigated.

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- see paragraphs 1.6 and 1.7 of the MTFP |
| Has communications advice been sought on areas of likely media interest and how they might be managed? | Yes |
| Have all relevant ethical factors been taken into consideration in developing this 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 19-1-15

**Suffolk MTFP 15-16 to 19-20 - Option1 - take 1% Council Tax Freeze Grant in each year
15/16 - 19/20**

Appendix A(i)

| SUFFOLK MEDIUM TERM FINANCIAL PLAN - 5 YEAR OVERVIEW | | | | | | |
|--|-----------------|----------------|----------------|----------------|----------------|--|
| | Forecast | | | | | |
| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | Comments |
| | £000 | £000 | £000 | £000 | £000 | |
| FORWARD PROJECTION OF 2014/15 REVENUE BUDGET: | | | | | | |
| Constabulary Revenue Budget before savings | 119,572 | 120,883 | 122,392 | 123,832 | 125,257 | Excludes Capital and cost of change |
| PCC Corporate Budget | 995 | 1,007 | 1,020 | 1,033 | 1,046 | |
| PCC Commissioning Budget | 1,589 | 1,589 | 1,589 | 1,589 | 1,589 | |
| Revenue Funding of Capital, Minimum Revenue Provision and Interest | 1,779 | 1,156 | 1,848 | 1,121 | 1,182 | |
| Total Revenue Income inc Specific Grants | -8,610 | -8,627 | -8,644 | -8,661 | -8,678 | |
| General Grant & DCLG Income | -63,956 | -61,078 | -58,329 | -55,996 | -53,756 | 5.1% reduction in 15/16, 4.5% in 16/17 and 17/18 and 4% reduction thereafter |
| Council Tax Freeze Grant (for no precept increase in 2011/12) | -1,030 | -984 | -940 | -902 | -866 | Freeze grant transferred to HO and baselined |
| Council Tax Freeze Grant (for no precept increase 2013/14) | -431 | -411 | -393 | -375 | -358 | Freeze grant transferred to HO and baselined |
| Council Tax Freeze Grant (for no precept increase 2014/15) | -434 | -414 | -396 | -378 | -361 | Freeze grant for 0% precept in 14/15 - assumed to be in base |
| Council Tax Freeze Grant (for no precept increase 2015/16 - 2019/20) | -437 | -437 | -437 | -437 | -437 | Freeze grant for 0% precept in 15/16 to 19/20 - assumed for 1 year only |
| Precept Income | -40,090 | -39,993 | -40,593 | -41,202 | -41,820 | 0% Precept Increase. 1.91% increase in CT base in 15/16, 1.5% thereafter |
| Council Tax Support Funding | -4,891 | -4,671 | -4,461 | -4,260 | -4,068 | |
| DEFICIT BEFORE KNOWN CHANGES | 4,056 | 8,020 | 12,657 | 15,364 | 18,730 | |
| Known / Expected Changes | 2,094 | 2,839 | 2,651 | 2,529 | 2,634 | Appendix B |
| Planned use of reserves | -781 | -492 | 0 | | | Appendix B |
| REVENUE DEFICIT BEFORE SAVINGS | 5,369 | 10,367 | 15,308 | 17,893 | 21,364 | |
| Total Change Programme Savings | -4,124 | -5,910 | -7,537 | -7,922 | -7,999 | Appendix C |
| Total Other Savings | -1,245 | -1,540 | -1,974 | -2,056 | -2,076 | Appendix C |
| Total Cumulative Permanent Savings | -5,369 | -7,450 | -9,510 | -9,978 | -10,074 | Appendix C |
| REVENUE DEFICIT AFTER SAVINGS | 0 | 2,917 | 5,797 | 7,915 | 11,290 | |
| BALANCE OF SAVINGS TO BE ACHIEVED | 0 | -2,917 | -5,797 | -7,915 | -11,290 | |
| REVISED REVENUE DEFICIT/SURPLUS (-) AFTER SAVINGS | 0 | 0 | 0 | 0 | 0 | |
| Contribution to / from (-) Cash / Reserves | 0 | 0 | 0 | 0 | 0 | |
| ABOVE BASED ON FOLLOWING ASSUMPTIONS | | | | | | |
| Police Pay awards | 0.58% | 1.00% | 1.00% | 1.00% | 1.00% |) Impact in each year is a combination of pay |
| Staff Pay awards | 0.58% | 1.00% | 1.00% | 1.00% | 1.00% |) awards in previous and current year |
| Price Inflation | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | Average figure. |
| General Grants | -5.10% | -4.50% | -4.50% | -4.00% | -4.00% | As per Provisional Settlement |
| Precept - Tax base increase | 1.91% | 1.50% | 1.50% | 1.50% | 1.50% | |
| Precept - Bill increase | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | |

| SUFFOLK MEDIUM TERM FINANCIAL PLAN - 5 YEAR OVERVIEW | | | | | | |
|---|---------------|---------------|---------------|---------------|----------------|--|
| | Forecast | | | | | |
| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | Comments |
| | £000 | £000 | £000 | £000 | £000 | |
| FORWARD PROJECTION OF 2014/15 REVENUE BUDGET: | | | | | | |
| Constabulary Revenue Budget before savings | 119,572 | 120,884 | 122,393 | 123,833 | 125,258 | Excludes Capital and cost of change |
| PCC Corporate Budget | 995 | 1,007 | 1,020 | 1,033 | 1,046 | |
| PCC Commissioning Budget | 1,589 | 1,589 | 1,589 | 1,589 | 1,589 | |
| Revenue Funding of Capital, Minimum Revenue Provision and Interest | 1,779 | 1,156 | 1,848 | 1,121 | 1,182 | |
| Total Revenue Income inc Specific Grants | -8,610 | -8,627 | -8,644 | -8,661 | -8,678 | |
| General Grant & DCLG Income | -63,956 | -61,078 | -58,329 | -55,996 | -53,756 | 5.1% reduction in 15/16, 4.5% in 16/17 and 17/18 and 4% reduction thereafter |
| Council Tax Freeze Grant (for no precept increase in 2011/12) | -1,030 | -984 | -940 | -897 | -857 | Freeze grant transferred to HO and baselined |
| Council Tax Freeze Grant (for no precept increase 2013/14) | -431 | -411 | -393 | -375 | -358 | Freeze grant transferred to HO and baselined |
| Council Tax Freeze Grant (for no precept increase 2014/15) | -434 | -414 | -396 | -378 | -361 | Freeze grant for 0% precept in 14/15 - assumed to be in base |
| Precept Income | -40,877 | -41,608 | -43,077 | -44,597 | -46,171 | 1.997% Precept Increase in 15/16, 2% thereafter. 1.91% increase in CT base in 15/16, 1.5% thereafter |
| Council Tax Support Funding | -4,891 | -4,671 | -4,461 | -4,260 | -4,068 | |
| DEFICIT BEFORE KNOWN CHANGES | 3,706 | 6,843 | 10,612 | 12,412 | 14,826 | |
| Known / Expected Changes | 2,094 | 2,839 | 2,651 | 2,529 | 2,634 | Appendix B |
| Planned use of reserves | -781 | -492 | 0 | | | Appendix B |
| Temporary additional funding to pump prime an agreed service priority | 350 | | | | | |
| REVENUE DEFICIT BEFORE SAVINGS | 5,369 | 9,190 | 13,263 | 14,941 | 17,460 | |
| Total Change Programme Savings | -4,124 | -5,910 | -7,537 | -7,922 | -7,999 | Appendix C |
| Total Other Savings | -1,245 | -1,540 | -1,974 | -2,056 | -2,076 | Appendix C |
| Total Cumulative Permanent Savings | -5,369 | -7,450 | -9,510 | -9,978 | -10,074 | Appendix C |
| REVENUE DEFICIT AFTER SAVINGS | 0 | 1,741 | 3,752 | 4,963 | 7,385 | |
| BALANCE OF SAVINGS TO BE ACHIEVED | 0 | -1,741 | -3,752 | -4,963 | -7,385 | |
| REVISED REVENUE DEFICIT/SURPLUS (-) AFTER SAVINGS | 0 | 0 | 0 | 0 | 0 | |
| Contribution to / from (-) Cash / Reserves | 0 | 0 | 0 | 0 | 0 | |
| ABOVE BASED ON FOLLOWING ASSUMPTIONS | | | | | | |
| Police Pay awards | 0.58% | 1.00% | 1.00% | 1.00% | 1.00% |) Impact in each year is a combination of pay |
| Staff Pay awards | 0.58% | 1.00% | 1.00% | 1.00% | 1.00% |) awards in previous and current year |
| Price Inflation | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | Average figure. |
| General Grants | -5.10% | -4.50% | -4.50% | -4.00% | -4.00% | As per Provisional Settlement |
| Precept - Tax base increase | 1.91% | 1.50% | 1.50% | 1.50% | 1.50% | |
| Precept - Bill increase | 1.997% | 2.000% | 2.000% | 2.000% | 2.000% | |

| SUFFOLK MEDIUM TERM FINANCIAL PLAN - 5 YEAR OVERVIEW | | | | | | |
|---|---------------|---------------|---------------|---------------|----------------|--|
| | Forecast | | | | | |
| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | Comments |
| | £000 | £000 | £000 | £000 | £000 | |
| FORWARD PROJECTION OF 2014/15 REVENUE BUDGET: | | | | | | |
| Constabulary Revenue Budget before savings | 119,572 | 120,884 | 122,393 | 123,833 | 125,258 | Excludes Capital and cost of change |
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| PCC Commissioning Budget | 1,589 | 1,589 | 1,589 | 1,589 | 1,589 | |
| Revenue Funding of Capital, Minimum Revenue Provision and Interest | 1,779 | 1,156 | 1,848 | 1,121 | 1,182 | |
| Total Revenue Income inc Specific Grants | -8,610 | -8,627 | -8,644 | -8,661 | -8,678 | |
| General Grant & DCLG Income | -63,956 | -61,078 | -58,329 | -55,996 | -53,756 | 5.1% reduction in 15/16, 4.5% in 16/17 and 17/18 and 4% reduction thereafter |
| Council Tax Freeze Grant (for no precept increase in 2011/12) | -1,030 | -984 | -940 | -902 | -866 | Freeze grant transferred to HO and baselined |
| Council Tax Freeze Grant (for no precept increase 2013/14) | -431 | -411 | -393 | -375 | -358 | Freeze grant transferred to HO and baselined |
| Council Tax Freeze Grant (for no precept increase 2014/15) | -434 | -414 | -396 | -378 | -361 | Freeze grant for 0% precept in 14/15 - assumed to be in base |
| Council Tax Freeze Grant (for no precept increase 2015/16 - 2019/20) | 0 | -437 | -437 | -437 | -437 | Freeze grant for 0% precept in 16/17 to 19/20 - assumed for 1 year only |
| Precept Income | -40,877 | -40,792 | -41,404 | -42,025 | -42,655 | 1.997% Precept Increase in 15/16, 0% thereafter. 1.91% increase in CT base in 15/16, 1.5% thereafter |
| Council Tax Support Funding | -4,891 | -4,671 | -4,461 | -4,260 | -4,068 | |
| DEFICIT BEFORE KNOWN CHANGES | 3,706 | 7,222 | 11,847 | 14,542 | 17,896 | |
| Known / Expected Changes | 2,094 | 2,839 | 2,651 | 2,529 | 2,634 | Appendix B |
| Planned use of reserves | -781 | -492 | 0 | | | Appendix B |
| Temporary additional funding to pump prime an agreed service priority | 350 | | | | | |
| REVENUE DEFICIT BEFORE SAVINGS | 5,369 | 9,569 | 14,498 | 17,071 | 20,530 | |
| Total Change Programme Savings | -4,124 | -5,910 | -7,537 | -7,922 | -7,999 | Appendix C |
| Total Other Savings | -1,245 | -1,540 | -1,974 | -2,056 | -2,076 | Appendix C |
| Total Cumulative Permanent Savings | -5,369 | -7,450 | -9,510 | -9,978 | -10,074 | Appendix C |
| REVENUE DEFICIT AFTER SAVINGS | 0 | 2,120 | 4,988 | 7,094 | 10,455 | |
| BALANCE OF SAVINGS TO BE ACHIEVED | 0 | -2,120 | -4,988 | -7,094 | -10,455 | |
| REVISED REVENUE DEFICIT/SURPLUS (-) AFTER SAVINGS | 0 | 0 | 0 | 0 | 0 | |
| Contribution to / from (-) Cash / Reserves | 0 | 0 | 0 | 0 | 0 | |
| ABOVE BASED ON FOLLOWING ASSUMPTIONS | | | | | | |
| Police Pay awards | 0.58% | 1.00% | 1.00% | 1.00% | 1.00% |) Impact in each year is a combination of pay |
| Staff Pay awards | 0.58% | 1.00% | 1.00% | 1.00% | 1.00% |) awards in previous and current year |
| Price Inflation | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | Average figure. |
| General Grants | -5.10% | -4.50% | -4.50% | -4.00% | -4.00% | As per Provisional Settlement |
| Precept - Tax base increase | 1.91% | 1.50% | 1.50% | 1.50% | 1.50% | |
| Precept - Bill increase | 1.997% | 0.000% | 0.000% | 0.000% | 0.000% | |

| PLANNED REVENUE CHANGES - SUFFOLK - 2015/2020 | | | | | | | |
|--|---------|--------------|--------------|--------------|--------------|--------------|---|
| | | Proposed | Forecast | Forecast | Forecast | Forecast | |
| | | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | |
| | | £000 | £000 | £000 | £000 | £000 | Comments |
| Unavoidable | | | | | | | |
| Continuity Commitments | | | | | | | |
| Rent & Housing Allowances | All | -74 | -224 | -374 | -374 | -374 | Allowances being phased out. Exact figure will depend on number of leavers. |
| Compensatory Related Threshold Payments savings | All | -135 | -271 | -271 | -271 | -271 | Removal of allowance |
| Variation in Bank Holiday Numbers (8 in 2014/15 then 11, 8, 9, 7 & 8). | All | 302 | 0 | 105 | -105 | 0 | Each bank holiday costed at £105k (Easter) & £92k (Christmas). |
| Auto-enrolment to Pension schemes | | | | 340 | 340 | 340 | Deferral of Auto Enrolment until 2017 |
| Single Tier Pension | | | 1,800 | 1,800 | 1,800 | 1,800 | Increase in NI Contributions to fund the Single Tier Pension introduced by the Government |
| LGPS % increase | | 229 | 229 | 229 | 229 | 229 | % increase advised |
| Firearms Licensing Income | PSC Ops | -119 | -124 | -89 | -1 | -1 | As per Firearms Licensing forecast |
| ERP - revenue costs | ICT | 159 | 158 | 158 | 158 | 158 | |
| ERP - Legacy system savings | ICT | | -77 | -77 | -77 | -77 | |
| Service Developments | | | | | | | |
| FME contract - SARC | PVP | -12 | -25 | -25 | -25 | -25 | £217k in base - reduced for SARC element of contract only |
| Pay and Conditions Harmonisation - pay protection | | 392 | 392 | | | | To be funded by Change Reserve |
| Protective Services Command | | 551 | 551 | 551 | 551 | 551 | Cybercrime, ERSOU, Intel and ANPR growth funded by additional PSC savings |
| Total Unavoidable changes | | 1,293 | 2,409 | 2,347 | 2,225 | 2,330 | |
| Avoidable | | | | | | | |
| New Service Developments | | | | | | | |
| Academia - Evidence based Policing | | 121 | 92 | 89 | | | |
| Academia - Evidence based Policing - funded by contingency | | -121 | -92 | -89 | | | |
| Total New Service Developments | | 0 | 0 | 0 | 0 | 0 | |
| Cost Pressures | | | | | | | |
| 14/15 Scrutiny Approvals - removal of 14/15 only funding | | -253 | -283 | -283 | -283 | -283 | |
| Changes following 2015/16 Scrutiny | | | | | | | |
| Growth Posts | | | | | | | |
| Joint - ERP | | 27 | | | | | Use of reserves |
| Joint - SCD | | 62 | | | | | Use of reserves |
| Joint - other temporary | | 34 | | | | | |
| Joint - Regional Hostage Negotiation Manager | | 9 | 9 | 9 | 9 | 9 | |
| Suffolk Only - temporary | | 102 | 51 | | | | |
| Suffolk Only - permanent | | 19 | 19 | 18 | 18 | 18 | |
| Non Pay | | | | | | | |
| Joint | | 161 | 155 | 155 | 155 | 155 | HO mandated ICT uplifts |
| Suffolk Only | | 252 | 369 | 395 | 395 | 395 | New site running costs, legislation changes re Domestic Violence Protection Notices and additional requirements within Protecting Vulnerable People |
| Athena Training | | 78 | 0 | 0 | 0 | 0 | |
| Firearms Training | | 10 | 10 | 10 | 10 | 10 | |
| Total Changes following Scrutiny | | 754 | 613 | 587 | 587 | 587 | |
| Changes agreed subject to Business Cases | | | | | | | |
| Cost of Change (CSR2) | | 300 | 100 | | | | Re CSR2 - Use of Change Reserve |
| Total changes agreed subject to Business Cases | | 300 | 100 | 0 | 0 | 0 | |
| Total Changes Before Reserve Movement Adjustments | | 2,094 | 2,839 | 2,651 | 2,529 | 2,634 | |
| Reserve Funded adjustments | | | | | | | |
| Strategic Change posts (Invest to save) 15/16 requirement | | -62 | | | | | |
| ERP Backfill (Change Reserve) 15/16 requirement | | -27 | | | | | |
| Pay and Conditions Harmonisation - pay protection | | -392 | -392 | | | | Use of Change Reserve previously agreed for pay protection |
| Cost of Change (CSR2) | | -300 | -100 | | | | |
| Total Reserve funded adjustments | | -781 | -492 | 0 | 0 | 0 | |
| Total | | 1,313 | 2,347 | 2,651 | 2,529 | 2,634 | |

Appendix C

| SAVINGS PLAN - SUFFOLK - 2015/2020 | | | | | |
|--|--------------|--------------|--------------|--------------|---------------|
| | Proposed | Forecast | Forecast | Forecast | Forecast |
| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| | £000 | £000 | £000 | £000 | £000 |
| Change Programme Savings: | | | | | |
| Joint: | | | | | |
| Strategic Back Office | 45 | 11 | 108 | 108 | 108 |
| SSP/ERP | 270 | 764 | 1,056 | 1,056 | 1,056 |
| Justice | 0 | 394 | 789 | 789 | 789 |
| Protective Services | 554 | 998 | 1,411 | 1,713 | 1,713 |
| Joint Savings: | 869 | 2,167 | 3,364 | 3,666 | 3,666 |
| Single Force: | | | | | |
| Suffolk Policing Model | 3,150 | 3,150 | 3,150 | 3,150 | 3,150 |
| PCSOs | 105 | 350 | 630 | 630 | 630 |
| Contact and Control Room | 0 | 184 | 245 | 245 | 245 |
| Single Force Savings Savings: | 3,255 | 3,684 | 4,025 | 4,025 | 4,025 |
| 1% increase on savings from 2016/17 | | 59 | 148 | 231 | 308 |
| Total Change Programme Savings including inflation: | 4,124 | 5,910 | 7,537 | 7,922 | 7,999 |
| Other Savings: | | | | | |
| As per Scrutiny - Joint | 247 | 274 | 280 | 280 | 280 |
| As per Scrutiny - Suffolk only | 40 | 75 | 260 | 321 | 321 |
| Contract savings - achieved in Scrutiny | 34 | 34 | 34 | 34 | 34 |
| Contract savings - to be identified | 75 | 75 | 75 | 75 | 75 |
| Coroners Officers | 50 | 50 | 50 | 50 | 50 |
| Abatement adjustment - increase from 3% to 5% | 580 | 580 | 580 | 580 | 580 |
| Non-pay inflation - 1% | 219 | 437 | 656 | 656 | 656 |
| Total Other Savings | 1,245 | 1,525 | 1,935 | 1,996 | 1,996 |
| 1% increase on savings from 2016/17 | | 15 | 39 | 60 | 80 |
| Total Other Savings including inflation: | 1,245 | 1,540 | 1,974 | 2,056 | 2,076 |
| PERMANENT SAVINGS AGAINST 14/15 BASE: | 5,369 | 7,450 | 9,510 | 9,978 | 10,074 |

TOTAL OUTLINE CAPITAL PROGRAMME 2015-16 TO 2019-20

| | 2014/15 C/fwd £000 | 2015/16 New Requirement £000 | 2015/16 Inc c/fwd £000 | 2016/17 Outline £000 | 2017/18 Outline £000 | 2018/19 Outline £000 | 2019/20 Outline £000 |
|---|--------------------------|---------------------------------------|------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Table A - Approved Schemes | | | | | | | |
| Suffolk only | 10 | 2,290 | 2,300 | 1,539 | 1,462 | 1,351 | 1,351 |
| Joint | 17 | 570 | 587 | 628 | 332 | 315 | 315 |
| Total Approved Schemes | 27 | 2,860 | 2,887 | 2,167 | 1,794 | 1,666 | 1,666 |
| Table B - Business Case required prior to approval | | | | | | | |
| Suffolk only | 160 | 575 | 735 | 405 | 250 | 0 | 0 |
| Joint | 227 | 443 | 670 | 69 | 11 | 11 | 11 |
| Total Business Case Required | 387 | 1,018 | 1,405 | 474 | 261 | 11 | 11 |
| Table C - Provisional | | | | | | | |
| Suffolk only | 0 | 0 | 0 | 0 | 300 | 0 | 0 |
| Joint | 0 | 44 | 44 | 0 | 0 | 0 | 0 |
| Total Provisional | 0 | 44 | 44 | 0 | 300 | 0 | 0 |
| TOTAL PROGRAMME | 414 | 3,922 | 4,336 | 2,641 | 2,355 | 1,677 | 1,677 |

| | 2014/15 C/fwd £000 | 2015/16 New Requirement £000 | 2015/16 Inc c/fwd £000 | 2016/17 Outline £000 | 2017/18 Outline £000 | 2018/19 Outline £000 | 2019/20 Outline £000 |
|------------------------------|--------------------------|---------------------------------------|------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| ICT Replacement Programme | 74 | 1,230 | 1,304 | 818 | 532 | 505 | 505 |
| Projects & Other ICT Related | 153 | 683 | 836 | 81 | 23 | 23 | 23 |
| Vehicles and Equipment | 10 | 1,189 | 1,199 | 1,112 | 1,055 | 1,099 | 1,099 |
| Building Schemes | 177 | 820 | 997 | 630 | 745 | 50 | 50 |
| TOTAL PROGRAMME | 414 | 3,922 | 4,336 | 2,641 | 2,355 | 1,677 | 1,677 |

FUNDING OF OUTLINE CAPITAL PROGRAMME 2014-15 TO 2019-20

| | 2015/16 £000 | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | 2019/20 £000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Capital Receipts | 325 | 850 | 300 | 920 | 38 |
| Capital Receipts deferred from previous FY | 566 | | 104 | | 441 |
| Capital Receipts deferred to next FY | | - 104 | | - 441 | |
| Helicopter Receipts | 198 | 198 | 198 | 198 | 198 |
| General Capital Grant | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Other Specific Grants | | | | | |
| Capital Finance Reserve | 1,433 | 697 | | | |
| Change Reserve (ERP) | 161 | | | | |
| Revenue Contribution | 653 | | 753 | | |
| TOTAL FUNDING | 4,336 | 2,641 | 2,355 | 1,677 | 1,677 |

OUTLINE CAPITAL PROGRAMME 2014-15 TO 2019-20

| 2014/15 | 2015/16 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|-----------------|-----------------|---------------------------|---------|---------|---------|---------|
| Carried Forward | New Requirement | Including Carried Forward | Outline | Outline | Outline | Outline |
| £000 | £000 | £000 | £000 | £000 | £000 | £000 |

Table A - Approved Schemes

| | | | | | | |
|---|--|-----------|--------------|--------------|--------------|--------------|
| ICT Replacement Programme | | | | | | |
| <u>Suffolk Only Projects</u> | | | | | | |
| Desktop Services | | 184 | 184 | 184 | 194 | 184 |
| Communications | | 322 | 322 | 18 | 18 | 18 |
| <u>Joint Norfolk / Suffolk projects (Suffolk share)</u> | | | | | | |
| Server Applications | | 160 | 160 | 102 | 110 | 154 |
| Network | | 78 | 78 | 329 | 195 | 134 |
| Communications | | 15 | 15 | 15 | 15 | 15 |
| ANPR Refresh (Innovation Fund Bid) | | 74 | 74 | 83 | - | - |
| INCA Refresh | | - | 0 | 87 | - | - |
| ERP | | 161 | 161 | - | - | - |
| Total ICT Replacement Programme | | 0 | 994 | 818 | 532 | 505 |
| Projects & Other ICT Related Schemes | | | | | | |
| <u>Suffolk Only Projects</u> | | | | | | |
| Athena (Innovation Fund Bid) | | 384 | 384 | - | - | - |
| Pensions Administration | | 31 | 31 | - | - | - |
| <u>Joint Norfolk / Suffolk projects (Suffolk share)</u> | | | | | | |
| Live Link | | 44 | 44 | - | - | - |
| Community Messaging | | 12 | 12 | 12 | 12 | 12 |
| Privasoft Case Management | | 26 | 26 | - | - | - |
| Total Projects & ICT Related Programme | | 0 | 497 | 12 | 12 | 12 |
| Vehicles and Equipment | | | | | | |
| <u>Suffolk Only Projects</u> | | | | | | |
| Body Armour | | 58 | 58 | 106 | 65 | 61 |
| Vehicle Replacement Programme | | 1,066 | 1,066 | 1,006 | 990 | 1,038 |
| Catering Equipment | | 10 | 10 | - | - | - |
| Total Vehicles & Equipment Programme | | 10 | 1,124 | 1,112 | 1,055 | 1,099 |
| Building Schemes | | | | | | |
| <u>Suffolk Only Projects</u> | | | | | | |
| Minor Improvements | | 145 | 145 | 145 | 145 | - |
| Estates Downsizing | | - | - | 30 | - | - |
| Carbon Management | | 100 | 100 | 50 | 50 | 50 |
| <u>Joint Norfolk / Suffolk projects (Suffolk share)</u> | | | | | | |
| PSU Training Facility | | 17 | 17 | - | - | - |
| Total Building Programme | | 17 | 245 | 225 | 195 | 50 |

| 2014/15 | 2015/16 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---------|-------------|-----------|---------|---------|---------|---------|
| C/fwd | New | Inc c/fwd | Outline | Outline | Outline | Outline |
| £000 | Requirement | £000 | £000 | £000 | £000 | £000 |

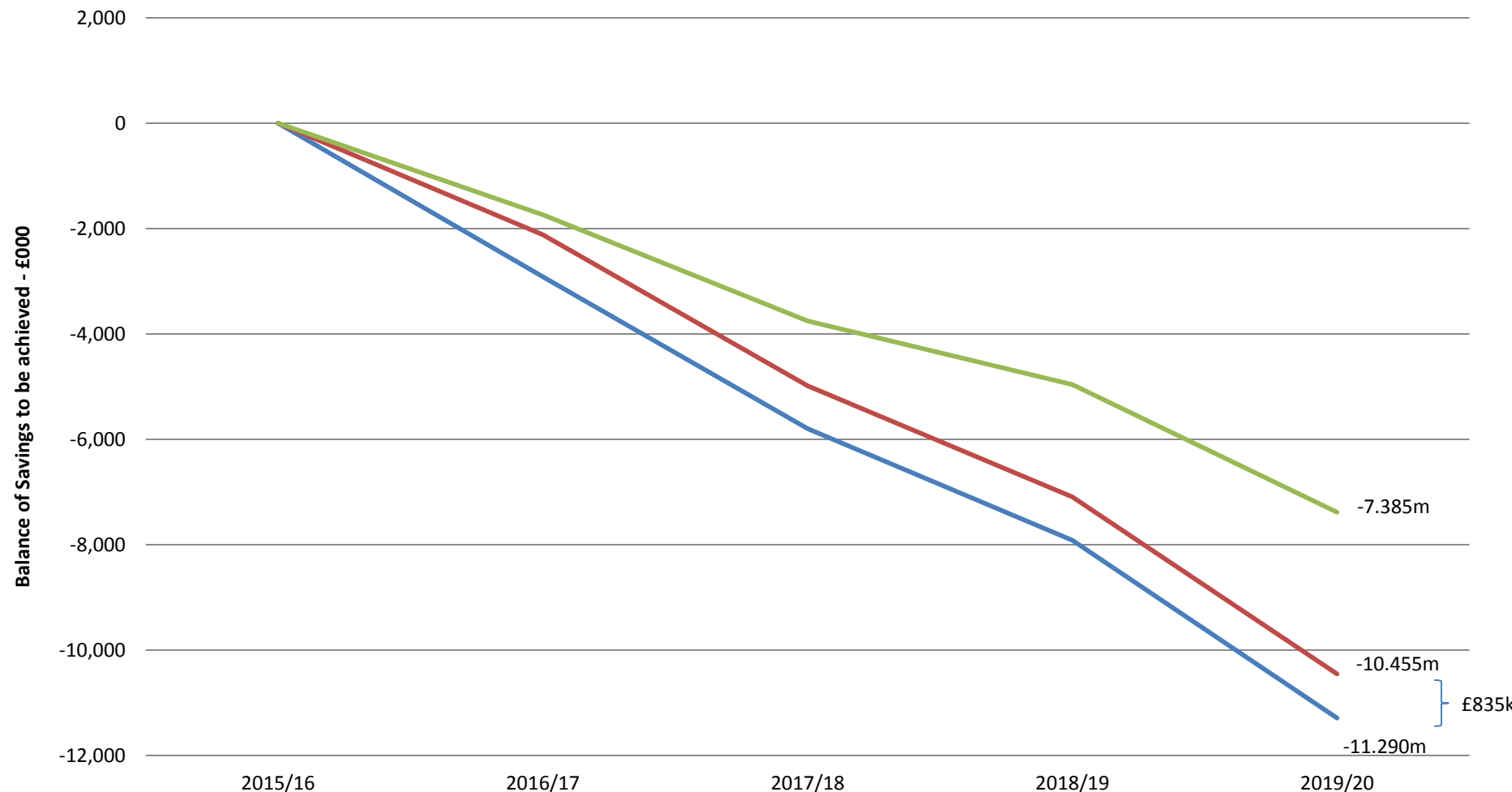
Table B - Business Case required prior to approval

| | | | | | | |
|---|------------|------------|------------|------------|------------|-----------|
| ICT Replacement Programme | | | | | | |
| <u>Joint Norfolk / Suffolk projects (Suffolk share)</u> | | | | | | |
| Internet Mapping Solution | | 65 | 65 | | | |
| Intranet Refresh | | 44 | 44 | | | |
| HTCU Refresh | | 87 | 87 | | | |
| IP Contact Centre | | 40 | 40 | | | |
| CCR Telephony | | | | | | |
| | 74 | | 74 | | | |
| Total ICT Replacement Programme | 74 | 236 | 310 | - | - | - |
| Projects & Other ICT Related Schemes | | | | | | |
| <u>Joint Norfolk / Suffolk projects (Suffolk share)</u> | | | | | | |
| Intranet | | 33 | 33 | 4 | 4 | 4 |
| Constabulary Website | | 109 | 109 | 65 | 7 | 7 |
| Electronic Access Control | | | | | | |
| | 153 | | 153 | | | |
| Total Projects & ICT Related Programme | 153 | 142 | 295 | 69 | 11 | 11 |
| Equipment | | | | | | |
| <u>Joint Norfolk / Suffolk projects (Suffolk share)</u> | | | | | | |
| Confidential Waste | | 65 | 65 | | | |
| Total Equipment Programme | 0 | 65 | 65 | - | - | - |
| Building Schemes | | | | | | |
| <u>Suffolk Only Projects</u> | | | | | | |
| Estates Strategy | | 250 | 250 | 250 | 250 | - |
| Estates Downsizing | 160 | 165 | 325 | 135 | - | - |
| Martlesham | | 160 | 160 | 20 | - | - |
| Total Building Programme | 160 | 575 | 735 | 405 | 250 | - |

Table C - Provisional

| | | | | | | |
|---|----------|-----------|-----------|----------|------------|----------|
| Projects & Other ICT Related Schemes | | | | | | |
| <u>Joint Norfolk / Suffolk projects (Suffolk share)</u> | | | | | | |
| Automated Filing Solution | | 44 | 44 | | | |
| Total Projects & ICT Related Programme | 0 | 44 | 44 | - | - | - |
| Building Schemes | | | | | | |
| <u>Suffolk Only Projects</u> | | | | | | |
| Estates Downsizing | | | | 300 | | |
| Total Building Programme | 0 | - | 0 | - | 300 | - |

Alternative Precept Strategies



OPTION 1: 0% Precept, Freeze Grants each year 15/16 - 19-20 OPTION 3: 1.997% Precept in 15/16, 1 year Freeze grants thereafter
OPTION 2: 1.997% Precept 15/16, 2% thereafter

| RESERVES SUMMARY | | | | | | | | |
|---|--------------|--------------|--------------|-------------------------------|-------------|------------|----------------------|---------------|
| PROJECTION OF RESERVES LEVELS: | | | | | | | | |
| | General | Budget | Change | Specified Purposes Fund | PCC Reserve | Pensions | Capital Financing | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| 31/03/2014 Actual | 5,000 | 7,178 | 2,094 | 209 | 238 | 651 | 2,130 | 17,500 |
| Proposed Changes 2014/15: | | | | | | | | |
| Redundancy/Pay Protection/Temp Staff | | | | | | | | 0 |
| Cost of Change (CSR2) | | | -100 | | | | | -100 |
| Contribution to (-) / from Revenue Budget | | | | -209 | | | | -209 |
| Additional 19 officers | | | | | | | | 0 |
| SCD posts | | | | | | | | 0 |
| Police medical retirements | | | | | | -148 | | -148 |
| Storm | | | -95 | | | | | -95 |
| ERP Backfill | | | -218 | | | | | -218 |
| ERP | | | -635 | | | | | -635 |
| 31/03/2015 Forecast | 5,000 | 7,178 | 1,046 | 0 | 238 | 503 | 2,130 | 16,095 |
| Proposed Changes 2015/16: | | | | | | | | |
| Redundancy/Pay Protection/Temp Staff | | | -392 | | | | | -392 |
| Cost of Change (CSR2) | | | -300 | | | | | -300 |
| Contribution to (-) / from Revenue Budget | | 0 | | | | | | 0 |
| Use of capital financing reserve | | | | | | | -1,121 | -1,121 |
| SCD posts | | | -62 | | | | | -62 |
| ERP Backfill | | | -27 | | | | | -27 |
| ERP | | | -161 | | | | | -161 |
| 31/03/2016 Forecast | 5,000 | 7,178 | 104 | 0 | 238 | 503 | 1,009 | 14,032 |
| Proposed Changes 2016/17: | | | | | | | | |
| Redundancy/Pay Protection/Temp Staff | | | -392 | | | | | -392 |
| Cost of Change (CSR2) | | | -100 | | | | | -100 |
| Contribution to (-) / from Revenue Budget | | 0 | | | | | | 0 |
| Transfer from Budget to Change Reserve | | -388 | 388 | | | | -1,009 | -1,009 |
| 31/03/2017 Forecast | 5,000 | 6,790 | 0 | 0 | 238 | 503 | 0 | 12,531 |
| Proposed Changes 2017/18: | | | | | | | | |
| Contribution to (-) / from Revenue Budget | | 0 | | | | | | 0 |
| 31/03/2018 Forecast | 5,000 | 6,790 | 0 | 0 | 238 | 503 | 0 | 12,531 |
| Proposed Changes 2018/19: | | | | | | | | |
| Contribution to (-) / from Revenue Budget | | 0 | | | | | | 0 |
| 31/03/2019 Forecast | 5,000 | 6,790 | 0 | 0 | 238 | 503 | 0 | 12,531 |
| Proposed Changes 2019/20: | | | | | | | | |
| Contribution to (-) / from Revenue Budget | | 0 | | | | | | 0 |
| 31/03/2020 Forecast | 5,000 | 6,790 | 0 | 0 | 238 | 503 | 0 | 12,531 |

| COUNCIL TAX and BUDGET OPTIONS 2015/16 | | | | |
|--|-----------------------|------------------------|--------------------------|------------------------|
| | OPTION 1 | | Options 2 & 3 | |
| Options for Percentage Increase in Council Tax Bills: | 0.00000% | | 1.99700% | |
| | | | | |
| 2015/16 Recommended Budget Summary: | £-p | | £-p | |
| Operational costs before Savings | 117,327,295.39 | | 117,327,295.39 | |
| Specific Grants (excluding Council Tax Freeze Grants) | -3,782,000.00 | | -3,782,000.00 | |
| New Efficiency Savings from 2015/16 | -5,369,000.00 | | -5,369,000.00 | |
| Known Changes | 1,313,000.00 | | 1,663,333.31 | |
| Revenue Funding of Capital | 1,778,699.11 | | 1,778,699.11 | |
| Appropriations to / from (-) Reserves | 0.00 | | 0.00 | |
| Total Budget | 111,267,994.50 | | 111,618,327.81 | |
| | | | | |
| Budget financed by: | | | | |
| Police Grant | 40,957,239.00 | | 40,957,239.00 | |
| Business Rates | 22,998,309.00 | | 22,998,309.00 | |
| Council Tax Freeze Grant (for no precept increase in 2011/12) | 1,030,298.00 | | 1,030,298.00 | |
| 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) | 433,828.00 | | 433,828.00 | |
| Council Tax Freeze Grant (for no precept increase in 2015/16) | 436,530.00 | | 0.00 | |
| Collection Fund Surplus/Deficit | 687,802.00 | | 687,802.00 | |
| CT Support Funding Allocation | 4,891,000.00 | | 4,891,000.00 | |
| Council Tax Requirement (based on 236,267 taxbase) | 39,402,268.50 | | 40,189,131.81 | |
| | 111,267,994.50 | | 111,618,327.81 | |
| | | | | |
| | | | | |
| Council Tax Rate Bands 15/16 (& increase over 14/15): | Rate | Annual Increase | Rate | Annual Increase |
| A | 111.18 | 0.00 | 113.40 | 2.22 |
| B | 129.71 | 0.00 | 132.30 | 2.59 |
| C | 148.24 | 0.00 | 151.20 | 2.96 |
| D | 166.77 | 0.00 | 170.10 | 3.33 |
| E | 203.83 | 0.00 | 207.90 | 4.07 |
| F | 240.89 | 0.00 | 245.70 | 4.81 |
| G | 277.95 | 0.00 | 283.50 | 5.55 |
| H | 333.54 | 0.00 | 340.20 | 6.66 |

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APPENDIX 1



**MEDIUM TERM
FINANCIAL PLAN
2015-16 TO 2019-20**

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| CONTENTS: | PAGE(S): |
|---|----------|
| 1 Introduction | 3 |
| 2 Revenue Budget 2015-16 | 4-8 |
| 3 Capital Programme 2015-16 to 2019-20 | 8-10 |
| 4 Annual Treasury Management Strategy and Prudential Indicators 2015-16 | 10 |
| 5 Reserves Strategy | 10-11 |
| 6 Section 25 Responsibilities | 11-12 |
| 7 Chief Constable's Response to the Comprehensive Spending Review 2 | 13 |
| 8 Conclusion and Summary of Options | 13 |
| 9 Recommendations | 14 |

DRAFT

1 **INTRODUCTION**

- 1.1 This report covers the spending proposals and key issues relating to the budget for 2015-16 to 2019-20. 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 report contains appendices that provide more detailed information relating to the proposals.

Appendix A(i) Medium Term Financial Plan (MTFP)- 5 Year Overview- Option 1- take the Council Tax Freeze Grant (CTFG) of 1% in 2015-16, and assumes taking a one-year only CTFG of 1% in each of the remaining years of the medium term plan.

Appendix A(ii) MTFP- 5 Year Overview- Option 2- increase council tax by 1.997% in 2015-16, and assumes a 2% council tax increase in each of the remaining years of the medium term plan.

Appendix A(iii) MTFP- 5 Year Overview- Option 3- increase council tax by 1.997% in 2015-16, and assumes taking a one-year only CTFG increase in each of the remaining years of the medium term plan.

Appendix B Planned Revenue Changes 2015-16 to 2019-20

Appendix C Savings Plan 2015-16 to 2019-20

Appendix D Capital Programme 2015-16 to 2019-20

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

- 1.3 A joint financial planning process has been on-going over recent months in accordance with a timetable previously agreed by the Norfolk and Suffolk Chief Constables. 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.
- 1.4 Chief Officers met with senior managers and reviewed and challenged savings ideas, and growth pressures for 2015-16 and beyond. The process concluded with Joint Norfolk and Suffolk Chief Officer meetings that agreed joint budgets, costs and savings to be included in spending plans.
- 1.5 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.
- 1.6 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. Accordingly, the proposals for expenditure will be made available to business representatives during January to enable them to comment upon the proposals.
- 1.7 In addition, a council tax precept survey is currently in progress with members of the public.

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- 1.8 The results will be collated towards the end of January and presented by the PCC to the Police and Crime Panel at its meeting on 30 January 2015.

2 **REVENUE BUDGET 2015-16**

Home Office Grant 2015-16

- 2.1 The provisional central government grant settlement announcements were made on 17 December 2014. 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 The table below provides a comparison between the 2015-16 provisional grant settlement and 2014-15 figures.

| | 2014-15 £m | 2015-16 £m | Reduction % |
|--|---------------|---------------|----------------|
| Home Office Core Grant | 43.627 | 40.957 | 6.1 |
| DCLG funding | <u>23.772</u> | <u>22.998</u> | <u>3.2</u> |
| Total General Grant Allocation (£m) | 67.399 | 63.955 | 5.1 |

- 2.3 The Home Office grant for 2015-16 for Suffolk has been topsliced, for the second year in a row, by approximately £1m. The Government has taken this step to set up a fund of £40m for the development of the Emergency Services Mobile Communications Programme (ESMCP), £15m for a Police Special Grant contingency fund for police forces that face unplanned or unexpected additional pressures and £5m for a Police Knowledge fund, the details of which are to be confirmed. The Home Office has also topsliced an additional £20m for the national Police Innovation Fund, an additional £12m to make changes to improve the capability of the Independent Police Complaints Commission (IPCC), and set aside additional monies for the College of Policing of £1.6m.
- 2.4 In respect of the IPCC top-slicing, it should be noted that the Home Office is assuming that at least initially, Professional Standards Departments within forces will not be reduced despite the top-slicing of PCC grant.
- 2.5 Suffolk and Norfolk PCCs and constabularies have submitted bids for grants from the Innovation Fund against a variety of criteria that will promote collaboration with other forces and partner agencies, and improve their use of digital working and technology. These grants will be subject to approval in March 2015, and are not a guaranteed income source. This causes uncertainty in financial planning with budgets and precepts needing to be set before this date. However, the costs associated with the bids have been reflected in the MTFP, and no grant income has been assumed in the plans. Grant approval from the Innovation Fund for any of the bids would improve the financial position for 2015-16, and potentially 2016-17.
- 2.6 The Home Office has applied a 'floor-damping' financial model which results in a cash reduction in formula grant for 2015-16 of 5.1% for all police force areas. The scheme is self-financing within the overall police grant allocation.
- 2.7 The MTFP includes an assumption that £700k of the 2015-16 Home Office Core Grant of £40.957m, will be retained by the PCC to continue funding grants that contribute to delivering the objectives in the Police and Crime Plan 2013-2017 relating to cutting crime, crime prevention, reducing re-offending and community safety.
- 2.8 In 2014-15, the PCC received funding for one year only from the Ministry of Justice (MoJ) in respect of the local commissioning of victim's services of £487k. Indicative funding for 2015-16 from the MoJ of £621k for victims services, and £165k for restorative justice services, have been included in the MTFP for both grant income and expenditure.

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- 2.9 In addition to the figures above, the Council Tax Freeze Grants (CTFG) in relation to both 2011-12 (£1.030m), 2013-14 (£0.431m) and 2014-15 (£0.434m) have been assumed to continue for the period of the MTFP, subject to reductions in funding from 2016-17 in line with the assumed reduction in Government Grant. For the purposes of the MTFP, the CTFG of £437k for 2015-16 has been assumed to be for one year only (Appendix A (i)).
- 2.10 From April 2013 the Government made significant changes to Council Tax Benefit arrangements through the Local Government Finance Act (2012). These changes impacted on all local authorities as well as PCCs. As a result of these changes the PCCs receive a Council Tax Benefit Grant paid to all billing and precepting authorities. In this regard, the PCC will receive funding of £4.891m in 2015-16.
- 2.11 The revised Council Tax benefit arrangements and the effect on the Council Tax base for the calculation of the precept have been reflected in this report. 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.
- 2.12 The table below summarises the 2015-16 income position for Options 1 (take the freeze grant of 1%) and Options 2 and 3 (increase the precept by 1.997%).

| | Option 1 £m | Option 2 £m | Option 3 £m |
|---------------------------------------|----------------|----------------|----------------|
| Home Office Core Grant & DCLG Funding | 63.955 | 63.955 | 63.955 |
| Council Tax Freeze Grant | 2.331 | 1.895 | 1.895 |
| Council Tax Support Funding | 4.891 | 4.891 | 4.891 |
| Precept Income | 40.090 | 40.877 | 40.877 |
| Other Income | <u>7.824</u> | <u>7.824</u> | <u>7.824</u> |
| Total Income (£m) | 119.091 | 119.442 | 119.442 |

Assumptions in the Financial Model

- 2.13 A significant planning assumption has been included in respect of revised state pension arrangements. A Pensions Bill was published in January 2013, which outlined the Government's intention to introduce a reformed State Pension of £144 per week from April 2017. In June 2013, the Government announced that the implementation date was being brought forward to April 2016. This change is to be financed by ending contracted out National Insurance contributions for employers and employees for organisations such as the PCC and Constabulary.
- 2.14 The cost of this to the PCC and Constabulary is estimated to be £1.8m per annum and has been included in the forecast from 2016-17 onwards.
- 2.15 In addition, the following financial assumptions have been used:

| | 15-16 | 16-17 | 17-18 | 18-19 | 19-20 |
|-----------------------------|-------|-------|-------|-------|-------|
| Government grant | -5.1% | -4.5% | -4.5% | -4.0% | -4.0% |
| Council tax base change | 1.91% | 1.5% | 1.5% | 1.5% | 1.5% |
| Collection fund surplus | £688k | £0k | £0k | £0k | £0k |
| Pay awards – officers | 1% | 1% | 1% | 1% | 1% |
| Pay awards – staff | 1% | 1% | 1% | 1% | 1% |
| Non-pay inflation (average) | 2% | 2% | 2% | 2% | 2% |
| Borrowing (long term) | 4.51% | 4.51% | 4.51% | 4.51% | 4.51% |
| Investments | 0.57% | 0.57% | 0.57% | 0.57% | 0.57% |

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Collaboration and the Challenge Programme

2.16 Suffolk and Norfolk PCCs and Constabularies continue with the strategy of collaboration that is one of the most advanced in the country. Most operational areas, except for local policing, have become joint departments, as have most of the back office functions. This means that the financial decisions of both counties are inextricably linked.

Challenge Programme to 2014-15

2.17 The Chief Constable has a well-established Challenge Programme. The original part of the programme was developed to address the savings requirement arising from the four year Comprehensive Spending Review (CSR1) that covered the period to 2014-15.

2.18 The programme had a number of principal work streams, the first three of which are in collaboration with Norfolk:

- Business Support Review – to create joint back office functions such as HR, Finance and ICT.
- Operational Collaboration – including establishing shared criminal justice, custody and custody investigation units under a Justice Services Command.
- Protective Services Collaboration – joining protective services functions to establish a joint Protective Services Department.
- Suffolk Change Initiatives – reviewing efficiencies that could be achieved on non-collaborated aspects of the constabulary.

2.19 The table below shows the level of savings that has been made in implementing the original element of the Challenge Programme. In total, by the end of 2014-15 some £15.4m of savings specific to Suffolk, have already been taken from budgets through the Challenge Programme.

Savings delivered via Challenge Programme to end of 2014-15

| Portfolio | Suffolk Savings achieved to FY 14-15 £000 |
|------------------------|--|
| Business Support | 4,023 |
| Justice Services | 1,179 |
| Protective Services | 5,122 |
| Suffolk Only | 5,108 |
| TOTAL PROGRAMME | 15,432 |

2.20 An element of planned savings from the original programme now forms part of the next phase of the programme, described on the following page. For example, some of the savings could not be realised until there had been investment in single ICT products and platforms across both constabularies.

Next phase of the Challenge Programme

2.21 In June 2013 the Spending Review (CSR2) was outlined by the Chancellor. This covered the period of 2015-16, and the impact of this announcement, including a reduction in the level of grant from the Home Office, is reflected in the figures in this report up to 2019-20.

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- 2.22 To meet this new challenge, and to incorporate the final elements of the original programme as described above, the Challenge Programme has been reviewed and extended.
- 2.23 The projects that cover the entirety of the organisation include:
- A continued review of the Suffolk policing model and other Suffolk only savings initiatives including closer working with other Suffolk public sector organisations
 - A further review of Protective Services including greater collaboration with the eastern region on serious and organised crime.
 - A further review of Justice Services
 - The development of continued efficiencies and closer working for back-office functions including Finance, HR, ICT, Procurement, Estates and Facilities and Transport services.
 - The development and implementation of major applications to enable service redesign across the constabulary.
 - An estates review
- 2.24 Appendices A(i), A(ii), A(iii) and C show the forecast savings in relation to the Programme.
- 2.25 Currently, these projects are planned to deliver approximately £10.1m of savings over the medium-term financial planning period and thus reducing the forecast 2019-20 deficit to £11.3m, £7.4m and £10.5m, dependant on the precept strategy.
- 2.26 New projects for the Challenge Programme will continue to be developed to address the deficits identified in Appendix A. Savings figures projected in later years require more detailed work and business case development, and therefore the figures outlined contain more risk than savings figures identified for 2015-16. There will be continued consultation between the PCCs and Chief Constables of both counties as the detailed business cases are developed in relation to these projects.
- 2.27 All collaborative initiatives are being co-ordinated and overseen by a Programme Management Office working within the joint Corporate Development and Change department and led by a Joint Head of Department.

Precept Option Scenarios

- 2.28 The financial planning process now considers a range of precept options in order to consider the medium term financial outlook. Three scenarios have been modelled in terms of precepting options over the MTFP planning period:
- 2.29 **Option 1**- take the CTFG of 1% in 2015-16, and assumes taking a one-year only CTFG of 1% in each of the remaining years of the medium term plan (**Appendix A (i) and Appendix G**).
- 2.30 **Option 2**- increase council tax by 1.997% in 2015-16, and assumes a 2% council tax increase in each of the remaining years of the medium term plan (**Appendix A (ii) and Appendix G**).
- 2.31 **Option 3**- increase council tax by 1.997% in 2015-16, and assumes taking a one-year only CTFG of 1% in each of the remaining years of the medium term plan (**Appendix A (iii) and Appendix G**).
- 2.32 All options show a balanced budget for 2015-16 and delivery of planned savings of £5.4m in 2015-16 rising to £10.1m in 2019-20. The balance of savings to be achieved for all options are summarised below:

DRAFT

Option 1

2.33 Based on the planning assumptions set out in this report, the Constabulary have committed to developing plans to deliver further savings of £2.9m in 2016-17, rising to £11.3m in 2019-20, in order to provide sufficient funds to support the expenditure plans set out in the MTFP and its associated Appendices, and to achieve a balanced budget over the period of the MTFP.

Option 2

2.34 Based on the planning assumptions set out in this report, the Constabulary have committed to developing plans to deliver further savings of £1.7m in 2016-17, rising to £7.4m in 2019-20, in order to provide sufficient funds to support the expenditure plans set out in the MTFP and its associated Appendices, and to achieve a balanced budget over the period of the MTFP. This option would generate temporary additional funding in 2015-16 of £350k, which could be used to pump-prime an agreed service priority area.

Option 3

Based on the planning assumptions set out in this report, the Constabulary have committed to developing plans to deliver further savings of £2.1m in 2016-17, rising to £10.5m in 2019-20, in order to provide sufficient funds to support the expenditure plans set out in the MTFP and its associated Appendices, and to achieve a balanced budget over the period of the MTFP. This option would generate temporary additional funding in 2015-16 of £350k, which could be used to pump-prime an agreed service priority area.

2.36 **Appendix E** shows graphically the level of cumulative savings to be achieved for each of the options, in order to achieve a balance financial position over the financial planning period (Option 1- £11.290m, Option 2- £7.385m, and Option 3- £10.455m).

Council Tax Referendum Principles

2.37 A recent Government announcement has confirmed the 2015-16 threshold levels for council tax rises, which would trigger a referendum among voters, as being 2% or higher.

3 CAPITAL PROGRAMME 2015-16 to 2019-20

3.1 The proposed outline capital programme has been updated to 2019-20, 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 proposed 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.

| | 15-16 | 16-17 | 17-18 | 18-19 | 19-20 |
|--|--------------|--------------|--------------|--------------|--------------|
| | £000 | £000 | £000 | £000 | £000 |
| ICT Replacement Programme | 1,230 | 818 | 532 | 505 | 505 |
| Projects and other ICT | 683 | 81 | 23 | 23 | 23 |
| Vehicles and Equipment | 1,189 | 1,112 | 1,055 | 1,099 | 1099 |
| Building Schemes | 820 | 630 | 745 | 50 | 50 |
| Total Capital Programme | 3,922 | 2,641 | 2,355 | 1,677 | 1,677 |
| Slippage – carried forward from 14-15 | 414 | | | | |
| Grand Total | 4,336 | 2,641 | 2,355 | 1,677 | 1,677 |

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Capital Expenditure

- 3.3 Capital costs for ICT are predominantly equipment replacement and updating.
- 3.4 Project costs and other ICT related schemes contains one-off expenditure for specific items, including some significant collaborative arrangements designed to deliver future operational efficiencies and recurring financial savings such as Athena, Livelink and Website development.
- 3.5 Building Schemes include minor improvement works and the strategy budget, which is used to facilitate internal and external moves, together with 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 need operational and service requirements. The re-provision will be financed by the sale of existing properties.
- 3.6 Capital costs for fleet are for replacement vehicles and equipment used to service them. Other equipment schemes include Body Armour and Confidential Waste.

Funding the Capital Programme

- 3.7 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.
- 3.8 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.
- 3.9 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.

| | 15-16 £m | 16-17 £m | 17-18 £m | 18-19 £m | 19-20 £m |
|---------------------------|-------------|-------------|-------------|-------------|-------------|
| Capital Receipts | 1.1 | 0.9 | 0.6 | 0.7 | 0.7 |
| Capital Grant | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Revenue Contribution | 0.6 | 0 | 0.7 | 0 | 0 |
| Capital Financing Reserve | 1.4 | 0.7 | 0 | 0 | 0 |
| Use of Change Reserve | 0.2 | 0 | 0 | 0 | 0 |
| Total | 4.3 | 2.6 | 2.4 | 1.7 | 1.7 |

- 3.10 Annually PCCs receive a capital grant, which must be used to support capital expenditure. The Home Office has yet to confirm the capital grant for 2015-16. The MTFP includes the assumption that funding will be at the same level as in 2014-15. Confirmation of the funding level for 2015-16 will not be known until early February.

Minimum Revenue Provision (MRP)

- 3.11 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.

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- 3.12 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 2015-16

Treasury Management Strategy

- 4.1 Government regulations require the PCC to approve the investment and borrowing strategies and borrowing limits for 2015-16 prior to the start of the financial year. This is incorporated within an over-arching Treasury Management Strategy, which is attached as **Appendix H**.
- 4.2 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

- 4.3 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 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.
- 4.4 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 2015-16 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 PCC CFO and CC CFO in making a reasoned judgement on the appropriate level of its reserves.

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- 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 2015 are dependent upon decisions taken by the PCC as part of out-turn report for 2014-15 to be considered in June 2015.

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 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 Constabularies, and CFOs, resulting in greater financial clarity and consistency in financial plans.
- 6.5 It is important to note that there is uncertainty regarding grant funding post-election, however, the assumptions used in preparing the MTFP have been compared with those used within other PCC areas. The results of this comparison did not identify any assumption within the Suffolk PCC MTFP which was significantly different to those used by other PCCs.
- 6.6 In summary, we are 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

- 6.7 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 ambitious savings plans detailed in **Appendix C**.

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- 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.
- 6.9 There is a high level of uncertainty with regard to grant funding beyond 2015-16, as funding for 2016-17 onwards will be subject to decisions at the next spending review following the General Election. The MTFP will be updated to reflect the impact of financial changes as and when they arise and savings plans amended accordingly.
- 6.10 The review of the savings programme described in paragraph 6.4 above concluded with a joint decision being taken by both CFOs to adjust both the timing and projected level of savings for a number of the CSR 2 related schemes.
- 6.11 Detailed monthly financial reports will continue to be prepared throughout 2015-16 in respect of year-to-date financial performance and year-end projection for 2015-16, considered in detail by the PCC and CC and respective CFOs, and any corrective action agreed and taken to ensure financial balance in 2015-16.
- 6.12 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

- 6.13 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 4.5% of Net Revenue Expenditure (NRE).
- 6.14 The two principal reasons for the reduction in the overall level of reserves from £16.1m at 31 March 2015 to £12.5m at 31 March 2020 is accounted for by the planned use of the Change Reserve and part of the Budget Reserve to fund the one-off costs of change (£1.4m) arising from various efficiency savings initiatives, and the planned use of the capital financing reserve (£2.1m).
- 6.15 The Budget Reserve (£6.8m) is available to; pump-prime initiatives which will deliver permanent savings; fund the cost of major crime incidents; fund the costs of change associated with new savings initiatives; and provide temporary financial support to the Revenue Budget, if required.
- 6.16 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*'.
- 6.17 Having considered the levels of reserves included in the MTFP, which are based on 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 Reserve), and taking account of the approach to managing financial risk set out in Section 6, 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.

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7 CHIEF CONSTABLE'S RESPONSE TO THE COMPREHENSIVE SPENDING REVIEW 2

- 7.1 The latest Comprehensive Spending Review announcements have highlighted ever deeper cuts within public services, including the police service and the larger the cuts, the greater impact there will be upon the ability for Suffolk Constabulary to continue providing the level of service it has in the past. This is against a backdrop of needing to provide additional resource to those areas identified as requiring investment to tackle significant areas of threat, harm, and risk, such as child abuse investigation.
- 7.2 The Medium Term Financial Plan outlines the savings to be found within Suffolk Constabulary and we announced in the autumn our plans to achieve these savings whilst putting in place steps to mitigate the impact upon service delivery. Within the 2015/16 financial year Suffolk Constabulary will be reducing the level of warranted police officers by 83, and also transferring 8 police officers to deal with additional support within Child Abuse Investigation.
- 7.3 As an organisation we will clearly prioritise dealing with those incidents that cause the highest levels of threat, harm and risk to our communities, also address key priorities within the Police and Crime Plan, and also continue to build upon the investments we have made in our successful collaborative ventures within the eastern region. We will also ensure a local emergency response to emergency calls for service from the public. However, the residual service that we currently provide will have to be delivered through radical multi-agency service redesign as without it, it is clear our funding position will not allow us to maintain our current levels of service. There is, therefore, significant and inherent risk in failing to increase the funds available to the Constabulary through precept increase as our future service delivery model relies heavily upon other agencies fulfilling their requirements of a highlighted shared ambition, a position we can influence but which cannot be mandated. This risk can only be mitigated by an all-inclusive public sector response to the communities' needs within Suffolk or through increasing the precept to reduce the impact of the cuts upon the front line.

8 CONCLUSION AND SUMMARY OF OPTIONS

- 8.1 The MTFP has been prepared following notification of the 2015-16 government grants via the Home Office on 17 December 2014 and in conjunction with a wide range of assumptions summarised in Section 2 of this report.
- 8.2 Delivery of a balanced budget across the 5-year planning period will be extremely challenging, and is dependent upon the Constabulary delivering the current cumulative savings plans (CSR 1 and 2) of £5.4m, £7.4m, £9.5m, £10.0m and £10.1m respectively over the 5 years of the MTFP period, and in addition, cumulative savings initiatives to be achieved of:
- Option 1- nil, £2.9m, £5.8m, £7.9m and £11.3m over the 5 years of the MTFP
 - Option 2- nil, £1.7m, £3.8m, £4.9m and £7.4m over the 5 years of the MTFP.
 - Option 3- nil, £2.1m, £5.0m, £7.1m and £10.5m over the 5 years of the MTFP.
- 8.3 Under the three options, whilst it is planned to provide a balanced budget in 2015-16, it will be necessary to consider the operational, staffing and financial implications of the emerging plans which will address the remaining savings requirement set out in the paragraph above.
- 8.4 The three alternative budget options are proposed to the PCC for consideration, the financial consequences of which are summarised in **Appendices A (i), A (ii), A(iii) and G**, with **Appendix E** showing graphically the impact on cumulative savings to be achieved for Options 1,2 and 3.

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9 RECOMMENDATIONS

9.1 It is recommended that the PCC:

- (i) Takes account of the overall financial strategy, when considering the 2015-16 budget proposals;
- (ii) Approves funding of the known changes to the 2014-15 base revenue budget set out at **Appendix B**;
- (iii) Approves the savings plans in **Appendix C**;
- (iv) Approves the proposed capital programme for 2015-16 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, 2, and 3, the assessment of financial risks detailed within the MTFP, and the Chief Constable's response to the Comprehensive Spending Review 2.

THE OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR SUFFOLK**ANNUAL TREASURY MANAGEMENT STRATEGY & PRUDENTIAL INDICATORS 2015-16****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, which requires local authorities to produce a treasury management strategy for the year ahead.
- 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.'

- 2.2 The primary objectives of the PCC's Investment Strategy are Security, Liquidity and Yield; ensuring the security of the sums invested by implementing a prudent counterparty risk policy, whilst retaining adequate liquidity for the day to day cash-flow, and also generating the best available yield.

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 a 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, that 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. TREASURY MANAGEMENT RESPONSIBILITIES

- 5.1 The PCC delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Chief Finance Officer, 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.

6. INVESTMENT STRATEGY

- 6.1 It is recommended that the current investment strategy continues in 2015/16, 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 Chief Finance Officer 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 and fixed notice bank accounts,
- money market funds (pooled, managed, high quality liquid investment accounts)
- 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 Chief Finance Officer.

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 immediately 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 2014-15

7.1 In line with the Treasury Management strategy approved by the PCC, all surplus funds were invested with institutions on the Approved Lending List in either instant access / fixed notice accounts, money market funds, or fixed term deposits. Despite the government benchmark rate of 0.25% (the rate paid by HM Treasury through the Debt Management Office), the PCC is expected to achieve a return of around 0.60% for 2014-15, and exceed the budget of £100k.

7.2 Whilst the amount available for investment remained at similar levels to that in 2013-14, the return achieved in 2014-15 was slightly lower due to the fall in rates on instant access accounts, with banks continuing to prefer longer-term funds for liquidity purposes.

7.3 At the start of 2015 short term interest rates remain at or near to the base rate of 0.50%, and are not forecast to move significantly during 2015-16. The Bank of England base rate is not predicted to start increasing until mid-2015 at the earliest, with only a moderate rise expected.

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 minimum 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'.

The PCC has developed forecasts for the forthcoming year and the following four years and incorporated these into the prudential code indicators below.

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.

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) | | | | |
|---|---------|---------|---------|---------|
| 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| 100% | 100% | 100% | 100% | 100% |

| Upper limit for variable interest rate exposure (% of total invested) | | | | |
|--|---------|---------|---------|---------|
| 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| 100% | 100% | 100% | 100% | 100% |

| Upper limit for total principal sums invested over 364 days (£) | | | | |
|--|---------|---------|---------|---------|
| 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| 0 | 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 five years are:

| Capital Financing Requirement | | | | | |
|---|---------|---------|---------|---------|---------|
| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| Police Investigation Centres (PICS) Via Private Finance Initiative (PFI) | £24.1m | £23.8m | £23.5m | £23.1m | £22.7m |

| | | | | | |
|--------------|---------------|---------------|---------------|---------------|---------------|
| Other | £11.8m | £11.4m | £11.0m | £10.8m | £10.5m |
| TOTAL | £35.9m | £35.2m | £34.5m | £33.9m | £33.1m |

9.5 The PCC is required to approve the Authorised Limits for its expected maximum total external borrowing, excluding investments, for the next five 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 | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| Borrowing | £15.0m | £15.0m | £15.0m | £15.0m | £15.0m |
| Other long term liabilities (PFI) | £26.0m | £26.0m | £26.0m | £26.0m | £26.0m |
| TOTAL | £41.0m | £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 | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| Borrowing (PWLB) | £8.6m | £8.4m | £8.1m | £7.8m | £7.4m |
| Other long term liabilities (PFI) | £24.1m | £23.8m | £23.5m | £23.1m | £22.7m |
| TOTAL | £32.7m | £32.2m | £31.6m | £30.9m | £30.1m |

THE OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR SUFFOLK
LENDING LIMITS AND LIST OF APPROVED INSTITUTIONS
2015-16

| Banks and Building Societies - Maximum of 1 year (364 days) unless stated* | | | | |
|---|-------|---|-----------------------------|----------------|
| OWNER | LIMIT | COUNTERPARTY | LICENCE | MOODY'S RATING |
| BANCO SANTANDER CENTRAL HISPANO | £10m | Santander UK INSTANT ACCESS ONLY | Santander UK plc | A2/P-1 |
| BARCLAYS BANK PLC | £10m | 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 |
| 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 | per Authority | | |
| 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.

Moody's ratings are as at 11th December 2013