REPORT TO THE POLICE AND CRIME PANEL
PROPOSED PRECEPT FOR 2014-15

Executive Summary:

This report outlines precept options for 2014-15 and the Revenue Budget and Capital Programme for 2014-15 and the Medium-term Financial Strategy 2014-15 to 2017-18. The report contains Appendices that provide more detailed information.

Appendix A	Analysis of changes to the 2013-14 base budget
Appendix B	Proposed Capital Programme 2014-15 to 2017-18
Appendix C	Forecast movement in general balances and earmarked reserves 2014-15 to 2017-18
Appendix D	Prudential Code Indicators 2014-15, 2015-16, 2016-17
Appendix E	Annual Investment And Treasury Management Strategy 2014-15
Appendix F	Minimum Revenue Provision Statement 2014-15
Appendix G	Medium-Term Financial Plan Option 1
Appendix H	Medium-Term Financial Plan Option 2
Appendix I	Medium-Term Financial Plan Option 3
Appendix J	Precept Options 2014-15 as per Option 1
Appendix K	Precept Options 2014-15 as per Option 2
Appendix L	Precept Options 2014-15 as per Option 3

Decision:

It is recommended that the Police and Crime Panel:

a) Notes the proposed Revenue Budget and Capital Programme for 2014-15, the medium term financial strategy 2014-15 to 2017-18 and the funding and financial strategies.

b) Endorses the proposal of the Police and Crime Commissioner to increase the police and crime element of the council tax in 2014-15 by a maximum of 1.97% (£3.96 per annum) to £204.75 at Band D, subject to determination by the government of the referendum trigger.

Police and Crime Commissioner	
Signature: Electronically signed	**Date:** 21 January 2014

PART 1 – NON-CONFIDENTIAL

1. OVERVIEW

1.1 The decision on the level of the precept/council tax and the Revenue Budget and Capital Programme needs to be made in the context of medium to longer term forecasts, particularly in the current uncertain global and national economic climate. Determination of the precept therefore needs to be seen, not as a one-off decision in relation to next year, but as part of a strategy in relation to policing and crime over the medium to long-term. The precept options and the budget proposals within this 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 the stated assumptions.

1.2 An integrated approach is taken to service and financial planning. The proposals in this report are consistent with the manifesto commitments of the Norfolk Police and Crime Commissioner (PCC).

- KEEPING Norfolk one of the lowest crime counties in the country
- FIGHTING serious and organised crime
- SUPPORTING victims of crime, vulnerable and elderly people
- PROTECTING the frontline in the face of cuts
- PROTECTING local policing from privatisation
- USING targeting and prevention to reduce demand on police
- WORKING with young people to stay clear of crime
- LISTENING carefully to the community, reaching out to minority communities and the disengaged to ensure policing is fair and equitable
- REJECTING party politics and work with other Independents to provide a national voice
- USING Restorative Justice to achieve long-lasting solutions

1.3 The proposals are also consistent with the Police and Crime Plan for 2014-15 which is being prepared and overall strategic objectives of:

- Reducing priority crime, anti-social behaviour and reoffending
- Reducing vulnerability, promote equality and support victims
- Reducing the need for service, through preventative and restorative approaches and more joined up working with partners; protecting the availability of front line resources

1.4 The constabulary faces considerable service pressures including significantly increased demand in the area of vulnerability in the wake of recently discovered and nationally well publicised abuse cases. The Chief Constable's advice to the PCC on how to meet this demand in this critical area is reflected in the spending assumptions within these plans.

1.5 In accordance with the requirements of the Police and Crime Panel (Precepts and Chief Constable Appointments) Regulations 2012, a precept is to be proposed for 2014-15. In doing so, advice from the Chief Constable has been considered alongside views from the community, key stakeholders and public sector bodies in the police, community safety and local criminal justice areas.

2. Overview of key financial issues

Provisional Grant Settlement

2.1 The provisional PCC grant settlement for 2014-15 was announced on 18 December 2013. The Home Office did not provide any information on individual PCC grants for 2015-16. The provisional grant settlement for 2014-15 will not be confirmed until February 2014. 2014-15 is the fourth and final year of the Spending Review Period 2011-12 to 2014-15.

2.2 Home Office Policing Grants are included within Spending Review. In June 2013 the Government announced the result of the 2015-16 Spending Review. This was for one year only, pending a general election in May 2015.

Grant damping and the Police Funding Formula

2.3 There were no changes to grant damping in 2014-15 and all PCCs core government funding has been subject to the same cash reduction of 4.8% in comparison with 2013-14.

2.4 However, the Home Office is committed to reviewing the Police Funding Formula, and as a result there could be changes to the grant damping mechanism. The Home Office is currently working on the basis that any changes would be implemented in 2016-17 at the earliest. Any change could have significant implications for police funding locally. This will be at a time when, it is clear from statements made by the Chancellor, that public expenditure will face considerable reductions until at least 2020. With all this uncertainty, a prudent and flexible approach to financial planning is essential and has been adopted.

Use of reserves

2.5 This report updates previous guidance issued at the PCC / Chief Constable Bi-lateral meeting held on the 6th September 2013 and the conclusion remains the same as in that report. The proposals in this report present a budget for 2014-15 that requires approximately £2.9m of support from the Budget Support Reserve if there was no precept rise in 2014-15, by £2.4m if the precept is increased by 1.97%, and by £3.4m if the precept is reduced by 1%. The ongoing use of this reserve over the medium term is a key factor within the overall financing of future budgets. Based on current assumptions, this will be of considerable assistance until 2017-18; thereafter there will be a need to deliver savings to replenish the reserve.

Savings

2.6 This report assumes that the remaining £2.053m of savings previously agreed for the current Spending Review period ending in 2014-15 will be fully delivered by early 2016-17. A significant level of savings has already been delivered (see section 3) but some will fall into 2016-17 due to the need to develop major systems and processes to deliver change and efficiencies.

2.7 Beyond this, the Chief Constable is developing plans to identify significant savings to address the impact of the Spending Review announcement in June 2013 that related to 2015-16 and the impact that this has up to 2017-18.

2.8 This report includes cumulative savings by 2017-18 of £3.7m that are identified and well developed in planning terms and have been discussed and agreed between the PCC and CC. This will still leave a deficit of between £16.7m and £20.5m by 2017-18 dependent on whether a precept is levied throughout the medium term (see Appendices G, H and I "Deficit after known savings" line).

2.9 In order to bridge this gap additional savings plans are being progressed. Appendices G, H and I show indicative cumulative savings figures of £7.6m for these additional savings plans. These plans need to be fully developed and agreed between PCC and CC, and with counterparts in Suffolk where these plans affect joint areas of the collaboration.

Uncertainty over the medium-term

2.10 There is considerable uncertainty over future levels of government grant. The Autumn Statement of 2013 stated there would be further reductions to overall Home Office grant in 2015-16. The implications for police funding are unknown and all forecasts for 2015-16 onwards show considerable reductions in public expenditure.

2.11 The Chief Constable already faces a very considerable challenge to meet the budget reductions as shown in this report, but these will be further compounded by additional grant reductions beyond 2017-18.

2.12 It is also important to note that if the main Home Office grant to the police is further reduced by 0.5% beyond current planning assumptions this will reduce funding by £0.435m per annum. A sensitivity analysis showing the impact of changes to the main planning factors is included in this report at paragraph 7.6.

2.13 On current grant and inflationary assumptions, there is the potential that there will be a real terms reduction in budgets of up to 13% by the end of 2017-18 when compared to 2013-14. Even if the precept was increased by 2% each year during the medium term, the real terms reduction is still 10%.

2.14 For the reasons outlined above there will be serious and significant implications for policing. It is essential that the financial strategy remains fluid and is kept under continual review.

2.15 During the coming year, there will be reviews of future funding, planning assumptions and service prospects undertaken in consultation with the Chief Constable. With the extensive collaboration arrangements with Suffolk, this will be undertaken with the Suffolk PCC and Chief Constable.

3. Collaboration and The Challenge Programme

3.1 Norfolk and Suffolk continue with the strategy of collaboration that is recognised by HMIC as an "exemplar" partnership, and 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.

3.2 The Chief Constable has a number of work-streams that sit under an overarching and 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.

3.3 The programme has 5 principal work streams, the first three of which are in collaboration with Suffolk:

- 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.
- Norfolk Change Initiatives – reviewing efficiencies that could be achieved on non-collaborated aspects of the constabulary.
- Other regional initiatives – including eastern region initiatives for Serious and Organised Crime.

3.4 Currently, the forecast is that the savings from the original programme will be fully realised by the end of 2016-17. The majority of the final element of savings will be delivered through the implementation of new software systems to deliver the change. The programme and associated risks are under constant monitoring.

3.5 The table below shows the significant progress that has been made in implementing the original CSR1 element of the Challenge Programme. In total, some £12.7m of savings are anticipated from the programme specific to Norfolk, of which some £10.7m has already been taken into account in previous budgets. The remaining balance of savings of £2.05m for 2014-15, 2015-16 and 2016-17 have been included within the assumptions in this report.

	2009/10 to 2013/14	2014/15	2015/16	2016/17	Total
	£000	£000	£000	£000	£000
Business Support Review	4,976	667	215	742	6,600
Protective Services	3,019	124	-	-	3,143
Operational Collaboration	438	195	12	35	680
Norfolk-only	2,164	62			2,226
Regional	87				87
Total	10,684	1,048	227	777	12,736

3.6 In June 2013 the Comprehensive 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 2017-18.

3.7 During the budget setting process within the constabulary an additional £1.540m of savings has been identified to be removed from budgets in 2014-15, and this contributes to bridging the gap created by CSR2.

3.8 After the £1.540m savings have been set against the medium-term financial plan (see Appendices G, H and I) the “Deficit after known savings” ranges between £16.7m and £20.5m by 2017-18 depending on the precept strategy.

3.9 In order to address a significant part of this projected deficit, new projects for the Challenge Programme are being developed to address the CSR2 targets. Most of the work involves continuing to develop the collaborative arrangements with Suffolk as set out on the previous page, although there remain some Norfolk-only initiatives.

These projects covering the entirety of the organisation include:

- A review of the Norfolk policing model including cross-border working with Suffolk, and a review of customer access arrangements.
- A further review of Protective Services including greater collaboration with the eastern region on serious and organised crime.
- The development of options around Control Room arrangements
- The development of a Shared Services Partnership for back-office functions including Finance, HR and ICT.
- A review of arrangements around Operational Business Support across both counties.
- A zero based budget review of constabulary services to be developed during 2014-15.

3.10 Currently, these projects are estimated to deliver approximately £7.6m of additional savings over the medium-term financial planning period and thus reducing the forecast 2017-18 deficit to £9.0m and £12.9m dependant on the precept strategy.

3.11 However, these projects require more detailed work, and therefore the figures outlined contain more risk than the other savings figures. 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.

3.12 All collaborative initiatives are being co-ordinated and overseen by a Programme Management Office working within the joint Strategic Change Department and led by an Assistant Chief Constable.

2014-15 REVENUE BUDGET

4. Budget process and consultation

4.1 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 and the Norfolk and Suffolk Offices of the PCC.

4.2 Chief Officers met with senior managers and reviewed and challenged progress on savings targets, and pressures for 2014-15 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.

4.3 Section 134 of the Local Government Act, requires consultation with business rate payers and there is also a general responsibility to consult with the public. Two open public consultation meetings were held in King's Lynn, and County Hall, Norwich on 9th January 2014. At both meetings there was support for the PCC and the Chief Constable and a clear majority in favour of a council tax increase of 2%.

4.4 The Office of the Police and Crime Commissioner has also been running an online poll seeking residents views on the levels of council tax for next year. A majority (~52%) are in favour of a 2% increase.

5. Home Office Grant 2014-15

5.1 There have been a number of changes to Government funding for 2014-15.

	2013-14 £m	**2014-15 £m**	**Reduction %**
Home Office Core Grant / Community Safety Grant	56.524	53.799	4.8%
DCLG funding	31.389	29.924	4.7%
Total General Grant Allocation	87.913	83.723	4.8%

5.2 In 2013-14 a Community Safety Grant (CSG) of £0.7m was received from the Home Office. This grant and a further £0.4m (total £1.1m) is being used by the PCC to provide grants and commissioning support to encourage partnership outcomes across a wide range of community safety and crime and disorder reduction activities. In 2014-15 this separate grant has been discontinued but the PCC has again budgeted to spend £1.1m in 2014-15. More information on allocations is currently being communicated to partners and details will be included in the Police and Crime Plan 2014-15.

5.3 In addition to the overall grant figures at paragraph 5.1, a Council Tax Freeze Grant of £1.4m will also be received. This relates to the decision of the previous Police Authority to freeze the Council Tax in 2011-12. The Council Tax Freeze Grant will be received in 2014-15 and was extended to 2015-16 in the June 2013 CSR announcement.

5.4 From April 2013 the Government made significant changes to Council Tax Benefit arrangements. These changes impacted on all local authorities as well as PCCs.

5.5 As a result of these changes the PCCs receive a Council Tax Benefit Grant paid to all billing and precepting authorities. The Norfolk PCC will receive £7.877m.

5.6 The Home Office grant for 2014-15 for Norfolk has been topsliced by approximately £1.3m. The Government has taken this step to create £50m for the national Police Innovation Fund, £18m to make changes to improve the capability of the Independent Police Complaints Commission (IPCC), and set aside additional monies for Her Majesty's Inspectorate of Constabulary (£9m) and the College of Policing (£3m).

5.7 Norfolk and Suffolk 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.

5.8 In respect of the IPCC top-slicing, it should be noted that the Home Office is not assuming that Professional Standards Departments within forces will be reduced despite the transfer of the grant to the Home Office.

6. Council Tax Income

6.1 District Councils calculate council tax income each year using the estimated number of dwellings and collection rates. The changes to Council Tax benefit have added considerable complexity to these calculations. Variations between actual and estimated income are reflected in the District Council collection fund. A surplus or deficit on the collection fund is allocated between the District Council, the County Council and the PCC in proportion to their share of the overall council tax income. In recent years there has tended to be an overall surplus on the collection fund.

6.2 The Council Tax base figures which have been provided by the District Councils are provisional at this stage. The final figures, which are then notified to the Government, will not be available until the end of January 2014.

6.3 The Government has announced a council tax freeze scheme for 2014-15. If the precept is frozen at the same level as 2013-14, this would provide a Government grant of approximately £0.526m for 2014-15 and again in 2015-16.

6.4 Within the overall budget, over 80% relates to costs including salaries which need to be met on a recurring basis. If the Council Tax Freeze Grant is accepted, this would mean that recurring costs would be funded by a grant which would end after 2 years, and at a time when Government grant will be significantly reduced. The level of the precept is a matter for the PCC to determine in consultation with the PCP.

6.5 When the provisional settlement for 2014-15 was announced the government gave a provisional indication of the threshold (2%) for precept increase that would trigger a referendum. More recently the Secretary of State for Communities and Local Government has suggested it should be lower than 2% and that all authorities (including PCCs) should accept the offered 2014-15 Council Tax

Freeze Grant. The best information is that the limit will be set at somewhere between 1% and 2% and that the final announcement will be made with the final settlement (around 3 February). This is **after** the date by which the PCC is required to submit his proposed budget and precept to the Panel (1 February). If the PCC was to breach the limit a referendum would be required and this would be held on the 22 May 2014 with European Parliamentary Elections. Although the referendum costs would be lower there would be considerable uncertainty about the outcome with the potential for all District Councils having to re-bill if the proposed increase in precept was rejected. As all the costs involved would need to be fully funded by the PCC, he has no intention of triggering a referendum.

7. **Financial Planning Assumptions**

7.1 A significant budget pressure 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 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. This will have implications for both the OPCC and Constabulary budgets.

7.2 The cost is estimated to be £2m and has been included in the forecast in Appendices G, H and I from 2016-17 onwards.

7.3 The government has indicated that the council tax freeze grants that have been paid to PCCs for freezing council tax in previous years will become part of the main Home Office grant baseline. This has been reflected in the figures in this report. However, this approach may require the government to increase the level of grant reductions in future years to fund this.

7.4 In addition, the following financial planning assumptions have been used.

	2014-15	2015-16	2016-17	2017-18
Government grant *	-4.8%	-4%	-4%	-4%
Council tax base change	1.6%	0%	0%	0%
Collection fund surplus	£430k	£150k	£150k	£150k
Pay awards - officers	1%	1%	1%	1%
Pay awards - staff	1%	1%	1%	1%
Non-pay inflation (average)	2%	2%	2%	2%
Borrowing (long term)	5%	5%	5%	5%
Investments	0.6%	0.9%	0.9%	0.9%

* to be reviewed later in the year following Home Office decision on 2015-16 reductions.

7.5 It should be noted that inflationary pressures could change over the period of the medium-term and the impact of these changes can be seen in the sensitivity analysis below.

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

	Variation	Variation £000
Government grant	1.0%	870
Tax base increase	0.5%	250
Collection fund surplus	£100k	100
Precept	1.0%	520
Pay awards – officers (full year impact)	1.0%	820
Pay awards – staff (full year impact)	1.0%	420
Non-pay inflation	1.0%	280
Cash Investments	1.0%	280

7.7 All the financial planning assumptions will be kept under review.

8. Council Tax Options

8.1 The Chief Constable has been consulted on possible precept options for 2014-15 and has considered these options in the context of the increasing demand pressures faced by the police, as well as the financial pressures outlined in this report.

8.2 In Norfolk, even though traditional types of crime have been falling, there have been significant increases in serious sexual offences, domestic abuse, child sexual exploitation, adult abuse, and internet related crime. The Chief Constable does not anticipate the demands in these areas to fall over the medium-term.

8.3 In the Spring of 2014 the Chief Constable will present a series of detailed proposals on policing over the medium-term to the PCC. These plans will look to address the increasing demands described above, while also delivering the savings plans as outlined in section 3.

8.4 Appendices G, H and I shows the financial impact of 3 options for the PCC precept. These options show the range of the possible funding gap by 2017-18:

Option 1 – 0% increase in precept over the life of the medium-term plan, and accept the Council Tax Freeze Grant for 2014-15 and 2015-16. It is assumed there will be no similar grants available beyond 2015-16.
Option 2 – 1.9722% increase in Council Tax in 2014-15, and up to 2% in each year of the remainder of the medium-term plan.
Option 3 – Minus 1% precept in 2014-15 and accept the Council Tax Freeze Grant for 2014-15 and 2015-16. It is assumed there will be no similar grants available beyond 2015-16.

8.5 Option 2 would still mean the PCC would face a budget deficit of £9m by 2017-18 with further reductions in future years. However, if option 1 or 3 was chosen the budget deficit would be even higher, at £12.3m or £12.9m respectively, with serious consequences for policing and community safety in Norfolk.

8.6 It should also be noted that under option 1 or 3 additional cuts of between £5.2m and £7.4m would be required in 2017-18 to prevent the Budget Support Reserve from running out (see Appendices C, G, H and I).

8.7 The Constabulary has seen substantial increases in investigative and safeguarding demands placed upon its vulnerability and partnerships command area in the last two years. These have been driven by high profile national events, such as the Savile revelations, inspectorate reports and child sexual exploitation cases. The additional work and complexity in these areas has led the Chief Constable to determine that substantial additional resources are needed to effectively manage the increased demands in this high risk area.

8.8 Given the pressures outlined, and the context of the medium-term financial picture, the Chief Constable recommends that the PCC raises the precept by 1.97% in 2014-15.

8.9 **Having considered the advice of the Chief Constable, advisers, community views and the overall financial situation for the medium to long-term, but SUBJECT TO the final announcement on the referendum trigger, a council tax increase of 1.9722% is proposed for 2014-15.**

CAPITAL PROGRAMME

9. Outline

9.1 The Capital Programme plays an integral part in delivering the infrastructure that enables the Chief Constable to maintain and improve operational performance. The revenue consequences of the Capital Programme have been taken fully into account wherever they are known and assessed.

9.2 Appendix B provides an analysis of the outline Capital Programme over the medium term. The table below summarises these spending plans.

	2014-15 £000	**2015-16 £000**	**2016-17 £000**	**2017-18 £000**
ICT Replacement	1,846	1,000	1,155	795
Other ICT Related Projects and Schemes	318	85	0	0
Vehicles and Equipment	1,560	1,411	1,422	1,270
Building Schemes	1,026	6,266	4,150	500
Total	**4,750**	**8,762**	**6,727**	**2,565**

- Total Programme for 2014-15 includes anticipated slippage from 2013/14
- NB Individual projects will require project appraisals to be undertaken considering the impact on future revenue budgets and other factors.

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

9.4 Key aspects of the programme are outlined below.

10. Other ICT Related Projects and Schemes

10.1 This section contains some one off expenditure for specific items, including some significant collaborative arrangements designed to deliver future efficiencies including:

- Replacement of Back Office System (ERP) – A contract has now been signed for the implementation of an Enterprise Resource Planning system for Norfolk and Suffolk (covering Finance, Payroll, Procurement, Duties Management, HR and Learning and Development). This includes the Norfolk share of indicative spending in the year of £1m.

11. Vehicles and Equipment

11.1 This section includes;

- Vehicle and body armour within the Norfolk replacement programme

- New joint arrangements for a Police Support Unit training facility and print room designed to deliver future efficiencies.

12. Building Schemes

12.1 The police estate still has buildings which need to be adapted to meet future policing requirements, including the former headquarters buildings in Norwich, King's Lynn and Great Yarmouth. Allied to this, discussions are ongoing with partners around sharing of premises and potential accommodation requirements on the border of Norfolk and Suffolk.

12.2 Due to this uncertainty, there is slippage of £1.026m from 2013-14 into 2014-15. A building replacement programme has now been included over the next 3 years in respect of the Long Term Estates Strategy.

13. Capital Financing

13.1 The following financing sources have been identified for the outline capital programme. These will be updated wherever there are changes to the programme.

	2014-15 £000	2015-16 £000	2016-17 £000	2017-18 £000
Capital Receipts	752	330	1,200	500
Capital Grant	1,300	1,300	1,300	1,300
Specific Grants				
Borrowing	2,648	7,082	4,177	715
Revenue Contribution	50	50	50	50
Total	**4,750**	**8,762**	**6,727**	**2,565**

13.2 A capital grant is received from the Home Office. This totals £1.3m for 2014-15. No information is available from the Home office on future levels of capital grant.

13.3 Since 2009-10 interest rates for borrowing have been higher than the rates obtainable for the investment of funds. Consequently, since that time the agreed Treasury Management Strategy has been to borrow funds internally in the first instance from cash that would otherwise have been invested. The cash flow position suggests that borrowing relating to 2014-15 can also be covered internally in the first instance. Therefore, no additional borrowing costs have been built into the revenue budget next year. However, the situation will be monitored during the year in order to identify the most advantageous policy.

14. Compliance with the Prudential Code

14.1 The level of borrowing for the Capital Programme needs to be based on capital investment plans that are affordable, prudent and sustainable. Treasury management decisions need to be taken in accordance with best professional practice outlined in a Prudential Code published by CIPFA.

14.2 To demonstrate that objectives of affordability, prudence and sustainability have been achieved, the Prudential Code requires Prudential Indicators to be determined by the PCC. These 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 2014-15 are provided in Appendix D. For illustrative purposes the indicators are based on a Council Tax increase in 2014-15 of 1.97%. If other options are chosen, this will not make any material difference to the figures. Progress against the indicators will be monitored throughout the year.

14.3 A number of treasury management indicators were formerly reported as part of the suite of Prudential Indicators. The latest Code of Practice for Treasury Management recommends that these now form part of the Treasury Management Strategy. Accordingly, they are now incorporated in this Strategy, at Appendix E.

RESERVES AND RISK MANAGEMENT

15. Background

15.1 The PCC's reserves comprise two main categories:

- General Reserve – held to enable the PCC to manage unplanned or unforeseen events. In forming a view on the level of the General Reserve, account is taken of the level of financial control, comparisons with similar bodies and the risk of unforeseen expenditure occurring, such as for major operations.

- Earmarked Reserves – These are reserves held for a specific purpose.

15.2 The PCC complies with the definition of reserves contained within CIPFA's Accounting Code of Practice.

15.3 General and earmarked reserves play a vital role in the financial management and financial standing of the PCC. The current policy of the PCC is to maintain the general reserve at around 3% of net revenue expenditure. This strategy maintains that position.

15.4 Through sound financial management the PCC has set aside earmarked reserves to meet future spending needs. Two in particular are critical to the financial strategy in this report, namely the Budget Support Reserve and the Invest to Save Reserve.

16. Budget Support Reserve

16.1 The Budget Support Reserve is designed to support the budget over the medium term in order to help offset the effects of significant future budget reductions. The use of the reserve has been modelled when considering the precept options. The Reserve will be fully used by 2017-18 under each of the options.

17. Invest-to-Save Reserve

17.1 The Invest to Save Reserve provides funding for one off costs associated with restructuring and similar expenditure. Examples include funding of redundancies from the savings programmes, and support of a number of temporary posts for the collaboration agenda. There could be a balance remaining on the reserve by the end of 2017-18. Whether this would continue to be held or used to fund the overall budget will be reviewed.

18. Forecast Use of Reserves

18.1 A forecast for the use of the reserves is shown in Appendix C.

19. Earmarked reserves

19.1 A description of each of the PCC's earmarked reserves is set out below. Each the reserve is periodically reviewed to ensure that the level of funding is still appropriate for the purpose of the reserve.

• Insurance	Allows for anticipated future claims beyond the provision included in the budget. The level of reserve is reviewed by independent actuarial advisers.
• Operational Contingency	Used to support the cost of major operations where they exceed the budget provision.
• OCC Unitary Charge	The reserve represents the excess of PFI government grant over and above the unitary charge for the OCC building at Wymondham during the early years of the contract. The reserve will be written off over the remaining life of the contract.
• PIC Unitary Charge	The reserve represents the excess of PFI government grant over and above the unitary charge for the Police Investigation Centres during the first year of the contract. The reserve will be written off over the remaining life of the contract.
• Budget Support	Used to support the budget over the medium term to help offset significant budget reductions.
• Invest to Save	Used to support one off investment on organisational change and projects that will generate future savings and benefits.
• Job Evaluation	Allows for potential costs arising from the job evaluation review.

SECTION 25 RESPONSIBILITIES

20. Background

20.1 Section 25 of Part II of the Local Government Act 2003 places responsibility on the PCC Chief Finance Officer (CFO) to report on the robustness of the budget estimates, the adequacy of balances and reserves and issues of risk. The PCC CFO confirms that he can provide all the required statutory assurances.

21. Robustness of the Budget

21.1 The budget proposals have been through a rigorous process of assessment by officers, with particular scrutiny by Constabulary executive officers, both individually and as a group.

21.2 Whilst there are always risks on delivering savings, controls will be maintained on overall numbers of officers and staff meaning that spending levels will be contained overall. Identified savings will be removed from budgets prior to allocation at the start of the financial year.

21.3 The purpose and proposed use of reserves is outlined in this report. The PCC

CFO has considered the proposed level of reserves and believes that they are adequate for the purposes for which they were intended.

22. Risk and the Budget

22.1 Risk management is a key consideration for the PCC and the Chief Constable. There is an overall risk management strategy. Risk management is embedded throughout and is an integral part of the decision making process. Local risk registers are in use throughout the Constabulary and significant risks are reported to the corporate level.

22.2 The Chief Constable's corporate risk register is updated on an ongoing basis and presented for review to the Command Team on a regular basis. A dedicated risk manager is in place to support the process. This Chief Constable corporate risk register is combined with the PCC risk register to facilitate an overall approach to risk management.

22.3 The main risks that may impact upon the delivery of the 2014-15 budget and Capital Programme are:

- Exceptional demands placed upon the service, particularly in relation to major incidents
- Requirements of new legislation or government directives
- Achieving the required outcomes from collaboration with other forces
- Delivering the planned level of savings
- Maintaining an acceptable level of performance with a shrinking resource base

22.4 To manage these risks it is essential that there is a robust monitoring procedure, and action is taken to offset the risks with continual review processes.

23. Efficiency

23.1 Implicit throughout all financial planning is the need to deliver efficiency and value for money (VFM) including partnership arrangements. There is a strong VFM focus through representation on a national high level working group and an internal working group which reviews a VFM strategy and HMIC profiles.

24. Treasury Management Strategy

24.1 Government regulations require the PCC to approve an annual investment strategy prior to the start of the financial year. This is incorporated within an over-arching treasury management strategy. The proposed strategy is shown in Appendix E.

25. Minimum Revenue Provision Statement

25.1 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 place a duty on local authorities including the PCC to make a Minimum Revenue Provision (MRP) each year that is considered to be "prudent". The regulations are backed up by statutory guidance to which local authorities and PCC are required to have regard. The guidance requires that an annual MRP statement is agreed. The statement for 2013-14 at Appendix F accords with this guidance.

CONCLUSION

26.1 This report outlines the proposed precept and the medium term financial strategy for the period 2014-15 to 2017-18. The level of policing that can be provided in future years faces considerable challenge and much uncertainty. Prudent and flexible financial planning is essential and must be kept under review.

26.2 The level of the Budget Support Reserve and its assistance in funding the budget in future years is a key factor in overall planning. On current projections, this Reserve will not be available from 2017-18 necessitating that it is replaced by recurring savings or budget reductions. On current projections there could be a funding gap of up to £12.3m from 2017-18 if a strategy of 0% precept was adopted. Even with different planning assumptions, although the total level of the gap would change, there will still be a very significant funding gap to face. Policing faces a very significant and serious challenge.

OTHER IMPLICATIONS

The allocation of resources in accordance with the annual budget has impact implications for all areas of business. All of these are referred to in the report except diversity and sustainability. There are no specific diversity impacts. The budget reflects potential reductions in the use of natural resources. All significant projects, business cases and policy decisions are required to be reviewed for sustainability implications.

PUBLIC ACCESS TO INFORMATION: *Information contained within this submission is subject to the Freedom of Information Act 2000 and wherever possible will be made available on the OPCC website. Submissions should be labelled as 'Not Protectively Marked' unless any of the material is 'restricted' or 'confidential'. Where information contained within the submission is 'restricted' or 'confidential' it should be highlighted, along with the reason why.*

APPENDIX A

ANALYSIS OF SIGNIFICANT BUDGET CHANGES FROM 2013-14 TO 2014-15

		£000	£000
Original Base Budget 2013-14			**149,787**
Appropriation changes			322
Net Expenditure Before Appropriations			**150,109**
Inflation			1,792
Repriced Base Budget			**151,901**
Continuity Commitments			
Rent & Housing Allowances		(240)	
Winsor 1 reduction Competency Related Threshold Payments		(187)	
Effect of timing of Bank Holidays		123	
Local Government Pension Scheme % increase		349	
Community Safety Fund Partnership Funding increase 14-15		82	
Net effect of other minor variations		112	
			239
Policy Commitments			
Contract increase		283	
National security	*	1,395	
Job Evaluation Scheme		520	
			2,198
Specific Grants			
Loan charges grant - cessation		16	
Community Safety Grant adjustment to main grant		669	
National security grant	*	(1,395)	
			(710)
Commitment Budget			**153,628**
Policy Changes			
Police Officer and staff abatement		909	
3 months delay in recruitment		(195)	
Regional posts		(600)	
			114
New Service Devopments			
Evidence Based policing		250	
County Policing Command contingency		100	
Academic partnership		250	
			600
Cost Pressures			
Vulnerabilty Command		656	
Norfolk only permanent growth		552	
Norfolk only temporary growth for 12 months		186	
Joint permanent Growth		263	
Joint temporary growth for 12 months		883	
			2,540

		APPENDIX A contd
Budget Reductions & Savings		
Challenge Programme		
CSR1 savings - already identified		
Business Support Review	(578)	
Criminal Justice	(169)	
Protective Services	(107)	
Norfolk	(54)	
Additional savings arising through delivery of projects	(141)	
	(1,049)	
CSR 2 savings - already identified		
Scrutiny savings identified - Joint	(604)	
Scrutiny savings identified - Norfolk only	(763)	
Conferences	(32)	
Joint Contract savings	(141)	
	(1,540)	
Additional CSR2 planned project savings	(937)	
		(3,526)
Financing		
Interest payment - NCC loan	(9)	
Minimum Revenue Provision	328	
Interest received	(7)	
		312
Changes to Appropriations to Balances & Reserves		
Budget Support Reserve movement in 2013-14	(2,302)	
		(2,302)
Net expenditure budget before appropriations		**151,366**
Budget Option 1 - 0% Precept		
Changes to Appropriations to balances & Reserves		
Strategic Change Dept posts	(151)	
Enterprise Resource Planning Backfill	(283)	
Job Evaluation Reserve	(520)	
Budget Support Reserve to balance	(2,923)	
		(3,877)
Funding / budget requirement		**147,489**
Budget Option 2 - 1.972% Precept		
Changes to Appropriations to balances & Reserves		
Strategic Change Dept posts	(151)	
Enterprise Resource Planning Backfill	(283)	
Job Evaluation Reserve	(520)	
Budget Support Reserve to balance	(2,403)	
		(3,357)
Funding / budget requirement		**148,009**
Budget Option 3 - decrease 1% Precept		
Changes to Appropriations to balances & Reserves		
Strategic Change Dept posts	(151)	
Enterprise Resource Planning Backfill	(283)	
Job Evaluation Reserve	(520)	
Budget Support Reserve to balance	(3,474)	
		(4,428)
Funding / budget requirement		**146,938**

APPENDIX Bi

OUTLINE CAPITAL PROGRAMME 2013-14 TO 2017-18

	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	C/fwd	New Requirement	Inc c/fwd	Outline	Outline	Outline
ICT Replacement Programme	£000	£000	£000	£000	£000	£000
Norfolk Only Projects						
Desktop Services		116	116	152	152	152
Communications		30	30	20	406	198
PNN4 (PSN)	10		10			
Joint Norfolk / Suffolk projects (Norfolk share)						
Desktop Services		68	68	34	34	34
Applications		115	115	162	134	197
Communications		12	12	17	17	17
IP Call Manager		67	67			
LAN/WAN Tech Refresh		130	130	226	339	113
Network Tools		6	6			
Voice Recorder				85		
ANPR Cameras		45	45	45	23	23
ANPR BOF		153	153			11
Microwave Tech Refresh			0	50	50	50
Confidential Network		50	50			
CCR Telephony	139		139			
ERP	724	101	825	209		
STORM	80		80			
Total ICT Replacement Programme	953	893	1,846	1,000	1,155	795

	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	C/fwd	New Requirement	Inc c/fwd	Outline	Outline	Outline
Projects & Other ICT Related Schemes	£000	£000	£000	£000	£000	£000
Joint Norfolk / Suffolk projects (Norfolk share)						
Electronic Access Control Rationalisation		233	233			
Live Link		85	85	85		
Total Projects & ICT Related Programme	0	318	318	85	0	0

APPENDIX Bii

Vehicles and Equipment	2013-14 C/fwd £000	2014-15 New Requirement £000	2014-15 Inc c/fwd £000	2015-16 Outline £000	2016-17 Outline £000	2017-18 Outline £000
Norfolk Only Projects						
Patrol Body Armour		172	172	226	131	92
Firearms Body Armour & Ballistic Shields		40	40	34	1	3
Vehicle Replacement Programme	60	1,278	1,338	1,151	1,290	1,175
Joint Norfolk / Suffolk projects (Norfolk share)						
New print room		10	10			
Total Vehicles & Equipment Programme	60	1,500	1,560	1,411	1,422	1,270

Building Schemes	2013-14 C/fwd £000	2014-15 New Requirement £000	2014-15 Inc c/fwd £000	2015-16 Outline £000	2016-17 Outline £000	2017-18 Outline £000
Norfolk Only Projects						
LTES	930	0	930	6,266	4,150	500
Joint Norfolk / Suffolk projects (Norfolk share)						
PSU Training Facility	96		96			
Total Building Programme	1,026	0	1,026	6,266	4,150	500

APPENDIX Biii

SUMMARY OUTLINE CAPITAL PROGRAMME 2013-14 TO 2017-18

	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	C/fwd	New Requirement	Inc c/fwd	Outline	Outline	Outline
	£000	£000	£000	£000	£000	£000
ICT Replacement Programme	953	893	1,846	1,000	1,155	795
Projects & Other ICT Related	0	318	318	85	0	0
Vehicles and Equipment	60	1,500	1,560	1,411	1,422	1,270
Building Schemes	1,026	0	1,026	6,266	4,150	500
TOTAL PROGRAMME	2,039	2,711	4,750	8,762	6,727	2,565

OUTLINE FUNDING OF CAPITAL PROGRAMME 2013-14 TO 2017-18

	2014-15	2015-16	2016-17	2017-18
	£000	£000	£000	£000
Capital Receipts	752	330	1,200	500
General Capital Grant	1,300	1,300	1,300	1,300
Other Specific Grants				
Borrowing	2,648	7,082	4,177	715
Revenue Contribution	50	50	50	50
TOTAL FUNDING	4,750	8,762	6,727	2,565

Borrowing may be undertaken internally in the first instance from temporary cash resources, dependent upon the cash flow and interest rate position.

FORECAST MOVEMENT IN GENERAL BALANCES AND EARMARKED RESERVES 2013-14 to 2017-18

APPENDIX Ci

Option 1 - 0% CT increase

	Total General Reserves	OCC Sinking Fund £000	PIC Sinking Fund £000	Insurance £000	Operational Contingency £000	Budget Support £000		Invest to Save £000	Job Evaluation £000	Safety Camera £000	PCC £000	Total Earmarked Reserves £000
31/03/2013 Actual	**4,475**	**2,000**	**456**	**786**	**400**	**19,521**		**2,000**	**3,200**	**1,194**	**539**	**30,096**
Proposed Changes 2013/14:												
Transfer to Revenue from Reserves		(80)	(18)							(817)	(110)	**(1,025)**
Transfer from Revenue to Reserves						2,302						**2,302**
31/03/2014 Forecast	**4,475**	**1,920**	**438**	**786**	**400**	**21,823**		**2,000**	**3,200**	**377**	**429**	**31,373**
Proposed Changes 2014/15:												
Transfer to Revenue from Reserves		(80)	(18)			(2,923)		(434)	(520)			**(3,975)**
Transfer from Revenue to Reserves												
31/03/2015 Forecast	**4,475**	**1,840**	**420**	**786**	**400**	**18,900**		**1,566**	**2,680**	**377**	**429**	**27,398**
Proposed Changes 2015/16:												
Transfer to Revenue from Reserves		(80)	(18)			(4,149)		(76)	(1,040)			**(5,363)**
Transfer from Revenue to Reserves												
31/03/2016 Forecast	**4,475**	**1,760**	**402**	**786**	**400**	**14,751**		**1,490**	**1,640**	**377**	**429**	**22,035**
Proposed Changes 2016/17:												
Transfer to Revenue from Reserves		(80)	(18)			(7,596)			(770)			**(8,464)**
Transfer from Revenue to Reserves												
31/03/2017 Forecast	**4,475**	**1,680**	**384**	**786**	**400**	**7,155**		**1,490**	**870**	**377**	**429**	**13,571**
Proposed Changes 2017/18:												
Transfer to Revenue from Reserves		(80)	(18)			(12,308)			(500)			**(12,906)**
Transfer from Revenue to Reserves												
31/03/2018 Forecast	**4,475**	**1,600**	**366**	**786**	**0**	**(5,153)**	*	**1,490**	**370**	**377**	**429**	**665**

*** Under this option the constabulary would need to make additional savings of at least £5.1m in 2017-18 to prevent the budget support reserve from running out.**

APPENDIX Cii

Option 2 - 1.972% CT increase

	Total General Reserves £000	OCC Sinking Fund £000	PIC Sinking Fund £000	Insurance £000	Operational Contingency £000	Budget Support £000	Invest to Save £000	Job Evaluation £000	Safety Camera £000	PCC £000	Total Earmarked Reserves £000
31/03/2013 Actual	**4,475**	**2,000**	**456**	**786**	**400**	**19,521**	**2,000**	**3,200**	**1,194**	**539**	**30,096**
Proposed Changes 2013/14:											
Transfer to Revenue from Reserves		(80)	(18)						(817)	(110)	**(1,025)**
Transfer from Revenue to Reserves						2,302					**2,302**
31/03/2014 Forecast	**4,475**	**1,920**	**438**	**786**	**400**	**21,823**	**2,000**	**3,200**	**377**	**429**	**31,373**
Proposed Changes 2014/15:											
Transfer to Revenue from Reserves		(80)	(18)			(2,403)	(434)	(520)			**(3,455)**
Transfer from Revenue to Reserves											
31/03/2015 Forecast	**4,475**	**1,840**	**420**	**786**	**400**	**19,420**	**1,566**	**2,680**	**377**	**429**	**27,918**
Proposed Changes 2015/16:											
Transfer to Revenue from Reserves		(80)	(18)			(3,085)	(76)	(1,040)			**(4,299)**
Transfer from Revenue to Reserves											
31/03/2016 Forecast	**4,475**	**1,760**	**402**	**786**	**400**	**16,335**	**1,490**	**1,640**	**377**	**429**	**23,619**
Proposed Changes 2016/17:											
Transfer to Revenue from Reserves		(80)	(18)			(5,429)		(770)			**(6,297)**
Transfer from Revenue to Reserves											
31/03/2017 Forecast	**4,475**	**1,680**	**384**	**786**	**400**	**10,906**	**1,490**	**870**	**377**	**429**	**17,322**
Proposed Changes 2017/18:											
Transfer to Revenue from Reserves		(80)	(18)			(9,014)		(500)			**(9,612)**
Transfer from Revenue to Reserves											
31/03/2018 Forecast	**4,475**	**1,600**	**366**	**786**	**400**	**1,892**	**1,490**	**370**	**377**	**429**	**7,710**

Option 3 - decrease 1% CT increase **APPENDIX Ciii**

	Total General Reserves	OCC Sinking Fund	PIC Sinking Fund	Insurance	Operational Contingency	Budget Support	Invest to Save	Job Evaluation	Safety Camera	PCC	Total Earmarked Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
31/03/2013 Actual	**4,475**	**2,000**	**456**	**786**	**400**	**19,521**	**2,000**	**3,200**	**1,194**	**539**	**30,096**
Proposed Changes 2013/14:											
Transfer to Revenue from Reserves		(80)	(18)						(817)	(110)	**(1,025)**
Transfer from Revenue to Reserves						2,302					**2,302**
31/03/2014 Forecast	**4,475**	**1,920**	**438**	**786**	**400**	**21,823**	**2,000**	**3,200**	**377**	**429**	**31,373**
Proposed Changes 2014/15:											
Transfer to Revenue from Reserves		(80)	(18)			(3,474)	(434)	(520)			**(4,526)**
Transfer from Revenue to Reserves											
31/03/2015 Forecast	**4,475**	**1,840**	**420**	**786**	**400**	**18,349**	**1,566**	**2,680**	**377**	**429**	**26,847**
Proposed Changes 2015/16:											
Transfer to Revenue from Reserves		(80)	(18)			(4,700)	(76)	(1,040)			**(5,914)**
Transfer from Revenue to Reserves											
31/03/2016 Forecast	**4,475**	**1,760**	**402**	**786**	**400**	**13,649**	**1,490**	**1,640**	**377**	**429**	**20,933**
Proposed Changes 2016/17:											
Transfer to Revenue from Reserves		(80)	(18)			(8,147)		(770)			**(9,015)**
Transfer from Revenue to Reserves											
31/03/2017 Forecast	**4,475**	**1,680**	**384**	**786**	**400**	**5,502**	**1,490**	**870**	**377**	**429**	**11,918**
Proposed Changes 2017/18:											
Transfer to Revenue from Reserves		(80)	(18)			(12,859)		(500)			**(13,457)**
Transfer from Revenue to Reserves											
31/03/2018 Forecast	**4,475**	**1,600**	**366**	**786**	**400**	**(7,357)** *	**1,490**	**370**	**377**	**429**	**(1,539)**

*** Under this option the constabulary would need to make additional savings of at least £7.4m in 2017-18 to prevent the budget support reserve from running out.**

Prudential Code Indicators 2014/15, 2015/16, 2016/17

1. Background

1.1 The Prudential Code for capital investment came into effect on 1st April 2004. It replaced the complex regulatory framework, which only allowed borrowing if specific government authorisation had been received. The Prudential system is one based on self-regulation. All borrowing undertaken is self-determined under the prudential code.

1.2 Under Prudential arrangements the PCC can determine the borrowing limit for capital expenditure. The Government does retain reserve powers to restrict borrowing if that is required for national economic reasons.

1.3 The key objectives of the Code are to ensure, within a clear framework, that capital investment plans are affordable, prudent and sustainable. The Code specifies indicators that must be used and factors that must be taken into account. The Code requires the PCC to set and monitor performance on:

- capital expenditure
- affordability
- external debt
- treasury management (now included within Treasury Management strategy)

1.4 The required indicators are:

- Capital Expenditure Payment Forecast
- Ratio of Capital Financing costs to Net Revenue Budget
- Capital Financing Requirement
- Net Borrowing for Capital Purposes
- Authorised Limit for External Debt
- Operational Boundary Limit for External Debt
- Incremental Impact of Capital Programme on Band D Council Tax

1.5 Once determined, the indicators can be changed so long as this is reported to the PCC.

1.6 Actual performance against indicators will be monitored throughout the year. All the indicators will be reviewed and updated annually.

1.7 Attached is a diagrammatic view of the indicators, setting out the relationship between indicators and their bases of calculation. The diagram shows for example, that the decision to finance capital expenditure from borrowing will increase outstanding debt on the balance sheet; which in turn results in interest payable on borrowing. Interest payable on borrowing is then compared with the net revenue budget to calculate the ratio of capital financing costs to net revenue budget indicator. Interest payable is also used to calculate the incremental impact on Band D Council Tax.

2. The Indicators

2.1 The **Capital Expenditure Payment Forecast** is detailed in Appendix B. The total estimated payments are:

	2014/15	2015/16	2016/17
	£m	£m	£m
Capital Expenditure Forecast	4.750	8.762	6.727

The PCC is being asked for approval to an overall Capital Programme based on the level of capital financing costs contained within the draft revenue budget.

2.2 The **ratio of capital financing costs to net revenue budget** shows the estimated annual revenue costs of borrowing (net interest payable on debt and the minimum revenue provision for repaying the debt), as a proportion of annual income from council taxpayers and government. Estimates of the ratio of capital financing costs to net revenue budget for future years are:

Ratio of Capital Financing Costs to Net Revenue Budget

2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
1.53%	1.92%	2.21%

The ratios increase over the period as new capital borrowing increases the level of outstanding debt.

2.3 The **capital financing requirement** represents capital expenditure financed by external debt and not by capital receipts, revenue contributions, capital grants or other sources of external funding. Estimates of the end of year capital financing requirement for future years are:

Capital Financing Requirement

31/03/14 Estimate £m	31/03/15 Estimate £m	31/03/16 Estimate £m	31/03/17 Estimate £m
90.321	91.079	95.721	97.051

The capital financing requirement measures the underlying need to borrow for a capital purpose.

2.4 The guidance on **net borrowing for capital purposes** advises that:

"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the PCC should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

Net borrowing refers to the PCC's total external borrowing net of any temporary cash investments and must work within this requirement.

2.5 The Code defines the **authorised limit for external debt** as the sum of external borrowing and any other financing long-term liabilities e.g. finance leases. It is recommended that the PCC approve the 2014/2015 and future years limits.

For 2014-2015 this will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

As required by the Code, the PCC is asked to delegate authority to the Chief Finance Officer (OPCCN), within the total limit for any individual year, to effect movement between the separate limits for borrowing and other long term liabilities. Any such changes made will be reported to the PCC.

Authorised Limit for External Debt

	2014/15 £m	**2015/16 £m**	**2016/17 £m**
Borrowing	13.161	13.161	16.111
Other long term liabilities (OCC PFI)	26.851	26.552	26.217
Other long term liabilities (PIC PFI)	37.520	37.011	36.463
Safety net	7.427	7.371	7.515
Total	**84.959**	**84.095**	**86.306**

These proposed limits are consistent with the Capital Programme. They provide headroom to allow for operational management, for example unusual cash movements.

2.6 The Code also requires the PCC to approve an **operational boundary limit for external debt** for the same time period. The proposed operational boundary for external debt is the same calculation as the external debt limit without the additional headroom. The operational boundary represents a key management tool for in year monitoring.

2.7 Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified again. The PCC is asked to delegate authority to the Chief Finance Officer (OPCCN), within the total operational boundary for any individual year, to make any required changes between the separately agreed figures for borrowing and other long-term liabilities. Any changes will be reported to the PCC.

Operational Boundary Limit for External Debt

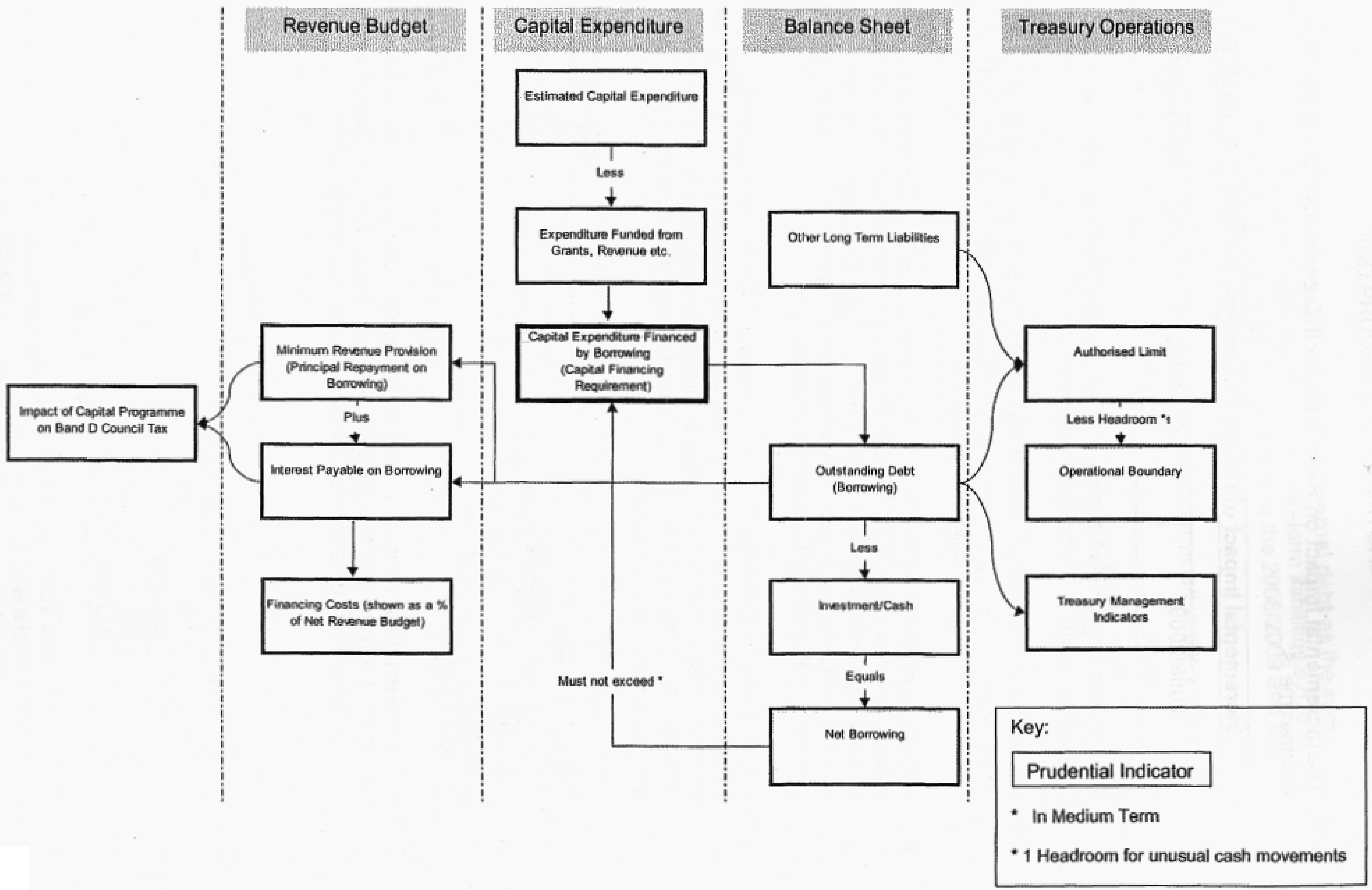
	2014/15 £m	**2015/16 £m**	**2016/17 £m**
Borrowing	13.161	13.161	16.111
Other long term liabilities (OCC PFI)	26.851	26.552	26.217
Other long term liabilities (PIC PFI)	37.520	37.011	36.463
Total	**77.532**	**76.724**	**78.791**

2.8 The **incremental impact on Band D Council Tax** resulting from the Capital Programme is:

2014/15	**2015/16**	**2016/17**
£0.53	£0.93	£0.69

This reflects the cumulative impact of funding new capital schemes and associated capital commitments each year.

DIAGRAMMATIC PRESENTATION OF PRUDENTIAL INDICATORS



APPENDIX E

ANNUAL INVESTMENT AND TREASURY MANAGEMENT STRATEGY 2014-15

1. INTRODUCTION

1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice for Treasury Management in the Public Services (the Code) requires local authorities to produce a treasury management strategy for the year ahead. The PCC is required to comply with the Code through Regulations issued under the Local Government Act 2003.

1.2 CIPFA's latest version of the Code was released in November 2011.The OPCCN has adopted specific clauses and policy statements from the Code as part of its Financial Regulations.

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

1.4 The primary objectives of the PCC's Investment Strategy are to safeguard the timely repayment of principal and interest, ensuring adequate liquidity and generating investment yield. The current economic and financial environment remains challenging. Interest rates remain at historic lows and concerns over the security of some financial institutions continue. The primary objectives of the PCC's Investment Strategy are to safeguard the timely repayment of principal and interest, whilst ensuring adequate liquidity for cash flow and the generation of investment yield. A flexible approach to borrowing for capital purposes will be maintained which avoids the 'cost of carrying debt' in the short term. This strategy is prudent while investment returns are low and counterparty risk (the other party involved in a financial transaction, typically a bank or building society) remains relatively high

2. THE TREASURY MANAGEMENT FUNCTION

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

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

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

2.4 The PCC has delegated responsibility for treasury management decisions taken within the approved strategy to the PCC CFO. Day to day execution and administration of investment and borrowing decisions is undertaken by Norfolk County Council through contractual arrangements. Day to day cash flow operations are managed by the Constabulary.

2.5 External treasury management consultancy services are provided by Capita Asset Services (formally known as Sector), providing a range of services which include:

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

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

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

3. CAPITA ASSET SERVICES ECONOMIC OVERVIEW

Economic Overview

3.1 Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth rebounded in quarter 1 and 2 of 2013 to surpass all expectations. Growth prospects remain strong looking forward, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. However, growth is at a lower level than in previous recoveries and there is concern as to how robust it is. One downside is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have improved this to some extent.

3.2 A rebalancing of the economy towards exports has started but as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual Government deficit has been halved from its peak without appearing to do too much damage to growth.

Capita Asset Services forward view

3.3 The current economic outlook and structure of market interest rates and government debt yields have several key treasury mangement implications:

- Although Eurozone concerns have subsided in 2013, Eurozone sovereign debt difficulties have not gone away and there are major concerns as to how these will be managed over the next few years as levels of Government debt, in some countries, continue to rise to levels that compound already existing concerns. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;

- Investment returns are likely to remain relatively low during 2014/15 and beyond;

- Borrowing interest rates have risen during 2013 and are on a rising trend. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, as borrowing rates rise, the policy of internal borrowing needs to be carfully monitored in order to avoid incurring higher borrowing costs in future.

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

Quarter Ending	Base Rate (%)	PWLB Borrowing Rates (%) 5 year	25 year	50 year
Dec 2013	0.50	2.50	4.40	4.40
Mar 2014	0.50	2.50	4.40	4.40
June 2014	0.50	2.60	4.40	4.40
Sept 2014	0.50	2.70	4.50	4.50
Dec 2014	0.50	2.70	4.50	4.60
Mar 2015	0.50	2.80	4.60	4.70
June 2015	0.50	2.80	4.70	4.80
Sept 2015	0.50	2.90	4.80	4.90
Dec 2015	0.50	3.00	4.90	5.00
Mar 2016	0.50	3.20	5.00	5.10
June 2016	0.75	3.30	5.10	5.20
Sep 2016	1.00	3.50	5.10	5.20
Dec 2016	1.00	3.60	5.10	5.20
Mar 2017	1.25	3.70	5.20	5.30
Projected Increase over the 3 year period	+0.75	+1.20	+0.80	+0.90

Treasury Management Implications

3.5 This challenging and uncertain economic outlook has several key treasury mangement implications:

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

- Guidelines for choosing and placing investments – Counterparty Criteria (Section 5).
- Details of Specified and Non-Specified investment types (Section 6).

- Identification of the maximum period for which funds can be committed – Counterparty Monetary & Time Limits (Section 7).

4. INVESTMENT STRATEGY 2014-15

4.1 Forecasts of short-term interest rates, on which investment decisions are based, suggest that the 0.5% Bank Rate will remain unchanged until the second quarter of 2016.

4.2 If economic growth remains strong and unemployment falls faster than expected, then the Bank Rate could be increased sooner. However, should the pace of growth slow, then rates are likely to remain unchanged for sometime, particularly if the Bank of England forecasts for the rate of fall in unemployment prove to be too optimistic.

4.3 The investment earnings rates which most closely matches the average deposit profile is the 6 month LIBID (London Intra Bank Bid rate for money market trades) forecast. The suggested budgeted interest rates for the following 3 financial years are as follows:

Financial Year	**Interest Earnings Budgeted Rates**
2014-15	0.600%
2015-16	0.600%
2016-17	0.925%

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

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

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

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

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

- Guidelines for choosing and placing investments – Counterparty Criteria (Section 5).
- Details of Specified and Non-Specified investment types (Section 6).
- Identification of the maximum period for which funds can be committed – Counterparty Monetary & Time Limits (Section 7).

5. INVESTMENT STRATEGY 2014-15 – COUNTERPARTY CRITERIA

5.1 Norfolk County Council, on behalf of the PCC, as part of its contractual arrangement, works closely with its external treasury advisors to determine the criteria for high quality institutions. The minimum rating criteria uses the 'lowest common denominator' method of selecting counterparties and applying lending limits to those counterparties (see Section 7). This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For example, if an institution is rated by all three credit rating agencies, two meet the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with the CIPFA Treasury Management Code of Practice.

5.2 The criteria for providing a pool of high quality investment counterparties for inclusion on the Council's and PCCs 'Approved Authorised Counterparty List' is provided below. Following review by the PCCs external Treasury Advisor, the criteria reflect changes from the Strategy in 2013/14. Changes are identified below, indicated by them being underlined.

- **UK Banks** which have as a minimum, the following Fitch, Standard and Poors and Moody's credit ratings:

UK Banks	Fitch	Standard & Poors	Moody's
Short Term Ratings	F1	A-1	P-1
Long Term Ratings	A	A	A2
Viability Ratings (Fitch)/ Financial Strength (Moody's)	bb-	-	C-
Support Ratings	3	-	-

- **Non-UK Banks (Additional facility in 2014/15)** domiciled in a country which has a minimum sovereign rating of AAA and as a minimum, the following Fitch, Standard and Poors and Moody's credit ratings:

Non-UK Banks (option 1)	Fitch	Standard & Poors	Moody's
Short Term Ratings	F1	A-1	P-1
Long Term Ratings	A+	A+	A1
Viability Ratings (Fitch)/ Financial Strength (Moody's)	bb+	-	C
Support Ratings	1	-	-

- **Part Nationalised UK Banks –** Lloyds Banking Group and Royal Bank of Scotland Group. These banks are included while they continue to be part nationalised or they meet the ratings for UK Banks above.
- **Building Societies –** Building Societies will be used which meet the UK Bank ratings outlined above.
- **Money Market Funds (MMFs) –** which are rated AAA by all three major rating agencies (additional facility in 2014/15). MMF's are 'pooled funds' investing in high-quality, high-liquidity, short-term securities such as treasury bills, repurchase agreements and certificate of deposit. Funds offer a high degree of counterparty diversification that include both UK and Overseas Banks.
- **UK Government –** including the Debt Management Account Deposit Facility & Sterling Treasury Bills (additional facility in 2014/15). Sterling Treasury Bills are short-term (up to six months) 'paper' issued by the UK Government. In the same way that the Government issues Gilts to meet long term funding requirements, Treasury Bills are used by Government to meet short term revenue obligations. They have the security of being issued by the UK Government.
- **Local Authorities, Parish Councils etc. –** Includes those in England and Wales (as defined in Section 23 of the Local Government Act 2003) or a similar body in Scotland or Northern Ireland.

5.3 The credit ratings of the PCC and Norfolk County Council's Corporate Banker (Co-Operative Bank) are currently below the minimum criteria for UK Banks above. Cash balances held with the Co-operative Bank are for account operation purposes only. Balances will be minimised in both monetary size and time. As part of its plans to re-capitalize and simplify its business, the Co-operative Bank has announced its intention to withdraw from providing banking services to local authorities. As a result the Co-operative Bank will not be seeking to renew its banking relationship with the County Council when the current banking contract expires in 2016. The County Council will consider bringing forward its timetable for seeking formal banking tenders. The Co-Operative Bank has given no such notice to the PCC for when the current banking contract ceases in 2016.

5.4 All cash invested by the PCC in 2014-15 will be either Sterling deposits (including certificates of deposit) or Sterling Treasury Bills invested with banks and other institutions in accordance with the Approved Authorised Counterparty List.

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

5.6 The current maximum lending limit of £10 million for any counterparty will be maintained in 2014-15 to reflect the increase in cash balances and to avoid large deposits with the DMO.

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

5.8 For 2014/15 the Strategy is extended to enable deposits beyond 365 days but only with UK banks which meet the credit ratings at paragraph 5.2. Deposits may also be placed with UK Part Nationalised Banks and Local Authorities for periods of up to 2 years.

6. SPECIFIED & NON-SPECIFIED INVESTMENTS

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

- Banks: UK and Non UK
- Part Nationalised UK Banks
- UK Building Societies (which meet the minimum ratings criteria for Banks)
- Money Market Funds
- UK Government
- Local Authorities, Parish Councils etc.

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

- The PCC's Corporate Banker (Co-operative Bank).
- Any investment greater than 364 days.

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

6.4 The Counterparty List includes both Specified and Non-Specified Investment institutions. It is envisaged that the PCC will use specified investments only in 2014-15, other than the normal day to day transactions undertaken through the Co-operative Bank.

7. BORROWING STRATEGY 2014-15

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

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

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

7.4 In accordance with the approved 2013-14 Investment and Treasury Strategy, the PCC has postponed any new borrowing for capital purposes, using cash balances on a temporary basis to avoid the cost of 'carrying' debt in the short term. Delaying borrowing and running down the level of investment balances also reduces the PCC's exposure to investment counterparty risk. This strategy will be continued in 2014/15.

7.5 Total external borrowing currently stands at £13.161 million, with an additional £15.671 million financed internally from temporary cash resources. The PCC's overall new borrowing requirement in 2014-15 is estimated at £3.8 million. The 2014-15 budget provision for interest payable is around £765,000. This covers interest on existing loan debt and the 2014-15 borrowing requirement. It is not envisaged that borrowing will be required during 2014-15 for capital expenditure financed internally since 2009-10. By financing internally there will be an interest saving of around £700,000.

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

7.7 The level of outstanding debt and composition of debt, in terms of individual loans, is kept under review. The PWLB provides a facility to allow the restructure of debt, including premature repayment of loans, and encourages local authorities and PCCs to do so when circumstances permit. This can result in net savings in overall interest charges. The PCC CFO and Sector will monitor prevailing rates for any opportunities during the year.

7.8 The PCC has flexibility to borrow funds in the current year for use in future years. For example, the PCC CFO may do so under delegated powers where a sharp rise in interest rates is expected and borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the PCC CFO will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing will be undertaken to fund the approved capital programme. Risks associated with any advance borrowing will be subject to appraisal in advance and subsequent reporting through the reporting process.

8. TREASURY MANAGEMENT PRUDENTIAL INDICATORS

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

- **Upper Limits on Variable Interest Rate Exposure –** This identifies a maximum limit for variable interest rates based upon the debt position net of investments. It is recommended that the PCC sets an upper limit on variable interest rate exposures for 2014-15, 2015-16 and 2016-17 of 30% of its net outstanding principal sums. This is consistent with previous policy.

- **Upper Limits on Fixed Interest Rate Exposure –** Similar to the previous indicator, this covers a maximum limit on fixed interest rates. It is recommended that the PCC sets an upper limit on fixed interest rate exposures for 2014-15, 2015-2016 and 2016-2017 of 100% of its net outstanding principal sums.

- **Maturity Structures of Borrowing –** These gross limits are set to reduce the PCC's exposure to large fixed rate sums falling due for refinancing and require upper and lower limits. It is recommended that the PCC sets the following limits for the maturity structures of borrowing. These limits follow existing treasury management policy and are unchanged from 2013-14:

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

- **Total Principal Funds Invested for Greater than 364 Days –** This limit is set with regard to the PCC's liquidity requirements. As stated earlier in the report, it is estimated that in 2014-15 no funds will be invested for periods greater than 364 days.

MINIMUM REVENUE PROVISION STATEMENT 2014-15

Introduction

1. The PCC is required to make a charge against the revenue budget each year in respect of capital expenditure financed by borrowing or credit arrangement. The annual charge is set aside for the eventual repayment of the loan and is known as the Minimum Revenue Provision (MRP). This is separate from any annual interest charges that are incurred on borrowing.

2. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 amend the way in which MRP can be calculated so that each authority must consider what is "prudent". The regulations are backed up by statutory guidance which gives advice on what might be considered prudent.

Options for Making Prudent Provision

3. Four options are included in the guidance, which are those likely to be most relevant for the majority of authorities. Although other approaches are not ruled out, authorities must demonstrate that they are fully consistent with the statutory duty to make prudent revenue provision.

   <u>Option 1 - Regulatory Method</u>
   Authorities may continue to use the formulae put in place by the previous regulations.

   <u>Option 2 - Capital Financing Requirement Method</u>
   This is a technical calculation based upon taking 4% of the level of outstanding debt as signified by the previous year's balance sheet.

   <u>Option 3 – Asset Life Method</u>
   This is to make provision over the estimated life of the asset for which the borrowing is undertaken. This could be done by:

   (a) Charging MRP in equal instalments over the life of the asset
   (b) Charging MRP according to the flow of benefits from an asset where the benefits are expected to be different between years (CIPFA guidance is awaited for this methodology)

   <u>Option 4 - Depreciation</u>
   The asset is depreciated in accordance with standard accounting methods

4. The regulations make a distinction between capital expenditure incurred before 1 April 2008 and capital expenditure incurred from 1 April 2008 in terms of the options available.

5 Options 1 and 2 are to be used for capital expenditure incurred pre April 2008. Options 3 and 4 are to be used for Capital expenditure incurred post April 2008.

Recommendations

6. In order to avoid complexity and to spread the charge to the revenue budget over the life of the asset, it is recommended that for MRP purposes the PCC continues with the current approach, namely that:

    - Capital expenditure incurred before April 2008 is treated in accordance with option 1 of the regulatory guidance; and

    - Capital expenditure incurred from April 2008 is treated in accordance with option 3(a) of the regulatory guidance.

MEDIUM-TERM FINANCIAL PLAN

Option 1: 0% increase in council tax in each year

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Net expenditure budget (before savings)	153,939	155,377	159,153	161,735
Total funding / budget requirement	-147,489	-144,395	-141,180	-138,094
Deficit before known savings	**6,449**	**10,982**	**17,973**	**23,641**
CSR1 savings identified	-1,049	-1,276	-2,053	-2,053
CSR2 savings already identified	-1,540	-1,656	-1,636	-1,636
Deficit after known savings	**3,860**	**8,050**	**14,284**	**19,952**
Additional CSR2 planned project savings	-937	-3,901	-6,688	-7,644
Revised deficit after additional savings	**2,923**	**4,149**	**7,596**	**12,308**
In year use of Budget Support Reserve	-2,923	-4,149	-7,596	-12,308*
Total	**0**	**0**	**0**	**0**

*Under this option the constabulary would need to make additional savings of at least £5.2m in 2017-18 to prevent the budget support reserve from running out.

Additionally, if the assumptions in section 7 of the report continue into 2018-19 additional savings of nearly £17m will need to be found in that year.

MEDIUM-TERM FINANCIAL PLAN

Option 2: 1.9722% increase in council tax in each year

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Net expenditure budget (before savings)	153,939	155,377	159,153	161,735
Total funding / budget requirement	-148,009	-145,459	-143,347	-141,388
Deficit before known savings	**5,929**	**9,918**	**15,806**	**20,347**
CSR1 savings identified	-1,049	-1,276	-2,053	-2,053
CSR2 savings already identified	-1,540	-1,656	-1,636	-1,636
Deficit after known savings	**3,340**	**6,986**	**12,117**	**16,658**
Additional CSR2 planned project savings	-937	-3,901	-6,688	-7,644
Revised deficit after additional savings	**2,403**	**3,085**	**5,429**	**9,014**
In year use of Budget Support Reserve	-2,403	-3,085	-5,429	-9,014*
Total	**0**	**0**	**0**	**0**

*Under this option the constabulary would still have £1.9m remaining in the budget support reserve.

Additionally, if the assumptions in section 7 of the report continue into 2018-19 additional savings of over £12m will need to be found in that year.

APPENDIX I

MEDIUM-TERM FINANCIAL PLAN

Option 3: Minus 1 % increase in council tax in each year

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Net expenditure budget (before savings)	153,939	155,377	159,153	161,735
Total funding / budget requirement	-146,938	-143,844	-140,629	-137,543
Deficit before known savings	**7,000**	**11,533**	**18,524**	**24,192**
CSR1 savings identified	-1,049	-1,276	-2,053	-2,053
CSR2 savings already identified	-1,540	-1,656	-1,636	-1,636
Deficit after known savings	**4,411**	**8,601**	**14,835**	**20,503**
Additional CSR2 planned project savings	-937	-3,901	-6,688	-7,644
Revised deficit after additional savings	**3,474**	**4,700**	**8,147**	**12,859**
In year use of Budget Support Reserve	-3,474	-4,700	-8,147	-12,859*
Total	**0**	**0**	**0**	**0**

*Under this option the constabulary would need to make additional savings of at least £7.4m in 2017-18 to prevent the budget support reserve from running out.

Additionally, if the assumptions in section 7 of the report continue into 2018-19 additional savings of over £17m will need to be found in that year.

COUNCIL TAX PRECEPT PROPOSED OPTION 2014-15

Option 1 – 0% increase in council tax in 2014-15

	£
Budget requirement	147,488,772
Less Government funding	93,563,715
To be met from council tax (incl. surplus)	53,925,057

Billing Authority	Precept Amount £	Surplus/(Deficit) On Collection Fund £	Total Payments Due £
Breckland	7,632,883	(10,596)	7,622,287
Broadland	8,572,126	(58,000)	8,514,126
Kings Lynn & West Norfolk	9,392,836	353,324	9,746,160
Norwich	6,612,416	0	6,612,416
Great Yarmouth	5,170,543	0	5,170,543
North Norfolk	7,382,848	105,754	7,488,602
South Norfolk	8,731,554	39,369	8,770,923
Total	53,495,206	429,851	53,925,057

Valuation Band	Council Tax 2014-15 £
A	133.86
B	156.17
C	178.48
D	200.79
E	245.41
F	290.03
G	334.65
H	401.58

Payment Dates

The payment dates are as follows; (yet to be notified for 2014-15)

Payment	Date		%
1	19 April	2013	8
2	20 May		9
3	19 June		9
4	22 July		9
5	19 August		9
6	19 September		9
7	21 October		9
8	19 November		9
9	19 December		9
10	20 January	2014	9
11	20 February		3
12	19 March		8

(i) Where a surplus on collection of 2013-14 council tax has been estimated, the District Council concerned will pay to the PCC its proportion of the sum by ten equal instalments, as an addition to the May 2014 to February 2015 precept payments.

(ii) Where a deficit on collection of 2013-14 council tax has been estimated, the District Council concerned will receive from the PCC its proportion of the sum by ten equal instalments, as a reduction to the May 2014 to February 2015 precept payments.

COUNCIL TAX PRECEPT PROPOSED OPTION 2014-15

Option 2 – 1.972% increase in council tax, accept precept support grant in 2014-15

	£
Budget requirement	148,008,857
Less Government funding	93,028,762
To be met from council tax (incl. surplus)	54,980,095

Billing Authority	Precept Amount £	Surplus on Collection Fund £	Total Payments Due £
Breckland	7,783,420	(10,596)	7,772,824
Broadland	8,741,186	(58,000)	8,683,186
Kings Lynn & West Norfolk	9,578,082	353,324	9,931,406
Norwich	6,742,827	0	6,742,827
Great Yarmouth	5,272,517	0	5,272,517
North Norfolk	7,528,453	105,754	7,634,207
South Norfolk	8,903,759	39,369	8,943,128
Total	54,550,244	429,851	54,980,095

Valuation Band	Council Tax 2014-15 £
A	136.50
B	159.25
C	182.00
D	204.75
E	250.25
F	295.75
G	341.25
H	409.50

Payment Dates

The payment dates are as follows; (yet to be notified for 2014-15)

Payment	Date		%
1	19 April	2013	8
2	20 May		9
3	19 June		9
4	22 July		9
5	19 August		9
6	19 September		9
7	21 October		9
8	19 November		9
9	19 December		9
10	20 January	2014	9
11	20 February		3
12	19 March		8

(i) Where a surplus on collection of 2013-14 council tax has been estimated, the District Council concerned will pay to the PCC its proportion of the sum by ten equal instalments, as an addition to the May 2014 to February 2015 precept payments.

(ii) Where a deficit on collection of 2013-14 council tax has been estimated, the District Council concerned will receive from the PCC its proportion of the sum by ten equal instalments, as a reduction to the May 2014 to February 2015 precept payments.

COUNCIL TAX PRECEPT PROPOSED OPTION 2014-15

Option 3 – 1% decrease in council tax in 2014-15

	£
Budget requirement	146,937,276
Less Government funding	93,563,715
To be met from council tax (incl. surplus)	53,373,561

Billing Authority	Precept Amount £	Surplus on Collection Fund £	Total Payments Due £
Breckland	7,554,194	(10,596)	7,543,598
Broadland	8,483,754	(58,000)	8,425,754
Kings Lynn & West Norfolk	9,296,002	353,324	9,649,326
Norwich	6,544,247	0	6,544,247
Great Yarmouth	5,117,239	0	5,117,239
North Norfolk	7,306,736	105,754	7,412,490
South Norfolk	8,641,538	39,369	8,680,907
Total	52,943,710	429,851	53,373,561

Valuation Band	Council Tax 2014-15 £
A	136.50
B	159.25
C	182.00
D	204.75
E	250.25
F	295.75
G	341.25
H	409.50

Payment Dates

The payment dates are as follows; (yet to be notified for 2014-15)

Payment	Date		%
1	19 April	2013	8
2	20 May		9
3	19 June		9
4	22 July		9
5	19 August		9
6	19 September		9
7	21 October		9
8	19 November		9
9	19 December		9
10	20 January	2014	9
11	20 February		3
12	19 March		8

(i) Where a surplus on collection of 2013-14 council tax has been estimated, the District Council concerned will pay to the PCC its proportion of the sum by ten equal instalments, as an addition to the May 2014 to February 2015 precept payments.

(ii) Where a deficit on collection of 2013-14 council tax has been estimated, the District Council concerned will receive from the PCC its proportion of the sum by ten equal instalments, as a reduction to the May 2014 to February 2015 precept payments.