Report to: Police & Crime Commissioner

11 February 2013

Budget 2013/14

Report of the Chief Finance Officer

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1. Purpose

1.1 The purpose of this paper is to present the proposed council tax precept for 2013/14. The report will also outline the financial position for future years.

1.2 The proposed council tax precept increase was ratified by the Police and Crime Panel on 25 January 2013.

1.3 The final budget settlement was issued on 4 February 2013. This included one change from the provisional settlement; a reduction of £889 on Council Tax Support Grant due to an error with data included within the provisional calculations for Tonbridge and Malling (Kent).

2. Recommendation

2.1 It is recommended that:

a. the 2013/14 budget as set out in this report at appendix B is approved, based upon a £5, 3.4% precept increase
b. the Police and Crime Commissioner for Hampshire's basic Council Tax for the year beginning 1 April 2013 be £151.25 per annum at Band D.
c. the Police and Crime Commissioner for Hampshire's basic Council Tax for the year beginning 1 April 2013 for each band be as set out in appendix C
d. the Council Tax Requirement for the Police and Crime Commissioner for Hampshire for the year beginning 1 April 2013 will be £94,570,272.05
e. precepts are issued totalling £94,570,272.52 on the billing authorities in Hampshire and the Isle of Wight requiring payment, in such instalments and on such dates set by them and previously notified to the Police and Crime Commissioner for Hampshire, in proportion to the tax base of each billing authority's areas as determined by them and as set out in appendix F
f. the Treasury Management Strategy is approved.

3. Summary and background

3.1 The Spending Review 2010 (SR2010) set out total revenue funding to be allocated to the police service for each of the four years of the Spending Review period. The allocations represented a 20% reduction in Government funding in real terms.

Table 1 – Total Government Grant reductions 2011/15

Reduction measure (%)	11/12	12/13	13/14	14/15
Real terms cut each year	6	8	4	4
Real terms cut cumulative	6	13	17	20
Cash cut each year	3.79	5.48	1.90	1.30
Cash cut cumulative	4	9	11	12

Note: The annual reductions appear to add up to more than the cumulative because the amount the reduction is applied to reduces each year.

Source: Police Settlement Factual Brief, Home Office, January 2011

3.2 The figures included in table 1 above are for total Government Grant. This included specific grant for PCSOs and Counter Terrorism which remained constant in 2011/12 and 2012/13. The reduction in formula grant was actually 5.1% in 2011/12 and 6.7% in 2012/13. In 2013/14, the specific grant for PCSOs was ended and the funding transferred to the formula grant. Specific grant for PCSOs was £7.564m in 2012/13. The amount moved into the formula grant will be subject to damping, so will effectively be reduced by the damping average of 1.6% to £7.443m in 2013/14.

3.3 The Home Office stated the real terms reduction would be 14% over 2011/15 if the impact of police council tax precept increases is included as this was estimated to be 3.4% per annum by the Office for Budget Responsibility.

3.4 Until 19 December 2012, detailed allocations have only been available for the first two years, 2011/12 and 2012/13. Further provisional details of indicative allocations for policing bodies in England for 2013/14 have now been published. Grant levels for 2013/14 are in line with the Medium Term Financial Strategy (MTFS) projections reported to the Police Authority in November. The reduction in overall formula funding is 1.6%. The Home Secretary has absorbed the 1% reduction in departmental budgets for 2013/14 announced in the Autumn Statement. However, there was no comment made about the 2% reduction announced for 2014/15.

3.5 The settlement includes damping at the average which has the effect of reducing the amount of funding Hampshire and the Isle of Wight should receive according to the agreed funding formula by £10m (Appendix A). It should be noted that this is a reduction on the £17m damping loss in 2012/13 and the 2013/14 damping loss of £21m forecasted by the Police and Crime Commissioners Treasurers' Society (PACCTS). The Home

Office has stated that the reason for the difference is the inclusion of population data from the 2011 census.

3.6 In Hampshire and the Isle of Wight a savings target of £55m was set in order to bridge the estimated budget shortfall over the 2011/15 Spending Review period. The Government grant reductions were ‘front-loaded’, requiring £36m of the savings to be made in the first two years. Savings totalling £36m have been made in the 2011/12 and 2012/13 budgets. Budget monitoring for 2012/13 shows that these are on track to be delivered. Further savings have been identified for 2013/14 and 2014/15. The total value of savings identified for delivery over 2011/15 is £52.5m. Of these, £46m are at a sufficiently advanced stage to include within the current budget and MTFS.

3.7 The MTFS assumes an annual council tax precept increase of 3.4% in 2013/14 and 3% thereafter as this is similar to the level assumed by the Office for Budget Responsibility.

3.8 The announcement included £1.459m for Community Safety Fund (CSF). It was known that this funding was moving to the Police and Crime Commissioners, but the amount was not known until 19 December. This has a neutral impact on the overall budget as it is assumed that the amount awarded in pursuit of the objectives of CSF and the Police and Crime Plan will be equal to the amount received. Paragraphs 6.3 and 6.4 provide further details.

Council tax

3.9 The Police Authority was awarded a council tax freeze grant equivalent to 2.5% (£2.5m) for 4 years (2011/15) for freezing council tax in 2011/12. That continues to be received in 2013/14 and 2014/15. The council tax freeze grant for 2012/13 has ceased as this was a one-off grant equivalent to a 3% council tax increase (£3m) in 2012/13 only. Therefore, a council tax increase of 3% is required just to ‘stand still’ on council tax funding.

3.10 A council tax freeze grant equivalent to 1% of council tax precept (£1m) is available for 2 years only (2013/15), if council tax is frozen again in 2013/14. Each year of freeze creates additional cumulative pressure on the short and medium term budget. The MTFS assumptions at the start of the Spending Review period equated to an annual increase of 3% (£3m), which would represent an increase of 12% (£12m) in the council tax precept budget by the end of 2011/15. If council tax is frozen throughout the 2011/15 period, the council tax receivable in 2015/16 will be £12m less than the original forecast. Decisions to date made by the previous Hampshire Police Authority on freeze grants will result in the loss of £5.5 million in recurring funding for policing when the freeze grants end. This assumes that the Council Tax freeze grant for 2013/14 will not be accepted by the Police and Crime Commissioner.

3.11 In 2012/13, 24 of the 43 forces in England and Wales did not freeze council tax and therefore did not take the grant offered. The main reason given by authorities was the short term nature of the grant available and the medium and long term impact of continued council tax freezes. The average increase for police authorities increasing council tax precept in 2012/13 was 3.3%.

3.12 It is possible that fewer policing bodies will opt for a council tax freeze in 2013/14 given the lower rate of grant offered. PACCTS and the Association of Police and Crime Commissioners (APPCS) have written in their draft response to the provisional settlement that:

"the police settlement for the Spending Review 2010 period was based on the Office of Budget Responsibility's assumption that police council tax precepts in England would increase by an average of 3.4% each year from 2012/13 to 2014/15. The offer of a grant equivalent to a 1% increase therefore represents less than a third of the increase previously assumed by the Government in October 2010. As a result overall police funding is declining at a rate higher than set out by the Chancellor in the Spending Review"

3.13 A referendum limit of 2% has been set for local authorities, with exceptions for local authorities with the lowest council tax rates. Policing bodies with council tax rates in the lowest quartile will be permitted to raise Band D council tax by up to £5.00. Hampshire is in the lowest quartile. This allows an increase of 3.4%, which is equivalent to the increase forecast by the Office for Budget Responsibility, without breaching the referendum limit.

3.14 A 3.4% increase in council tax generates circa £3.1 million per annum, this limits the loss from 2012/13 council tax freeze grant removal and provides a small increase in funding to assist with the achievement of the objectives set out by the Commissioner during the election. It is likely that Hampshire will remain in the bottom quartile of shire policing bodies for council tax precept even with a 3.4% increase. An increase of 3.4% represents a £5.00 pa increase for Band D council tax payers, which equates to 42p per month or 10p per week.

3.15 The budget is shown at appendix B, with an objective analysis at appendix C. A breakdown of the budget for the Office of the Police and Crime Commissioner is included at appendix D, (referred to in further detail at paragraph 6.2).

3.16 A pie chart format of total expenditure is included at appendix E. The amount of council tax precept generated is calculated in appendix F.

3.17 It should be noted that the Localism Act has passed responsibility for council tax benefit from central Government (Department of Work and Pensions) to local billing authorities. The amount of funding made available to billing authorities is 10% less than the amount previously paid by Government. Each local billing authority will agree its own eligibility criteria for council tax support from 2013/14.

3.18 The Police and Crime Commissioner will receive in 2013/14 council tax benefit grant of £10.391m, which is equivalent to 10% of the council tax precept in 2012/13, to reduce the impact of the loss of council tax precept expected from lower council tax bases as a result of the changes to council tax benefit. Decisions taken by local billing authorities on council tax support, the replacement for council tax benefit, will impact directly on the council tax base and, therefore, the amount of precept that the Police and

Crime Commissioner will receive. Appendix E shows the change in council tax bases for each billing authority. It is currently understood that the following councils have taken decisions which do not close the funding gap and, therefore, impact negatively upon the funding available to deliver the Police and Crime Plan: Southampton, Isle of Wight, Basingstoke, Hart and Fareham. The Police and Crime Commissioner's Chief Finance Officer has written to these councils to express disappointment and concern regarding the decisions taken and the resultant financial impact. Strong representation will be made to encourage these authorities to take decisions on their 2014/15 council tax support schemes which close the funding gap.

4. Medium Term Financial Strategy 2013/14 and future years

4.1 The report is focused on the 2013/14 budget, but makes references to future financial years as decisions taken for 2013/14 will impact on the medium term position. The 2013/14 budget settlement announced by Government did not give any further information for 2014/15 or beyond. Therefore, the position regarding 2014/15 and beyond is uncertain. Estimates have been included within the projections based on previous Government statements and proposed allocations to the Home Office by the Treasury. The Chancellor's Autumn Statement said that a new Spending Review will take place in Spring 2013.

4.2 The MTFS at appendix B shows an estimated budget shortfall of £22m by 2016/17 assuming a 3.4% council tax precept increase in 2013/14 and a 3% per annum increase thereafter. The sensitivity analysis at the foot of appendix B shows the impact of different levels of council tax precept increase. A council tax freeze each year would increase the shortfall by £12m by 2016/17.

4.3 The budget proposals have been developed taking consideration of the draft Policing Priorities for 2013/14, Delivery Plans, Force Control Strategy and Strategic Risk Register. Consideration has also been given to collaboration and the use of partnerships to deliver services. The budget is based on budgeted establishment which is assimilated with the workforce planning forecasts and monitoring.

4.4 The budget for 2014/15 onwards assumes an additional reduction in Government funding of £4m, as a result of the Autumn Statement announcement that departmental budgets would be reduced by 2% in 2014/15. The 2013/14 departmental budget reduction of 1% has been absorbed within the Home Office budget by the Home Secretary, it is possible that the full reduction will not be passed on to police bodies. This will not be known until Spring 2013 at the earliest, therefore it is prudent to budget for a reduction of grant in line with the Autumn Statement.

4.5 No changes have been included for Winsor part 2 for police officers or police staff changes proposed by Winsor. There is no progress on the police staff changes. Winsor part 2 for police officers has been reviewed by the Police Arbitration Tribunal (PAT), but there is no news yet from the Home Secretary regarding implementation. The PAT costings show that, if implemented, the financial impact of changes in 2013/14 would be cost neutral.

4.6 Budgeted employees, pension contribution rates and inflation have been included as per appendix G. In some cases such as electricity, inflation factors will be known as they are included within multi-year contracts. In most cases inflation is unknown. A default rate of 2.5% has been used where inflation is unknown. This is in line with current inflation rates.

4.7 There is no vacancy savings factor included for police officers, as is current policy. The vacancy saving factor for police staff has been maintained at 3.4% for 2013/14 in line with current policy. The medium term position also includes the same vacancy factor in each financial year.

4.8 A budget for secondments is set each year. This is a notional offsetting income and expenditure budget as the cost of seconding officers and staff is fully recovered. The offsetting budgets are set at £1.5m.

4.9 A number of partnerships are supported. These included the ACPO Criminal Records Office (ACRO) which is wholly funded by the Home Office, ACPO, fees and European funding. Staff at ACRO are officially employed by the Police and Crime Commissioner. The costs of supporting ACRO are recharged. In addition, a surety of £1.75m is held in reserves to guard against any liabilities. Less financially significant partnerships exist with the Local Criminal Justice Board, Youth Offending Team (YOT) and Community Safety Partnerships.

5. Budget 2013/14

5.1 The ongoing work of the Change Programme is delivering transformational change that will introduce a new structure capable of providing top quartile policing services within the reduced budget available, providing top quartile value for money. The budget and MTFS includes £46m of savings for the Spending Review period 2011/15. The current savings target for the Spending Review period 2011/15 remains at £55m. The target will be reviewed after the 2013/14 budget is set and again after the Spending Review. The savings included in the 2013/14 budget are included at appendix H.

5.2 The revenue budget includes the revenue impact of the capital programme and the proposed budget pressures and growth, although these will all be subject to final business case approval by the Commissioner. The budget pressures and growth included within the 2013/14 budget are shown at appendix I. This includes £2.001m of one-off funding which is covered in more detail below.

6. Police and Crime Commissioner Commitments

6.1 The Police and Crime Commissioner is in the process of consulting on the Police and Crime Plan. The budget needs to be capable of supporting the delivery of the Plan, which will also draw upon issues raised during the election. This includes themes such as:

- Ensuring sufficient numbers of frontline personnel are in place
- Putting victims and witnesses at the heart of the criminal justice system
- Reducing repeat reoffending
- Using restorative justice, early intervention and other innovations at the core of crime prevention
- Enhancing trust and confidence in policing and the wider criminal justice system

6.2 The budget for the Office of the Police and Crime Commissioner is shown at appendix D. This budget is the same as the previous Police Authority budget plus inflation apart from a new one off budget for Police and Crime Commissioner priorities and the new Community Safety Fund, explained further below. The Police and Crime Commissioner will review the structure of the office during 2013/14.

6.3 A one-off budget of £2.001m has been set aside in 2013/14 only, to be able to provide funding to support the attainment of the priorities. The Police and Crime Commissioner will continue to consult on the priorities. Although the funding is a one-off amount it can be carried forward into future financial years, therefore, it can be used to support multi-year initiatives.

6.4 The Police and Crime Commissioner will also receive a Community Safety Fund of £1.459m in 2013/14. This brings together the vast majority of drugs, crime and community safety funding that the Home Office has provided to a range of partners in the past. It is not the same as the previous Community Safety Partnership Funding which is one of the funds that ceases at the end of 2012/13. The funding has been allocated on the basis of current allocations, but the Home Office has refused to detail which partners are in current receipt of these funds. However, the Home Office has said that the total amount of funding available for these grants has reduced from £120m to £90m and that the distribution of Community Safety Funds is in line with the distribution of current grant funding for these grants. Therefore, it is reasonable to assume that each policing area can expect a reduction in funding of approximately 25% for drugs, crime and community safety funding.

6.5 It is likely that the Police and Crime Commissioner will create a bidding process for the Community Safety Fund in 2013/14. This will give partners the opportunity to demonstrate how their proposals for the use of Community Safety Fund can assist with the delivery of the Police and Crime Plan priorities.

7. Capital Programme including Estate Development Programme

7.1 The capital programme is set out in appendix J. The revenue budget includes the costs of funding all of the schemes listed. However, schemes marked with a “#” symbol are still subject to final business case approval by the Police and Crime Commissioner. This includes the Estate Development Programme which is currently under review.

8. Reserves and Financial Stability

8.1 Reserves and their use are an important aspect of maintaining strong financial stewardship, the projected reserves and the protocol for managing them are set out in appendices K and L. The general reserve will be maintained at a minimum level of £5.5m. The Transformation Reserve was created specifically to address the need to provide appropriate ‘cost of change funding’, this was facilitated through a strategy of aiming to deliver savings early which are then utilised to enable sustainable expenditure reductions to be achieved. . There is therefore a planned reduction in the level of the Transformation Reserve over the medium term. It is likely that ongoing savings will be required in future years and changes planned to achieve the savings will require initial investment. Funds would have to be borrowed and paid back, if it is not possible to fund from reserves. There is currently £6.7m in the Risk Reserve, this recognises that in a period of sustained high levels of reducing funding there will inevitably be issues regarding the need for short term cash flow related to savings proposals

8.2 The Capital (Revenue Contributions) Reserve is used to make contributions from the revenue budget to capital items. The equipment reserve is maintained at £1m to assist with future costs in relation to major equipment replacements, for example, body armour. The Performance Reserve was recently created to fund Operation Fortress in Southampton on a two year basis. This directly targets additional policing resources to tackle an emerging risk of drug-related organized crime groups attempting to locate to Southampton. The insurance reserve was increased last year in response to a trend of seeing larger payments for insurance claims made. A review of insurance concluded that it was most cost effective to keep contracted insurance at similar levels and have an increased reserve to meet any exceptional cases.

8.3 The Chief Finance Officer’s Statement at appendix M reviews the robustness of the budget and the assumptions included.

9. Treasury Management Strategy Statement and Investment Strategy

9.1 The Treasury Management Strategy Statement and Investment Strategy is attached at appendix N. The Treasury Management Strategy sets out the Prudential Indicators required to be approved, including borrowing limits and the Investment Strategy sets out what types of investment products and institutions will be used.

10. Consultation

10.1 Consultation exercises are carried out by the Office of the Police and Crime Commissioner on an ongoing basis. The election has also allowed the wider electorate to express preferences for the first time. The MTFS has been developed in consultation with the Constabulary and the previous Police Authority. Consultation will take place with the Police and Crime Panel before the budget is finally approved.

11. Risks

11.1 Plans are already in place through the Change Programme to make further savings due to expected further reductions in Government grant. There is a risk that reductions in grant, inflation or new additional expenditure will be greater than forecast, hence further savings will be required. The positions will continue to be closely monitored and, if required, the Risk Reserve can provide some one-off assistance to allow time for changes to be implemented.

11.2 Council tax bases and collection funds will be revised as a result of the Localism Act changes to council tax benefit. There is a risk that the provisional information received is inaccurate. This is mitigated by close liaison with other local authority partners.

11.3 Specific grant for counter terrorism is not announced until early 2013, however, the overall total for the police service remains stable.

12. Other implications

AREA	IMPLICATION
Statutory Duty/Good Practice	It is a statutory duty to approve a balanced budget.
Equality, Diversity and Human Rights	All contracts awarded and projects comply with legislation and internal standards on equality, diversity and human rights
Vulnerable People and Every Child Matters	A vulnerability programme is taking place, currently within the budget made available.
Environmental Impact	The Force considers the environmental impact of its actions
Trust and Confidence	Effective budget setting and control is a cornerstone of ensuring resources are used in the best way to deliver excellent service and improve public confidence.

AREA	IMPLICATION
Partnership and Collaboration	Options for partnership and collaboration are always considered and used where they provide benefit. The report sets out budgets for major partnerships and other organisations.
Strategic Documents	The report links with the Police and Crime Plan, Medium Term Financial Strategy, Capital Programme, Treasury Management policy and Prudential Indicators.

Section 100 D - Local Government Act 1972 - background documents
The following documents disclose facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of this report.
NB the list excludes:
1. published works; and,.
2. documents which disclose exempt or confidential information as defined in the Act.

Appendix A

Damping adjustments for policing bodies 2013/14

Policing Body	£
Northumbria	21,646,837
Cumbria	16,146,262
West Mercia	11,289,920
Cheshire	11,174,685
City of London	10,838,105
North Yorkshire	9,415,888
Merseyside	8,833,009
Lancashire	7,700,476
Surrey	6,257,140
Durham	6,074,960
Kent	5,822,489
Devon & Cornwall	3,605,644
Wiltshire	2,613,964
Gloucestershire	1,862,431
Sussex	1,402,612
Cleveland	1,341,929
Suffolk	1,134,057
Warwickshire	1,075,715
Essex	91,308
Norfolk	29,685
Lincolnshire	-237,331
South Yorkshire	-1,807,926
Dorset	-1,938,371
Derbyshire	-2,145,554
Staffordshire	-2,366,873
Northamptonshire	-2,511,967
Hertfordshire	-2,953,793
Bedfordshire	-3,028,976
Humberside	-3,693,512
Thames Valley	-4,258,419
Cambridgeshire	-4,495,316
Leicestershire	-4,796,405
West Yorkshire	-5,416,798
Greater London Authority	-6,752,890
Greater Manchester	-6,921,089
Hampshire	-10,088,267
Nottinghamshire	-10,477,328
Avon & Somerset	-10,711,010
West Midlands	-43,755,289

Appendix B

Budget 2013/14 and Medium Term Financial Strategy

Medium Term Financial Strategy 2012/13 to 2016/17	Revised Budget 2012/13	Inflation (as per MTFS)	Other changes	Net Savings	Growth	Budget 2013/14	Forecast Budget 2014/15	Forecast Budget 2015/16	Forecast Budget 2016/17
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure:									
Employees	263,323	1,690	819	(3,605)	109	262,336	265,959	271,215	279,127
Premises	11,231	366	(294)	0	320	11,623	11,968	12,281	12,610
Transport	5,508	135	277	(178)	0	5,741	5,965	6,198	6,442
Travel and Subsistence	3,226	77	93	(253)	0	3,143	3,217	3,293	3,371
IT and Communications	5,086	128	(462)	(122)	30	4,660	5,143	5,412	5,120
Supplies and Services	29,140	736	1,320	(1,967)	0	29,228	27,838	28,525	29,232
National Levies	1,322	260	0	0	0	1,582	1,621	1,662	1,703
Grants Paid	448	4	(282)	0	0	171	175	179	184
Capital Financing (net)	4,334	0	(389)	0	0	3,945	4,192	4,093	4,431
Total Expenditure:	**323,619**	**3,396**	**1,081**	**(6,125)**	**459**	**322,429**	**326,078**	**332,858**	**342,220**
Income:									
Service Income	(9,937)	(242)	(1,064)	0	0	(11,243)	(12,532)	(12,945)	(13,260)
Additional Specific Grants	(11,151)	0	7,510	0	0	(3,641)	(3,641)	(3,641)	(3,641)
Total Income:	**(21,088)**	**(242)**	**6,447**	**0**	**0**	**(14,883)**	**(16,173)**	**(16,585)**	**(16,900)**
Net Expenditure on Police Services:	**302,531**	**3,154**	**7,527**	**(6,125)**	**459**	**307,546**	**309,906**	**316,273**	**325,320**
PCC Expenses and Grants:	1,468	23	0	0	2,001	3,492	1,518	1,525	1,554
Interest on Balances	(500)	0	0	0	0	(500)	(300)	(300)	(300)
Total Overall Net Expenditure:	**303,499**	**3,177**	**7,527**	**(6,125)**	**2,460**	**310,537**	**311,124**	**317,498**	**326,574**
Contributions to / (from) Reserves:	2,113	0	(2,300)	0	0	(187)	(187)	(187)	(187)
Amount from General Grants and Taxation:	**305,612**	**3,177**	**5,227**	**(6,125)**	**2,460**	**310,350**	**310,936**	**317,311**	**326,387**
Funded by:									
Expected amount from General Grants	(203,594)	0	1,220	0	0	(202,374)	(195,696)	(192,956)	(190,255)
Council tax freeze and benefit grant	0	0	(12,911)	0	0	(12,911)	(12,911)	(10,391)	(10,391)
Council tax precept	(101,433)	0	6,863	0	0	(94,570)	(97,458)	(100,429)	(103,492)
Council tax collection fund surplus	(585)	0	90	0	0	(495)	(485)	(485)	(485)
Total amount funding expected:	**(305,612)**	**0**	**(4,738)**	**0**	**0**	**(310,350)**	**(306,549)**	**(304,261)**	**(304,622)**
Budget (surplus)/ shortfall:	**0**	**3,177**	**489**	**(6,125)**	**2,460**	**0**	**4,388**	**13,050**	**21,765**

Effect of alternative precept increases:									
0% increase each year						*2,106*	*9,334*	*21,944*	*33,675*
2% increase each year						*1,295*	*6,658*	*16,342*	*26,130*
3% increase each year						*382*	*4,782*	*13,457*	*22,185*

Appendix C

Objective Analysis Medium Term Financial Strategy

Objective Heading	Forward Budget 2013/14	Forecast Budget 2014/15	Forecast Budget 2015/16	Forecast Budget 2016/17
	£'000	£'000	£'000	£'000
Chief Constable and ACPO	329	334	340	350
Deputy Chief Constable				
Estates	12,731	12,893	13,221	13,574
Operations (excluding JOU)	2,583	2,608	2,655	2,734
IT and Communications	11,586	12,278	12,651	12,583
Tasking & Co-ordination	11,734	11,690	11,882	12,196
Risk Management	4,219	4,213	4,305	4,422
Information Management	1,230	1,257	1,287	1,319
DCC Head Office & Projects	4,170	3,686	3,833	3,891
Asst Chief Constable Crime & Criminal Justice				
Serious Crime Directorate	37,263	37,078	37,845	38,983
Crime Collaboration	1,681	1,711	1,749	1,796
Custody & Criminal Justice	18,750	18,492	18,780	19,262
Special Events - Crime	846	857	868	880
ACC Crime & CJ Head Office & Projects	863	(148)	(155)	(157)
Asst Chief Constable Territorial Operations				
Northern	37,298	37,709	38,412	39,520
Eastern	50,207	50,750	51,695	53,193
Western	43,074	43,538	44,344	45,623
Public Services Directorate	22,573	22,807	23,221	23,758
ACC TO Head Office & Projects	703	639	648	663
Asst Chief Constable Operations				
Joint Operations Unit (JOU)	17,239	17,408	17,737	18,255
Safer Roads Unit	72	61	57	58
Special Events - Operations	91	91	90	90
Head of HR				
Learning & Development	5,049	4,923	5,019	5,152
Human Resources	4,429	4,313	4,326	4,435
Head of HR Head Office & Projects	83	84	85	88
Transport	2,911	2,888	2,958	3,035
Chief Finance Officer				
Finance (incl Procurement)	2,679	2,121	2,166	2,220
General items (centrally managed)	12,469	15,138	15,766	16,912
Police and Crime Commissioner	3,492	1,518	1,525	1,554
Total:	**310,350**	**310,936**	**317,311**	**326,387**

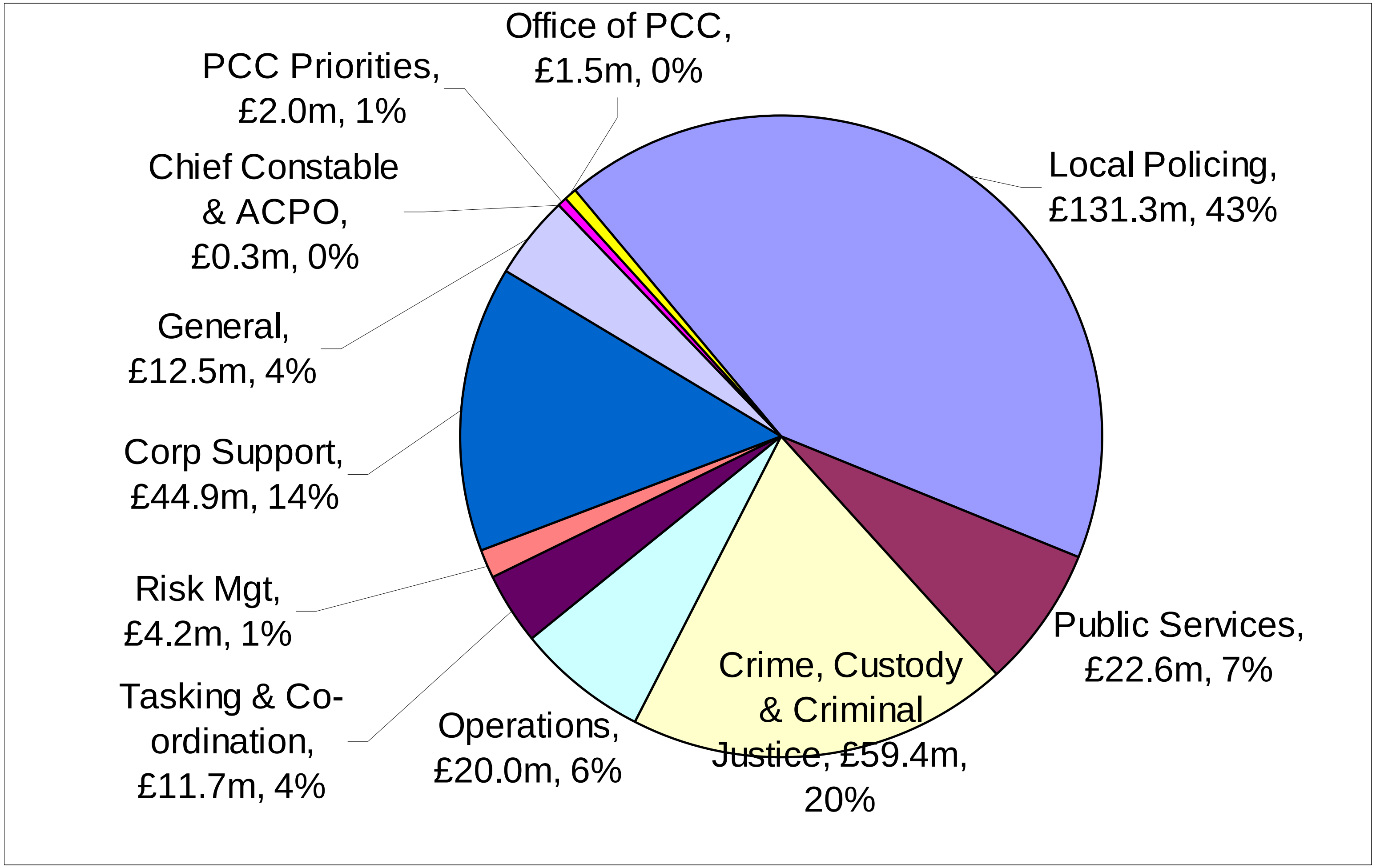
Appendix D

Office of the Police and Crime Commissioner

Office of the Police and Crime Commissioner - Forward Budget 2013/14	Budget 2012/13	Price Changes / Inflation	Forward Budget 2013/14 - Current Policies	Proposed Changes to Current Polices Budget	Proposed Forward Budget 2013/14
	£'000	£'000	£'000	£'000	£'000
EXPENDITURE:					
Employees:					
OPCC Staff	580	12	592	0	592
	580	**12**	**592**	**0**	**592**
Premises:					
Rent and rates etc	117	3	120	14	134
Other (incl. building maintenance, cleaning, gas and electricity)	24	1	25	4	29
	141	**4**	**145**	**18**	**163**
Supplies and services:					
Printing and stationery	47	0	47	(39)	8
Subscriptions (ACPO and APA)	46	2	48	0	48
Other (incl. office equipment, postage, publications, advertising and catering)	38	1	39	(2)	37
	130	**3**	**133**	**(41)**	**92**
PCC & Staff costs:					
Allowances (incl. tribunals etc)	157	0	157	(157)	0
PCC's Hospitality Expenses	1	0	1	0	1
Travelling etc	28	0	28	(12)	16
Tribunals & misconduct hearings	20	0	20	0	20
	206	**0**	**206**	**(170)**	**37**
Engagement & Consultation:	**38**	**0**	**38**	**(1)**	**37**
Independent Custody Visitors:	**19**	**0**	**19**	**0**	**19**
Legal advice:	**30**	**1**	**31**	**0**	**31**
Treasurer's services:					
Treasurer	51	1	52	0	52
Internal audit	84	2	86	0	86
	135	**3**	**138**	**0**	**138**
External audit:	**115**	**0**	**115**	**(35)**	**80**
Standing Grants:	**74**	**0**	**74**	**0**	**74**
Police & Crime Comissioner Office Reserve:	**0**	**0**	**0**	**229**	**229**
Office of the PCC Total:	**1,468**	**23**	**1,491**	**0**	**1,491**
Additional Expenditure for the PCC:					
Community Safety Fund (CSF):	135	0	135	1,324	1,459
One-off budget to support the priorities:	0	0	0	2,001	2,001
	135	**0**	**135**	**3,325**	**3,460**
Total Expenditure:	**1,603**	**23**	**1,626**	**3,325**	**4,951**
INCOME:					
Government Grant Funding (CSF):	**(135)**	**0**	**(135)**	**(1,324)**	**(1,459)**
Total Income:	**(135)**	**0**	**(135)**	**(1,324)**	**(1,459)**
Total Overall Net Expenditure:	**1,468**	**23**	**1,491**	**2,001**	**3,492**

Appendix E

Objective Analysis Pie Chart Budget 2013/14



Appendix F

Council Tax Precept Rates 2013/14

	Council tax at each band							
Band	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
£	100.83	117.64	134.44	151.25	184.86	218.47	252.08	302.50

Collection authority tax bases and share of precept 2013/14

Collection authority	Tax base	Precept (£)
Basingstoke and Deane	60,252.70	9,113,220.88
East Hampshire	45,965.13	6,952,225.91
Eastleigh	41,575.62	6,288,312.53
Fareham	40,244.00	6,086,905.00
Gosport	24,532.40	3,710,525.50
Hart	37,212.78	5,628,432.98
Havant	37,204.14	5,627,126.18
Isle of Wight	47,060.00	7,117,825.00
New Forest	67,702.70	10,240,033.38
Portsmouth	50,500.70	7,638,230.87
Rushmoor	28,799.18	4,355,875.97
Southampton	55,471.70	8,390,094.63
Test Valley	43,344.00	6,555,780.00
Winchester	45,392.95	6,865,683.69
Total	**625,258.00**	**94,570,272.52**

Comparison of council tax bases between 2012/13 and 2013/14

Collection authority	Tax base 12/13	Tax base 13/14	Change
Basingstoke and Deane	65,071.00	60,252.70	-7.40%
East Hampshire	48,600.68	45,965.13	-5.42%
Eastleigh	44,823.67	41,575.62	-7.25%
Fareham	43,465.00	40,244.00	-7.41%
Gosport	27,731.00	24,532.40	-11.53%
Hart	38,262.16	37,212.78	-2.74%
Havant	43,126.00	37,204.14	-13.73%
Isle of Wight	55,682.00	47,060.00	-15.48%
New Forest	73,274.30	67,702.70	-7.60%
Portsmouth	59,916.10	50,500.70	-15.71%
Rushmoor	31,838.98	28,799.18	-9.55%
Southampton	67,144.00	55,471.70	-17.38%
Test Valley	46,303.00	43,344.00	-6.39%
Winchester	48,323.83	45,392.95	-6.07%
Total	**693,561.72**	**625,258.00**	**-9.85%**

Appendix G

Inflation and Assumptions

Employees (FTEs)	2013/14	2014/15	2015/16	2016/17
Officers	3,312.50	3,303.50	3,302.50	3,302.50
Staff	2,014.16	1,985.04	1,985.04	1,985.04
PCSOs	333.00	333.00	333.00	333.00
Total	5,659.66	5,621.54	5,620.54	5,620.54

Basic Pay	Sep 2013	Sep 2014	Sep 2015	Sep 2016
Officer pay	1.00%	1.00%	2.50%	2.50%
Staff pay	1.00%	1.00%	2.50%	2.50%

Basic Pay	2013/14	2014/15	2015/16	2016/17
Officer pay	100.58%	101.00%	101.88%	102.50%
Staff pay	100.58%	101.00%	101.88%	102.50%

National Insurance	2013/14	2014/15	2015/16	2016/17
Secondary Threshold	£7,072	£7,072	£7,072	£7,072
Upper Accrual Point (UAP)	£40,040	£40,040	£40,040	£40,040
Upper Earnings Level	£42,475	£42,475	£42,475	£42,475
Below UAP Average -officers	10.21%	10.21%	10.21%	10.21%
Below UAP Average -staff	10.61%	10.61%	10.61%	10.61%
Above UAP Average	13.80%	13.80%	13.80%	13.80%

Pensions	2013/14	2014/15	2015/16	2016/17
Actual rate if in scheme:				
Officers	24.20%	24.20%	24.20%	24.20%
Staff	13.10%	13.10%	13.10%	13.10%
Budgeted rate (based on scheme membership)				
Officers	23.50%	23.50%	23.50%	23.50%
Staff	11.28%	11.28%	11.28%	11.28%
Police staff lump sum (£)	3,711,100	4,768,800	5,338,500	5,976,500

Non-pay	2013/14	2014/15	2015/16	2016/17
Gas	7.00%	7.00%	7.00%	7.00%
Electricity	9.00%	9.00%	9.00%	9.00%
Cleaning	2.50%	3.00%	2.50%	2.50%
Vehicle fuel	2.50%	5.00%	5.00%	5.00%
Grants	0%	0%	0%	0%
Other	2.50%	2.50%	2.50%	2.50%

Appendix H

Savings

Strand	Description	Impact / Issues	2013/14	
			£	FTE
ACPO Secretariat	National Police Air Support & support review	Minimal impact	-216,500	-1
Public Service	Call Management Review including reductions to Crime Recording Bureau facilitated more use of mobile technology by frontline personnel. Savings on Airwave warranty due to replacement of handsets	Greater use of mobile technology	-949,000	-33
Local Policing	Workforce modernisation	Initial overlap of staff joining & officers leaving to maintain service & performance	333,700	31
Serious Crime	Special Branch review post Olympics & workforce modernisation	HR management of officer numbers	-1,455,300	-10
Risk Management	Rationalisaion of Professional Standards Dept as a result of more efficient processes	Minimal impact	-144,900	-4
Tasking & Co-Ordination	Savings from better use of technology	Review is in progress	-146,000	0
Operations	Reduction of Special Events budget as recharges have covered costs historically. Rationalisaion of Firearms and Force Support Unit post Olympics & Collaboration	The staff review is currently in progress	-459,200	-7
Custody & Criminal Justice	Improved use of technology e.g. PNC checks carried out by officers directly using mobile technology	Greater use of mobile technology	-284,800	-4
Corporate Support	ICT Collaboration savings through shared systems (£1.8m), Learning & Development Review, Essential User Review & vehicle rationalisation	Use of support resources needs to be controlled and prioritised	-2,703,300	-7
Central	Reduced removal costs under Regulation 35	Minimal impact	-100,000	0
Total			**-6,125,300**	**-35**

Appendix I

Budget Pressures and Growth

Title	Ref	Owner	Priority Level	Detail	Risk	2013/14 Proposal £'000	2014/15 Proposal £'000	2015/16 Proposal £'000	2016/17 Proposal £'000
						2,460	**1,090**	**929**	**954**
Extended Police Family Establishment	DCC 3	DCC Marsh	High	Establish 2 x Sergeant posts, which are currently in place as over-established. To be civilianised.	Special and volunteer numbers are growing. Recruitment & development required.	109.0	108.0	108.0	108.0
Replacement of XP Desktop Operating System	DCC 10	DCC Marsh	No Choice	Revenue impact of replacing current operating system which reaches end of life in April 2014. Capital cost £3m	No security updates, less software will operate on the operating software.	0.0	250.0	500.0	625.0
Network Equipment refresh	DCC 11	DCC Marsh	No Choice	Replacement equipment needed for upgrade of network.	Network speed reduction. Increased risk of failure.	20.0	235.0	12.0	12.0
Network Infrastructure Growth	DCC 12	DCC Marsh	No Choice	Additional capacity for certain areas within the new network.	Network speed reduction. Increased risk of failure.	10.0	124.0	24.0	24.0
Data Centre Infrastructure Systems Refresh - CAPITAL	DCC 15	DCC Marsh	No Choice	Revenue impact of replacement of Data Centre ICT hardware and software systems required to run and support the Force's applications. Capital cost £0.810m	Increased risk of failure and cost of ad hoc replacements and fixes.	0.0	102.5	115.0	115.0
Vehicle Cleaning and Diesel Storage Facility	EST 1	DCC Marsh	High	To resolve current issues around cleaning of vehicles and storage of fuel	Unsafe drainage. Fuel leakage from tanks.	200.0	200.0	100.0	0.0
Marine Unit Accommodation	SB 1	ACC Nicholson	High	Accommodation for Marine Unit	Health of staff and equipment.	120.0	70.0	70.0	70.0
Police & Crime Commissioner Priorities	C1	Commissioner	High	To deliver services in line with Police and Crime Plan priorities	Improvement in service and delivery of commitments	2,001.0	0.0	0.0	0.0

1. The costs above include the full revenue costs for revenue items and the revenue cost of borrowing (when needed) for capital items.
2. There are 2 items classified as capital immediately; DCC 10 and DCC 15. In both these cases, the ongoing costs in later years are commitments.
3. There is scope within the 2012/13 & 2013/14 IT capital allocations to cover the costs in 2013/14 of DCC10 and DCC15.
4. All schemes above are subject to final business case approval by the Police and Crime Commissioner.

Appendix J

Capital Programme

Estimated spend prior to 31 March 2013		Those schemes which have already been approved and are either annual programmes or projects for which full business cases and / or project appraisals have been agreed (with the exception of those marked #).	Total Scheme Cost	2013/14	2014/15	2015/16	2016/17	2017/18 and later years
£'000			£'000	£'000	£'000	£'000	£'000	£'000
		Estate						
Annual		Building Improvements	Annual					500
		Estate Development Programme (EDP)						
10,719		Capital costs of assets	82,228	25,294	42,796	3,256	163	
61		Capitalised interest	1,007	262	684			
10,780	#	Total EDP	83,235	25,556	43,480	3,256	163	0
		Total Estate:		**25,556**	**43,480**	**3,256**	**163**	**500**
		Technology						
Annual		Capitalisation of IT equipment	Annual	1,612	1,000	1,000	1,000	1,000
	#	Replacement of desktop XP operating systems	3,000	500	1,000	1,000	500	
	#	Replacement of Data Centre hardware	810	350	410	50		
2,585		Mobile Information	3,511	267	498	115	46	
		Technology:		**2,729**	**2,908**	**2,165**	**1,546**	**1,000**
		Transport						
Annual		Vehicle Replacement Programme	Annual	3,000	3,000	3,000	3,000	3,000
Programme	#	Vehicle Replacement Programme (post Change Programme)	Programme	500	500	500	500	500
		Total Transport Management Committee:		**3,500**	**3,500**	**3,500**	**3,500**	**3,500**
		Grand Totals:		**31,785**	**49,888**	**8,921**	**5,209**	**5,000**

	2013/14	2014/15	2015/16	2016/17	2017/18 and later years
Capital Receipts:					
Residential properties	(985)		(220)	(808)	(1,130)
Operational buildings-Estate Development Programme	(3,460)	(5,225)	(18,700)		
Vehicles and fleet	(300)	(300)	(300)	(300)	(300)
Total Capital Receipts:	**(4,745)**	**(5,525)**	**(19,220)**	**(1,108)**	**(1,430)**
Capital Grant:	(2,700)	(2,800)	(2,700)	(2,700)	(2,700)
Revenue Contributions to Capital Outlay:	(700)	(700)	(700)	(200)	(200)
Funded by Transformation Reserve:	(1,138)	(1,128)	(1,358)	(447)	
Shortfall to be funded by borrowing	**22,502**	**39,735**	**(15,057)**	**754**	**670**

Appendix K

Reserves

Reserve	Balance at 01/04/13	Movements in 2013/14	Balance at 31/03/14	Movements in 2014/15	Balance at 31/03/15	Movements in 2015/16	Balance at 31/03/16	Movements in 2016/17	Balance at 31/03/17
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Reserve:									
General contribution from reserves approved in the budget		(387)		(387)		(387)		(387)	
Balance	**7,508**		**7,121**		**6,734**		**6,347**		**5,960**
Transformation Reserve:									
Use of reserve (excluding EDP)		(5,066)		(2,158)		(700)		(429)	
EDP related expenditure		(3,408)		(1,406)		(1,208)		190	
Balance	**14,185**		**5,711**		**2,147**		**239**		**0**
Risk Reserve:									
Balance	**6,689**		**6,689**		**6,689**		**6,689**		**6,689**
Capital (Revenue Contributions) Reserve:									
General contribution from revenue account		200		200		200		200	
Used to support capital programme		(200)		(200)		(200)		(200)	
Balance	**0**		**0**		**0**		**0**		**0**
Equipment Reserve:									
Balance	**1,000**		**1,000**		**1,000**		**1,000**		**1,000**
Performance Reserve:									
Use of reserve		(1,250)							
Balance	**1,250**		**0**		**0**		**0**		**0**
Insurance Reserve:									
Balance	**894**		**894**		**894**		**894**		**894**
TOTAL USABLE RESERVES	**31,526**		**21,415**		**17,464**		**15,169**		**14,543**
Earmarked Reserves:									
ACRO surety (£1,750k in opening balance))									
Netley Business Plan (£98k in opening balance)									
Balance	**1,848**		**1,848**		**1,848**		**1,848**		**1,848**
Revenue Grants Unapplied:									
Balance	**0**		**0**		**0**		**0**		**0**
Total Revenue Reserves:	**33,374**	(10,111)	**23,263**	(3,951)	**19,312**	(2,295)	**17,017**	(626)	**16,391**

Appendix L

Reserves Protocol

Reserve	Purpose	Owner	Review Process
General	To provide an adequate balance for one-off expenditure or unforeseen costs.	PCC	PCC and CFOs in preparing budgets and close of accounts.
Transformation	To provide for cost of change e.g. investment, redundancies.	PCC	Reviewed at Force Change Board and by PCC for each request.
Risk	To protect against savings shortfall or increases in cuts.	PCC	PCC and CFOs in preparing budgets and close of accounts.
Capital (Revenue Contributions)	To facilitate revenue contributions towards the financing of capital expenditure.	PCC	MTFS, budget monitoring and close of accounts.
Equipment	To support large equipment replacement costs e.g. body armour.	PCC	PCC and CFOs in preparing budgets and close of accounts.
Performance	To support targeted policing strategies. £2.5m was made available over a 2 year period 2012/14 for Operation Fortress.	PCC	PCC and CFOs in preparing budgets and close of accounts.
Insurance	To cover excess costs and additional claims.	PCC	At least annually on close of accounts.
Earmarked	To hold ring-fenced funds, principally for ACPO Criminal Records Office.	PCC	Reviewed annually with close of accounts.
Revenue Grants Unapplied	An accounting requirement to hold funds received for a specific purpose which have not yet been spent.	PCC	Reviewed annually with close of accounts.

Appendix M

Chief Finance Officer Statement

Local Government Act 2003

1. The Act comprises of a series of duties and powers that give statutory support to important aspects of good financial practice.

2. Section 25 of the Act requires the Chief Financial Officer to report to the Police and Crime Commissioner when setting its council tax on:
   - the robustness of the estimates included in the budget
   - the adequacy of the financial reserves in the budget

3. The Police and Crime Commissioner is required to have regard to this report in approving the budget and council tax. It is appropriate for this report to be part of the council tax precept provided that the content is also fully available to the Police and Crime Commissioner in making the final decision.

4. The proposed increase in council tax is within the referendum limit authorised by the Secretary of State for Communities and Local Government.

5. CIPFA guidance on reserves and balances provides the general framework for this report. This puts emphasis on the Medium Term Financial Strategy (MTFS). The level of reserves has been scrutinised and a forward strategy set. The report updates the forecast for reserves and sets out the purpose, use and monitoring of each reserve.

6. The Police and Crime Commissioner's decision on the budget and precept for 2013/14 is the conclusion of the process involving consideration of the draft budget by:
   - the Police Authority in considering the MTFS and grant, budget and council tax outlooks in the Autumn prior to transition to the Police and Crime Commissioner;
   - the Constabulary's Senior Leaders Group;
   - including savings identified through the Change Programme;
   - budget consultation with residents, staff associations, business and council tax payers/residents associations.

7. The Chief Finance Officer has ensured that appropriate information and advice was given at all of these earlier stages in order that a positive opinion can be given at this stage.

8. In setting the budget, the Police and Crime Commissioner should have regard to the strategic, operational and financial risks facing the Police

and Crime Commissioner and Constabulary in the context of an overall approach to risk management. The risks include:

- Inflation

  - Inflation rate assumptions are set out in the report. These should be adequate, particularly for pay, but action might be required if inflation in some areas is greater than provided for.

  - interest rates are covered in more detail in the Treasury Management report. The budget assumes that rates are fairly static or, if they do change, it is not likely to significantly adversely affect the budget;

- pay drift – increments are budgeted for;

- additional spending and savings included in the budget - details of these are fully set out and implications understood in previous consideration.

- budgets and MTFS – these are well established processes;

- strength of financial information and reporting arrangements – again well established with regular monitoring reports;

- capital programme – payments generally tend to slip rather than accelerate. Provisional sums have been included for capital schemes that are still subject to final business case approval.

- capital financing costs present a considerable strain on the revenue budget and the Police and Crime Commissioner will need to review the priority and timing of commitments. Capital receipts are based on a detailed review of when assets become available for sale and will take into account any changes in property prices brought about by market rates;

- the level of borrowing and outstanding debt is relatively low but will increase in future years as major projects are undertaken and the availability of capital receipts reduces. An income budget for interest receivable has been included. These matters are fully covered in the Treasury Management report and Prudential Indicators;

- There is no indication at this stage that any contingent liabilities will result in any financial cost to the Police and Crime Commissioner, but reserves are sufficient to cover these costs if required;

- major incidents is the most uncertain risk, but the general reserve should be adequate based on previous experience;

- risk management and insurance arrangements have in recent years proved to be effective and not resulted in undue financial strain on the budget. A strategic risk register is used to record, monitor and manage significant risks;

- the Audit Commission in its 2011/12 Annual Audit Letter stated that the financial planning framework remains sound;

- the announcement of the provisional budget settlement in December 2012 provides greater certainty of grant levels for 2013/14.

10. In setting the levels of reserves due regard has been given to Local Authority Accounting Panel Bulletin 77 issued in November 2008. This includes:

    - the treatment of inflation and interest rates;

    - estimates of the level and timing of capital receipts;

    - the treatment of demand led pressures;

    - the treatment of planned efficiency savings and productivity gains;

    - the financial risks inherent in any significant partnerships, major outsourcing arrangements or major capital developments;

    - the availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions;

    - the general financial climate to which the Police and Crime Commissioner is subject.

Appendix N

Treasury Management Strategy Statement and Investment Strategy 2013/14 to 2015/16

Summary

The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators (PIs) on an annual basis. The TMSS also includes the Annual Investment Strategy (AIS) that is a requirement of the Department for Communities and Local Government's (CLG) Investment Guidance.

As per the requirements of the Prudential Code, Hampshire Police Authority adopted the CIPFA Treasury Management Code at its meeting on 9 February 2010. Following the succession of the Police Authority by the Police and Crime Commissioner (PCC) it is recommended that the PCC also adopts the CIPFA Treasury Management Code as the basis for treasury management activities.

The purpose of this TMSS is, therefore, to approve:

- (where applicable) revisions to Treasury Management Strategy and Prudential Indicators for 2012/13
- Treasury Management Strategy for 2013/14
- Annual Investment Strategy for 2013/14
- Prudential Indicators for 2013/14, 2014/15 and 2015/16 shown in Annex B
- Minimum Revenue Provision (MRP) Statement shown in Section 10 and Annex F.

The Office of the Police and Crime Commissioner (OPCC) has borrowed and invested substantial sums of money and therefore has potentially large exposures to financial risks including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the OPCC's treasury management strategy.

This strategy recommends the following approvals:

- **Treasury Management Strategy and Annual Investment Strategy for 2013/14, although this would also be adopted for the rest of 2012/13**
- **Adoption of the CIPFA Treasury Management Code**
- **Prudential Indicators for 2013/14, 2014/15 and 2015/16 – Annex B**
- **Minimum Revenue Provision (MRP) Statement – Section 10**

Capital Financing Requirement

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The CFR, together with Usable Reserves, are the core drivers of the OPCC's Treasury Management activities.

As at 31 December 2012 the OPCC currently has £39.0m of debt and £68.6m of investments. This is set out in further detail in Annex A.

The OPCC is able to borrow funds in excess of the current level of its CFR up to the projected level in 2015/16. The OPCC is likely to only borrow in advance of need if it felt the benefits of borrowing at interest rates now compared to where they are expected to be in the future, outweighs the current cost and risks associated with investing the proceeds until the borrowing was actually required.

The forecast movement in the CFR in coming years is one of the Prudential Indicators (PIs). The movement in actual external debt and usable reserves combine to identify the OPCC's borrowing requirement and potential investment strategy in the current and future years.

Table 1: Balance Sheet Summary Analysis

	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Capital Financing Requirement	48.4	50.7	54.5	53.6
Less: External Borrowing (PWLB)	-38.4	-37.2	-36.0	-34.4
Less: Other Long Term Liabilities	0.0	0.0	0.0	0.0
Cumulative Maximum External (gross) Borrowing Requirement	10.0	13.5	18.5	19.2
Usable Reserves	-36.1	-29.4	-26.8	-25.7
Cumulative Net Borrowing Requirement/(-) Investment	-26.1	-15.9	-8.3	-6.5

Interest Rate Forecast

The economic and interest rate forecast provided by the OPCC's treasury management advisor, Arlingclose Ltd, is attached in Annex C. The OPCC will reappraise its strategies from time to time in response to evolving economic, political and financial events.

The interest rate forecast continues its theme of the last few years, that is, that interest rates will remain low for even longer. Indeed, the forecast is for official UK interest rates to remain at 0.5% until 2016 given the moribund outlook for economic growth and the extension of austerity measures announced in the Chancellor's Autumn Statement.

Borrowing Strategy

Treasury management and borrowing strategies in particular continue to be influenced not only by the absolute level of borrowing rates but also the relationship between short and long term interest rates. This difference creates a "cost of carry" for any new longer term borrowing where the proceeds are temporarily held as investments because of the difference between what is paid on the borrowing and what is earned on the investment. The cost of carry is likely to be an issue until 2016 or beyond. As borrowing is often for longer dated periods (anything up to 50 years) the cost of carry needs to be considered against a backdrop of uncertainty and affordability constraints in the OPCC's wider financial position.

As indicated in Table 1, the OPCC has a gross borrowing requirement of £13.5m in 2013/14 but has sufficient balances and reserves to avoid the need for external borrowing. By essentially lending its own surplus funds to itself the OPCC is able to minimise borrowing costs and reduce overall treasury risk by reducing the level of its external investment balances.

Sources of Borrowing and Portfolio Implications

In conjunction with advice from its treasury advisor, the OPCC will keep under review the following borrowing sources:

- internal
- PWLB
- local authorities
- European Investment Bank (NB the EIB will only lend up to 50% towards the funding of a specific project and needs to meet the EIB's specific criteria)
- leasing
- structured finance
- capital markets (stock issues, commercial paper and bills)
- commercial banks.

The cost of carry has resulted in an increased reliance upon shorter dated and variable rate borrowing. This type of borrowing injects volatility into the debt portfolio in terms of interest rate risk but is counterbalanced by its affordability and alignment of borrowing costs with investment returns.

Debt Rescheduling

The OPCC's debt portfolio can be restructured by prematurely repaying loans and refinancing them on similar or different terms to achieve a reduction in risk and/or savings in interest costs.

The lower interest rate environment and changes in the rules regarding the premature repayment of PWLB loans has adversely affected the scope to undertake meaningful debt restructuring although occasional opportunities arise. The rationale for undertaking any debt rescheduling or repayment would be one or more of the following:

- Reduce investment balances and credit exposure via debt repayment.
- Align long-term cash flow projections and debt levels.
- Savings in risk adjusted interest costs.
- Rebalancing the interest rate structure of the debt portfolio.
- Changing the maturity profile of the debt portfolio.

Borrowing and rescheduling activity will be reported to the Police and Crime Commissioner (PCC) in the Annual Treasury Management Report or the treasury management monitoring.

Annual Investment Strategy

In accordance with Investment Guidance issued by the CLG and best practice the OPCC's primary objective in relation to the investment of public funds remains the security of capital. The liquidity or accessibility of the OPCC's investments is secondary, followed by the yield earned on investments which is a tertiary consideration.

The OPCC and its advisors remain on a heightened state of alert for signs of credit or market distress that might adversely affect the OPCC.

Investments are categorised as "Specified" or "Non-Specified" within the investment guidance issued by the CLG. Specified investments are sterling denominated investments with a maximum maturity of one year. They also meet the "high credit quality" as determined by the OPCC and are not deemed capital expenditure investments under Statute. Non specified investments are, effectively, everything else.

The types of investments that will be used by the OPCC and whether they are specified or non-specified are shown in Table 2 below, further details can be found in Annexes D & E:

Table 2: Specified and Non-Specified Investments

Investment	Specified	Non-Specified
Term deposits with banks and building societies	✓	✓
Term deposits with other UK local authorities	✓	✓
Investments with Registered Providers	✓	✓
Certificates of deposit with banks and building societies	✓	✓
Gilts	✓	✓
Treasury Bills (T-Bills)	✓	×
Bonds issued by Multilateral Development Banks	✓	✓
Local OPCC Bills	✓	×
Commercial Paper	✓	×
Corporate Bonds	✓	✓
AAA-Rated Money Market Funds	✓	×
Other Money Market and Collective Investment Schemes	✓	✓
Debt Management Account Deposit Facility	✓	×

The minimum credit rating for non-UK sovereigns is AA+ (or equivalent). For specified investments the minimum long term rating for counterparties is A- (or equivalent).

The other credit characteristics, in addition to credit ratings, that the OPCC monitors are listed in the Prudential Indicator on Credit Risk in Annex B. Any institution will be suspended or removed should any of the factors identified above give rise to concern. The countries and institutions that meet the criteria for term deposits, Certificates of Deposit (CDs) and call accounts are included in Annex D.

The OPCC banks with NatWest. At the current time it meets the OPCC's minimum credit criteria. If its credit rating were to fall below the OPCC's minimum criteria the position would be reviewed to ensure the risk to investments was minimised, but as the OPCC's banker NatWest may continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

Investment Strategy

With short term interest rates low for some time, an investment strategy will typically result in a lengthening of investment periods, where cash flow permits, in order to lock in higher rates of acceptable risk adjusted returns. The problem in the current environment is finding an investment counterparty providing acceptable levels of counterparty risk.

In order to diversify a portfolio invested in cash, investments will be placed with approved counterparties over a range of maturity periods. Maximum investment levels with each counterparty will be set to ensure prudent diversification is achieved.

The Investment Strategy will provide the flexibility to invest cash for a maximum period of up to two years in order to access higher investment returns in the current low interest rate environment, although lending to UK local authorities can be for up to three years. Within this Strategy the duration of actual investments will be determined by the perceived credit risk, based on the creditworthiness criteria outlined in Annex B Section 11. For example, currently new investment deposits with banks and building societies are restricted to between 100 days and 12 months based on the assessment of the individual counterparties' credit risk, with lending to some counterparties prohibited completely at the current time.

Money market funds (MMFs) will be utilised but good treasury management practice prevails and whilst MMFs provide good diversification the OPCC will also seek to mitigate operational risk by utilising at least two MMFs. The Authority will also restrict its exposure to MMFs with lower levels of funds under management and will not exceed 0.5% of the net asset value of constant net asset value MMFs.

Policy on the use of Financial Derivatives

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy.

The OPCC currently has no plans to make use of financial derivatives. Should this change derivatives will only be used after seeking expert advice, a legal opinion and ensuring officers have the appropriate training for their use.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit.

2013/14 MRP Statement

The OPCC is required to set an annual policy on the way it calculates the prudent provision for the repayment of borrowing (MRP). This year's policy can be found in Annex F of this report.

Monitoring and Reporting on the Treasury Outturn and Prudential Indicators

Treasury activity is monitored quarterly and reported internally to the Chief Finance Officer. The Prudential Indicators will be monitored through the year by the Chief Finance Officer and reported as set out below. The Chief Finance Officer will report to the PCC on treasury management activity / performance and Prudential Indicators as follows:

- A mid-year and year end review of treasury activity against the strategy approved for the year.
- An outturn report on treasury activity no later than 30 September after the financial year end.
- The PCC will be responsible for the scrutiny of treasury management activity and practices.

Other Items

CIPFA's Code of Practice requires a responsible officer, which is the PCC Chief Financial Officer (CFO), to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. The training requirements of the OPCC will be assessed during its first full year of operation. The training needs of the OPCC's treasury management staff are subject to regular review.

The PCC CFO uses Arlingclose Ltd as external treasury advisers for information, advice and assistance relating to borrowing and investment.

Existing Investment & Debt Portfolio Position as at 31 December 2012

	Actual Portfolio £m	Average Rate %
External Borrowing:		
PWLB – Fixed Rate	39.0	3.93
Other Long Term Liabilities:		
Finance Leases	0	-
Total Gross External Debt	39.0	-
Investments:		
Managed in-house		
Short term investments (<12 months):		
Lending to UK banks and building societies	50.3	0.92
Money market funds	1.1	0.48
Lending to other UK local authorities	9.0	1.08
Long term investments (>12 months):		
Lending to other UK local authorities	8.2	0.95
Total Investments	68.6	0.94
Net Investments/(Debt)	29.6	-

Prudential Indicators 2013/14 – 2015/16

Background

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

Gross Debt and the Capital Financing Requirement

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the OPCC should ensure that debt 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.

The Chief Finance Officer reports that the OPCC has had no difficulty meeting this requirement in the financial year to date, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the draft budget.

Estimates of Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax. The prudential indicators contained in this report beginning with capital expenditure below, are based on capital schemes that have already been approved and exclude schemes awaiting approval, most notably elements of the Estates Development Programme.

	2012/13 Revised £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Capital Expenditure	12.9	8.9	10.0	5.9

Capital expenditure will be financed or funded as follows:

Capital Financing	2012/13 Revised £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Capital receipts	1.6	1.3	0.3	0.5
Government Grants	3.0	2.7	2.8	2.7
Capital payments reserve	0	0	0	0
Revenue contributions	3.7	0.2	0.2	0.2
Capital contributions	0.0	0.0	0.0	0.0
Total Financing	8.3	4.2	3.3	3.4
Supported borrowing	0	0	0	0
Prudential borrowing	4.6	4.7	6.7	2.5
Total Funding	4.6	4.7	6.7	2.5
Total Financing and Funding	12.9	8.9	10.0	5.9

Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.

The ratio is based on costs net of investment income.

	2012/13 Approved	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Ratio of Financing Costs to Net Revenue Stream	1.13%	1.11%	1.27%	1.25%

Capital Financing Requirement:

The Capital Financing Requirement (CFR) measures the OPCC's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

	2012/13 Approved £m	2012/13 Revised £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Capital Financing Requirement	47.6	48.4	50.7	54.5	53.6

Incremental Impact of Capital Investment Decisions

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	2012/13 Approved £	2013/14 Estimate £	2014/15 Estimate £	2015/16 Estimate £
Increase in Band D Council Tax	0.04	0.06	0.15	0.22

Authorised Limit and Operational Boundary for External Debt:

The OPCC has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the OPCC and not just those arising from capital spending reflected in the CFR.

The Authorised Limit sets the maximum level of external debt on a gross basis (i.e. excluding investments) for the OPCC. It is measured on a daily basis against all external debt items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the OPCC's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

The Operational Boundary has been set on the estimate of the most likely, i.e. prudent but not worst case scenario which is captured in the Authorised Limit, with sufficient headroom over and above this to allow for unusual cash movements.

	2012/13 Approved £m	2012/13 Revised £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Authorised Limit for Borrowing	60	60	80	80	80
Authorised Limit for Other Long-term Liabilities	0	0	0	0	0
Authorised Limit for External Debt	60	60	80	80	80
Operational Boundary for Borrowing	50	50	70	70	70
Operational Boundary for Other Long-term Liabilities	0	0	0	0	0
Operational Boundary for External Debt	50	50	70	70	70

Adoption of the CIPFA Treasury Management Code

This indicator demonstrates the adoption of the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The Police Authority approved the adoption of the CIPFA Treasury Management Code at its meeting on 18 February 2010.

Following the succession of the Police Authority by the OPCC it shall henceforth be noted that the OPCC has adopted the CIPFA Treasury Management Code and the changes from the revised CIPFA Code of Practice are part of its treasury policies, procedures and practices.

Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

These indicators allow the OPCC to manage the extent to which it is exposed to changes in interest rates.

The upper limit for variable rate exposure has been set to ensure that the OPCC is not exposed to interest rate rises which could adversely impact on the revenue budget. The upper limits for both fixed and variable rate exposure have been set to give the OPCC maximum policy flexibility.

	Existing level at 31/12/12	2012/13 Approved	2012/13 Revised	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
	£m	£m	£m	£m	£m	£m
Borrowing						
Upper Limit for Fixed Interest Rate Exposure	39.0	50	50	70	70	70
Upper Limit for Variable Interest Rate Exposure	0	50	50	70	70	70
Investments						
Upper Limit for Fixed Interest Rate Exposure	52.2	n/a	95	90	90	90
Upper Limit for Variable Interest Rate Exposure	16.4	n/a	80	80	80	80

Maturity Structure of Fixed Rate borrowing

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

Maturity structure of fixed rate borrowing	Existing level at 31/03/12 %	Lower Limit for 2013/14 %	Upper Limit for 2013/14 %
Under 12 months	3	0	50
12 months and within 24 months	3	0	50
24 months and within 5 years	11	0	50
5 years and within 10 years	8	0	75
10 years and within 20 years	12	0	75
20 years and within 30 years	63	0	75
30 years and within 40 years	0	0	100
40 years and within 50 years	0	0	100
50 years and above	0	0	100

Credit Risk

The OPCC considers security, liquidity and yield, in that order, when making investment decisions.

Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the OPCC's assessment of counterparty credit risk.

The OPCC also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

Upper Limit for total principal sums invested over 364 days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the OPCC having to seek early repayment of the sums invested.

	2012/13 Approved £m	2012/13 Revised £m	2013/14 Estimate £m	2014/15 Estimate £m	2015 /16 Estimate £m
Upper Limit for Total Principal Sums Invested over 364 Days	15	20	20	20	20

Economic & Interest Rate Forecast

	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Official Bank Rate													
Upside risk			0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**
Downside risk		-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
3-month LIBID													
Upside risk	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75
Central case	**0.40**	**0.40**	**0.40**	**0.45**	**0.45**	**0.50**	**0.50**	**0.50**	**0.55**	**0.55**	**0.55**	**0.60**	**0.60**
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
1-yr LIBID													
Upside risk	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75
Central case	**0.85**	**0.90**	**0.95**	**0.95**	**1.00**	**1.00**	**1.00**	**1.00**	**1.10**	**1.10**	**1.10**	**1.10**	**1.10**
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
5-yr gilt													
Upside risk	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
Central case	**0.95**	**0.95**	**0.95**	**0.95**	**1.00**	**1.00**	**1.00**	**1.00**	**1.10**	**1.10**	**1.10**	**1.20**	**1.20**
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
10-yr gilt													
Upside risk	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00
Central case	**2.00**	**2.00**	**2.05**	**2.05**	**2.05**	**2.05**	**2.10**	**2.10**	**2.10**	**2.20**	**2.20**	**2.20**	**2.20**
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
20-yr gilt													
Upside risk	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
Central case	**2.90**	**2.90**	**2.90**	**2.90**	**3.00**	**3.00**	**3.00**	**3.00**	**3.10**	**3.10**	**3.10**	**3.10**	**3.10**
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
50-yr gilt													
Upside risk	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00
Central case	**3.35**	**3.35**	**3.35**	**3.40**	**3.40**	**3.40**	**3.50**	**3.50**	**3.50**	**3.50**	**3.60**	**3.60**	**3.60**
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

Underlying Assumptions:

UK growth is unlikely to return to above trend for the foreseeable future. Q3 GDP was strong at 0.9% but this momentum is unlikely to be sustained in Q4 or in 2013. The rebalancing from public-sector driven consumption to private sector demand and investment is yet to manifest, and there is little sign of productivity growth. Further contraction in the Eurozone, including Germany's powerful economy, and slower forecast growth in the emerging economies (Brazil/Mexico/India) are exacerbating the weakness.

Consumer Price Inflation has fallen to 2.7 % from a peak of 5.2%. Near term CPI is likely to be affected by volatility in commodity prices and its decrease towards the 2% target is expected to be slower than previously estimated. Real wage growth (i.e. after inflation) is forecast to remain weak.

The fiscal outlook for bringing down the structural deficit and stabilise debt levels remains very challenging. Weakened credibility of the UK reining its levels of debt poses a risk to the AAA status, but recent history (US, France) suggests this may not automatically result in a sell-off in gilts.

In the absence of large, unexpected decline in growth, QE is likely to remain on hold at £375bn for now. The availability of cheaper bank borrowing and subsequently for corporates through the Funding for Lending Scheme (FLS) is a supporting factor.

The US Federal Reserve’s shift in its rate guidance from a date-based indication to economic thresholds (6.5% unemployment, inflation 1 – 2 years out projected to remain below 2.5%, longer term inflation expectations remain well anchored) is likely to increase market uncertainty around the highly volatile US employment data releases.

The Eurozone is making slow headway which has curtailed some of the immediate risks although peripheral countries continue to struggle. Fully-fledged banking and fiscal union is still some years away.

In the US, the issues of spending cuts, reducing the budget deficit and raising the country’s debt ceiling remain unresolved. A failure to address these by March 2013 could lead to a similar showdown and risks a downgrade to the US sovereign credit rating by one or more agencies.

A reversal in market risk sentiment from current “risk on” to “risk off” could be triggered by economic and/or political events – impending Italian and German elections, US debt ceiling impasse, difficulty surrounding Cyprus’ bailout, and contagion returning the haunt the European peripheral nations – could inject renewed volatility into gilts and sovereign bonds.

Current Recommended Sovereign and Counterparty List as at 31/12/2012

Country/ Domicile	Counterparty	Maximum Counterparty Limit £m	Maximum Maturity Limit
UK	Barclays Bank Plc	15	2 years
UK	HSBC Bank Plc	15	2 years
UK	Lloyds TSB (Lloyds Banking Group)	15	2 years
UK	Nationwide Building Society	15	2 years
UK	NatWest (RBS Group)	15	2 years
UK	Santander UK Plc (Banco Santander Group)	15	2 years
UK	Standard Chartered Bank	15	2 years
Australia	Australia and NZ Banking Group	15	2 years
Australia	Commonwealth Bank of Australia	15	2 years
Australia	National Australia Bank Ltd (National Australia Bank Group)	15	2 years
Australia	Westpac Banking Corp	15	2 years
Canada	Bank of Montreal	15	2 years
Canada	Bank of Nova Scotia	15	2 years
Canada	Canadian Imperial Bank of Commerce	15	2 years
Canada	Royal Bank of Canada	15	2 years
Canada	Toronto-Dominion Bank	15	2 years
Finland	Nordea Bank Finland	15	2 years
Finland	Pohjola	15	2 years
France	BNP Paribas	15	2 years
France	Credit Agricole CIB (Credit Agricole Group)	15	2 years
France	Credit Agricole SA (Credit Agricole Group)	15	2 years
France	Société Générale	15	2 years

Country/ Domicile	Counterparty	Maximum Counterparty Limit £m	Maximum Maturity Limit
Germany	Deutsche Bank AG	15	2 years
Netherlands	ING Bank NV	15	2 years
Netherlands	Rabobank	15	2 years
Netherlands	Bank Nederlandse Gemeenten	15	2 years
Singapore	DBS Bank Ltd	15	2 years
Singapore	Oversea-Chinese Banking Corporation (OCBC)	15	2 years
Singapore	United Overseas Bank (UOB)	15	2 years
Sweden	Svenska Handelsbanken	15	2 years
Switzerland	Credit Suisse	15	2 years
US	JP Morgan	15	2 years

Please note this list could change if, for example, a counterparty/country is upgraded, and meets our other creditworthiness tools or a new suitable counterparty comes into the market. Alternatively, if a counterparty is downgraded, this list may be shortened.

Non-Specified Investments

Instrument	Maximum maturity	Max % of the portfolio
Term deposits with banks, building societies which meet the specified investment criteria (on advice from TM Adviser)	2 years	100
Term deposits with local authorities	3 years	100
CDs and other negotiable instruments with banks and building societies which meet the specified investment criteria (on advice from TM Adviser)	2 years	100
Deposits with registered providers	-	-
Gilts	-	-
Bonds issued by multilateral development banks	-	-
Sterling denominated bonds by non-UK sovereign governments	-	-
Money Market Funds and Collective Investment Schemes	2 years	50
Corporate and debt instruments issued by corporate bodies purchased from 01/04/12 onwards	-	-

In the current economic conditions there are no plans to invest in any of the instruments that do not have limits specified. If economic conditions do change to the extent that it becomes advantageous to invest in any of these instruments limits will be agreed with the Chief Finance Officer within the overall framework set by this strategy.

MRP Statement 2013/14

CLG's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

NB This does not preclude other prudent methods.

MRP in 2013/14: Options 1 and 2 may be used only for supported (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government) capital expenditure funded from borrowing. Methods of making prudent provision for unsupported capital expenditure include Options 3 and 4 (which may also be used for supported capital expenditure if the OPCC chooses).

The MRP Statement will be submitted to The OPCC before the start of the 2013/14 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to OPCC at that time.

The OPCC will apply Option 1/Option 2 in respect of supported capital expenditure funded from borrowing and Option 3/Option 4 in respect of unsupported capital expenditure funded from borrowing.

And

MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.