ANNEXE B (FINANCIAL APPENDICES)

Appendix A

Police Grant 2025/26

The changes in Government funding for 2025/26 are set out in the table below:

	2024/25	2025/26	Variance	
	£000	£000	£000	%
Police Core Grant	102,384	106,175	3,791	3.70%
Ringfenced Grant (Uplift)	4,755	3,916	(839)	N/A
Additional Recruitment (Uplift)	1,632	2,371	739	45.28%
Legacy Council Tax Grants	9,305	9,305	0	0%
Pensions Grant	5,489	5,079	(410)	N/A
Neighbourhood Policing Grant	-	1,119	1,119	100%
National Insurance Contribution Grant	-	3,224	3,224	100%
Total all Grants	**123,565**	**131,189**	**7,624**	**6.17%**

The increase of £7.6m is made up of £3.8m increase in core grant which equates to £2.9m to fund the full year impact of 24/25 pay award, the 25/26 pay award and non-pay inflation (as described above the full cost is £14.7m) and £0.9m of funding that is existing Uplift funding moved across into core grant; £3.2m to fund the increase in employer National Insurance increases levied by government; an increase of £0.8m to partially support the increase in the national Uplift officer target for Norfolk by another 11 officers; £1.1m to fund additional roles in neighbourhood policing, that will need to be spent in full. There is a decrease of £0.5m in the grant that funds additional pension costs.

The increase is funding is not adequate and only partially covers the impact of pay and non-pay inflation, as well as partially funding increasing pension costs and means the constabulary has not had any extra funding for investment and in fact is having to make deeper cuts to service. Coupled with additional demand and external pressures the constabulary has had to make an additional c£4m of savings to balance the budget.

The Legacy Council Tax grants are based on two historic elements. The first element is in respect of a former Council Tax Freeze Grant of £1.4m relating to the decision of the former Police Authority to freeze the Council Tax in 2011/12. The second element relates to the Council Tax Support Grant of £7.9m that has been payable since April 2013 when the Government made significant changes to Council Tax Benefit arrangements.

Appendix B(i)

Budget and Medium Term Financial Plan 2025/29

Increase Council Tax by 4.42% (£13.95)

	Line	Budget	Forecast	Forecast	Forecast
	Line	2025/26	2026/27	2027/28	2028/29
		£000	£000	£000	£000
REVENUE FUNDING					
Home Office Grant	1	(106,175)	(106,175)	(106,175)	(106,175)
Legacy Council Tax Grants	2	(9,305)	(9,305)	(9,305)	(9,305)
Precept Income	3	(107,446)	(109,889)	(114,875)	(119,949)
TOTAL FUNDING	4	**(222,926)**	**(225,369)**	**(230,355)**	**(235,429)**
BASE REVENUE BUDGET INCLUDING INFLATION:					
Total Revenue Expenditure before savings	5	248,239	251,737	257,656	263,681
Revenue Funding of Capital Expenditure	6	4,850	5,000	5,000	5,000
Total Revenue Income inc Specific Grants	7	(35,839)	(32,399)	(32,455)	(32,511)
NET REVENUE BUDGET BEFORE KNOWN CHANGES AND SAVINGS	8	**217,250**	**224,336**	**230,202**	**236,169**
DEFICIT / (SURPLUS) BEFORE KNOWN CHANGES	9	**(5,676)**	**(1,033)**	**(153)**	**741**
Known / Expected Changes	10	11,886	8,659	7,630	10,588
Planned use of reserves	11	(1,701)	(852)	16	(2,420)
REVENUE DEFICIT BEFORE SAVINGS	12	**4,509**	**6,774**	**7,493**	**8,910**
Change Programme Savings	13	(4,509)	(4,895)	(5,149)	(5,556)
Surplus / (Savings to be identified)	14	(0)	(1,879)	(2,344)	(3,353)
Total Cumulative Permanent Savings	15	**(4,509)**	**(6,774)**	**(7,497)**	**(8,910)**
REVENUE DEFICIT/(SURPLUS) AFTER SAVINGS	16	**0**	**0**	**0**	**0**

Appendix B(ii)

Analysis of Known / Expected Changes

PLANNED REVENUE CHANGES 2025/29 - NORFOLK					
	Line	Budget	Forecast	Forecast	Forecast
		2025/26	2026/27	2027/28	2028/29
		£000	£000	£000	£000
STATUTORY CHANGES					
Variation in Bank Holiday Numbers (7 in 2024/25 then 8, 11, 9, 9)	1	170	680	340	340
National Insurance	2	3,465	3,508	3,552	3,597
Firearms Licensing Income	3	(185)	(190)	(158)	(37)
TOTAL STATUTORY CHANGES	4	**3,450**	**3,998**	**3,734**	**3,900**
SERVICE DEVELOPMENTS					
National:					
Home Office System Charges inc National Monitoring Centre	5	331	523	523	523
Total National	6	**331**	**523**	**523**	**523**
Regional:					
7 Force Collaboration Contribution	7	324			
Total Regional	8	**324**	**0**	**0**	**0**
Local:					
Additional Costs re Uplift and NHP	9	3,490			
Challenge Panel Process Review - New Cost Pressures	10	1,060	1,060	1,060	1,060
Corporate Cost Pressures	11	565	710	710	710
Commissioning	13	350			
Total Local	14	**5,464**	**1,770**	**1,770**	**1,770**
TOTAL SERVICE DEVELOPMENTS	15	**6,119**	**2,293**	**2,293**	**2,293**

CAPITAL FINANCING					
Revenue Funding of Capital	16	407			
Capital Programme Funding - Capital Financing	17	578	1,592	629	3,060
Capital Programme Funding - Invest to Save	18	729			
Minimum Revenue Provision	19	145	214	286	483
Interest	20	457	562	688	852
TOTAL CAPITAL FINANCING	21	**2,316**	**2,368**	**1,603**	**4,395**
Total Changes Before Reserve Movement Adjustments	22	**11,885**	**8,659**	**7,630**	**10,588**
CONTRIBUTION TO RESERVES					
Capital Financing and Efficiency Improvement Reserve	23	0	640	520	500
General Reserve	24	280	100	125	140
CONTRIBUTION FROM RESERVES					
7 Force Collaboration Contribution	25	(324)			
Commissioning Reserve	26	(350)			
Capital Programme Funding - Invest to Save Reserve	27	(729)			
Capital Programme Funding - Capital Financing Reserve	28	(578)	(1,592)	(629)	(3,060)
NET RESERVE MOVEMENTS	29	**(1,701)**	**(852)**	**16**	**(2,420)**
Total Known / Expected Changes (net of reserve movements)	30	**10,184**	**7,807**	**7,646**	**8,168**

Analysis of Savings

SAVINGS PLAN 2025/2029 - NORFOLK	Line	Forecast 2025/26 £000	Forecast 2026/27 £000	Forecast 2027/28 £000	Forecast 2028/29 £000
Change and Efficiency Savings:					
Pay as per Challenge Panels	1	2,607	2,659	2,712	2,766
Non-Pay as per Challenge Panels	2	1,902	1,902	1,902	1,902
Future Savings for further scoping	3		334	535	888
Total Change and Efficiency Savings	4	**4,509**	**4,895**	**5,149**	**5,556**
TOTAL PERMANENT SAVINGS AGAINST 2024/25 BASE	5	**4,509**	**4,895**	**5,149**	**5,556**

High Level Analysis of the Net Budget

Increase Council Tax by 4.42% per annum (£13.95)

4.42%; £13.95 increase								
Year	**PCC**	**OPCCN**	**PCC's Commissioning ***	**Chief Constable**	**Capital Financing**	**Specific Home Office Grants**	**Use of Reserves**	**Net Budget**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
2024/25	101	1,729	1,044	227,701	5,685	(23,020)	(1,844)	**211,396**
2025/26	104	1,729	1,688	241,809	7,166	(27,869)	(1,701)	**222,926**
				above includes savings to be found:		*£4,509*		
2026/27	104	1,729	1,338	240,061	7,368	(24,379)	(852)	**225,369**
				above includes savings to be found:		*£6,774*		
2027/28	104	1,729	1,338	244,944	6,603	(24,379)	16	**230,355**
				above includes savings to be found:		*£7,493*		
2028/29	104	1,729	1,338	249,662	9,395	(24,379)	(2,420)	**235,429**
				above includes savings to be found:		*£8,910*		
			* includes draw down from commissioning reserve					

Police and Crime Commissioner for Norfolk
Capital Strategy

Introduction

The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires the production of a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with desired outcomes and take account of good stewardship, value for money, prudence, sustainability and affordability.

The Capital Strategy is a key document for the PCC for Norfolk and the Chief Constable of Norfolk and throughout this document the term Norfolk is used to refer to the activities of both the PCC and the Constabulary.

The capital strategy sets out the long-term context in which capital expenditure and investment decisions are made in Norfolk and gives due consideration to both risk and reward and the impact on the achievement of priority outcomes.

Objectives

The key objectives of the Capital Strategy are to:

- Provide a framework that requires new capital expenditure to be robustly evaluated, ensuring that capital investment delivers value for money and is made in accordance with the Norfolk corporate, financial and asset management strategies, matching their visions, values and priorities.
- Set out how Norfolk identifies, prioritises, delivers and manages capital programmes and projects. This includes outlining the governance framework from initiation to post project review.
- Ensure that the full life cost of capital expenditure is evaluated, including borrowing, maintenance and disposal costs.
- Ensure that all capital expenditure and related borrowing cash flows are affordable, prudent and sustainable.
- Identify the resources available for capital investment over the planning period and any restrictions on borrowing or funding.

Governance

There is a robust joint governance model that sits over the Norfolk only, Suffolk only and collaborated departments.

Project boards are initiated for all appropriate corporate projects and are run on Prince 2 project models. These individual projects report into Portfolio Boards each with a Senior Lead. Highlight reports and exception reporting from these boards are then taken to the six weekly Strategic Planning and Monitoring (SP&M) meetings chaired by the Deputy Chief Constable (DCC) of Norfolk and attended by Suffolk's DCC, Norfolk, Suffolk and Joint Assistant Chief Constables, the

Director of People, Director of ICT, Head of Finance and Head of SBOS. SP&M both commissions and reviews ongoing corporate projects at portfolio level. This is supported by the Joint Operational Forum (JOF) that meets quarterly and is used to consult on future or ongoing joint space project work, aiding consultation and communication across all departments. JOF is attended by all Chief Officers and Directors/Heads of Department for Norfolk, Suffolk and Joint teams.

Sitting above this is the Strategic Planning and Monitoring meeting chaired by the Deputy Chief Constables of Norfolk and Suffolk (DCCs) with a membership of DCCs, Assistant Chief Officers (ACOs – Chief Constable Section 151 officers) of Norfolk and Suffolk, Assistant Chief Constables of Norfolk and Suffolk, Head of Finance, Head of Strategic, Business & Operational Services, Director of ICT, and the Director of People. This group acts as a commissioning board for the Change Programme including approval of all corporate projects and their assigned priority and corresponding resource commitment. The group review interdependencies of projects and the capability and capacity of enabling departments such as ICT, HR, RMU and payroll to ensure the correct prioritisation is given to new work and that it is sequenced in a way that optimises delivery. The group also act as governance for any significant in-year spend outside of budget or where funding had been ringfenced (known as Table B items) subject to an agreed business case.

The Joint Chief Officer Team (JCOT) meeting consists of all Chief Officers from Norfolk and Suffolk, as well as the Director of ICT, Director of People and Head of Strategic, Business & Operational Services. JCOT assign SROs and are the final arbiter for any project, programme or policy decision if needed. Where a project turns into a programme, has a significant pan-organisational impact or a materially significant financial risk/impact it will be brought to JCOT.

Strategies and Plans

The former PCC consulted on and implemented his Police, Crime and Community Safety Plan (PCCSP) 2022-2024. Sarah Taylor was elected as the new PCC and has been developing and consulting on a new Plan and consultation closed on 13th December 2024. Up until the point that the new Plan goes live, the former Plan has remained in operation with the pillar Sustain Norfolk Constabulary being the most relevant to the development of the Capital Programme.

There are a number of interrelated strategies and plans in place, including the Medium-Term Financial Plan (MTFP), which includes the medium-term Capital Programme, Capital Strategy, Reserve Strategy and the Treasury Management Strategy.

The operation of all these strategies and plans is underpinned by the Scheme of Governance which includes the Financial Regulations & Contract Standing Orders.

In addition there are four key plans / strategies that support the capital strategy.

The Estates plan sets out the vision for the Norfolk Estate 2022-25. The plan is designed to ensure delivery of a fit-for-purpose estates portfolio that is responsive to current and future needs, effectively supports meeting strategic objectives and service delivery and which is focussed on improving public confidence and reducing costs. The strategy will support the aim of maximising resources for front line policing and delivery of effectiveness, efficiency and value for money.

There is a Joint Transport Strategy for Norfolk and Suffolk that covers the period 2021/25. Vehicle replacement and procurement forms part of the current and future strategies and contributes to force performance by ensuring fleet acquisition and replacement with an optimum use of all resources. The strategy promotes continuous modernisation and service improvements ensuring local and national strategies are considered to drive forward a cost effective and efficient service.

The Joint ICT Strategy runs from 2023-2026. The strategy focuses on implementing an operating and resource model designed to integrate ICT into all areas of policing. It enables the consolidation and rationalising of software and systems, removing duplication, providing single points of contact, enabling first time call resolution, allowing staff to be more innovative, providing a more flexible and agile model and providing a consistent level of ICT service throughout the constabularies and OPCCs. The Strategy is aligned to the National Strategy published by the NPCC.

Capital Budget Setting including evaluation and prioritisation

The capital programme is developed through the Strategic and Financial Challenge governance process that uses Outcome Based Budgeting principles. The Challenge Panels are informed by the Force Management Statement (FMS) that forecast demand changes for the Constabulary and any gaps that exist regarding capacity or capability and the steps being taken to improve this.

As part of this process there is a Capital Challenge Panel meeting with the Director of ICT, Head of Estates and Head of Transport and Uniform Services to review the most significant elements of the programme and ensure these are consistent with the current strategies and policies previously mentioned. The panel consists of the Assistant Chief Officers (ACOs – Chief Constable Section 151 officers) from Norfolk and Suffolk, Head of Joint Finance and the Head of Joint Strategic Business Operational Services.

Heads of all other departments can also put forward smaller capital bids in their submission documents and these are also assessed by the Challenge Panel with the same membership as above.

Following the panel processes as described above there is a further review and prioritisation meeting of the DCCs and ACOs before a draft capital programme, along with the relevant agreed funding, is presented to the Chief Constables. Following this the Police and Crime Commissioners review, amend if necessary, and finally approve the programmes.

Identification and Prioritisation

The identification process is initiated through the Challenge Panel as described above and that runs from August to October each calendar year, as a result of which bids are made by department heads and a draft capital programme is produced. The capital project proposals are prioritised with reference to a business case and considered against the following factors;

Mandation / statutory requirements – unavoidable projects i.e. mandated, statutory or contractually obliged,

Strategic alignment – alignment to the Police and Crime Plan, the Force Management Statement and the constabulary Strategic Assessment,

Interdependencies – with other projects and or strategies and plans, Risk – of not doing the

project and whether this is within tolerable levels,

Cashable savings – the return on investment (ROI) measured against the initial outlay, where this is appropriate to consider

Deferability / complexity –The level of resource commitment, internally and externally and time critical deadlines,

Non-cashable benefits – other benefits such as service improvements and efficiency / productivity benefits

Mitigation – future cost avoidance

This draft programme is then challenged and prioritised by the Board before a final programme is put before Chief Officers and Police and Crime Commissioners for final sign off.

Evaluation

To evaluate the successful outcomes of the capital projects a post project review is carried out. The depth of this review is proportionate to the project and benefits set out in the initial Business Case and Project Initiation Documentation.

The review is in effect a check on performance against the original proposal. It focusses on outcomes achieved, the extent to which benefits are being realised and actual costs against forecasts. This enables lessons learned information to inform improvements in the overall process.

Collaboration and cost sharing

The Estates capital programme for Norfolk is a sovereign programme and is line with the current Norfolk Estates Plan. Spend on vehicles is also funded on a non-collaborated basis, although the strategy for investment is in line with the Joint Transport Strategy. ICT related spend on refreshing desktops and monitors in Norfolk premises is also Norfolk only spend.

Most other spend including the replacement of ICT infrastructure, the purchase of short-life assets such as Body Worn video, mobile devices, and high-tech crime kit is funded collaboratively with Suffolk on the ratio of Net Revenue Budget (currently 56.5% Norfolk: 43.5% Suffolk).

Implementation and Monitoring

Monitoring of the capital programme in year is undertaken monthly, using commitment information to understand the projected outturn of the programme. This view is then incorporated into the monthly revenue and capital monitoring reports that are presented to the Chief Constables and the Police and Crime Commissioners. These reports give information about under or over-spends against the revenue and capital budgets and take-into- account the revenue implications of capital spending.

Progress on capital schemes is also reported in detail on a monthly basis through the Chief Finance Officer meetings (chaired by the ACOs (Chief Constable CFOs) or the PCC CFOs, with attendance of the Head of Finance).

In addition, following approval of the capital programme a Project Manager is identified for each key project. The Project Manager is responsible for managing implementation and delivering against the project objectives. The Project Manager will produce the project plan for approval. Progress against the plan is monitored through monthly highlight reporting. Overall monitoring of specific programme risks is also undertaken.

Detailed implementation work is assigned to key individuals and overseen by specific Project Boards as per the governance model set out in Annex 1.

Capital Funding

All capital expenditure has to be funded through the Police Fund, either through income received in the year or through the use of reserves. For the purposes of this Strategy, the term "funding" relates to the use of current income or reserves to fund capital expenditure. The term "Financing" relates to how the asset is to be paid for, e.g. internal borrowing (cash balances) or external borrowing.

The capital programme needs to be fully funded over the life of the MTFP and more information on this is set out below. As part of the MTFP process it is ensured that a balance of the funding sources is used to ensure an adequate and sustainable level of reserves remain at the end of the planning period. More information on this is set out in the Reserves Strategy. This is a strong financial indicator of the affordability and sustainability of the capital programme.

Capital can be funded from a number of different sources, including:

Capital receipts - Capital receipts are generated from the sale of existing capital assets. Proceeds from the sale of assets are either used to fund capital expenditure in the year of receipt or set aside in a Useable Capital Receipts Reserve to fund capital expenditure arising in future years. This method of funding has been utilised significantly in previous years, as the PCC has disposed of non-operational or surplus property, such as police houses or traditional police stations. Policing bodies also have the ability to use capital receipts to fund efficiency projects and some elements of redundancy costs where permissible under a flexible government directive. This option will be kept under review over the medium term.

Capital grant - Direct funding from government capital grants has been a principal source of funding in previous years. Non-specific government capital grants have been made available through a formula-driven allocation. However, these have now ceased as the government has looked to reduce direct capital funding. Where relevant and appropriate the PCC will aim to secure specific grant opportunities, either from Central Government or through collaboration with public sector or other partnership bodies.

Reserves - Income surpluses that have been set aside from previous years and transferred to reserves can be used to fund capital expenditure. The Capital Financing and Efficiency Improvement Reserve is specifically used to ring fence funding for future capital expenditure.

As reserves have been consumed in recent years to pump prime efficiency initiatives and the funding of investment in short-life assets, the level of reserves now available to fund future capital expenditure has reduced, and other sources of funding are required going forward to sustain the short-life capital programme.

As capital expenditure has been internally financed in previous years from internal cash balances, not all PCC reserves are cash-backed. Therefore, even though reserves are used to fund capital expenditure, there may still be a need to finance the expenditure using external borrowing.

Direct revenue funding - In the budget delegated to the Chief Constable there is an element of the current revenue budget that funds capital expenditure, any amount funded in this way will be charged directly to the Police Fund. In order to maintain the level of investment required in short-life assets to ensure the most efficient service possible, this source of funding has been significantly increased over recent years, due to the reduction of availability of the other funding sources described above.

Minimum Revenue Provision (MRP) - Accumulated capital expenditure not funded using the above methods is called the Capital Financing Requirement (CFR). This balance is funded using MRP, there are a number of MRP options available to fund this balance, the method adopted by the PCC is the Asset Life Method, where the associated asset is funded using either equal instalments or an annuity basis. MRP is charged against the Police Fund annually and effectively reduces the CFR.

It is important to note that due to the reducing availability of capital receipts, the total removal of the capital grant, the fiscal impact of austerity and constrained government funding, partial funding for pay awards and ongoing policy restrictions on officer numbers that locks in the majority of the revenue budget for spend on officer pay, the PCC has limited flexibility to generate the revenue capacity to fund the capital programme.

The constraints listed above are meaning that the PCC and constabulary will reach the limits of reserve capacity to help support revenue budget funding of short life assets in the capital programme and in fact may result in reserve levels falling below target levels as set out in the reserve strategy.

Without a change in policy position on officer numbers and / or the reintroduction of the capital grant, this will result in the need to borrow to fund short life assets over the medium term and the revenue costs are included in the MTFP on that assumption.

Capital Financing and Borrowing

Capital expenditure can be financed in the following ways:

Capital grants received or capital receipts from asset sales generate cash balances and these are directly used to finance capital expenditure. Where in-year revenue funding of capital takes place, financing is made from in-year income sources.

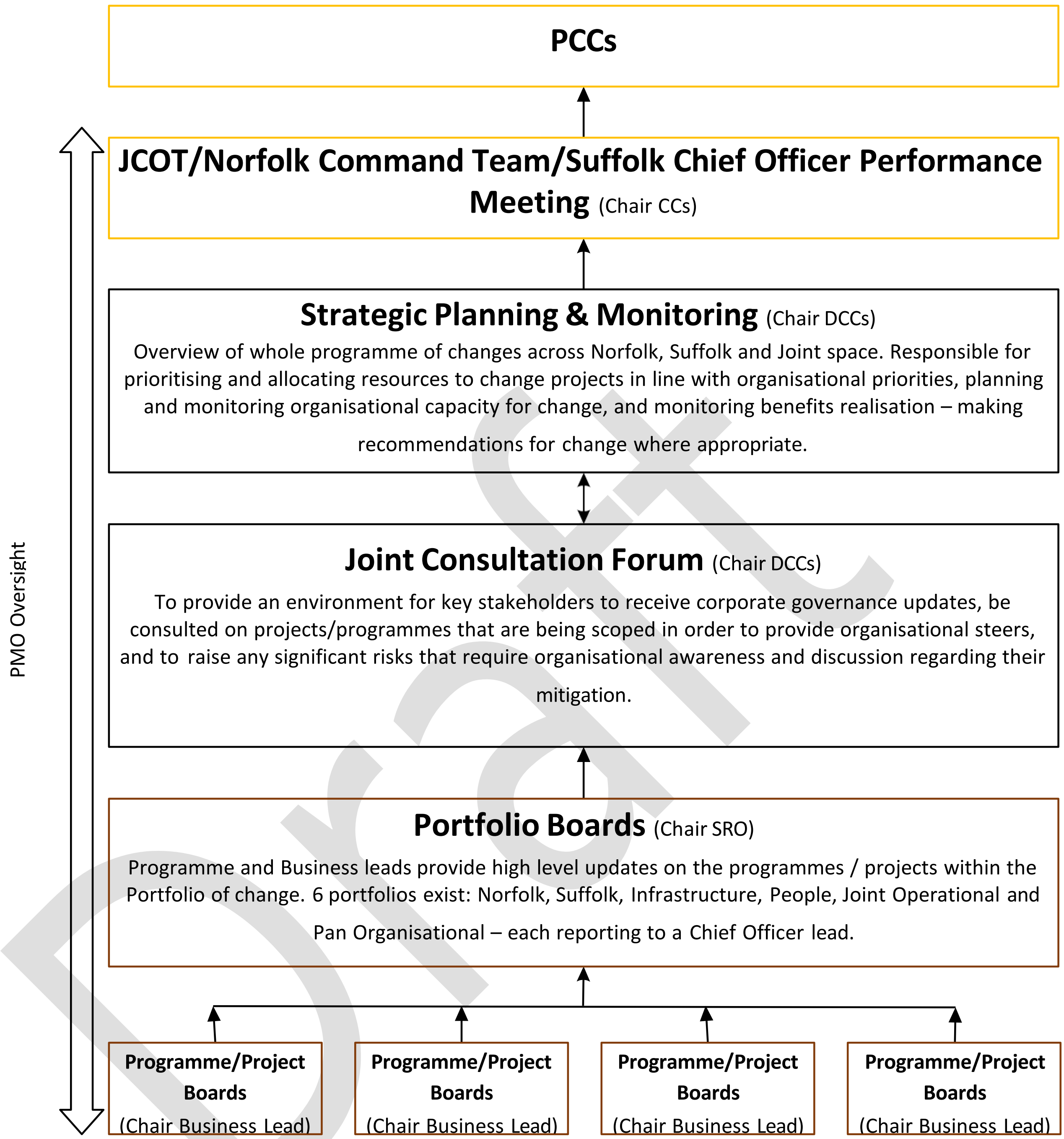
Internal borrowing. Where cash or investment balances have increased over a period of time as reserves have accumulated, these balances can be used to finance the acquisition of assets. This decision is often made as the investment returns received are normally lower than the interest that would be payable if the capital expenditure is financed using external borrowing. However, Norfolk have exhausted this option and it is no longer available.

External borrowing. This method is used to finance capital expenditure where the above options are unavailable. External borrowing can be obtained from a number of sources:

PFI – Historically major infrastructure projects have been financed using PFI arrangements. Private finance is secured to finance the schemes which form part of a Public/Private Partnership. Norfolk PCC have used this method to finance the Operational Command Centre (OCC – HQ) at Wymondham and the Police Investigation Centres (PICs) across Norfolk and Suffolk. Nationally, new PFI arrangements have significantly reduced in number and the Government have now withdrawn support for future schemes.

Leases – Some assets have been secured using leasing arrangements. With the advent of Prudential borrowing, leases are less popular as they are generally an expensive financing route. However, with the introduction of a new leasing Standard (IFRS 16), property lease liabilities will be brought onto the balance sheet and form part of the CFR and thus attract MRP.

Prudential borrowing – with the introduction of the Prudential Code, local government bodies have been able to secure external borrowing on favourable terms, providing their borrowing is prudent, affordable and sustainable. Unfunded long-term assets are therefore primarily financed using this route. External borrowing is principally sourced from the Public Works Loans Board (PWLB), where finance is available on fixed or variable rates over varying terms and repayable on a maturity or an annuity basis. The PCC is expected to source new PWLB finance throughout the medium-term.



Programme/Project Boards are responsible for tracking the project aims and objectives against the timeline, resources and benefit deliverables whilst maintaining and managing the risks

Capital Programme 2025/29

CAPITAL - NORFOLK - 2025/26 - 2028/29						
PROJECT	**2025-26 Total Requirement**		**2026-27**	**2027-28**	**2028-29**	**4 Year Total**
	Table A	**Table B**				
Estates Strategy	-	1,680,000	1,550,000	300,000	300,000	3,830,000
Carbon Management and EV Infrastructure	100,000	-	300,000	600,000	600,000	1,600,000
Total Estates - Norfolk Only	**100,000**	**1,680,000**	**1,850,000**	**900,000**	**900,000**	**5,430,000**
ICT Replacements - Desktop and Laptops	991,000	-	887,156	410,000	650,000	2,938,156
ICT Replacements - Communications	102,000	-	62,000	82,000	82,000	328,000
ANPR Vehicle Kit Refresh	60,000	-	50,000	50,000	50,000	210,000
Emergency Services Network (ESN)	-	-	226,000	1,680,377	1,454,377	3,360,753
Total ICT - Norfolk Only	**1,153,000**	**0**	**1,225,156**	**2,222,377**	**2,236,377**	**6,836,909**
Vehicle Replacement Programme	1,498,000	-	1,721,000	2,154,000	3,000,000	8,373,000
Athena	-	125,000	-	-	-	125,000
Public and Personal Safety Training (PPST) Equipment	-	163,101	-	-	-	163,101
Total Equipment and Vehicle Replacements - Norfolk Only	**1,498,000**	**288,101**	**1,721,000**	**2,154,000**	**3,000,000**	**8,661,101**
Total Norfolk Only	**2,751,000**	**1,968,101**	**4,796,156**	**5,276,377**	**6,136,377**	**20,928,010**
Norfolk Share of Replacement Schemes	2,385,040		2,135,020	1,621,261	1,996,269	8,137,590
Norfolk Capital Programme	5,136,040	1,968,101	6,931,176	6,897,638	8,132,646	29,065,600
Norfolk Share of Joint Projects	116,390	3,054,455	2,152,810	1,835,196	2,630,151	9,789,002
Total Norfolk Capital Programme	**5,252,430**	**5,022,556**	**9,083,986**	**8,732,834**	**10,762,797**	**38,854,602**
	10,274,986					

Capital Programme 2025/29 (Contd.)

PROJECT	2025-26 Total Requirement		2026-27	2027-28	2028-29	4 Year Total
Joint ICT Replacement Schemes:	**Table A**	**Table B**				
Joint ICT Replacements - Servers	185,000	-	883,105	667,000	1,203,000	2,938,105
Joint ICT Replacements - Servers (DFU)	800,000	-	1,000,000	200,000	750,000	2,750,000
ICT Replacements - Network	694,186	-	671,579	755,476	978,719	3,099,960
Microwave Refresh	31,600	-	33,600	34,000	26,500	125,700
ANPR Cameras	112,500	-	142,500	165,000	255,000	675,000
Mobile Device Replacement Programme	1,500,000	-	150,000	150,000	150,000	1,950,000
Body Worn Video (BWV) Replacement	898,023	-	898,013	898,013	170,000	2,864,049
ICT Replacement Schemes	**4,221,309**	**-**	**3,778,797**	**2,869,489**	**3,533,219**	**14,402,814**
Norfolk	**2,385,040**	**0**	**2,135,020**	**1,621,261**	**1,996,269**	**8,137,590**
Suffolk	**1,836,270**	**0**	**1,643,777**	**1,248,228**	**1,536,950**	**6,265,224**
Joint Projects Subject to Business Case:						
Video Conferencing	-	25,000	25,000	25,000	25,000	100,000
Incident Management Software Upgrade	-	376,995	294,283	-	-	671,278
Automatic Vehicle Location System (AVLS)	206,000	0	-	-	-	206,000
ICCS tech refresh	-	400,000	-	-	-	400,000
Athena	-	0	-	500,000	500,000	1,000,000
Total Projects Subject to Business Case	206,000	801,995	319,283	525,000	525,000	2,377,278
Digital Forensics						
Joint Digital Forensics - Data Centre	-	1,150,000	1,000,000	1,000,000	1,000,000	4,150,000
Total Digital Forensics Unit	**0**	**1,150,000**	**1,000,000**	**1,000,000**	**1,000,000**	**4,150,000**
Digital Portfolio						
Digital Recording/Streaming	-	24,000	-	-	-	24,000
Mobile Workflow (OPTIK)	-	160,800	190,000	220,000	160,000	730,800
Digital Asset Management System Developments	-	50,000	50,000	50,000	50,000	200,000

Microsoft 365 developments	-	50,000	50,000	50,000	50,000	200,000
CDG Phase 2 - Data Warehousing	-	30,000	-	-	-	30,000
Fingerprint Scanner Replacement	-	-	60,000	60,000	-	120,000
Docker	-	20,000	-	-	-	20,000
Large Language Modelling	-	50,000	-	-	-	50,000
MS Project Online Expansion	-	10,000	-	-	-	10,000
Total Digital Portfolio	**0**	**394,800**	**350,000**	**380,000**	**260,000**	**1,384,800**
Efficiency Initiatives (Revenue Projects)						
Transformation Project	-	1,350,000	1,250,000	640,000	640,000	3,880,000
Efficiency Initiatives	**0**	**1,350,000**	**1,250,000**	**640,000**	**640,000**	**3,880,000**
Protective Services:						
Shields - replacement programme for existing ARV shields	-	78,000	-	-	-	78,000
Digital Investigations	-	500,000	92,000	-	-	592,000
Body Armour - replacement programme	-	130,000	130,000	130,000	17,000	407,000
Taser Replacement	-	-	-	-	1,655,000	1,655,000
G36 Carbine Replacement	-	-	-	89,135	89,135	178,269
Total Protective Services:	**0**	**708,000**	**222,000**	**219,135**	**1,761,135**	**2,910,269**
REGIONAL PROJECTS:						
Emergency Services Network (ESN) Resourcing	-	30,920	150,000	150,000	150,000	480,920
Total Regional Projects	**0**	**30,920**	**150,000**	**150,000**	**150,000**	**480,920**
ERP RELATED PROJECTS:						
ERP Upgrade / New Project	-	-	250,000	250,000	250,000	750,000
DMS Upgrade	-	25,000	10,000	25,000	10,000	70,000
E-Recruitment	-	10,000	10,000	10,000	10,000	40,000
E-PDR	-	-	9,000	9,000	9,000	27,000
Sailpoint ERP	-	10,000	10,000	10,000	10,000	40,000

Total ERP Related Projects:	**0**	**45,000**	**289,000**	**304,000**	**289,000**	**927,000**
Other Projects:						
Data Management and Analysis Programme	-	100,000	200,000	-	-	300,000
Property System replacement	-	125,400	30,000	30,000	30,000	215,400
Chronicle Modules	-	100,000	-	-	-	100,000
Victim Journey	-	600,000	-	-	-	600,000
Total Other Projects	**0**	**925,400**	**230,000**	**30,000**	**30,000**	**1,215,400**
Total Joint Capital Programme	**4,427,309**	**5,406,115**	**7,589,080**	**6,117,624**	**8,188,354**	**31,728,482**
Joint Capital Projects - Norfolk	2,501,430	3,054,455	4,287,830	3,456,457	4,626,420	17,926,592
Joint Capital Projects - Suffolk	1,925,880	2,351,660	3,301,250	2,661,166	3,561,934	13,801,889
	4,427,309	**5,406,115**	**7,589,080**	**6,117,624**	**8,188,354**	**31,728,482**

Police and Crime Commissioner for Norfolk
Reserves Strategy (Budget and Medium-Term Financial Plan 2025/29)

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

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

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

In order to assess the adequacy of reserves when setting the budget, the PCC, in line with advice as outlined above, should take account of the strategic, operational and financial risks facing the organisation. This assessment of risk should include external risks, as well as internal risks, for example the ability to deliver planned efficiency savings.

The ultimate use of reserves will be dependent upon both the timing and level of costs and savings over the period of the Medium Term Financial Plan (MTFP).

General Reserve

Assessment of adequacy

The General Reserve is held to enable the PCC to manage unplanned or unforeseen events. In forming a view on the level of General Reserve, account is taken of the level of financial control within the organisation and comparisons with similar bodies. Also taken into account is the risk of unforeseen expenditure occurring, particularly major operations, risk of failure to deliver the savings programme and sensitivity analysis of changes in assumptions included in the MTFP.

Within the MTFP appropriate estimates are made of a number of key items including provision for pay and price rises, as well as a forecast of interest movements. In addition, prudent assumptions are made for the forecast capital programme and for future capital receipts. These estimates and assumptions also take into account the general financial climate.

Norfolk Constabulary and the OPCCN has generally managed its demand led pressures within its budget envelope year on year, and where appropriate has used earmarked reserves to meet additional significant demand pressures and unbudgeted costs.

In the MTFP savings plans are outlined across the period of the plan. These are outlined in the main budget report. The Chief Constable and PCC are committed to continuing to deliver efficiency and productivity gains in each year of the MTFP.

The General Reserve is currently at £4.990m (2.5% of net revenue budget). The strategy is to maintain this at 2.5% of net revenue budget for the duration of the MTFP. This requires the reserve to be increased by £0.915m between 2025/26 and 2028/29 to £5.905m. This is a prudent and adequate amount to hold as a General Reserve. This is shown in Annex 1.

A call on the general reserve, particularly for major operations, would be likely to result in an application to the Home Office for additional support.

Earmarked Reserves

These are reserves that are held for a specific purpose, whereby funds are set aside for future use when the need arises. The level of reserves and predicted movement for these reserves is set out in the attached Annex 1. All reserve levels are reviewed annually.

The purpose and strategy for each reserve is set out below.

The Budget Support Reserve was re-established as a response to the Covid-19 pandemic and subsequently inflationary pressures arising from exiting the EU and the conflict in Ukraine. A significant amount of the earmarked reserve has been used over the last 3 years as planned and the intention is still for the reserve to be fully used within the period of the MTFP.

The Invest to Save Reserve provides funding for initiatives that will generate future savings and also provides funds to support the cost of change. The balance in this reserve is expected to be fully used up by the end of the period of the MTFP.

The Capital Financing Reserve and Efficiency Improvement Reserve is used to help fund the short-life asset requirement of the Capital Programme. The reserve is used when the amount required for investment exceeds the budget available for this purpose. This is an important part of the funding strategy to ensure the constabulary is as efficient and productive as possible through continued investment in enabling technologies. This is a key reserve and forecast levels are reviewed each year against the capital programme to make sure there is sufficient funding available for future years.

The Insurance Reserve is being held as a contingency against future increases in premiums and/or increases in the value of assessed insurance liabilities. The reserve is being maintained to £850k.

The Police Reform and Social Responsibility Act 2011 sets out a number of ways that PCC's and Community Safety Partnerships should work together, including a mutual duty to co-operate with regards to each other's priorities. The **Community Safety Reserve** enables the PCC to work with the Community Safety Partnership (CCSP). The CCSP now sits under the leadership of the OPCCN. The OPCCN and its respective partners use the reserve to support evidence-based projects at a county wide and local neighbourhood level. The way the reserve is used has proved that joint delivery leads to shared outcomes and a reduction of pressure on policing.

The **PCC Reserve** is made up from previous underspends and is for any urgent spend that has not been previously budgeted for in year.

The **PCC Local Commissioning Reserve** has been established to allow the PCC to make small scale interventions that will enable local organisations to make a meaningful contribution to crime reduction.

The **Commissioning Reserve** is made up from previous underspends and is used to smooth commissioning spending over the MTFP period and to commission additional services in the community or delivered by the Constabulary, for instance in supporting victims.

The **Transformation Reserve** is used for investments that transform the organisation to make it even more efficient and effective.

The Safety Camera Reserve is held on behalf of the Safety Camera Partnership (comprising the PCC, Chief Constable and Norfolk County Council). Income is dependent upon the number of Speed Awareness courses delivered. The use is reviewed and agreed at the Safety Camera Oversight Board. N.B. This reserve is not included in Annex 1 as it is a partnership reserve not solely available to the PCC. It is included in Annex 2.

Compliance with Home Office guidance on reserves

On 31st March 2018 the Minister for Policing and the Fire Service published guidance on the information that each PCC must publish in terms of reserves. One of the key requirements is that the information on each reserve should make clear how much of the funding falls into each of the following three categories:

- Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan

- Funding for specific projects and programmes beyond the current planning period
- As a general contingency to meet other expenditure needs held in accordance with sound principles of good financial management

This information is provided in Annex 2 which analyses the forecast balance on 31st March 2025 over the above headings.

Conclusion

The current policy, as demonstrated in the MTFP, is to maintain revenue general balances at 2.5% of the net annual revenue budget.

The earmarked reserves have been described and the strategy is to keep these for specific purposes (excluding the Safety Camera Reserve), to ensure taxpayers' money is being used as efficiently as possible.

Due to the significant increase in police funding from central government in recent years for Uplift and to fund increases in pensions and national insurance the strategy for the total level of reserves has been revised. Total reserves should not drop below 5% of the net annual revenue budget (previously set at 6%) and this is achieved over the lifetime of the MTFP.

Having considered the levels of reserves included in the MTFP and acknowledging the Chief Constable's commitment to work with the PCC to balance the budget over the period of the MTFP and taking account of the approach to managing financial risk described in the report, the CFOs' advice is that there will be adequate general and earmarked reserves to continue the smooth running of the PCC and Constabulary's finances over the medium-term financial planning period.

Annex 1

FORECAST MOVEMENTS IN GENERAL AND EARMARKED RESERVES 2024/25 to 2028/29

PROJECTION OF RESERVES LEVELS:	Total General Reserve	Budget Support Reserve	Invest to Save Reserve	Capital Financing and Efficiency Improvement Reserve	Insurance Reserve	Regional Partnership Reserve	Community Safety Reserve	Transformation Reserve	PCC Reserve	PCC Local Commissioning Reserve	Commissioning Reserve	Total Earmarked Reserve	Total General and Earmarked Reserves
	£000	£000	£000	£000	£000	£000	£000	£000			£000	£000	£000
31/03/2024 Actual	**4,990**	**0**	**768**	**7,218**	**856**	**132**	**538**	**322**	**566**	**0**	**1,126**	**11,528**	**16,518**
Proposed Changes 2024/25:													
Transfer to Revenue from Reserves		(997)		(701)			(240)	(62)	(169)			**(2,168)**	
Transfer to Revenue from Reserves		1,321		(1,321)					(70)	70		**0**	
Contribution to Reserves	270								38		72	**111**	
31/03/2025 Forecast	**5,260**	**324**	**768**	**5,196**	**856**	**132**	**298**	**260**	**366**	**70**	**1,199**	**9,470**	**14,730**
Proposed Changes 2025/26:													
Transfer to Revenue from Reserves		(324)	(729)	(578)							(350)	**(1,981)**	
Contribution to Reserves	280											**0**	
31/03/2026 Forecast	**5,540**	**0**	**39**	**4,618**	**856**	**132**	**298**	**260**	**366**	**70**	**849**	**7,489**	**13,029**
Proposed Changes 2026/27:													
Transfer to Revenue from Reserves				(1,592)								**(1,592)**	
Contribution to Reserves	100			640								**640**	

Annex 1

31/03/2027 Forecast	**5,640**	**0**	**39**	**3,666**	**856**	**132**	**298**	**260**	**366**	**70**	**849**	**6,537**	**12,177**
Proposed Changes 2027/28:													
Transfer to Revenue from Reserves				(629)								**(629)**	
Contribution to Reserves	125			520								**520**	
31/03/2028 Forecast	**5,765**	**0**	**39**	**3,558**	**856**	**132**	**298**	**260**	**366**	**70**	**849**	**6,428**	**12,193**
Proposed Changes 2028/29:													
Transfer to Revenue from Reserves				(3,060)								**(3,060)**	
Contribution to Reserves	140			500								**500**	
31/03/2029 Forecast	**5,905**	**0**	**39**	**998**	**856**	**132**	**298**	**260**	**366**	**70**	**849**	**3,869**	**9,774**

FORECAST RESERVES AT 31/03/2025 ANALYSED BY HOME OFFICE CATEGORIES

Analysis of forecast reserves as at 31.03.2025 - NORFOLK					
	Forecast Balance as at 31.3.25	**Funding for projects & programmes over the period of the current MTFP**	**New contributions during the life of the MTFP**	**Existing Funding for projects & programmes beyond 2028/29**	**General Contingency**
	£m	**£m**		**£m**	**£m**
General Reserve	5.260	0.000	(0.645)	0.000	5.905
Earmarked Reserves:					
Budget Support Reserve	0.324	0.324		0.000	
Invest to Save Reserve	0.768	0.729		0.039	
Capital Financing Reserve	5.196	5.858	(1.660)	0.998	
Insurance Reserve	0.856	0.000			0.856
Partnership Reserve	0.132	0.000		0.132	
Community Safety Reserve	0.298	0.000		0.298	
Transformation Reserve	0.260	0.000		0.260	
PCC Reserve	0.366	0.000			0.366
PCC Local Commissioning Reserve	0.070			0.070	
Commissioning Reserve	1.199	0.350		0.849	
Total Earmarked Reserves	9.470	7.261	(1.660)	2.646	1.222
Safety Camera Reserve	0.846	0.000	0.000	0.846	
Total Reserves	15.576	7.261	(2.305)	3.492	7.127

The Office of the Police and Crime Commissioner for Norfolk Annual Investment and Treasury Management Strategy Statement 2025/26

1. Background

1.1 The PCC is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the PCC's low risk appetite, providing adequate liquidity initially before considering investment return.

1.2 The second main function of the treasury management service is the funding of the PCC's capital plans. These capital plans provide a guide to the borrowing need of the PCC, essentially the longer-term cash flow planning, to ensure that the PCC can meet his capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet PCC risk or cost objectives.

1.3 The contribution the treasury management function makes to the PCC is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.4 CIPFA defines treasury management as:

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

1.5 The CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) underpins the system of capital finance. The latest edition of the Prudential Code, published in December 2021, makes important changes that reflect developments since the Prudential Code was previously updated in 2017.

The revised reporting requirements included changes to the capital strategy, prudential indicators and investment reporting. The general ongoing principles of the revised Prudential Code, including the requirement in paragraph 51 that an authority must not borrow to invest primarily for financial return, applied with immediate effect.

The main objective of the 2021 Codes was to respond to the major expansion of local authority investment activity over the past few years into the purchase of non-financial investments, particularly property. The Codes require an authority to ensure that: -

- it defines its risk appetite and its governance processes for managing risk.
- it sets out, at a high level, its investment policy in relation to environmental, social and governance aspects.

- it adopts a new liability benchmark treasury indicator to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained.
- it does not borrow to finance capital expenditure to invest primarily for commercial return.
- increases in the CFR and borrowing are undertaken solely for purposes directly and primarily related to the functions of the authority. Where any financial returns are related to the financial viability of the project in question, they should be incidental to its primary purpose.
- an annual review is conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt.
- its capital plans and investment plans are affordable and proportionate.
- all borrowing/other long-term liabilities are within prudent and sustainable levels.
- risks associated with commercial investments are proportionate to overall financial capacity to sustain losses.
- treasury management decisions are in accordance with good professional practice.
- reporting to members is done quarterly, including updates of prudential indicators.
- it should assess the risks and rewards of significant investments over the long-term, as opposed to the usual three to five years that most local authority financial planning has been conducted over, to ensure the long-term financial sustainability of the authority. (CIPFA has not defined what longer-term means, but it is likely to infer 20-30 years in line with the financing time horizon and the expected life of the assets, while medium-term financial planning, at a higher level of detail, is probably aimed at around a 10-year timeframe and focuses on affordability in particular).
- it has access to the appropriate level of expertise to be able to operate safely in all areas of investment and capital expenditure, and to involve the PCC adequately in making properly informed decisions on such investments.

1.6 This PCC has not engaged in any commercial investments and has no non-treasury investments.

1.7 The IFRS16 Leasing Standard has been deferred yet again and is now to be implemented in the Accounting Code of Practice from 1 April 2024, therefore the Prudential and Treasury Management Indicators reported include an estimation of Lease liabilities falling under IFRS16, which impact on external debt and the Capital Financing Requirement.

2. *Reporting requirements*

Capital Strategy

2.1 The CIPFA 2021 Prudential and Treasury Management Codes require, for 2025/26, all local authorities to prepare a capital strategy report, which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing, investments and treasury management activity contribute to the delivery of plans and the provision of services
- an overview of how the associated risk is managed
- the implications for future financial and environmental sustainability

2.2 The aim of this capital strategy is to ensure that the PCC fully understands the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

2.3 The Capital Strategy will be published separately but is included within the PCC's Budget and MTFP report.

Treasury Management reporting

2.4 The PCC is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report is forward looking and covers:

- the capital plans, (including prudential indicators); (Annex 1)
- a minimum revenue provision (MRP) policy, (how unfunded capital expenditure is charged to revenue over time); (Annex 2)
- the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- an investment strategy, (the parameters on how investments are to be managed).

b. A mid-year treasury management report – This is primarily a progress report and will update the PCC on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. An annual treasury report – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

3. *Treasury Management Strategy for 2025/26*

3.1 The strategy for 2025/26 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators; see Annex 1.
- the minimum revenue provision (MRP) policy. See Annex 2.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the PCC;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, DLUHC (The Department for Levelling Up, Housing and Communities) MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

Training

3.2 The CIPFA Code requires the responsible officer to ensure that officers with responsibility for treasury management receive adequate training in treasury management. This also applies to Audit Committee members responsible for scrutiny. Training on the Prudential Code and the Capital Strategy was last provided to Audit Committee members in October 2018. CIPFA do offer training events specifically for Audit Committees.

Treasury management consultants

3.3 The PCC uses Link Asset Services as its external treasury management advisors. The current contract with Link expires on 31 August 2025.

3.4 The PCC recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regard to all available information, including, but not solely, our treasury advisers.

3.5 It is also recognised that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The PCC will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

The Treasury Management Function

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

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

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

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

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

3.11 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 Specialist Accountants based in the Joint Finance Department for Suffolk and Norfolk Constabularies.

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

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

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

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

3.15 Link Asset Service's Economic Forecast is set out in Annex 3.

4. *Investment Strategy 2025/26*

4.1 The Bank Rate at the time of drafting this Strategy stands at 4.75%. It is currently predicted that the Bank Rate will increase over the planning period as follows:

- Q1 2024 – 4.50%
- Q1 2025 - 3.75%
- Q1 2026 - 3.50%

However, these forecasts are likely to be revised within a relatively short timeframe due to a number of social, economic and political reasons.

4.2 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Financial Year	Budgeted Interest Earnings
2024/25	4.60%
2025/26	4.10%
2026/27	3.70%
2027/28	3.50%
2028/29	3.50%
Later Years	3.50%

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

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

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

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

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

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

5. *Investment Strategy 2025/26 - Counterparty Criteria*

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

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

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

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

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

Non-UK Banks	**Fitch**	**Standard & Poors**	**Moody's**
Short Term Ratings	F1+	A-1+	P-1
Long Term Ratings	AA-	AA-	Aa3

- **Part Nationalised UK Banks –** Royal Bank of Scotland Group (including Nat West). These banks are included while they continue to be part nationalised or they meet the minimum rating criteria for UK Banks above.

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

5.3 All cash invested by the PCC in 2025/26 will be either Sterling deposits (including certificates of deposit) or Sterling Treasury Bills invested with banks and other institutions in accordance with the Approved Authorised Counterparty List.

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

5.5 The current maximum lending limit of £10m for any counterparty will be maintained in 2025/26 to reflect the level of cash balances and to avoid large deposits with the DMO. Where there is a surplus of cash due to unplanned cashflows, in order to keep within the counterparty limit with the PCC's bankers, the PCC will place investments using other secure liquid financial instruments, e.g. Money Market Funds.

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

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

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

6. *Investment Strategy 2025/26 – Specified and Non-Specified Investments*

6.1 As determined by MHCLG's Investment Guidance, Specified Investments offer "high security and high liquidity". They are Sterling denominated and have a maturity of less than one year or for a longer period but where the PCC has the right to be repaid within one year if he wishes. Institutions of "high" credit quality are deemed to be Specified Investments where the possibility of loss of principal or investment income is small. From the pool of high quality investment counterparties identified in Section 5, the following are deemed to be Specified Investments :

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

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

- Any investment that cannot be recalled within 365 days of initiation.

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

6.4 The PCC's proposed Strategy for 2025/26 therefore includes both Specified and Non-Specified Investment institutions.

7. *Borrowing Strategy 2025/26*

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

7.2 For the PCC, borrowing principally relates to long term loans (i.e. loans in excess of 365 days). The borrowing strategy includes decisions on the timing of when further monies should be borrowed.

7.3 Historically, the main source of long term loans has been 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. Lending by the PWLB is now on the proviso that CFOs confirm that the authority does not intend to buy investment assets primarily for yield at any point in the next three years. The 2021 revision to the Prudential Code now includes the requirement in paragraph 51 that an authority must not borrow to invest primarily for financial return. Paragraph 51 states:

"The Prudential Code determines that certain acts or practices are not prudent activity for a local authority and incur risk to the affordability of local authority investment:

• In order to comply with the Prudential Code, an authority must not borrow to invest primarily for financial return.

• It is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose."

7.4 External borrowing currently stands at £30.5m (excluding PFI and ROU Leases). At 31 March 2024 and excluding PFI and ROU Leases, there was a £49.9m Capital Financing Requirement (CFR), £11.4m relating to unfunded capital expenditure which had been financed from internal resources. The CFR is estimated to be £55.3m at 31 March 2025, £55.6m at 31 March 2026 and £56.3m at 31 March 2027. The additional long term borrowing requirement is estimated at £17.7m in 2024/25, £2.9m for 2025/26, £4.1m for 2026/27 and £5.0m for 2027/28. The borrowing requirement does not include the funding requirement in respect of assets financed through PFI and Leasing, it does however include the refinancing of maturity debt that falls due in the period.

7.5 The challenging and uncertain economic outlook, together with managing the cost of "carrying debt" requires a flexible approach to borrowing. The PCC, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time and any risks identified.

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

7.7 The PCC has flexibility to borrow funds in the current year for use in future years, but will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the PCC can ensure the security of such funds

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

8. *Treasury Management Indicators*

8.1 In addition to the key Indicators included in the Prudential Code and reported separately, there are three treasury management indicators. The purpose of the indicators is to restrict the activity of the treasury function to within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However, if these indicators are too restrictive, they will impair the opportunities to reduce costs/improve performance. The Indicators are:

- **Maturity Structures of Borrowing** – These gross limits are set to reduce the PCC's exposure to large fixed rate sums falling due for refinancing and require upper and lower limits. It is recommended that the PCC sets the following limits for the maturity structures of its borrowing at 31.3.25:

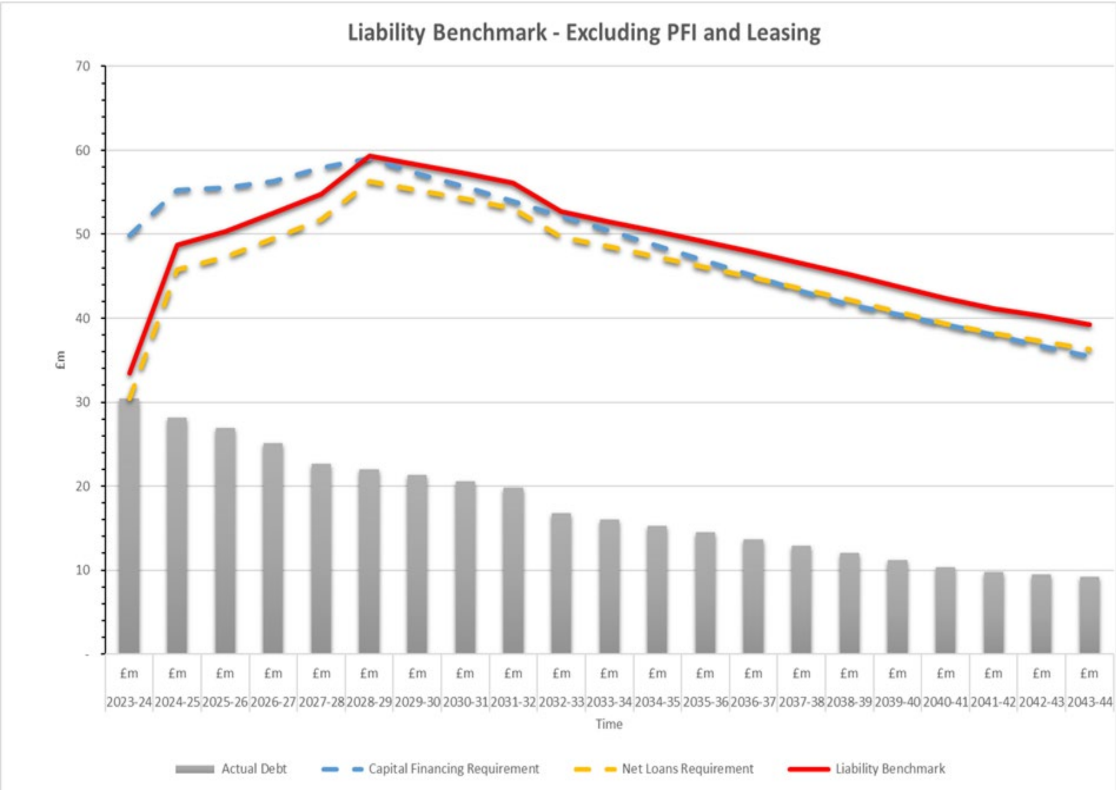
	Actual*	**Lower Limit**	**Upper Limit**
Under 12 months	4.4%	0%	15%
12 months and within 24 months	6.3%	0%	15%
24 months and within 5 years	13.6%	0%	45%
5 years and within 10 years	21.5%	0%	75%
10 years and above	54.2%	0%	100%

* Actual is based on existing balances at 31 March 2025

- **Upper Limits to the Total of Principal Funds Invested for Greater than 365 Days –** This limit is set with regard to the PCC's liquidity requirements. It is estimated that in 2025/26, the maximum level of PCC funds invested for periods greater than 365 days will be no more than £5.260m.

- *Liability Benchmark*

  This is a new indicator arising from the 2021 Revised Treasury Management Code of Practice. The liability benchmark is an essential risk management tool. The optimum position is for total borrowing to be on the liability benchmark line. Borrowing above that level will be reflected in increased investment balances and introduce the cost of carry and additional credit risk implications, although this may be needed to anticipate interest rate movements and secure affordable borrowing.



Appendix G

Annex 1

Prudential Code Indicators 2025/26, 2026/27, 2027/28

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. A revised Prudential Code was published in December 2021 and applied with immediate effect, albeit with a soft landing for 2022/23.

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 Prudential and Treasury Management indicators are:

- Capital Expenditure Forecast
- Capital Financing Requirement
- Actual External Debt
- Authorised Limit for External Debt
- Operational Boundary Limit for External Debt
- Net income from commercial and service investments to net revenue stream Ratio.

However, authorities are now advised to use local indicators, where this would be beneficial, especially if carry out commercial activities.

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.

2. *The Indicators*

2.1 The **Capital Expenditure Payment Forecast** is detailed in Appendix E (of the PCC's Budget and MTFP report 2025/29). The total estimated payments are:

	2025/26	**2026/27**	**2027/28**
	£m	*£m*	*£m*
Capital Expenditure Forecast	*10.275*	*9.084*	*6.910*
Transition of ROU Leases	*1.145*	*-*	*-*

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 local taxation and non-specific government grants. The estimates include PFI MRP and interest costs. 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		
2025/26 Estimate	*2026/27 Estimate*	*2027/28 Estimate*
4.36%	*4.29%*	*4.47%*

2.3 The **capital financing requirement** represents capital expenditure not yet financed by capital receipts, revenue contributions or capital grants. It measures the underlying need to borrow for capital purposes, although this borrowing may not necessarily take place externally. Estimates of the end of year capital financing requirement for future years are:

Capital Financing Requirement			
31/03/25 Estimate	*31/03/26 Estimate*	*31/03/27 Estimate*	*31/03/28 Estimate*
£m	*£m*	*£m*	*£m*
105.771	*104.234*	*103.136*	*102.236*

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

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

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 2025/26 and future years limits. For 2025/26 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			
	2025/26	***2026/27***	***2027/28***
	£m	*£m*	*£m*
PWLB borrowing	*47.324*	*49.486*	*51.780*
Other long term liabilities (PFI and ROU Lease Liabilities)	*48.652*	*46.804*	*44.338*
Headroom	*13.470*	*12.003*	*11.230*
Total	*109.446*	*108.293*	*107.348*

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 authorised limit without the additional headroom. The operational boundary represents a key management tool for in year monitoring.

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			
	2025/26	***2026/27***	***2027/28***
	£m	*£m*	*£m*
PWLB borrowing	*47.324*	*49.486*	*51.780*
Other long term liabilities (PFI and ROU Lease Liabilities)	*48.653*	*46.804*	*44.338*
Total	*95.977*	*96.289*	*96.118*

2.7 The Code now requires a new indicator identifying the ratio between net income from commercial and service investments to net revenue stream. This indicator provides a contextual assessment of the proportionality of income from commercial and service investments. However, as the PCC does not currently engage in any commercial arrangements, there is no need to provide further information on this indicator.

Annex 2

Minimum Revenue Provision (MRP)
MRP Policy and Statement for 2025/26.

1. Introduction

1.1 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.

1.2 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.

2. *Options for Making Prudent Provision*

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

Option 1 - Regulatory Method

Authorities may continue to use the formulae put in place by the previous regulations.

Option 2 - Capital Financing Requirement (CFR) Method

Under this option, MRP is equal to 4% of the non-housing CFR at the end of the preceding financial year.

Option 3 – Asset Life Method

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) Charge MRP on an annuity basis, where MRP is the principal element for the year of the annuity required to repay over the asset's useful life the amount of capital expenditure financed by borrowing or credit arrangements. The authority should use an appropriate interest rate to calculate the amount. Adjustments to the calculation to take account of repayment by other methods during repayment period (e.g. by the application of capital receipts) should be made as necessary.

Option 4 - Depreciation

MRP is deemed to be equal to the provision required in accordance with deprecation accounting in respect of the asset on which expenditure has been financed by borrowing or credit arrangements. This should include any amount for impairment charged to the income and expenditure accounts.

2.2 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.

2.3 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.

3. *MRP Policy*

3.1 Before 1 April 2019 the option adopted for expenditure incurred after 1 April 2008 was Option 3a (Equal Instalment method). This method was deemed prudent whilst assets were primarily being internally financed.

3.2 As reserves, cash and investment balances have been consumed following the decrease in direct government funding, it is now necessary to externally finance capital expenditure on long life assets. The current preferred financing method is via the Public Works Loans Board (PWLB) borrowed on an annuity basis.

3.3 Option 3b (Annuity Method) is adopted for capital expenditure chargeable as MRP for the first time after 1 April 2019. The principal reason for this change was for the charge to revenue to reflect the capital repayment basis on the associated finance. This method will therefore adopt a similar MRP basis as those assets financed through lease or PFI arrangements.

3.4 The revised Statutory Guidance released on 2 February 2018 stipulates that this change in policy cannot be applied retrospectively to assets placed in service prior to the date the revised policy was introduced. Therefore Option 3a still applies to capital expenditure chargeable as MRP for the first time prior to 1 April 2019.

4. *Recommendations*

4.1 It is proposed that the following MRP policy is adopted as follows for 2025/26:

- Capital expenditure incurred before April 2008 is treated in accordance with Option 1 of the regulatory guidance;
- Capital expenditure chargeable as MRP for the first time from 1 April 2008 to 31 March 2019 is treated in accordance with Option 3(a) of the regulatory guidance.
- Capital expenditure chargeable as MRP for the first time after 1 April 2019 is treated in accordance with Option 3(b) of the regulatory guidance.

Appendix H

Norfolk PCC Precept 2025/26 – £13.95 (4.42%) increase in Council Tax

COUNCIL TAX PRECEPT

£13.95 (4.42%) increase in council tax in 2025/26

	£
Budget Requirement	222,926,231
Less Government Funding	115,480,008
To be met from council tax (incl. surplus)	107,446,223

Billing Authority	**Taxbase**	**Precept Amount**	**Surplus on Collection Fund**	**Total Payments Due**
		£	**£**	**£**
BRECKLAND	47,690	15,730,579	176,372	15,906,951
BROADLAND	49,789	16,422,902	22,599	16,445,501
GT. YARMOUTH	31,567	10,412,375	1,232	10,413,607
K.LYNN & W. NORFOLK	56,675	18,694,183	5,779	18,699,962
NORTH NORFOLK	45,024	14,851,199	108,904	14,960,103
CITY OF NORWICH	39,166	12,918,905	149,435	13,068,340
SOUTH NORFOLK	54,097	17,843,895	107,863	17,951,758
	324,008	106,874,039	572,184	107,446,223

Valuation Band	**Council Tax 2024/25**	**Council Tax 2025/26**	**Increase Year**	**Increase Week**
	£	**£**		
A	210.60	219.90	9.30	0.18
B	245.70	256.55	10.85	0.21
C	280.80	293.20	12.40	0.24
D	315.90	329.85	13.95	0.27
E	386.10	403.15	17.05	0.33
F	456.30	476.45	20.15	0.39
G	526.50	549.75	23.25	0.45
H	631.80	659.70	27.90	0.54

(i) As in previous years instalment payments will be made to the PCC by the district councils on the day that they receive their government grant instalments. This will minimise the cash flow effect on the collection authorities.

(ii) Where a surplus on collection of 2024/25 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 2025 to February 2026 precept payments.

(iii) Where a deficit on collection of 2024/25 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 2025 to February 2026 precept payments.