


For Public Release

**POLICE AND CRIME COMMISSIONER (PCC) FOR LINCOLNSHIRE  
REQUEST FOR DECISION**

**REF: 006/2019  
DATE: 29 March 2019**

|  |  |  |
|--|--|--|
| <b>SUBJECT</b>   |  | <b>FINANCIAL GOVERNANCE REPORT 2017/18</b> |
| <b>REPORT BY</b>   | <b>FORCE CHIEF FINANCE OFFICER (FCFO)</b>  |  |
| <b>CONTACT OFFICER</b>   | <b>SHARON CLARK, FCFO<br/>TELEPHONE 01522 947468</b>                                     |  |
| <b>EXECUTIVE SUMMARY AND PURPOSE OF REPORT</b><br>To present the Financial Governance Report 2017/18 for the Police and Crime Commissioner for Lincolnshire. |  |  |
| <b>RECOMMENDATIONS</b>   | <b>That the Financial Governance Report 2017/18 appended to this report be approved.</b> |  |

|  |               |
|--|---------------|
| <b>POLICE AND CRIME COMMISSIONER FOR LINCOLNSHIRE</b><br>I hereby approve the recommendation above having considered the content of this report. |               |
| Signature:    | Date: 29/3/19 |

**A. NON-CONFIDENTIAL FACTS AND ADVICE TO THE PCC**

**A1. INTRODUCTION AND BACKGROUND**

1. The purpose of the Financial Governance report is to provide details of those Financial and Procurement activities required under Financial, Contract and Procurement Regulations to be reported on an annual basis.
2. The report is broken down into the following sections:
  - Overall financial performance;
  - Procurement;
  - Debt recovery;
  - Insurance;
  - Treasury management;
3. The report was presented at the Resource Governance meeting on 30th October 2018, for agreement and noting. It is now incorporated into this decision request to recognise that it has been received and to make the Financial Governance Report available.

## **A2. LINKS TO POLICE AND CRIME PLAN AND PCC'S STRATEGIES/PRIORITIES**

The Financial Governance Report provides monitoring information on financial and procurement activities, allowing the Police and Crime Commissioner to monitor and review the use of resources.

## **B. FINANCIAL CONSIDERATIONS**

These have been included in the Financial Governance Report.

## **C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS**

The Police Act 1996 and the Code of Practice on Financial Management requires the Chief Finance Officer to advise the PCC on the safeguarding of assets, including risk management and insurance. Implementation of the arrangements is delegated to the Force.

Under Section 14 of the Police Act 1996, the PCC is required to set up and is responsible for the Police Fund. All money received must be paid into this fund and all expenditure met from it. The Secretary of State has issued a statutory code of practice under Section 39 of the 1996 Act. This recommends that day to day responsibility for financial management should be delegated to the Chief Constable within the scope of Standing Orders and Financial Regulations. Nonetheless, the Chief Finance Officer has a specific duty under the Code of Practice on Financial Management "to secure treasury management including loans and investments." However, for operational reasons, the Chief Finance Officer has delegated the daily management of loans and investment work to the Force Chief Finance Officer, this work is undertaken by the Strategic Partner with a daily authorisation process undertaken to ensure all of the activities are approved.

## **D. PERSONNEL AND EQUALITIES ISSUES**

There are no direct personnel, equal opportunities or diversity issues arising from consideration of this report.

## **E. REVIEW ARRANGEMENTS**

The Financial Governance Report is the detail of the necessary annual review of financial and procurement activities against strategies and regulations.

## **F. RISK MANAGEMENT**

The PCC's insurance arrangements form a key part of the overall approach to risk management. The levels of retained excess held on policies are designed to balance risk and the cost to the revenue budget of insurance provision.

The PCC and Force Risk Registers include sections on the Treasury Management activities. Regular control and operational reviews are undertaken.

## **G. PUBLIC ACCESS TO INFORMATION**

Information in this form along with any supporting material is subject to the Freedom of Information Act 2000 and other legislation. Part 1 of this form will be made available on the PCC's website within one working day of approval. However, if release by that date would compromise the implementation of the decision being

approved, publication may be deferred. An explanation for any deferment must be provided below, together with a date for publication.

**Is the publication of this form to be deferred? No**

If Yes, for what reason:





Until what date:

Any facts, advice or recommendations that should not be made automatically available on request should not be included in Part 1 but on the separate Part 2 form.

**Is there a Part 2 form? No**

If Yes, for what reason:

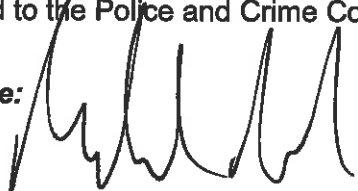
**ORIGINATING OFFICER DECLARATION**

|  | Initials  |
|--|---|
| <b>Originating Officer:</b><br>CC's Chief Finance Officer recommends this proposal for the reasons outlined above. |   |
| <b>Chief Constable:</b><br>The Chief Constable has been consulted on this proposal.                                |  |
| <b>Financial advice:</b><br>The PCC's Chief Finance Officer has been consulted on this proposal.                   |  |
| <b>Monitoring Officer:</b><br>The PCC's Monitoring Officer has been consulted on this proposal.                    |  |

**OFFICER APPROVAL**

**Chief Executive**

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. Consultation outlined above has also taken place. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner for Lincolnshire.

**Signature:**  **Date:** 21/3/14

|   |                                       |
|---|---------------------------------------|
| <i>Security Classification</i>                                |                                       |
| <i>Disclosable under FOIA 2000</i>                            | Yes                                   |
| <i>Contact/Author</i>   | Sarah Parkinson, Corporate Accountant |
| <i>Telephone/Ext number</i>                                   | 47466                                 |
| <i>Department/Area</i>  | Corporate Finance                     |
| <i>Date created</i>   | 16 July 2018                          |
| <i>Chief Officer Approved by</i>                              | Sharon Clark FCFO                     |
| <i>Attachments:</i>   |                                       |
| <i>Appendix A Financial Performance Annual Report 2017/18</i> |                                       |
| <i>Appendix B Annual Procurement Review 2017/18</i>           |                                       |
| <i>Appendix C Debt recovery</i>                               |                                       |
| <i>Appendix D Insurance services</i>                          |                                       |
| <i>Appendix E Annual Treasury Management Review 2017/18</i>   |                                       |

## **RESOURCES GOVERNANCE MEETING**

**MEETING DATE: 30 OCTOBER 2018**

### **FINANCIAL GOVERNANCE AND PERFORMANCE 2017/18**

This report includes details of issues required to be reported under the Financial, Contract and Procurement Regulations. It also includes the annual reports agreed as part of arrangements for performance management.

The report covers:

- Overall financial performance;
- Procurement;
- Debt recovery;
- Insurance;
- Treasury management;

## **APPENDIX A**

### **FINANCIAL PERFORMANCE – ANNUAL REPORT 2017/18**

The Commissioner's Financial Strategy requires the preparation of an annual report on financial performance covering the issues agreed within the Financial Strategy.

Full details of financial performance in the year are set out in the 2017/18 Revenue Outturn Report, the 2017/18 Capital Outturn Report and the 2017/18 Financial Statements. The following is a summary of the main conclusions:

- Value for Money continues to be an area of strength and future focus given current funding constraints and the need to control costs;
- Financial health has deteriorated due to increasing costs pressures, the lifting of the public sector pay cap and further delays to the implementation of the Funding Formula Review (FFR). The outturn position for 2017/18 required a drawdown from reserves of £2.2M to achieve breakeven. The budget in 2018/19 relies on reserves funding of £5.1M to achieve a balanced position, and a further £1M from reserves in 2019/20. Beyond that, the Medium Term Financial Plan (MTFP) includes significant savings targets which will be required to balance the budget going forward. These are £3.5M in 2019/20, £6.3M in 20/21 and £6.9M in 21/22. This remains a significant risk. The 2017/18 grant settlement letter confirmed that the FFR would now be after the 2019 spending review therefore all assumptions on additional funding in the MTFP have been removed. Developing a plan to meet the cost reductions required in the MTFP will be a key task for the current year;
- Audits of core financial processes have received a minimum of satisfactory levels of assurance with a small number of recommendations for improvement. These reviews inform the overall review of governance arrangements and provide assurance that the controls which the organisation relies upon to manage are suitably designed, consistently applied and effective;
- Considerable effort continues to be made to secure a safer level of funding for Lincolnshire in the government grant distribution. There has been some success in promoting Lincolnshire's case with Home Office ministers and officials and there is general recognition of Lincolnshire's funding situation. However, given that the funding formula review will now form part of the 2019 Comprehensive Spending Review, the situation is unlikely to improve in the short term. Lincolnshire Police will try to obtain temporary assistance in the form of a special grant until the CSR but again, success is uncertain. The focus must remain on identifying and delivering the planned savings over the next two financial years.

The following table provides a narrative on some of the key financial health indicators:

| REF                          | INDICATOR                    | NARRATIVE  | 2016/17                | 2017/18     |
|------------------------------|------------------------------|--|------------------------|-------------|
| <b>Financial health</b>      |                              |  |                        |             |
| 1                            | General reserves             | Maintained around the mid-point of a target range based on a financial risk assessment, currently around 5% of total annual expenditure. | 4.8%                   | 4.8%        |
| 2                            | Borrowing                    | Annual cost of debt repayment and interest not to exceed 5% of annual income.  | 0.67% (restated)       | 0.67%       |
| 3                            | Internal control             | All core financial systems to receive "significant assurance" internal audit conclusions.  | No                     | No          |
| 4                            | Accounting                   | Unqualified external audit opinion on the annual financial statements.   | Yes                    | Yes         |
| <b>Fairer funding</b>        |                              |  |                        |             |
| 5                            | Government grant             | Increased share of national police grant.  | No                     | No          |
| <b>Value for money</b>       |                              |  |                        |             |
| 6                            | Spending                     | Lower than national average spending per head of population (Estimated Net Revenue Expenditure per head of population).                  | 14.3% lower (restated) | 14.4% lower |
| 7                            | Spending                     | Unqualified VFM Conclusion from the external auditor.  | Yes                    | Yes         |
| <b>Financial performance</b> |                              |  |                        |             |
| 8                            | Revenue budget management    | More than 50% of budgets managed to within 1%.   | 31%                    | 33%         |
| 9                            | Capital programme management | Actual capital spending managed to more than 80% of the approved programme.  | 92%                    | 87%         |
| 10                           | Income from fees and charges | Annual Income from fees and charges (with the exception of mutual aid) to exceed £1m.  | £1.3m                  | £1.6m       |
| 11                           | Income collection            | Average number of debtor days not to exceed 30.  | 36                     | 37          |
| 12                           | Payments                     | More than 90% of undisputed invoices to be paid within 30 calendar days.   | 89%                    | 90%         |

| REF                        | INDICATOR                        | NARRATIVE   | 2016/17     | 2017/18         |
|----------------------------|----------------------------------|---|-------------|-----------------|
| 13                         | G4S contract – finance functions | 100% of G4S contractual targets achieved.   | 100%        | 100%            |
| <b>Treasury management</b> |                                  |   |             |                 |
| 14                         | Interest earned                  | Interest rate on investments higher than average bank rate (0.25% during period).           | 0.25%       | 0.029% above BR |
| 15                         | Interest paid                    | Interest paid on new long term borrowing less than average government borrowing rate.       | n/a         | n/a             |
| <b>Procurement</b>         |                                  |   |             |                 |
| 16                         | Extent of competition            | Percentage of spending via national and regional frameworks and other competitive processes | 56% minimum | 68%             |
| 17                         | Major contracts                  | Savings achieved on major contracts   | £124.8k     | £56k            |

## **APPENDIX B**

### **PROCUREMENT**

The Strategic Procurement Unit (SPU) seeks to secure best value in all aspects of procurement through the delivery of a professional procurement service to the Force and PCC. During 2017/18, the SPU comprised a total of two G4S staff, one of whom is fully MCIPS qualified and one who is in the process of completing Level 5 MCIPS.

The service provided covers, but is not limited to, provision of advice to officers and staff on a wide range of procurement issues and regulations, tenders/mini competitions, award of contracts and implementation of the most suitable procurement arrangements and requirements to meet operational and support service needs. In 2017/18 the unit awarded 72 contracts for Lincolnshire Police with a total value of £8.235 million, with 17 of them being awarded under the EMPLS standard terms and conditions. These contracts are detailed in Table 1.

From the award of these contracts it is estimated that savings totalling approximately £56k have been achieved in 2017/18.

In addition Lincolnshire Police utilise many government/police and local authority collaborative/framework arrangements for a wide range of goods and services. It is estimated up to around 65 arrangements have been utilised to a greater or lesser degree. Spend on these arrangements varies year to year dependent on revenue/capital requirements but is estimated to be as a minimum in excess of £5 million pounds per annum. The SPU has been instrumental in the "adoption" of many of these arrangements.

During the year, 16 contracts were required to be awarded without formal competition comprising a total value of £865k. A description of these contracts together with justification from the user department is given in Table 2.

Also during the year, a total of 744 retrospective purchase orders (raised after the invoice has been received) have been raised by the Force with a total value of £1.662 million. The SPU have investigated these suppliers and the level of spend if the same items/services had been ordered from the same suppliers; and found that the total annual value for 15 of these suppliers (plus various OPCC Contributions) was above £25k. The SPU has liaised with the relevant user departments to ensure that processes can be put in place to try and reduce the number of retrospective orders going forward. These are detailed in Table 3 and equate to approximately 241 purchase orders with a value of approximately £985k. This work will continue to be investigated on a 6 monthly basis.



**TABLE 1: STRATEGIC PROCUREMENT UNIT  
CONTRACTS AWARDED 01/04/2017 TO 31/03/2018**

| <b>Award Date</b> | <b>File Reference</b> | <b>Description</b>   |
|-------------------|-----------------------|--|
| 01/04/17          | 5201                  | i2 Contract renewal for period 01/04/17 to 31/03/18  |
| 01/04/17          | 5064                  | Supply and fit of Tyres for period 01/04/17 to 10/10/20  |
| 03/04/17          | 5108                  | Provision and monitoring of temporary alarms for period 02/01/17 to 01/01/19   |
| 10/04/17          | 5143                  | Translation and British Sign Language (BSL) services from 01/04/17 to 31/03/21   |
| 12/04/17          | 5144                  | Purchase of 9 Ford Kuga in Frozen White  |
| 13/04/17          | 5098                  | Employee Benefits - cycle to work scheme for period 01/04/17 to 31/03/18   |
| 03/05/17          | 4879                  | National Supply of First Aid Equipment , Pharmaceuticals, Training Equipment & Associated Products for period 03/05/17 to 30/11/17 |
| 11/05/17          | 5134                  | Renewal of ABM Pegasus Source Management and Communications & Covert/Surveillance Authorities for period 01/04/17 to 31/03/18      |
| 12/05/17          | 5164                  | Autopsy Services for 2017/18   |
| 16/05/17          | 5149                  | Annual Calibration for Speed Cameras for 2017/18   |
| 23/05/17          | 5119                  | Hire of venue for Police Communicator courses and Annual Conference 2017-18  |
| 24/05/17          | 5125                  | Four rolling telephone based user satisfaction surveys for period 01/04/17 to 31/03/18   |
| 24/05/17          | 5152                  | National Police Procurement Hub (Zanzibar - NPPH) for period 01/07/17 to 30/06/19  |
| 24/05/17          | 4550                  | National Framework for the Supply of Handcuffs for period 24/05/17 to 31/08/17   |
| 24/05/17          | 5102                  | Social Media Management Software for period 01/06/17 to 31/05/19   |
| 31/05/17          | 5170                  | Purchase of 11 x Vauxhall Corsas   |
| 13/06/17          | 5179                  | Re-Roofing of the HQ Main Building Stores  |
| 28/06/17          | 5172                  | Financial and Personal Data Services for period 01/05/17 to 31/03/18   |

| <b>Award Date</b> | <b>File Reference</b> | <b>Description</b>   |
|-------------------|-----------------------|--|
| 12/07/17          | 5192                  | Purchase of 3 x Vauxhall Vivaro in white   |
| 12/07/17          | 5200                  | Purchase of ex demonstration vehicle from Volvo Car UK   |
| 12/07/17          | 5193                  | Purchase of 6 Vauxhall Corsas  |
| 24/07/17          | 5223                  | Supply of Non-Half Hourly Electricity Brown Energy at Non-HQ sites for period 01/04/2018 to 31/03/2019 |
| 24/07/17          | 5222                  | Supply of Electricity (Half Hourly) to HQ and Grantham for period 01/04/2018 to 31/03/2019             |
| 24/07/17          | 5221                  | Supply of Gas to all sites 01/04/2018 to 31/03/2019  |
| 24/07/17          | 5074                  | Supply of Non Half Hourly Electricity Brown Energy at Non-HQ Sites for Period 01/04/2017 to 31/03/18   |
| 24/07/17          | 5075                  | Supply of Gas to all sites 01/04/2017 to 31/03/2018  |
| 24/07/17          | 5076                  | Supply of Electricity (half hourly) to HQ and Grantham period 01/04/17 to 31/03/18                     |
| 25/07/17          | 5178                  | Purchase of interactive van  |
| 28/07/17          | 5175                  | Vehicle conversions of Ford Kugas & Volvos for period 01/08/17 to 31/03/18                             |
| 01/08/17          | 5214                  | Employee Benefits - Childcare Vouchers for period 01/09/17 to 31/08/20                                 |
| 03/08/17          | 5079                  | Rating appeals for period 04/08/17 to 04/08/19   |
| 04/08/17          | 5224                  | Purchase of 6 Vehicles for the Policing Project  |
| 14/08/17          | 5208                  | Purchase of 2 Ford Rangers in Frozen White   |
| 16/08/17          | 5238                  | Home Office Contributions 01/04/2017 to 31/03/2018 - ICCE & Prison Recalls Services Charges            |
| 24/08/17          | 5058                  | Selected Medical Practitioners - regional collaboration for period 01/06/17 to 31/05/20                |
| 29/08/17          | 5212                  | Increase in contract value for tasers (CEDs) for period 13/03/17 to 12/03/19                           |
| 04/09/17          | 5216                  | Industrial Gases for period 04/09/17 to 31/12/19   |
| 06/09/17          | 5187                  | Upgrade of average speed camera site on A52  |

| <b>Award Date</b> | <b>File Reference</b> | <b>Description</b>  |
|-------------------|-----------------------|---|
| 13/09/17          | 5239                  | Part 4 (4th Phase) Window Replacement at HQ   |
| 18/09/17          | 5217                  | ESN DNSP purchase   |
| 27/09/17          | 5236                  | Purchase of 1 x Mercedes Vito 119 Compact Crew Van  |
| 27/09/17          | 5242                  | PCC Victim Services Core Grant Funding Agreement Extension for period 01/10/17 to 30/09/18                                    |
| 29/09/17          | 5158                  | FCR Mental Health Crisis Nurse for period 10/07/17 to 09/07/18  |
| 29/09/17          | 5253                  | Purchase of 60 Tasers X2 CED and ancillary equipment  |
| 02/10/17          | 5117                  | CHISVA - Children and Young Person's Sexual Violence Support Services for period 01/10/17 to 30/09/19                         |
| 10/10/17          | 5247                  | Holmes Renewal for period 26/09/17 to 25/09/19  |
| 10/10/17          | 5251                  | Purchase of 2 x BMW Motorcycles   |
| 06/11/17          | 5258                  | Chorus Software for period 01/11/17 to 31/10/19   |
| 09/11/17          | 5270                  | EMOpSS central Training Budget for period 01/04/17 to 31/03/18  |
| 09/11/17          | 5268                  | 3 x Peugeot Expert Professional vans in White   |
| 09/11/17          | 5259                  | Purchase of 6 Vauxhall Corsas 1.3 Cdti 75Ps 5 door design In white with full size spare wheel and remote control alarm system |
| 16/11/17          | 5229                  | Security Improvements to rear car park at Boston Police Station   |
| 21/11/17          | 5273                  | Purchase of 12 Vauxhall Astra 1.6 in white as per quote 100981 rev 1  |
| 21/11/17          | 5272                  | Various works at HQ   |
| 05/12/17          | 5271                  | Crime Lite CSI Light Sources  |
| 07/12/17          | 5279                  | Ex Demonstration Volvo XC90 Reg KN66 OBU  |
| 13/12/17          | 5278                  | Replacement Window Programme on the HQ top floor (Chief Officers wing) and carry out office alternations                      |
| 19/12/17          | 5204                  | Inspiration Strategy Services for period 30/06/17 to 01/10/18   |

| <b>Award Date</b> | <b>File Reference</b> | <b>Description</b>   |
|-------------------|-----------------------|--|
| 20/12/17          | 5292                  | IBM i2 renewal – contribution for period 01/04/18 to 31/03/22  |
| 22/12/17          | 5298                  | Supply & Delivery of a Uniform All Climate Shirt (ACS) for period 22/12/17 to 30/11/21                       |
| 03/01/18          | 5188                  | Upgrade of permanent digital speed enforcement systems; Lots 1, 2 and 3 for period 04/01/18 to 31/03/19      |
| 04/01/18          | 5300                  | Mercedes Vito Van  |
| 10/01/18          | 5301                  | Purchase of vehicles for Mini Police project   |
| 01/02/18          | 5310                  | Vehicle Recovery Services led by North Wales Police for period 16/01/18 to 15/01/19                          |
| 08/02/18          | 5126                  | Water supply - water aggregation for period 08/02/18 to 07/02/20   |
| 14/02/18          | 5327                  | Employee Benefits - Cycle to work scheme - 12 month optional extension for period 01/04/18 to 31/03/19       |
| 14/02/18          | 5331                  | Police National Legal Database Renewal (PNLD) for period 01/04/18 to 31/03/19                                |
| 22/02/18          | 5304                  | Purchase of uniforms for "Mini Police" project   |
| 22/02/18          | 5295                  | Autopsy Services for 2018/2019   |
| 28/02/18          | 5321                  | Temp OBIEE consultant for Finance - period 13/02/18 to 18/05/18  |
| 22/03/18          | 5185                  | Prescription Glasses and Safety Glasses for Police Officers and Police Staff for period 22/03/18 to 21/03/20 |
| 27/03/18          | 5275                  | Insurance Services (Excluding Brokerage Services) for period 01/04/18 to 31/03/21                            |
| <b>TOTAL</b>      | <b>72</b>             |  |

**TABLE 2: STRATEGIC PROCUREMENT UNIT  
EXCEPTIONAL PURCHASE ACTION FOR CONTRACTS AWARDED 01/04/17 TO 31/03/18**

**EXCEPTIONAL PURCHASE ACTION/TEMPLATE APPROVAL DOCUMENTATION HAS BEEN COMPLETED FOR EACH OF THE  
CONTRACTS BELOW IN ORDER TO JUSTIFY NOT SEEKING FORMAL COMPETITION**

| <b>Award Date</b> | <b>File Reference</b> | <b>Contract Value<br/>£'000</b> | <b>Provider &amp; Description</b>   | <b>User Justification as detailed in the Exceptional Purchase<br/>Action Form</b>  | <b>Department</b> |
|-------------------|-----------------------|---------------------------------|---|--|-------------------|
| 10/04/17          | 5143                  | 35                              | CINTRA LANGUAGE<br>SERVICES GROUP LTD<br>Translation and BSL services<br>for period 01/04/17 to<br>31/03/21 | Cintra have been awarded a contract for the provision of Face to Face Interpreting under an 8 Force collaborative contract led by Leicestershire Police. Under the Framework rules, no award could be made to Cintra for Translation services outside of Custody as Cintra are not currently on any available Framework for these services. Commercially, financially and organisationally it makes sense to award a separate contract to Cintra for these services outside of national Frameworks. This will ensure continuity of supply through one contact point. | CPT               |
| 11/05/17          | 5134                  | 36                              | ABM UK LTD<br>Renewal of ABM Pegasus<br>Source Management and<br>Covert/Surveillance<br>Authorities         | These products are owned by ABM and therefore not available via another supplier hence the need to single source to ABM.   | IT                |
| 12/05/17          | 5164                  | 154                             | UNIVERSITY OF<br>LEICESTER<br>Autopsy services for 2017-18  | Home Office autopsies must be carried out by a Home Office approved Pathologist. The local Home Office approved supplier is the University of Leicester as per the MoU signed by the Head of Crime and Head of East Midlands Forensic Pathology Group in 2006.   | Support Services  |

| Award Date | File Reference | Contract Value<br>£'000 | Provider & Description  | User Justification as detailed in the Exceptional Purchase Action Form   | Department                        |
|------------|----------------|-------------------------|---|--|-----------------------------------|
| 16/05/17   | 5149           | 35                      | CUBIC TRANSPORTATION SYSTEMS LTD<br>Annual calibration speed cameras                              | Cubic systems are the sole supplier of all our current Gatso wet film cameras and Gatso digital speed cameras. All the speed cameras require an annual calibration as part of the Home Office Type Approval system and Cubic are the only company that are permitted to calibrate or repair equipment.   | LRSP                              |
| 24/05/17   | 5125           | 26                      | OPCC FOR LEICESTERSHIRE (LPTRB)<br>Four rolling telephone based user satisfaction surveys 2017-18 | Lincs Police do not have the resources in-house to undertake these surveys. The Leicestershire Police Telephone Research Bureau (LPTRB) are uniquely placed to provide this service. A price comparison exercise was undertaken during 2016 which showed that LPTRB offers the best value option.  | Communications and Public Affairs |
| 28/06/17   | 5172           | 36                      | EXPERIAN LTD<br>Financial and Personal data services for period 01/05/17 to 31/03/18              | The contract expired on 30/04/17. It is proposed to put a contract in place with the current provider for 11 months to allow enough time for EMSCU to complete their regional framework process. 1 months' notice to terminate if needed.  | CPT                               |
| 12/07/17   | 5200           | 26                      | VOLVO CAR UK<br>Purchase of ex-demonstration vehicle  | EMOpSS currently using an agreed standard vehicle awarded to Volvo under the Southern Buying Group Consortium (SBGC) Contract. Volvo have pulled out of the Contract as they are no longer manufacturing this model, therefore there is no contract provision while SBGC put a new contract in place. One EMOpSS vehicle permanently taken out of fleet due to accidental damage and needs urgent replacement. Force made aware that Volvo had one demonstration vehicle from their fleet which meets the correct specification, therefore this vehicle is not available elsewhere and will produce a saving of approx. £3,643 over the cost of a brand new vehicle. | Fleet                             |

| Award Date | File Reference | Contract Value £'000 | Provider & Description   | User Justification as detailed in the Exceptional Purchase Action Form  | Department    |
|------------|----------------|----------------------|--|---|---------------|
| 25/07/18   | 5178           | 55                   | DIDIADVANS.COM<br>Purchase of interactive van  | Research shows this is a unique vehicle which is generally only available to organisations to hire on a daily rate. There is no ready built equivalent and there are no other suppliers who can offer a similar product within the timescales required.   | OPCC          |
| 06/09/17   | 5187           | 40                   | JENOPTIK TRAFFIC SOLUTIONS UK LTD<br>Upgrade of average speed camera site on A52               | The current system, (specs 3) is 7 years old and is in need of repairs that have been estimated at £21,050 to allow the system to operate again. However, technology has improved since the original system was installed and the equipment manufacturer is able to offer an upgrade to a Specs 3 Vector system which provides improved offence image quality, night time photography, data transfer and system portability for £39,700.30. LRSP consider this to be a better option as the back office equipment that handles the data transfer from the physical site to the Lincolnshire Police network solely deals with the specs systems and would not require replacement. | LRSP          |
| 29/09/17   | 5158           | 60                   | LINCOLNSHIRE PARTNERSHIP NHS FOUNDATION TRUST<br>FCR mental health crisis nurse                | The NHS is the only provider of this service which has access to NHS protocols and is already signed up to ISA between LPFT and Lincs Police. Part of the service is the ability to seamlessly pathway sufferers into appropriate care – this can only be provided by LPFT.   | Head of Crime |
| 05/12/17   | 5271           | 37                   | FOSTER & FREEMAN LTD<br>Purchase of crime scene investigation examination lights (Crime Lites) | This is the sole supplier of this type and level of equipment and is widely used by all forensic depts. across the EMR.   | EMSOU         |

| Award Date | File Reference | Contract Value<br>£'000 | Provider & Description   | User Justification as detailed in the Exceptional Purchase Action Form  | Department                |
|------------|----------------|-------------------------|--|---|---------------------------|
| 07/12/17   | 5279           | 30                      | VOLVO CAR UK LTD<br>Purchase of ex-demonstration vehicle   | EMOpSS are currently utilising an agreed standard vehicle awarded to Volvo under the Southern Buying Group Consortium (SBGC) Contract. Volvo have pulled out of the Contract as they are no longer manufacturing this model, therefore there is no contract provision whilst the SBGC put a new contract in place. One EMOpSS vehicle has been permanently taken out of the fleet for Lincs Police due to accidental damage and needs replacing urgently. The Force was made aware that Volvo were selling off one of their demonstration vehicles from their fleet which meets the correct specification required, therefore this vehicle is not available elsewhere and will produce a saving of approximately £10k over the cost of a brand new vehicle. | Fleet                     |
| 19/12/17   | 5204           | 65                      | INSPIRATION STRATEGY SERVICES LTD<br>Consultancy services to develop the Lincolnshire victims strategy for the PCC | This supplier is currently commissioned by the OPCC to develop the victim strategy and have already developed an in-depth knowledge of the commissioning landscape in Lincolnshire. To leverage this knowledge base, there is a keen aspiration to use Inspiration Strategy Services Ltd to implement the already commissioned work to ensure a seamless transition.  | OPCC                      |
| 22/02/18   | 5304           | 40                      | SOLON SECURITY LTD<br>Purchase of uniforms for "Mini Police" project   | Tender process is required by Regulations however, due to insufficient time, permission to waive process has been sought. 3 quotations from direct approach needed from potential suppliers with sample of goods and assurance of supply within time.   | Boston Policing Inspector |



| Award Date   | File Reference | Contract Value £'000 | Provider & Description  | User Justification as detailed in the Exceptional Purchase Action Form  | Department        |
|--------------|----------------|----------------------|---|---|-------------------|
| 22/02/18     | 5295           | 156                  | UNIVERSITY OF LEICESTER<br>Autopsy services for 2018-19   | Home Office autopsies must be carried out by an approved Home Office Pathologist. The local Home Office approved supplier is University of Leicester  | Support Services  |
| 28/02/18     | 5321           | 34                   | CHERRY PROFESSIONAL RECRUITMENT<br>Temp OIEE consultant for Finance – period 13/02/18 to 18/05/18 | Usual agency does not carry qualified accountants with the system skills required for this very specialised assignment. Therefore, candidates were sought from those agencies dealing with professionally qualified accounting staff.<br>The contractor has specific skills and has provided this service to both South Yorkshire and Humberside Police forces so knows exactly what we need and can provide guidance and expertise in both the System and Police specific finance reporting. | Corporate Finance |
| <b>TOTAL</b> | <b>16</b>      | <b>865</b>           |   |   |                   |

**TABLE 3: STRATEGIC PROCUREMENT UNIT  
RETROSPECTIVE PURCHASE ORDERS  
CONTRACTS AWARDED 01/04/17 TO 31/03/18**

| <b>Supplier</b>                           | <b>Action Taken</b>   |
|---|---|
| AVR Group Limited T/A National Monitoring | Signed up to the GMP Framework. Annual PO's are now being raised (3 PO's as different cost centres with different approvers are being used). Contract in place until 01/01/2019.  |
| Boc Gases                                 | Currently in the process of joining the YPO 709 Framework. Framework joined and Annual PO's are being raised.   |
| Capita Travel and Events Limited          | Out of hours - process in place to cover this. The FCR should be completing a P762 form and sending to Requisitions SS HQ for a PO to be raised the following day. This should eliminate the need for retrospective PO's as the requisition should be raised prior to the invoice being submitted.  |
| University Of Leicester                   | Call-Off requisition raised for the autopsy services provided by University of Leicester. The same budget as Paediatric PMs, Finance have suggested use here will result in shortfall. This is a live regional agreement MoU signed in 2016. EPA signed to support MoU Home Office approved supplier used by region. Some retrospective invoices will remain with these being coded to MI and the Operational Cost Centres. |
| Mayor's Office For Policing & Crime       | No action required. This was an annual contribution which didn't require a PO as it is a contribution; this will therefore negate the need for a retrospective PO to be raised.   |
| Essendex Ltd                              | Currently paying £10.00 per month and raising retrospective orders per month. Asked the Business Support Manager, Support Services what this is for and asked if we can do an annual call-off instead. Confirmation received, therefore this PO has been cancelled so we shouldn't see any further invoices.  |
| Empire Garage (Krish Motor Services Ltd)  | Fuel supplied to Mablethorpe not under Certas framework. With view to single source from 1 PO p.a., Fleet Office requested to obtain 3 quotes. Fuel cards initiated eliminating the need for retro POs.   |
| ISS Mediclean Ltd                         | No orders since May 2017. In future, POs to be raised with booking.   |
| Lincolnshire County Council               | Annual POs raised as required. POs to be raised when Decision Report signed off.  |
| Uvex (UK) Ltd                             | Prescription glasses will save the Force 72% p.a. (approx. £5,344.86) on ESPO Framework. New 2 year Contract from 22/03/18 awarded to Smart Employee Eyecare.   |

| <b>Supplier</b>                      | <b>Action Taken</b>  |
|--------------------------------------|--|
| DriveTech UK Ltd T/A<br>AA DriveTech | Frequent POs raised for seatbelt postage, company asked to confirm this charge and it is for postage of details to attendees of seatbelt course. PO set up for year to be called off monthly (till 30 Nov 18). |
| King Ms Alison                       | Intermediaries – Business Support Manager to raise annual POs.   |
| Lambert Smith Hampton                | Incorrect invoice, payment should be made to GB Security. If Lambert is to be paid in future, POs are to be raised with order eliminating retro POs.   |
| Field Fisher Waterhouse<br>LLP       | Corporate Administration Officer wishes to retain supplier. CCS framework unavailable for Police Forces. Use of single source approval advised for 1 year until new framework is available.                    |
| Kennels                              | EPA completed and annual call-off PO raised.   |
| PCC Contributions                    | Working with OPCC to ensure POs are raised for all contributions once the Decision Papers have been approved which should then stop retrospective POs.   |

## APPENDIX C

### DEBT RECOVERY 2017/18

The total of debtor invoices raised in 2017/18 on behalf of the PCC was £7.478m (2016/17 £14.673m).

The level of outstanding debt at 31 March 2018 was £1.226m. Most of this was money owed to the PCC by companies or public bodies.

| Type of debtor           | 2016/17      |                        | 2017/18      |                        |
|--------------------------|--------------|------------------------|--------------|------------------------|
|                          | Amount £000s | % of Total Outstanding | Amount £000s | % of Total Outstanding |
| Individuals              | 66           | 1.05%                  | 39           | 3.18%                  |
| Companies                | 53           | 0.85%                  | 47           | 3.83%                  |
| Public bodies            | 6,153        | 98.10%                 | 1,140        | 92.99%                 |
| <b>Total Outstanding</b> | <b>6,272</b> |                        | <b>1,226</b> |                        |

The age profile of this debt is shown below. This is a snapshot as at 31 March 2018.

| Number of days           | 0 - 30 | 31 - 60 | 61 - 90 | >90  | Total Outstanding |
|--------------------------|--------|---------|---------|------|-------------------|
| <b>2017/18</b>           |        |         |         |      |                   |
| Amount Outstanding £000s | 1,007  | 119     | 37      | 63   | <b>1,226</b>      |
| % of Outstanding Debt    | 82.1%  | 9.7%    | 3.0%    | 5.2% |                   |
| <b>2016/17</b>           |        |         |         |      |                   |
| Amount Outstanding £000s | 6,195  | 16      | 12      | 51   | <b>6,272</b>      |
| % of Outstanding Debt    | 98.7%  | 0.3%    | 0.2%    | 0.8% |                   |

Invoices outstanding for more than 90 days include those which are subject to challenge or clarification by the debtor.

Debts written off in the year total £22,289 equivalent to 0.3% of the total debt raised. This includes invoices for legal court costs which have been awarded to Lincolnshire Police but have proved unrecoverable. The debts written off were subject to investigation by the appointed external Debt Recovery Agent prior to write off.

All debt write offs are approved in accordance with the Financial Regulations.

## APPENDIX D

### INSURANCE SERVICES

- 1.1. The Police and Crime Commissioner's (PCC) main classes of insurance cover were subject to competitive tender under EU rules in the winter of 2014, for insurance services commencing 1<sup>st</sup> April 2015. Contracts were awarded for a three year period with an option to extend for two further individual years. 2017/18 is the third and final year of the contract as the option to extend was withdrawn.
- 1.2. The current Motor Fleet policy with Travellers provides £20m of cover in respect of Third Party Property Damage (previously £50m with previous insurers). An Excess of Loss policy has been placed with AIG Europe Ltd to uplift the indemnity limit to £50m.
- 1.3. Separate Airside Liability insurance has been arranged with Global Aerospace Underwriting Managers Ltd via Besso Ltd which covers bodily injury and or/property damage caused by vehicles driving airside.
- 1.4. Insurance Premium Tax (IPT) was charged at 10% on all invoices for 2017/18.
- 1.5. The following table provides an analysis of the cost of insurance for 2017/18 (includes IPT):

| <b>Cost</b>  |                          |                          |
|--|--------------------------|--------------------------|
| <b>Type of Cover</b>                                       | <b>2016/17<br/>£000s</b> | <b>2017/18<br/>£000s</b> |
| Property & Business Interruption                           | 53.0                     | 49.5                     |
| Personal Accident and Travel                               | 2.6                      | 2.5                      |
| Motor Fleet including Excess of Loss and Airside Liability | 88.7                     | 100.1                    |
| Public / Employers Liability and Fidelity Guarantee        | 177.9                    | 214.0                    |
| Engineering including Inspection                           | 4.3                      | 4.4                      |
| <b>Total</b>   | <b>326.5</b>             | <b>370.5</b>             |

- 1.6. A summary of the cover provided under each policy is set out in Appendix A.
- 1.7. Insurance cover is provided for the Office of the PCC as well as Police Officers, PCSOs, Support Staff, Special Constabulary, Police Staff Volunteers, Police Cadets, Volunteer Police Support Officers and JIAC members.
- 1.8. The PCC's brokers, Henderson Insurance Brokers Limited (HIBL) an Aon company, provide advice on insurance terms and cover level and renegotiations of premiums. Renewal information is provided annually; any changes to our exposure such as changes in vehicle numbers, wages and property value increase or decreases would result in the premiums being adjusted up or down accordingly.

## **Employers and Public Liability Claims Handling**

- 1.9. Employers Liability and Public Liability claims over the deductible are handled by Zurich Municipal, while those under are handled by East Midlands Police Legal Services. An annual fixed claim handling fee of £5k is charged by Zurich, to deal with any potential claims above the deductible.

## **Loss Recovery Insurance**

- 1.10. There was an additional premium for Loss Recovery in 2017/18, which provides cover for the preparing, negotiating and administering of material damage and business interruption claims over £5,000.

## **Claims History**

- 1.11. The tables in this document summarise the claims experience over the period from 1<sup>st</sup> November 2011 to 31<sup>st</sup> March 2018.
- 1.12. The Sum of Net paid column relates to the actual amount paid out in respect of claims, the Sum of Remaining Reserve represents the estimate of the amount still to be paid in respect of claims, with the Sum of Total Experience therefore being the total potential cost of the claims.

## **Computer Claims**

- 1.13. None in the last 10 years.

## **Employers Liability Claims**

| <b>Policy Year</b>                                   | <b>Number of Claims</b> | <b>Sum of Net Paid<br/>£000s</b> | <b>Sum of Remaining Reserve<br/>£000s</b> | <b>Sum of Total Experience<br/>£000s</b> |
|--|-------------------------|----------------------------------|---|--|
| 1 <sup>st</sup> Nov 2011 – 31 <sup>st</sup> Oct 2012 | 12                      | 347.7                            | -   | 347.7                                    |
| 1 <sup>st</sup> Nov 2012 – 31 <sup>st</sup> Oct 2013 | 8                       | 16.8                             | -   | 16.8                                     |
| 1 <sup>st</sup> Nov 2013 – 31 <sup>st</sup> Mar 2015 | 5                       | 54.5                             | -   | 54.5                                     |
| 1 <sup>st</sup> Apr 2015 – 31 <sup>st</sup> Mar 2016 | 2                       | -                                | -   | -  |
| 1 <sup>st</sup> Apr 2016 – 31 <sup>st</sup> Mar 2017 | 1                       | -                                | 3.0                                       | 3.0                                      |
| 1 <sup>st</sup> Apr 2017 – 31 <sup>st</sup> Mar 2018 | -                       | -                                | -   | -  |
| <b>Total</b>   | <b>28</b>               | <b>419.0</b>                     | <b>3.0</b>                                | <b>422.0</b>                             |

## Public Liability Claims

| Policy Year  | Number of Claims | Sum of Net paid £000s | Sum of Remaining Reserve £000s | Sum of Total Experience £000s |
|--|------------------|-----------------------|--------------------------------|-------------------------------|
| 1 <sup>st</sup> Nov 2011 – 31 <sup>st</sup> Oct 2012 | 50               | 82.7                  | 87.0                           | 169.7                         |
| 1 <sup>st</sup> Nov 2012 – 31 <sup>st</sup> Oct 2013 | 42               | 312.6                 | 55.0                           | 367.6                         |
| 1 <sup>st</sup> Nov 2013 – 31 <sup>st</sup> Mar 2015 | 36               | 83.2                  | 108.4                          | 191.6                         |
| 1 <sup>st</sup> Apr 2015 – 31 <sup>st</sup> Mar 2016 | 35               | 44.8                  | 100.0                          | 144.8                         |
| 1 <sup>st</sup> Apr 2016 – 31 <sup>st</sup> Mar 2017 | 30               | 18.9                  | 87.7                           | 106.6                         |
| 1 <sup>st</sup> Apr 2017 – 31 <sup>st</sup> Mar 2018 | 9                | 5.4                   | 97.4                           | 102.8                         |
| <b>Total</b>   | <b>199</b>       | <b>547.6</b>          | <b>535.5</b>                   | <b>1,083.1</b>                |

## Motor Claims Handling

- 1.14 Since April 2015, motor claims handling services have been provided by Cunningham Lindsay. The claims team handle all “fault” motor claims and a few “non-fault” motor claims involving a third party. In 2017/18, 36 claims were processed amounting to £5,040. All other “non-fault” claims are managed by Hendersons on behalf of the PCC.
- 1.15 Insurance cover is provided for damage to third parties. The PCC is self-insured in respect of accidental damage to police vehicles as the premiums for comprehensive insurance would be far in excess of the cost of repairs.

| Policy Year  | Number of Claims | Sum of Net paid £000s | Sum of Remaining Reserve at 31 Mar 18 £000s | Sum of Total Experience £000s |
|--|------------------|-----------------------|---|-------------------------------|
| 1st Nov 2011 – 31st Oct 2012                         | 63               | 87.0                  | -   | 87.0                          |
| 1st Nov 2012 – 31st Oct 2013                         | 63               | 121.8                 | 675.0                                       | 796.8                         |
| 1st Nov 2013 – 31st Oct 2014                         | 67               | 42.1                  | -   | 42.1                          |
| 1 <sup>st</sup> Nov 2014 – 31 <sup>st</sup> Mar 2015 | 19               | 33.5                  | -   | 33.5                          |
| 1 <sup>st</sup> Apr 2015 – 31 <sup>st</sup> Mar 2016 | 71               | 34.7                  | 5.7   | 40.4                          |
| 1 <sup>st</sup> Apr 2016 – 31 <sup>st</sup> Mar 2017 | 73               | 57.3                  | 54.6  | 111.9                         |
| 1 <sup>st</sup> Apr 2017 – 31 <sup>st</sup> Mar 2018 | 79               | 6.7                   | 107.6                                       | 114.3                         |
| <b>Total</b>   | <b>435</b>       | <b>383.1</b>          | <b>842.9</b>                                | <b>1,226.0</b>                |

## Other Policies

- 1.16 In the last 9 years, there have been no claims on the other policies held by the PCC.

## **Review of Settlements**

- 1.17 To comply with Financial Regulations, it is required that the annual report includes the following occurrences in the financial year:
- Settlements made in excess of £25k,
  - Ex gratia payments in excess of £10k and
  - The position in respect of claims estimated at over £50k.
- 1.18 Three payments have been made in excess of the £25k settlement limit and no payments have been made in excess of the £10k Ex Gratia limit. Current ongoing claims with a reserve above £50k consist of four Public Liability claims and one motor insurance claim in excess of £100k.



## **APPENDIX D1**

### **SUMMARY OF INSURANCE COVER**

#### **EMPLOYERS LIABILITY**

- **Excess £250,000 each loss**
- **Limit of Indemnity £40,000,000 (Terrorism £5m)**

The Force is covered in respect of legal liability for claims for bodily injury, illness, disease or death suffered by any person under a contract of service or apprenticeship with the Force when the injury etc. arises out of or in the course of their employment. Cover includes legal costs and expenses of the Force. Cover is based on the salary budget of the PCC and CC.

Principal extensions to the cover provided are:

- Contractual Liability
- Indemnity to Principal
- Cross Liabilities
- Unsatisfied Court Judgements/Awards
- Health and Safety at Work Act
- Canteen, Social, Sports and Welfare Organisation, First Aid, Fire and Maintenance of Force premises.

#### **PUBLIC AND PRODUCTS LIABILITY**

- **Excess £250,000**
- **Limit of Indemnity £40,000,000 (Terrorism and Financial Loss £5m)**

Cover provides indemnification in respect of legal liability for claims arising from death/injury/disease or loss/damage to property arising in connection with the functions of a PCC and CC. This includes claims for unlawful arrest and false imprisonment, covers all legal costs and expenses recoverable by the claimant together with all costs incurred by the Force.

Principal extensions to the cover provided are:

- Indemnity to Principal
- Acts of Sub Contractors
- Loss of or damage to employees', members' or visitors' property or vehicles and property in the custody or control of the Force.
- Sports and welfare facilities, fire and first aid services
- Personal indemnity to any employee
- Joint Insured/Cross Liability Clauses
- Damage to temporarily occupied premises
- Wrongful arrest and assault
- Malicious Prosecution

- Punitive and Exemplary damages
- Defective Premises Act 1972
- Lifts, Cranes and Steam Pressure Vessels

## **PROPERTY**

**- Excess £5,000 each loss**

**- Limit of Indemnity £30,000,000 (Storm and Flood, any one occurrence £60,000,000 aggregate/all other perils any one occurrence £50,000,000)**

Cover is provided from any loss arising from fire, lightning, aircraft, explosion and storm.

Principal extensions to the cover provided are:

- Money cover
- Goods in Transit/Outside Storage
- Automatic Reinstatement of Sums Insured
- Public Authority Clause
- Capital Additions Clause
- Adjustment clause - Annual Declaration
- Workmen's clause
- Interest of all persons in Properties
- Interest of various lessors of equipment
- £2,500 for the personal effects of:
  - any employee
  - any other visitor

## **BUSINESS INTERRUPTION**

**- Excess as insured under other parts of the policy**

Business interruption is cover for loss arising from fire, lightning, aircraft, explosion and storm damage to the value of £10 million.

Principal extensions to the cover provided are:

- Public Utilities
- Denial of Access
- Infectious / Contagious disease
- Auditors Fees / Accountants Charges
- Payment on Account
- Material Damage Provision Waiver
- Automatic Reinstatement

## **PROFESSIONAL INDEMNITY**

- **Excess £250,000 each loss**
- **Limit of Indemnity £2,000,000**

Indemnity for any sum that the Force is legally liable to pay arising from any claims made during the period of insurance as a direct result of the negligence in the conduct or execution of non-statutory activities and duties carried out for a fee.

Principal extensions to the cover provided are:

- Automatic Reinstatement of loss
- Mitigation Costs
- Loss of Documents
- Self Employed Persons

## **MOTOR FLEET**

- **Excess £250,000 each loss**
- **Limit of Indemnity £50,000,000**

Third party cover is provided for any vehicle that is owned by the Force, hired or leased to it or borrowed by it.

Principal extensions to the cover provided are:

- Full cover for any non-police vehicle temporarily in the custody or control of a police officer or whilst such a vehicle is being used for police purposes.
- Claims arising out of the deliberate acts of drivers
- Employees vehicle used on police business
- Towing of trailers/disabled vehicles
- Unauthorised movement of vehicles

## **AIRSIDE LIABILITY**

- **Excess £1,000 in respect to property damage**
- **Limit of Indemnity £50,000,000**

Cover is provided for bodily injury and/or property damage caused by an occurrence at any UK airport.

## **FIDELITY GUARANTEE**

- **Excess £20,000 each loss**

Cover is provided up to a limit of £15.0 million for named posts in the Force and PCC and £1.5 million for any other employee. Strong internal control systems are used as evidence to limit the premium on this policy.

Principal extensions to the cover provided are:

- Auditors' fees/Professional Accountants charges
- Automatic Reinstatement of loss

### **ENGINEERING INSPECTION**

**- Excess None**

This is not a standard insurance policy. It provides for a statutory inspection of engineering equipment to minimise the potential liability to the PCC.

### **PERSONAL ACCIDENT**

**- Excess None**

Cover is provided for accidental death or bodily injury to support staff and volunteers, excluding special constables.

A scale of benefits applies, which is dependent upon the severity of the injury to the individual.

### **BUSINESS TRAVEL**

**- Excess None**

Cover is provided for police officers and support staff up to a maximum of £1,000 for property losses where bodily injury is sustained and a maximum of £500 where it is not. This policy also covers medical expenses outside of the UK.

## **APPENDIX E: ANNUAL TREASURY MANAGEMENT REVIEW 2017/18**

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### **1. Introduction**

The Police & Crime Commissioner (PCC) is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2017/18. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2017/18 the minimum reporting requirements were that the PCC should receive the following reports:

- an annual treasury strategy in advance of the year (PCC decision 006-2017 24/02/2017)
- a mid-year treasury update report (Resource Governance Paper 29/11/2017)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment places responsibility on the Resource Governance Board for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the policies previously approved by the PCC.

The Resource Governance Board confirms that it has complied with the requirement under the Code to scrutinise treasury management reports.

### **2. The Economy and Interest Rates**

During the calendar year of 2017, there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend. After the UK economy surprised on the upside with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year which meant that growth was the slowest for the first half of any year since 2012. The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back on their expenditure. However, growth did pick up modestly in the second half of 2017. Consequently, market expectations during the autumn, rose significantly that the MPC would be heading in the direction of imminently raising Bank Rate. The minutes of the MPC meeting of 14 September indicated that the MPC was likely to raise Bank Rate very soon. The 2 November MPC quarterly Inflation Report meeting duly delivered by raising Bank Rate from 0.25% to 0.50%.

The 8 February MPC meeting minutes then revealed another sharp hardening in MPC warnings on a more imminent and faster pace of increases in Bank Rate than had previously been expected.

Market expectations for increases in Bank Rate, therefore, shifted considerably during the second half of 2017-18 and resulted in investment rates from 3 – 12 months increasing sharply during the spring quarter.

PWLB borrowing rates increased correspondingly to the above developments with the shorter term rates increasing more sharply than longer term rates. In addition, UK gilts have moved in a relatively narrow band this year, (within 25 bps for much of the year), compared

to US treasuries. During the second half of the year, there was a noticeable trend in treasury yields being on a rising trend with the Fed raising rates by 0.25% in June, December and March, making six increases in all from the floor. The effect of these three increases was greater in shorter terms around 5 year, rather than longer term yields.

The major UK landmark event of the year was the inconclusive result of the general election on 8 June. However, this had relatively little impact on financial markets.

### 3. Overall Treasury Position as at 31 March 2018

At the beginning and the end of 2017/18 the PCC's treasury position was as follows:

| Treasury Position                                    | 31 March 2017 Principal | 31 March 2018 Principal |
|--|-------------------------|-------------------------|
| <b>Total debt</b>                                    | <b>£12.3m</b>           | <b>£11.6m</b>           |
| <b>CFR</b>   | <b>£29.3m</b>           | <b>£31.3m</b>           |
| <b>Adjustment for G4S ICT assets (finance lease)</b> | <b>(£6.6m)</b>          | <b>(£6.0m)</b>          |
| <b>Over / (under) borrowing</b>                      | <b>(£10.4m)</b>         | <b>(£13.7m)</b>         |
| <b>Total investments</b>                             | <b>£6.1m</b>            | <b>£1.9m</b>            |
| <b>Net debt</b>                                      | <b>£6.2m</b>            | <b>£9.7m</b>            |

### 4. The Strategy for 2017/18

The expectation for interest rates within the treasury management strategy for 2017/18 anticipated that the Bank Rate would not start rising from 0.25% until quarter 2 of 2019 and then only increase once more before 31 March 2020. There would also be gradual rises in medium and longer term fixed borrowing rates during 2017/18 and the two subsequent financial years. Variable or short-term rates were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach. Investments would continue to be dominated by low counterparty risk considerations resulting in relatively low returns compared to borrowing rates.

In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

During 2017/18, longer term PWLB rates were volatile but with little overall direction. Shorter term PWLB rates were on a rising trend during the second half of the year.

### 5. The Borrowing Requirement and Debt

The PCC's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

|           | 31 March 2017 Actual | 31 March 2018 Budget | 31 March 2018 Actual |
|-----------|----------------------|----------------------|----------------------|
| Total CFR | £29.3m               | £32.6m               | £31.3m               |

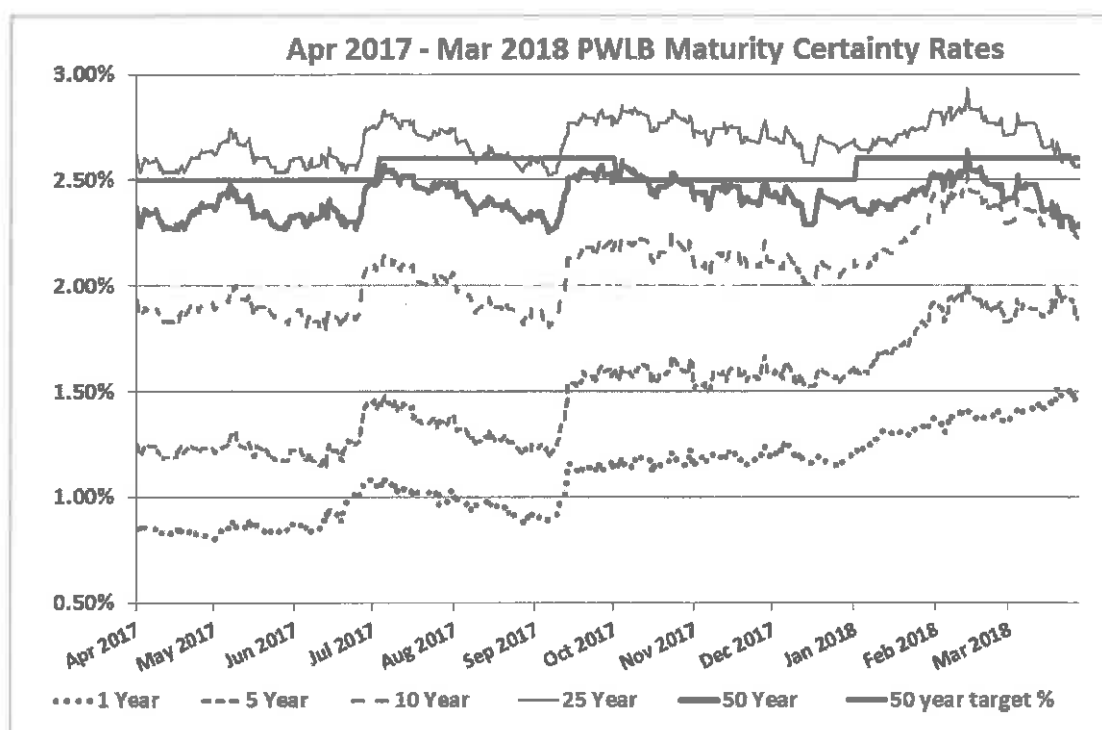
## 6. Borrowing Rates in 2017/18

### PWLB certainty maturity borrowing rates

As depicted in the graph and tables below and in Appendix 4, PWLB 25 and 50 year rates have been volatile during the year with little consistent trend. However, shorter rates were on a rising trend during the second half of the year and reached peaks in February and March.

During the year, the 50 year PWLB target (certainty) rate for new long term borrowing was 2.50% in quarters 1 and 3 and 2.60% in quarters 2 and 4.

The graphs and tables for PWLB rates show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.



## 7. Borrowing Outturn for 2017/18

### Borrowing

There has been temporary borrowing in the year, one loan totalling £4.0m borrowed for 47 days at an interest rate of 0.2%. Interest paid of £1,030.14.

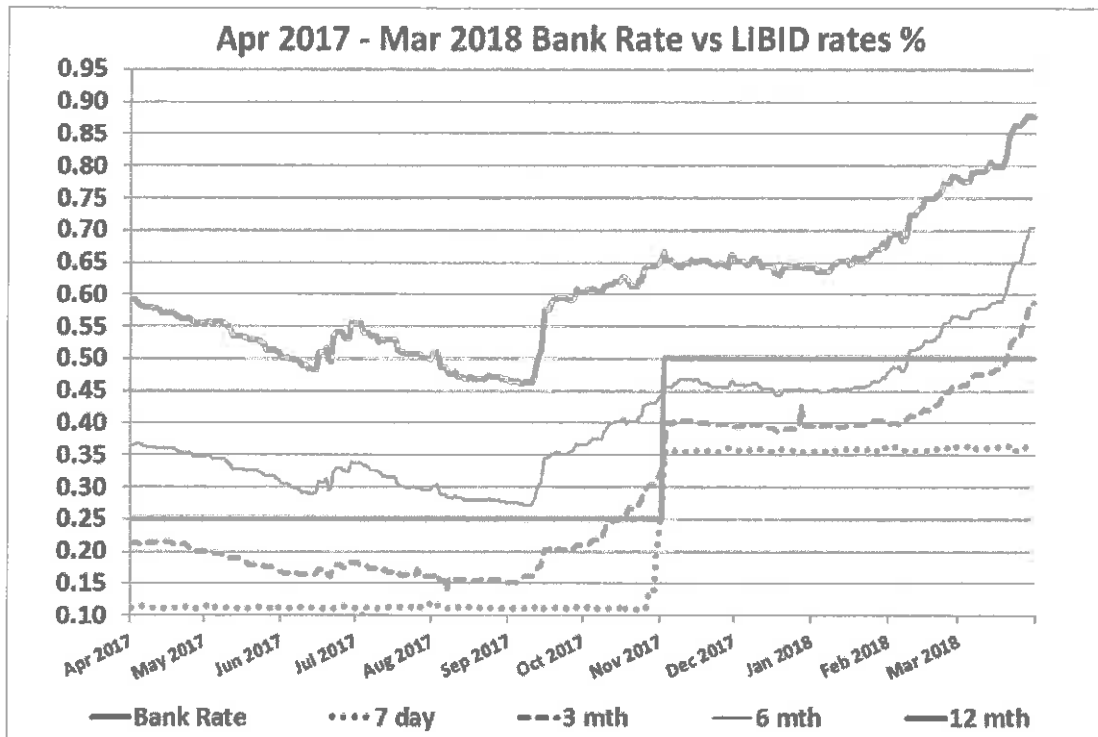
### Rescheduling

There was no rescheduling requirement during the year. The average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable in any case.

### Repayments

In 2017/18 the PCC repaid £892k on the principal on PWLB loans. The outstanding debt has an average interest rate of 5.27% and an average remaining life of 9 years.

## 8. Investment Rates in 2017/18



Investments rates for 3 months and longer have been on a rising trend during the second half of the year in the expectation of Bank Rate increasing from its floor of 0.25%, and reached a peak at the end of March. Bank Rate was duly raised from 0.25% to 0.50% on 2 November 2017 and remained at that level for the rest of the year. However, further increases are expected over the next few years. Deposit rates continued into the start of 2017/18 at previous depressed levels due, in part, to a large tranche of cheap financing being made available under the Term Funding Scheme to the banking sector by the Bank of England; this facility ended on 28 February 2018.

## 9. Investment Outturn for 2017/18

**Investment Policy** – the PCC’s investment policy is governed by CLG guidance, which has been implemented in the annual investment strategy approved by the PCC on 24 February 2017. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, with the exception of one investment of £9,677.09 which exceeded the maximum investment time limit of 6 months (deposited for 208 days). The interest on a £4m investment (95 day notice account) was transferred to the PCC’s on call account with insufficient and misleading narrative on the bank statement to identify the source of the money. Despite pursuing enquiries with HSBC, this money was returned as an “Unidentified Receipt” back to the originating organisation. Bank statements for this notice account are only produced on request, therefore unfortunately the balance on this account wasn’t identified in time to provide sufficient notice to withdraw the money within the 6 month limit.

**Investments held by the Police and Crime Commissioner** - the Police and Crime Commissioner maintained an average balance of £5.4m of internally managed funds. The internally managed funds earned an average rate of return of 0.35%. Interest receipts during the



year were £64k, against a budget of £25k. Call account rates have come down again this year, so four Money Market Funds are now being utilised.

The PCC held £1.9m of investments as at 31 March 2018; a breakdown of the investments held is in Appendix 2. During the year, no investments were outstanding with counterparties that were not on the PCC's approved list.

In the financial year 2017/18 there was one instance where the bank account was overdrawn. The PCC's bank account was overdrawn by £2.682m overnight on 25th May 2017. This was due to a recalled BACS item not returning as expected by close of business on 25th May. There were no fees or charges billed to the PCC as the bank accepted responsibility for the advice given on the timing of the recall.

## Appendix E1: Prudential and Treasury Indicators

During 2017/18, the PCC complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

| Actual prudential and treasury indicators                                    | 2016/17 Actual £000 | 2017/18 Original £000 | 2017/18 Actual £000 |
|--|---------------------|-----------------------|---------------------|
| Capital expenditure  | 6,357               | 15,715                | 12,374              |
| Capital Financing Requirement  | 29,261              | 36,274                | 31,343              |
| External debt  | 12,313              | 12,800                | 11,565              |
| Investments <ul style="list-style-type: none"> <li>• Under 1 year</li> </ul> | 6,050               | 2,000                 | 1,900               |

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the PCC should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2017/18) plus the estimates of any additional capital financing requirement for the current (2018/19) and next two financial years. This essentially means that the PCC is not borrowing to support revenue expenditure. This indicator allows the PCC some flexibility to borrow in advance of its immediate capital needs in 2017/18.

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the PCC does not have the power to borrow above this level. The table below demonstrates that during 2017/18 the PCC has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the PCC during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

|  |                      |                  | 2017/18              |
|--|----------------------|------------------|----------------------|
| Authorised limit   |                      |                  | £42m                 |
| Maximum gross borrowing position                                 |                      |                  | £12.3m               |
| Operational boundary   |                      |                  | £37m                 |
| Average gross borrowing position                                 |                      |                  | £11.95m              |
| Financing costs as a proportion of net revenue stream            |                      |                  | 1.78%                |
| Ratio of financing costs to net revenue stream                   | 31 March 2017 actual | 2017/18 original | 31 March 2018 actual |
| Financing costs to net revenue stream                            | 2.01%                | 1.83%            | 1.78%                |
| Incremental impact of capital investment decisions               | 31 March 2016 actual | 2017/18 original | 31 March 2018 actual |
| Increase in Police and Crime Commissioner tax (Band D) per annum | £0.21                | £0.53            | £0.15                |

The increase in PCC tax per annum has reduced in part as no new borrowings were undertaken in 2017/18. New borrowings were anticipated in the original plan.

| Treasury Position              | 31 March 2017 Principal | 31 March 2018 Principal |
|--------------------------------|-------------------------|-------------------------|
| Fixed rate funding:            |                         |                         |
| -PWLB                          | £12.2m                  | £11.5m                  |
| Variable rate funding:         |                         |                         |
| -Transferred Debt              | £0.1m                   | £0.1m                   |
| <b>Total debt</b>              | <b>£12.3m</b>           | <b>£11.6m</b>           |
| CFR                            | £29.3m                  | £ 31.3m                 |
| ICT asset lease                | (£7.4m)                 | (£7.1m)                 |
| <b>Over/ (under) borrowing</b> | <b>(£10.4m)</b>         | <b>(£13.7m)</b>         |
| <b>Total investments</b>       | <b>£6.1m</b>            | <b>£1.9m</b>            |
| <b>Net debt</b>                | <b>£6.2m</b>            | <b>£9.7m</b>            |

The maturity structure of the debt portfolio was as follows:

|                                | 31 March 2017 actual | 31 March 2018 actual |
|--------------------------------|----------------------|----------------------|
| Under 12 months                | £1.0m                | £1.0m                |
| 12 months and within 24 months | £0.9m                | £1.0m                |
| 24 months and within 5 years   | £2.5m                | £2.5m                |
| 5 years and above              | £7.9m                | £7.1m                |

**Appendix E2: Investments List as at 31 March 2018**

| Capita Colour Coding | Suggested maximum investment duration | Borrower                 | Principal (£)    | Interest Rate | Maturity Date | Lowest Long Term Rating | Historic Risk of Default |
|----------------------|---------------------------------------|--------------------------|------------------|---------------|---------------|-------------------------|--------------------------|
| Yellow               | Up to 5 years                         | Black Rock MMF           | 400,000          | 0.39%         | MMF           | AAA                     | 0.000%                   |
| Yellow               | Up to 5 years                         | Standard Life MMF        | 1,500,000        | 0.41%         | MMF           | AAA                     | 0.000%                   |
|                      |                                       | <b>Total Investments</b> | <b>1,900,000</b> | <b>0.41%</b>  |               |                         | <b>0.000%</b>            |