

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

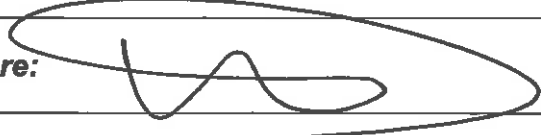
REF: 008/2019  
DATE: 8 May 2019

<b>SUBJECT</b>		<b>FINANCIAL STRATEGY, RESERVES STRATEGY &amp; SUPPORTING PLANS</b>
<b>REPORT BY</b>	<b>Chief Finance Officer, Police and Crime Commissioner &amp; Chief Finance Officer, Chief Constable</b>	
<b>CONTACT OFFICER</b>	<b>Julie Flint, Chief Finance Officer, PCC</b> <b>Telephone 01522 947222</b> <b>Sharon Clark, Chief Finance Officer, CC</b> <b>Telephone 01522 947468</b>	
<b>EXECUTIVE SUMMARY AND PURPOSE OF REPORT</b>		
<p>The Financial Strategy 2019/20 attached is intended to provide a framework and parameters for financial management. It incorporates the PCC's Reserves Strategy.</p> <p>It will be supported by annual budgets and plans.</p> <p>The following are also attached to this report:</p> <ul style="list-style-type: none"> <li>• Capital Strategy 2019/20</li> <li>• Value for Money &amp; Efficiency Plan 2019/20</li> <li>• Procurement Plan 2019/20</li> <li>• Treasury Management Strategy 2019/20</li> </ul>		
<b>RECOMMENDATIONS</b>	<p><i>That the following be approved:</i></p> <ol style="list-style-type: none"> <li><b>1. The Financial Strategy, incorporating the Reserves Strategy</b></li> <li><b>2. The Capital Strategy 2019/20</b></li> <li><b>3. The Value for Money &amp; Efficiency Plan 2019/20</b></li> <li><b>4. The Procurement Plan 2019/20</b></li> <li><b>5. The Treasury Management Strategy 2019/20</b></li> </ol> <p><i>Including:</i></p> <ol style="list-style-type: none"> <li><b>A) The Minimum Revenue Provision policy statement at para 2.4 of the strategy.</b></li> <li><b>B) The prudential indicators and targets summarised at Appendix 5.1 of the strategy.</b></li> </ol>	

**POLICE AND CRIME COMMISSIONER FOR LINCOLNSHIRE**

I hereby approve the recommendation above, having considered the content of this report.

Signature:



Date: 2/5/19

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

**A1. INTRODUCTION AND BACKGROUND**

1. See introduction to the Financial Strategy

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

2. The Financial Strategy will support the Community Safety, Policing and Criminal Justice Plan for Lincolnshire and provide the framework for the management of all financial issues.

**B. FINANCIAL CONSIDERATIONS**

These are discussed in the Financial Strategy and supporting plans.

**C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS**

There are no statutory requirements for the Police and Crime Commissioner (PCC) to agree a Financial Strategy, Value for Money & Efficiency Plan or Procurement Plan. Since 2018/19 the Home Office require a separate Reserves Strategy to be published.

The Treasury Management Strategy 2019/20 complies with statutory and best practice guidance on treasury management. The PCC is required to agree prudential indicators and targets and to set a minimum revenue provision policy before the start of each financial year.

The publishing of a Capital Strategy from 2019/20 onwards is a new requirement of the CIPFA Prudential Code (2017).

**D. PERSONNEL AND EQUALITIES ISSUES**

None.

**E. REVIEW ARRANGEMENTS**

It is intended that, like the Community Safety, Policing and Criminal Justice Plan for Lincolnshire, the Financial Strategy will be valid for the Commissioner's term of office. Changes should be exceptional and probably related to external changes.

Budgets and supporting plans will be updated annually.

**F. RISK MANAGEMENT**

The Financial Strategy has been prepared in the context of an assessment of all financial risks and controls.

**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.

<b>Is the publication of this form to be deferred?</b> No
<b>If Yes, for what reason:</b>
<b>Until what date:</b>

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

<b>Is there a part 2 form?</b> No
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**ORIGINATING OFFICER DECLARATION**

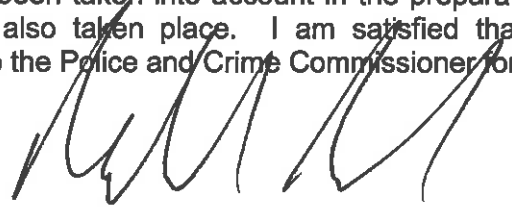
	Initial to confirm
Originating Officer: PCC's Chief Finance Officer recommends this proposal for the reasons outlined above.	
Financial advice: The PCC's Chief Finance Officer has been consulted on this proposal.	
The CC's Chief Finance Officer has been consulted on this proposal.	
Monitoring Officer: The PCC's Monitoring Officer has been consulted on this proposal	
Chief Constable: The Chief Constable 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:**

7 May 2014

April 2019

**Financial Strategy incorporating Reserves Strategy  
2019/20**

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Police and Crime Commissioner for Lincolnshire

## 1. Introduction

1.1 The purpose of the Financial Strategy is to provide a framework and parameters for financial management. It aims to ensure that finances are managed in order to ensure:

- Financial management facilitates the delivery of the Police and Crime Plan;
- Taxpayers' money is used effectively, efficiently and demonstrates good value for money;
- Lincolnshire Police is in sound financial health;
- There is effective corporate governance with sound systems of internal financial control.

1.2 The Strategy is implemented through a number of plans and policies as shown in Appendix A.

1.3 Content of the Financial Strategy:

2. Statutory requirements and guidance
3. Revenue spending and council tax
4. Fairer funding
5. Value for money
6. Capital spending and funding
7. Carry forward of over and under spending
8. Financial health and governance
9. Reserves Strategy
10. Budget management
11. Procurement
12. Income and charging
13. Treasury management
14. Accounting and financial processes

1.4 Implementation of the Financial Strategy will be monitored through the measures of financial health and performance attached at Appendix B. There will also be an Annual Report on Financial Performance to the Chief Constable and the Commissioner which will include actual performance compared to the targets shown in Appendix B.

## **2. Statutory Requirements and Guidance**

2.1 The financial affairs of the Commissioner and the Chief Constable will comply with statutory requirements including the requirements of the Police Reform and Social Responsibility Act 2011.

2.2 Financial affairs will also comply with the considerable amount of secondary legislation and guidance including:

- The Accounts and Audit Regulations
- The Code of Practice on Local Authority Accounting
- The Code of Practice on Internal Audit in Local Government
- Delivering Good Governance in Local Government
- Prudential Code for Capital Finance in Local Authorities
- The Code of Practice for Treasury Management in Public Services
- Financial Management Code of Practice for the Police Service.

## **3. Spending and Council Tax**

3.1 Resources will be allocated in budgets to support and promote achievement of the Police and Crime Plan.

3.2 The total resources available and their allocation will be planned for a number of years ahead and agreed in a Medium Term Financial Plan.

3.3 Budgets will be set realistically with expenditure balanced to the income available. It is clear however that without a more equitable slice of the national police grant or substantial precept rises in future years; Lincolnshire would not be able to set a budget without significant degradation of service from 2020/21 onwards; some cuts are required in 2019/20 in order to balance the budget.

3.4 The council tax will be set so as to deliver the Police and Crime Plan and with regard to the impact on Lincolnshire council tax payers and council tax capping limits set by the government.

## **4. Safer Funding**

4.1 Lincolnshire's case for an increased share of government funding will continue to be promoted with the government and those that can influence government, including Lincolnshire MPs. This will include working with others where there are common interests.

4.2 It is intended that the Core Grant Distribution Review (funding formula) will be revisited at the next Spending Review, with the potential implementation in 2020/21 at the earliest.

## 5. Value for money

5.1 The Commissioner will agree an annual Value for Money & Efficiency Plan before the start of each financial year. There will be specific arrangements to oversee its delivery with regular monitoring and reporting to the Chief Constable and the Police and Crime Commissioner.

5.2 Value for money will be a key consideration in decision making. This includes:

- Having robust business plans linking policing plans with the budgets available.
- Applying a rigorous business case for all major projects involving new revenue or capital spending. All business cases will include the Chief Finance Officer's comments on financial implications, compliance, risk and value for money.
- Reviewing all areas of spending periodically through a planned programme of value for money reviews.

5.3 Services will be delivered in partnership with other bodies where this provides better value for money including better services and / or lower costs. This may include:

- Working jointly with partners particularly other police bodies in the region
- commissioning services from other bodies
- contracting out services to private sector providers

## 6. Capital Spending and Funding

6.1 Resources will be allocated in the capital programme to maintain and replace existing assets including buildings, vehicles and ICT systems.

6.2 Resources will also be allocated for new developments with priority given to projects, particularly ICT projects, which will generate worthwhile future savings or promote performance and productivity improvements such as Command & Control.

6.3 Specific resources will be allocated for collaborative programmes such as the Blue Light Collaboration.

6.4 Capital spending will be funded largely through long term borrowing. Surplus assets will be disposed of where appropriate in accordance with the Asset Management Strategy. A review of the estate may result in property disposals and/or shared locations with other public services; this is in line with the One Public Estate agenda.

6.5 Annual provision will be made for the repayment of debt. The amount charged will be related directly to the useful life of the assets acquired through borrowing so that debt is not outstanding after an asset's useful life.



6.6 Provision for the repayment of debt including interest as a proportion of annual income from government grants and council tax will not exceed the limit set to ensure that long term borrowing is affordable and sustainable.

## **7. Carry forward of over and under spending**

7.1 Under and over spends on department budgets are not carried forward into the following year automatically.

7.2 The use of any under spends will be considered overall as part of the outturn report and will be decided by the PCC.

7.3 All under and over spends on the following budgets will be carried forward without exception:

- capital budgets
- specific grants

## **8. Financial Health and Governance**

8.1 The Commissioner's Chief Finance Officer is responsible for ensuring that the Commissioner's financial affairs are properly administered having regard to their probity, legality and appropriate standards. The Chief Constable's Chief Finance Officer has the same responsibilities in relation to the Police Force.

8.2 The PCC and the Chief Constable will both prepare and publish codes of corporate governance and annual governance statements.

8.3 The PCC and the Chief Constable will also prepare risk registers and keep them under review.

8.4 A Joint Independent Audit Committee will monitor and report on the effectiveness of corporate governance and risk management arrangements.

8.5 Detailed Financial Regulations will be maintained and compliance monitored.

8.6 An internal audit function will be maintained in accordance with the CIPFA Code of Practice.

8.7 A register of financial risks will be maintained and kept under review, and appropriate arrangements made to eliminate or mitigate risks including establishing provisions, earmarked reserves and the use of insurance.

## **9. Reserves Strategy**

9.1 CIPFA's Guidance makes clear that the adequacy of reserves should be assessed in the context of its strategic, operational and financial risks. Reserves can be categorised according to their intended use as:-

- Specific projects/activity – these provide earmarked reserves in respect of specific approved projects within the current MTFP.

- Timing differences – these allow the organisation to manage variations between years in committed spending programmes and may extend beyond the current Medium Term Financial Plan (MTFP)
- Risk based earmarked and general reserves – these are intended to provide mitigation from operational and financial risk

Table A below shows the projected reserves across the Medium Term Financial Plan under these categories. Details of each reserve held are provided in Appendix C.

Table A

General & Earmarked Reserves (incl. regional)	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
	01-Apr-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Grand Total</b>	16,642	11,625	9,016	7,967	7,367	7,339
<b>Of which:</b>						
Earmarked Reserves for Specific Projects / Activity within the MTFP	5,043	2,815	1,049	300	0	0
Earmarked Reserves for Specific Projects / Activity beyond the MTFP	3,086	3,398	2,555	2,255	1,955	1,927
Risk based reserves (general contingency)	8,513	5,412	5,412	5,412	5,412	5,412

- 9.2 Since 2018/19 the Financial Strategy required that 'general risk based reserves be maintained at the minimum point of a target range' this has been reviewed and maintained at this level as part of updating this Financial Strategy. Table B provides a summary of the risk based assessment that has been undertaken.
- 9.3 The PCC currently holds a General Reserve of £2.5m, following a £3.1m reduction in 2018/19 to support the revenue budget, there are no plans for further use in 2019/20 to support the revenue budget. Table B below provides a summary of the risk based assessment that has been undertaken.
- 9.4 The range of required reserves is assessed as £5.5m - £12m, the minimum point of which is £5.5m. This is set against forecast risk based reserves of £5.4m representing 4.3% of the revenue budget, General Reserve £2.5m, Major Incident Reserve £1.9m and Insurance Reserve £1m. As a result, the previous policy is maintained and this Financial Strategy continues to require risk-based reserves at the minimum of the target range. This continues the financial risk being carried by the PCC and is a consequence of the desire to release risk based reserves to mitigate the operational risk.
- 9.5 Nevertheless, given the context of increased financial risk, the need for sound financial control is further emphasised. The role of the Force Chief Financial Officer in supporting the Chief Constable and his team is key to delivering this.

Table B – Risk Based Assessment

Area	Risk addressed	Calculation basis		Proposed allocation	
		Min	Max	Min £000	Max £000
General balance	Budget overspend & general contingency	0.5% budget requirement	1% budget requirement	634	1,269
Major Disaster	First 1% of budget requirement to be met on major disasters	50% of potential impact	100% of potential impact	634	1,269
Council Tax	To provide for future non-payments, reducing yields etc.	1% of council tax (2019/20)	3% of council tax (2019/20)	554	1,663
Police Staff Pension Scheme Contributions	Actuarial variations in the level of contributions due to market volatility			500	1,000
Business Transformation Partnership	Risk of financial collapse or force majeure event before end of contract term (£1.5m of contract tender costs built into MTFP).	Based on 10% of Estimated cost of retendering (£1.5m)	Based on 50% of Estimated cost of retendering (£1.5m)	150	750
Budget Adjustment	To provide for the potential costs of staff reductions	50% of costs of potential redundancy	100% of costs of potential redundancy	1,100	2,200
Council Tax	To provide for the potential costs of a referendum	Costs of referendum	Cost of referendum & rebilling	1,000	1,500
Major Incidents	Possibility of in-year major incident costs exceeding provision in revenue budget	Maximum spend in last 5 years less revenue budget provision	2 x the maximum spend in last 5 years less revenue budget provision	400	1,400
Insurance	Covers excess on insurance position	2 x current excess	4 x current excess	500	1,000
				<b>5,473</b>	<b>12,050</b>

## **10. Budget Management**

- 10.1 The PCC and the Chief Constable will manage within approved budgets.
- 10.2 Budget management responsibilities for every revenue and capital budget will be delegated to nominated budget holders who will be expected:
- to set realistic budgets and to manage actual expenditure and income within these budgets
  - to manage in a way which maximises service performance and benefits, and;
  - to take responsibility for financial management in their service area.
- 10.3 The PCC and the Chief Constable will monitor overall financial performance on a monthly basis and take any necessary corrective action. This will include ensuring that there is a planned approach to finding the savings necessary to balance the budget and that the required savings are achieved.
- 10.4 The Chief Finance Officer will ensure that budget holders and senior managers receive appropriate support including training. The CFO will also ensure that the finance function is resourced to be fit for purpose, including the availability of specialist financial expertise as necessary.

## **11. Procurement**

- 11.1 The Commissioner will agree an annual Procurement Plan before the start of each financial year and will receive a year end annual report and other reports as required.
- 11.2 Procurement arrangements will be designed to ensure that the right things are acquired at the best price. This recognises both price and value.
- 11.3 Procurement processes will promote
- Value for money
  - Transparency, accountability and probity
  - And compliance with legal requirements
- 11.4 Strong centralised controls will be maintained to ensure high levels of compliance with approved processes.
- 11.5 Competitive prices will be achieved through maximizing the use of national or regional contracts which provide significant savings. Higher value contracts will be subject to tendering or other competitive processes.

## **12. Income and Charging**

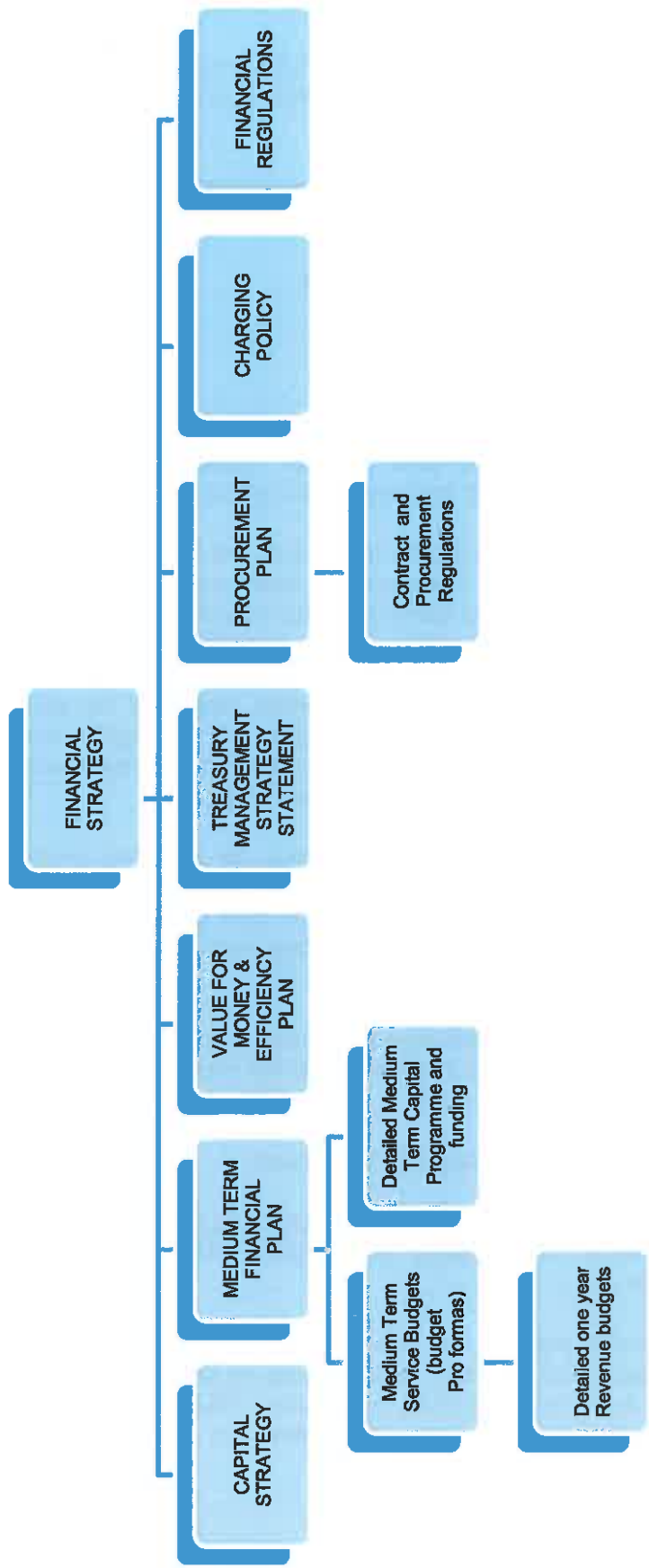
- 12.1 Charges for services will be set to comply fully with national guidance. National rates of charges will be applied where set.
- 12.2 Charges will be set to recover the full economic cost for policing commercial events. An abatement of 50% will apply to charges for charitable and community events.
- 12.3 Discretionary charges will, as a minimum, recover the costs of providing services.
- 12.4 All charges will be updated annually.

## **13. Treasury Management**

- 13.1 The Commissioner will agree an annual Treasury Management Strategy Statement before the start of each financial year and will receive, as a minimum, a six month progress report and a year-end annual report.
- 13.2 Long term borrowing will be taken from the Public Works Loan Board to fund capital expenditure. Decisions on borrowing will be based on a range of treasury management considerations including the cash flow position, current and projected interest rates, and the maturity profile of current debt.
- 13.3 Policies for the investment of surplus cash will be security first, liquidity second and then return. Protection of the capital invested will be the overriding priority. Return on investment will be maximized but will be modest, commensurate with this level of risk.
- 12.4 The Commissioner will agree targets for specified prudential indicators in relation to capital financing and other treasury management matters before the start of each financial year. The main purpose of these is to ensure that capital financing, in particular its long term borrowing, is prudent, affordable and sustainable.
- 12.5 The Commissioner will agree a formal Capital Strategy for the first time for 2019/20 following the introduction of the requirement by the CIPFA Prudential Code (2017).

## **14. Accounting and Financial Processes**

- 14.1 Strong financial controls will be maintained with the Chief Finance Officers responsible for agreeing all financial processes, systems and financial records.
- 14.2 Accounting policies will comply fully with International Financial Reporting Standards and statutory requirements as set out in the Code of Practice on Local Authority Accounting in the UK. The annual financial statements will give a true and fair view of the financial position and transactions in the opinion of the external auditor.



**APPENDIX B**

**PERFORMANCE MEASURES: financial health and performance**

REF	MEASURE	TARGET
	<b>Financial health</b>	
1	Risk & General reserves	Maintained around the minimum level of a target range based on a financial risk assessment, currently around 4% of total annual expenditure.
2	Borrowing	Annual cost of debt repayment and interest not to exceed 5% of annual income.
3	Internal control	All core financial systems to receive "significant assurance" internal audit conclusions.
4	Accounting	Unqualified external audit opinion on the annual financial statements.
	<b>Fairer funding</b>	
5	Government grant	Increased share of national Police Grant.
	<b>Value for money</b>	
6	Spending	Lower than national average spending per head of population
7	Spending	Unqualified VFM Conclusion from the external auditor.
	<b>Financial performance</b>	
8	Revenue budget management	More than 50% of budgets managed to within 1%.
9	Capital programme management	Actual capital spending managed to more than 80% of the approved programme.
10	Income from fees and charges	Annual Income from fees and charges (with the exception of mutual aid) to exceed £1m.
11	Income collection	Average number of debtor days not to exceed 30 days.
12	Payments	More than 90% of undisputed invoices to be paid within 30 working days.
13	G4S contract – finance functions	100% of G4S contractual targets achieved.
	<b>Treasury management</b>	
14	Interest earned	Interest rate on investments higher than average bank rate.
15	Interest paid	Interest paid on new long term borrowing less than average government borrowing rate.
	<b>Procurement</b>	
16	Extent of competition	Percentage of spending via national and regional frameworks and other competitive processes
17	Major contracts	Savings achieved on major contracts





APPENDIX C

General & Earmarked Reserves	Actual 31 <sup>st</sup> March 2018	Forecast 31 <sup>st</sup> March 2019	Forecast 31 <sup>st</sup> March 2020	Forecast 31 <sup>st</sup> March 2021	Forecast 31 <sup>st</sup> March 2022	Forecast 31 <sup>st</sup> March 2023
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Grand Total</b>	<b>16,642</b>	<b>11,625</b>	<b>9,016</b>	<b>7,967</b>	<b>7,367</b>	<b>7,339</b>
<b>Of which:</b>						
<b>Earmarked Reserves for Specific Projects/Activity within the MTFP</b>						
Budget Flexibility	1,847	343	-	-	-	-
Strategic Partnership	-	75	75	-	-	-
Regional NICHE	282	-	-	-	-	-
Mobile Data	3	-	-	-	-	-
Body Worn Cameras	76	76	-	-	-	-
Employee Welfare	52	52	-	-	-	-
Internships	12	-	-	-	-	-
Innovation Funds	35	-	-	-	-	-
Op Hillstar Staffing	134	-	-	-	-	-
Telephony System Scoping	15	-	-	-	-	-
FCR Mental Health Nurse	15	-	-	-	-	-
Crime Prevention SKDC	11	-	-	-	-	-
CATS/Niche Back Office	100	100	-	-	-	-
Niche Data Quality	162	-	-	-	-	-
Performance & Productivity	982	933	600	300	-	-
PCC Regional Staffing	118	-	-	-	-	-
Mobile Data Terminals	68	-	-	-	-	-
ARV Grant Notis	257	257	-	-	-	-
Corporate Comms Income Generation	10	10	-	-	-	-
Police Officer Bank Holiday Overtime	95	95	-	-	-	-
Specific grant for Specialist Ongoing Operations	874	874	374	-	-	-
<b>Total Funding of Specific Projects/Activity within the MTFP</b>	<b>5,043</b>	<b>2,615</b>	<b>1,049</b>	<b>300</b>	<b>-</b>	<b>-</b>
<b>Risk based Reserves:</b>						
General Reserve	5,629	2,528	2,528	2,528	2,528	2,528
Regional General Reserve	34	34	34	34	34	34
Major Incidents	1,850	1,850	1,850	1,850	1,850	1,850
Insurance	1,000	1,000	1,000	1,000	1,000	1,000
<b>Total Risk Based Reserves</b>	<b>8,513</b>	<b>5,412</b>	<b>5,412</b>	<b>5,412</b>	<b>5,412</b>	<b>5,412</b>
<b>Earmarked Reserves for Specific Projects/Activity beyond the MTFP</b>						
Development & Partnership Working	1,044	1,143	793	543	293	265
Partner Agency Funding	121	106	35	35	35	35
Capital Financing	796	1,066	1,066	1,066	1,066	1,066
Ill Health	225	225	225	225	225	225
Staffing	100	100	100	100	100	100
Bank Holiday Maternity Pay	-	-	-	-	-	-
Regional Reserve	572	572	200	200	200	200
Proceeds of Crime	228	186	136	86	36	36
<b>Total Specific Projects/Activity beyond the MTFP</b>	<b>3,086</b>	<b>3,398</b>	<b>2,555</b>	<b>2,255</b>	<b>1,955</b>	<b>1,927</b>



April 2019

## Capital Strategy 2019/20

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Police and Crime Commissioner for Lincolnshire

## **1 INTRODUCTION**

- 1.1 The Capital Strategy forms a key part of the Police and Crime Commissioner's (PCC) overall corporate planning framework. It provides a mechanism by which capital investment and financing decisions can be planned in the short to medium (five years) term.
- 1.2 The Strategy sets the framework for all aspects of the capital investment programme so that the PCC can provide the assets required for future service delivery by the force; this will include the entire process involved in capital investment from planning and prioritisation, through delivery and management to outcomes and funding. The Capital Strategy has direct links to the other strategies and operational delivery plans including the PCC's "Community Safety, Policing and Criminal Justice Plan" and the Chief Constable's (CC) high level strategy "Distinctively Lincolnshire"; the Estates, Fleet and IT delivery plans; and forms a key part of the Medium Term Financial Plan (MTFP).
- 1.3 The Capital Programme is set out in Appendix 1.

## **2 OBJECTIVES**

- 2.1 The key aims of the Capital Strategy are to:
- provide a clear set of objectives and a framework so that all capital investment is targeted at making sure the force "has the right tools for the job" as set out under the key principle of "Policing that works" of the PCC's "Community Safety, Policing and Criminal Justice Plan";
  - set out how capital requirements are identified, prioritised and resourced through the preparation and approval of detailed business cases, including identification of realisable benefits and a robust financial evaluation;
  - consider options available for funding capital expenditure and how resources may be maximised, whilst minimising the ongoing revenue implications of any such investment;
  - identify the resources available for capital investment over the MTFP planning period;
  - establish effective arrangements for the monitoring and management of capital programmes, including budget profiling, deliverability, value for money, assessment of project outcomes, and benefits realised;
  - target investment in projects that deliver the long term benefits to policing in Lincolnshire, as identified within both the PCC's and CC's policing plans.

## **3 GOVERNANCE FRAMEWORK FOR THE CAPITAL PROGRAMME**

- 3.1 A governance framework will be put in place to ensure that capital investment decisions support the overall objectives of the PCC and Chief Constable, and best use is made of available resources. The PCC's Financial, Contract and Procurement Rules are designed to provide the governance process and ensure that capital programme planning is aligned with the service and revenue budget planning cycle within the framework of the MTFP. The governance framework includes:
- The Police and Crime Strategic Board, which is responsible for approving

the MTFP and supporting strategies, including this Capital Strategy and the Capital Programme;

- The PCC's Resource Governance Meeting, which is responsible for scrutiny of both the revenue and capital budget monitoring reports;
  - The Change Board (Force), which approves business cases for capital expenditure before submission to the PCC for funding approval; monitors the delivery of all change programmes within the force, including the capital programme; and monitors the realisation of service and financial benefits resulting from the capital programme.

3.2 The Chief Constable also has a governance framework in place to promote an integrated approach to capital decision making which ensures capital investment is targeted at service improvement in line with both the PCC's and Chief Constable's policing plans.

These include:

- The Distinctively Lincolnshire Board which has overall responsibility for the delivery of the Force strategic plan and the supporting estates, fleet and ICT plans. Proposed capital expenditure is tested against the service priorities set out in the Distinctively Lincolnshire plan before being submitted for approval and adding to the capital programme;
- The Change Board, which acts as a sub-committee of the Distinctively Lincolnshire Board and is responsible for the monitoring and management of all change programmes within the force, including the capital programme. Business cases for capital investment are reviewed by the Change Board before being recommended to the PCC for funding approval;
- There are a number of special interest boards and committees, such as the Technology Futures Board which operate as sub-committees of the Change Board. The Technology Futures Board has the responsibility for overseeing and approving business cases for ICT investment prior to sign off by the Change Board;
- For major projects, which have a significant impact across the whole force or are multi-agency projects, there are specific project boards with representation from both the Force and OPCC. For example:
  - Bluelight Steering Group – major build project to create a shared station for police, the fire and rescue service and the ambulance service;
  - Command & Control – major ICT system investment.

3.3 Capital expenditure proposals will be subject to a standard evaluation process before approval of funding.

- For new projects, a Business Case will be submitted that identifies the required capital investment, revenue consequences, full lifetime costings and funding source.
- Subject to the business case being approved, a decision report will be submitted for approval by the PCC.
- Monthly reports will be submitted to the Resource Governance Meeting that identify changes to the capital programme, including;

- New capital schemes approved
- Slippage in programme delivery
- Projects/schemes reduced or removed
- Virements between schemes
- Revisions to spend profile and funding
- Actual spend by scheme against budget.

3.4 Depending on the size of the project, a project or programme board may be set up with key stakeholders to provide sufficient governance and management of the project, and identify any risks which could affect the project or the organisation as whole. Any risks deemed significant for the organisation as a whole will be taken forward to the Risk Management Board.

#### **4 CAPITAL PRIORITISATION**

4.1 The purpose of the capital strategy is to ensure that future capital investment is targeted towards meeting the objectives in both the PCC's and Chief Constable's strategic plans.

4.2 The capital strategy also recognises that financial resources available for capital expenditure are limited in the current economic and political climate. The strategy therefore seeks to identify and attract alternative sources of funding and methods of delivering projects collaboratively which will generate match funding from other parties. It also seeks to target investment in schemes which generate the highest operational benefits and realise significant revenue savings.

4.3 The Estates Plan will set out a coherent plan for rationalising property usage across the force area, which supports local service delivery in the most cost effective manner. It should also identify any backlog maintenance issues across the property portfolio and set out a prioritised timescale to address the most urgent of these, which will then inform the planned capital maintenance programme. It will also identify any opportunities for accommodation-sharing with suitable partners and surplus assets which may be disposed of to generate capital receipts for reinvestment.

4.4 The Blue Light Programme, currently in progress, will provide shared accommodation for blue light services in a modern, energy-efficient building which facilitates co-operation and effective working between the blue light partners. Further opportunities for shared facilities and collaborative service delivery will be supported through the capital strategy .

4.5 The key priorities for allocating capital funding to schemes are summarised below:

- Meet the key priorities in PCC and CC corporate strategies;
- Reduce the backlog maintenance liability by rationalising the operational estate;
- Invest in energy saving initiatives which reduce future running costs and reduce CO2 emissions;
- Invest in ICT hardware and software on an Invest to Save basis;
- Support investment in joint delivery platforms which support data sharing, improved joint working and sharing of knowledge; in particular where it may be possible to secure significant third party contributions or match grant funding.

## **5 FUNDING STRATEGY**

### **5.1 Background**

- 5.1.1 Capital investment is regulated by compliance with the "Prudential Code for Capital Finance in Local Authorities" (The Code). Under the Code, local authorities and police may exercise discretion over the funding of capital expenditure and have the freedom to determine, within the regulatory framework of the Code, the level of borrowing they wish to undertake to deliver their capital plans and programmes. The key test is that of affordability and the Code sets out a number of prudential indicators and limits that must be complied with to ensure that borrowing remains affordable.
- 5.1.2 There is a range of potential capital funding sources which can be generated internally or in partnership with others. The PCC will encourage new levels of public and private sector investment to match internal investment in its capital programme; for example, capital receipts from land sales, developer agreements (S106 agreements), joint funding opportunities with the private sector, joint initiatives with public sector partner agencies or collaborative projects with other regional forces.
- 5.1.3 The capital strategy aims to maximise the financial resources available for investment in service provision and improvement, and the outcomes of which will inform the Medium Term Financial Plan.

### **5.2 Sources of Capital Funding**

The main sources of capital funding are summarised below:

#### **5.2.1 Central government and Regional government grants:**

- Basic Formula Grant allocations – formula grants for capital projects have reduced over the years and are expected to continue to reduce to negligible levels by the end of the current MTFP period. Although still a source of capital funding, it does not form a significant proportion of the funding requirement.
- Specific Grant allocations – for example, Police Transformation Fund grants, which are subject to a bidding process and allocated in relation to specific projects or initiatives. All opportunities to bid for these additional resources will be taken.

#### **5.2.2 Reserves:**

- Funding which has been allocated in a specific year, but is not required until future years will be carried forward in earmarked capital reserves. These reserves will vary from year to year, depending on the level of funding available and the timing of their respective projects.
- Reserves can be created from most sources of funding; DRF, capital grants, capital receipts, and insurance receipts or reserves.

#### **5.2.3 Public and Private Sector:**

- Contributions will be sought from developers towards the provision of public or private assets or facilities; for example S106 agreements, which

are designed to mitigate the impact of development on communities by funding additional facilities. These contributions are usually earmarked for specific purposes in planning agreements and limited to a specified area affected by the development.

- There may also be the opportunity to work with the private sector to utilise redundant assets and vacant land, to bring them into useful economic purpose. Capital receipts from asset disposal represent a finite funding source and it is important that a structured programme of disposals is planned to support the PCC's and force priorities. Cash receipts from the disposal of surplus assets can be used to fund new capital investment or repay debt on existing assets; they may also be used for transitional costs under the new flexibilities for use of capital receipts.
- Opportunities will also be sought to work with other public sector bodies such as local authorities, CCGs and other health providers, higher education providers etc. to deliver projects that are of mutual benefit to all parties.
- In addition, work will be undertaken with public sector bodies within the area with regard to joint use of buildings and facilities, under the "One Public Estate" agenda.

#### **5.2.5 Direct Revenue Financing (DRF):**

- Capital expenditure may be funded directly from revenue (DRF). Capital expenditure may be funded by specific revenue budget provision or from revenue underspends and reserves. However, the pressure on the revenue budget due to the low funding level of Lincolnshire Police limits the extent to which this may be used as a source of capital funding. The approved de minimis limit for spend to be capitalised is £10,000; equipment purchases below this limit will be charged as revenue expenditure.

### **5.3 Borrowing and Leasing**

5.3.1 Under the Prudential Code, the PCC has discretion to undertake borrowing to fund capital projects. The cost of borrowing (interest and debt repayment) is charged to revenue over the life of the asset being funded and will be included in the MTFP.

5.3.2 This discretion is subject to complying with the Code's regulatory framework which essentially requires any such borrowing to be prudent, affordable and sustainable (Local Government Act 2003). Prudential borrowing does provide an option for funding capital expenditure, which has to be funded each year from within the revenue budget or from generating revenue savings over the life of the asset sufficient to cover the initial investment and borrowing costs. These "Invest to Save" capital projects will be prioritised in the capital programme as they offer increasing operational efficiency and relieve the pressure on the revenue budget.

5.3.3 The Treasury Management Strategy (TMSS) forms part of the MTFP process. The TMSS sets the prudential indicators against which the projected borrowing can be assessed for prudence and affordability and performance against those indicators is reported half yearly. Most of the external borrowing need will be taken from the Public Works Loan Board (PWLB) and advantage will be taken of the Certainty Rate (Gilt rate +0.8%) to secure debt at a competitive rate.

5.3.4 The lack of availability of other sources of capital funding means that the PCC is increasingly reliant upon the use of borrowing to fund the capital programme.



However, the consequence of this is increasing pressure on the revenue budget in future years due to capital charges (minimum revenue provision for debt repayment and interest charges). As a result, priority will be given to "Invest to Save" capital schemes which generate revenue savings over and above borrowing costs.

5.3.5 Leasing may also be considered as a capital financing option. Leasing arrangements form part of the capital financing requirement (CFR) but have the loan facility built into the contractual agreement. Leasing is often a useful option for assets which require replacement on a rolling basis such as fleet vehicles. A robust business case will be required to compare the cost of the leasing arrangement with outright purchase and if viable, then leasing may be undertaken.

Lease financing of expenditure needs to take into account:

- Value of expenditure
- Residual value of asset acquired
- Leasing agreement matches the life span of the asset acquired
- Equipment leased is part of a rolling replacement programme.

5.3.6 Leasing may be used where appropriate for the purchase of minor equipment, IT and vehicles, supported by robust business case.

5.3.7 Other arrangements which provide low cost borrowing will be taken as appropriate. For example, the government SALIX scheme provides interest free loans for energy saving capital schemes, subject to meeting the pre-set criteria in terms of energy and carbon reduction.

#### 5.3.8 **Internal Borrowing:**

Internal borrowing refers to the use of internal cash balances generated from reserves and provisions to support capital expenditure, rather than taking external debt. The advantage in recent years has been that investment rates are very low and considerably below that of Public Works Loan Board (PWLB) borrowing rates so that employing cash balances to support capital expenditure has delivered a saving on interest charges. However, with use of reserves over time, internal borrowing will need to be replaced with external debt giving rise to a refinancing risk should interest rates start to rise. This is explained in detail within the Treasury Management Strategy under the borrowing policy.

### 5.4 **Allocation of Funding**

5.4.1 Capital resources will be allocated to schemes/projects based on asset values and asset lives to manage the revenue implications. The general principle is that unsupported borrowing will be used for long term assets where possible, to minimise the charge to the revenue budget for debt repayment (Minimum Revenue Provision MRP). Other available capital resources will be used for shorter life assets e.g. vehicles and IT investments.

## APPENDIX 1 – CAPITAL PROGRAMME

Capital Schemes	2018/19 Programme £m	2019/20 Proposed Programme £m	2020/21 Proposed Programme £m	2021/22 Proposed Programme £m	2022/23 Proposed Programme £m
Building maintenance/improvements	1.340	0.995	1.000	1.000	1.000
Vehicle replacement	0.643	1.000	1.000	1.000	1.000
Blue Light Collaboration Partner	5.132	1.278	-	-	-
Blue Light Collaboration Police	8.583	1.324	-	-	-
ICT Transformation	1.396	1.952	0.400	0.250	1.250
Command and Control	2.053	2.992	-	-	-
Telephony Replacement	0.150	-	-	-	-
ESMCP	0.300	1.700	-	-	-
ANPR	0.400	-	-	-	-
Equipment replacement	0.289	0.250	0.250	0.250	0.250
Telematics	0.500	-	-	-	-
LRSP Camera Upgrade	0.200	-	-	-	-
Gymnasium Upgrades	0.269	0.231	-	-	-
<b>Total</b>	<b>21.255</b>	<b>11.722</b>	<b>2.650</b>	<b>2.500</b>	<b>3.500</b>
<b>Funding :</b>					
Capital receipts	0.060	0.060	0.060	0.060	0.060
Capital Grants Unapplied - ESMCP	0.300	0.150	-	-	-
Capital Grants Unapplied - Home Office	0.100	-	-	-	-
Capital Grants Received in Advance	0.030	-	-	-	-
Earmarked Reserves	0.568	-	-	-	-
Borrowing - General	5.249	8.798	2.206	2.056	3.056
Borrowing - Blue Light	8.583	1.052	-	-	-
Borrowing - Salix	0.649	-	-	-	-
Grant - General	0.384	0.384	0.384	0.384	0.384
LRSP Partner Contribution	0.200	-	-	-	-
Blue Light Partner Contribution	5.132	1.278	-	-	-
<b>Total</b>	<b>21.255</b>	<b>11.722</b>	<b>2.650</b>	<b>2.500</b>	<b>3.500</b>

April 2019

## Value for Money & Efficiency Plan 2019/20

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Police and Crime Commissioner for Lincolnshire

Chief Constable, Lincolnshire Police

## 1. Background

- 1.1 The Police and Crime Commissioner and the Chief Constable both have a statutory duty to make the best use of the resources available to them. The majority of the income for police and crime services comes from local and national taxpayers. The PCC and Chief Constable need to be able to demonstrate to the residents of Lincolnshire and to central government that the funding received is being used to the best possible effect.
- 1.2 Central government grants provide roughly half the service's income and the grant which Lincolnshire receives is well below the national average. This was acknowledged in the Home Office Core Grant Distribution Review, which considered potential changes to the police funding formula. The funding formula is being considered as part of the next Spending Review, with work to be completed by autumn 2019, consultation in 2020 for full implementation in 2021/22. This means that Lincolnshire Police will continue to face the challenge of delivering services with a lower level of funding than comparable forces receive for the next two financial years.
- 1.3 Based on the provisional settlement, Lincolnshire Police ranks lowest for total resource funding of all forces in England and Wales in 2019/20. This has required the force to be both innovative and collaborative in its approach to providing policing services. The force has increased cost effectiveness by outsourcing a considerable part of its back office functions to the private sector, and working collaboratively within the East Midlands forces to provide specialist capabilities. The force has reviewed its policing model to ensure it can deliver core policing services within the funding envelope but responding to increasing demand and new emerging areas of threat and crime whilst continuing to provide neighbourhood policing and maintaining visibility, will become increasingly difficult.
- 1.4 Lincolnshire Police, like most other public bodies, has had to make substantial savings over the first austerity period. The reduction in funding, which exceeds 20% since 2011, presents a continuing challenge in that significant savings have already been achieved to balance the budget through outsourcing and collaboration. This reduces the options available to the force for finding further savings without considering reductions to the workforce and hence impacting adversely on frontline policing services.
- 1.5 Despite this, the force performs well against other forces in its most similar group and other forces in England and Wales in relation to outcomes in all areas of crime, relative to its size both nationally and within the most similar group. This demonstrates the effectiveness of the force's collaborative arrangements and previous efficiency measures.

- 1.6 HMICFRS have provided a detailed set of VFM profiles based on the Police Objective Analysis. Lincolnshire spends the fourth lowest amount per head of population across all 43 Forces; this means that in the majority of indicators, Lincolnshire is in the lowest quartile of spend.
- 1.7 The provisional police grant announcement and House of Commons written statement on the Police Provisional Funding Announcement were laid in Parliament on 13<sup>th</sup> December 2018. The Provisional Grant settlement for 2019/20 included an increase of 2.1% to the core police grant plus precept flexibility up to £24 per annum for a Band D property. For Lincolnshire, this equates to approximately an 11.0% increase in precept.
- 1.8 The Police Grant Report (England & Wales) 2019/20 was laid before the House of Commons on 24 January 2019. The allocations are the same as set in the Provisional Police Grant Report of 13<sup>th</sup> December 2018.
- 1.9 Despite the flexibility to raise additional council tax income, the budget for 2019/20 has been set against considerable cost pressures, representing a £6.2m increase in costs from 2018/19, offset by £1.8m of identified cost savings. The additional income reduces the budget gap in 2019/20 but rising demand and new cost pressures will increase the budget deficit in 2020/21 unless the grant funding level is uplifted on a permanent basis. The structural deficit arising from the underfunded position of Lincolnshire Police remains and given that only £1M is available from reserves towards closing the budget gap in 2019/20, then substantial cost reductions are required to balance the budget. Despite the savings already identified, a further £3.2M of cost reductions are required in 2019/20, rising to £6.7M in 2020/21.
- 1.10 The budget for Lincolnshire Police will therefore have to be managed rigorously in 2019/20, given that the funding formula review will not be implemented until 2021/22. Lincolnshire Police have taken the prudent approach of assuming no additional income from the funding formula review and is formulating its plans accordingly.

## 2. Current Performance

2.1 A summary of Lincolnshire's performance compared with its Most Similar Group (MSG) forces is shown in the table below. This is taken from the HMICFRS value for money profiles.

PERFORMANCE OR COST INDICATOR	LINCS	MSG	LINCS DIFFERENCE
Police Officers per 1,000 population - Est. 2018/19	1.44	1.78	(0.34)
PCSOs per 1,000 population - Est. 2018/19	0.16	0.18	(0.02)
Expenditure per head of population / per day - Est. 2018/19	43p	52p	(9p)
Recorded Crime per 1,000 population - 2017/18	54.18	59.13	(4.95)
Crimes per visible officer - 2017/18	70.39	56.06	14.33
Charged/Summoned per visible officer - 2017/18	9.82	7.49	2.33
Victim Overall User Satisfaction % (12 month average as at December 2018)	79.43%		

## 3. Financial Strategy

3.1 The Commissioner's Financial Strategy requires Value for Money to be a key consideration in decision making. This includes:

- Having robust business plans linking policing plans with the resources available.
- Applying a rigorous business case process for all major projects involving new revenue or capital spending. All business cases must include the Chief Finance Officer's approval of financial implications and compliance, and assessment of risk and value for money. Benefits realisation and improved service efficiency will need to be clearly demonstrated for all new investment.
- Adopting a priority based approach to budgeting and reviewing all areas of resource allocation periodically through a planned programme of value for money reviews.

3.2 Services will continue to be delivered in partnership with other bodies where this can demonstrate better value for money including improved service efficiency and/or lower costs. This may include:

- Working collaboratively with partners, particularly other police forces in the region
- commissioning services from other bodies
- contracting out services to private sector providers

#### 4. Priorities for 2019/20

4.1 The main emphasis of work in 2019/20 will be on:

- **Delivering planned savings for 2019/20.**  
Planned cumulative savings of over £26 million have been delivered successfully over the last six years. There are limited opportunities for the achievement of further savings without adverse impact on service delivery. The budget for 2019/20 identified £1.8m of savings from the outset but a further £3.2m were required. The savings plan to deliver the full amount will require close monitoring and management through the year.
- Securing the transformational improvement being delivered through the **strategic partner arrangement** with G4S who provide the majority of back office, control room and some criminal justice services. A key part of the partnership agreement is that, in addition to providing financial savings, G4S will improve services significantly by transforming the way they are delivered. The savings plan includes target savings of £1m from the contract value and a key priority will be to work with G4S to secure the savings whilst protecting service delivery.
- Developing and implementing the projects and work streams under the change programme. The force has published its strategic plan “**Distinctively Lincolnshire**” and the Change Board oversees the programme of change required to deliver the additional capabilities outlined within the strategic plan.
- Ensuring that the expected benefits are realised in practice and that cash savings targets are delivered will also be a key feature of the programme.

#### 5. Value for Money & Efficiency focus 2019/20

5.1 The **Mobile Data** project has provided mobile devices to frontline officers in order to replace existing paper processes and create time and financial savings through a reduction in back office functions. The project went live in January 2016 and has issued devices to approximately six hundred frontline officers. The project has delivered time savings of 30 minutes per officer per shift, evaluated using time and motion studies. Mobile Data was rolled out to PCSOs and some Special Constables in 2017/18 and to CID response officers in 2018/19. Further developments are planned for 2019/20 to increase the number of processes which can be completed via the mobile data platform.

5.2 Linked to the above project and a continuation of the theme focussing on better use of both officer time and the force's estate, the **Agile Working** project is looking at replacing desktop IT with laptops and

tablets, allowing staff to work remotely where this enables greater efficiency. A limited initial trial was conducted in 2017/18 to provide evidence as to the cost effectiveness of the investment. The rollout continued in 2018/19 and further investment is planned for 2019/20 and provided for within the capital programme.

- 5.3 **Book On, Book Off (BOBO)** is a project to utilise the force's Duty Management System to reduce the cost of overtime accrued by police officers and streamline the process of approval, saving approximately 80 hours of manual input per month processing requests for overtime and correcting assumed duties to actual times worked. This was implemented in 2017/18, with further rollout being completed in 2018/19. Furthermore, this will link into the new Command & Control system; the implementation project commenced in 2018/19 and will continue to completion in 2019/20 (see below).
- 5.4 **Command & Control** – the force evaluated and commissioned the replacement of the existing command & control system in 2018/19. The project will continue to completion in 2019/20. The force is investing in one of the market leading systems which will facilitate better analysis of demand, improved prioritisation and more efficient deployment of officers and resources. This represents a significant capital investment but with significant expected benefits realisation. The replacement system will also be compatible with the Emergency Services Mobile Communications Programme (ESMCP); see below.
- 5.5 A summary of the expected benefits is shown below.

#### ***Local Policing***

- Tackling anti-social behaviour using geo fencing capabilities for known areas of repeated offences,
- Support for proactive preventative activities such as patrol route scheduling and tracking,
- Identification of individuals that cause reoccurring problems and crime,
- Identification of vulnerable individuals and deployment of appropriate resources,
- Improved multi agency communications and accountability hand over,
- Improved data sharing, data integration, data analytics and forecasting to better deploy and position local policing resources.

#### ***Specialist Capabilities***

- By changing the way Lincolnshire interacts with their communities and staff will provide an opportunity to enhance and focus on reviewing our model for service delivery. A new system will provide an opportunity to streamline digital



processes that may provide the ability to scale up specialist capabilities.

- The ability of a new system to consume significant amounts of information and present that to the user enables better identification of risk, with the ability to deploy and manage regional and volunteer resources throughout the county to maximise our opportunities to disrupt Organised Crime Groups, Terrorist threats and Cyber-crime.

### ***Digital Policing***

- A new system will deliver an agile and flexible operating system that can be scaled to manage increased demand but can also flex to manage joint mobile operating sites.
- The enhancements of a new system over the existing system will allow direct access to digital media for operational officer and managers to review 999 calls, CCTV footage and Drone deployments. This will enable commanders to assess the threat and risk in real time.
- A new system will provide multi media reporting into the force whilst maintain the traditional routes through telephone contact. Automated updates and messaging to relevant callers, witnesses and victims will increase confidence and improve satisfaction.
- Allow the force to pool all our legacy systems to allow the user to view all information held on the system.
- Based on pre-configured business rules the new application will provide suggestions on resource allocation and provide digital response plans securely within the application.

### ***Distinctively Lincolnshire and PCC Police and Crime Plan***

In addition to the benefits described above in alignment to the national strategy for future policing the new system is expected to deliver specific benefits aligned to local plans for Lincolnshire.

- The enhanced capabilities of a new system will enable Lincolnshire to better understand our demand and become more flexible about our use of resource to meet it. This will be achieved through the flexible configuration of the system to specifically identify patterns of reporting and utilise the flexibility of the reporting functionality to analyse that demand. This will reduce the time and effort required to scrutinise the data so we can react more effectively to changing circumstances and resolve them before they become an issue.
- The new system will allow for automated tasking and messaging reducing the time taken to update callers whilst recognising their history of contact any vulnerabilities. This will be achieved through the design of the application where present messages can be stored and a person's contact details are directly linked

to the application and communications network to allow seamless interaction without the need to endlessly seek the caller's number.

- The force will be able to pre-plan its response based on policing demands ensuring an automated and swift response. The ability to geo fences an area and recognises linked calls from those specific locations. This ability will allow us to manage and respond to incidents such as hare coursing in a more effective and efficient manner.
- The capabilities of the application will enable the force to engage with its communities digitally, ensuring capture of contacts in a consistent and reusable fashion. This will be achieved through a contact management application which will have mandated fields for consistency and integrate with our existing telephone system providing the capabilities of communicating through web chat, e-mail or social media.
- The new system will enable the force to provide digital update to officers on matters of risk and harm in real time with the ability to track and capture their responses through standardised recording in a digital format. This will be achieved through the command mobile unit where officers will be alerted based on information held in our core RMS. The system will know where the officer is located through the system tracking software and can provide pictures, intelligence reports on an automated basis without the intervention of an operator. For example if an officer is on enquiries and is near to a wanted sex offender. The system would alert the officer by message, provide a photo, provide the details of the arrest and provide the suspects address. Without this notification the officer may never have known they were in the vicinity of and wanted person.
- The solution will provide staff with an intuitive application that will assist and support them in their role. Providing a single picture of information and reducing double keying of data. This will be achieved through the integration with the regional Niche RMS platform. The Contact management system and the command and control system will push and pull data from our core system ensuring we reuse and update information in a connected fashion. This will provide officers a consistent single message without the need to multi search systems.
- The application will be integrated through core applications, providing a single book off book on process of resources with Crown DMS, an integrated mobile application through Pronto and reuse the data with our core records management system Niche.
- The application will sit on a more stable infrastructure and will be fully agile with the ability to run a command and control function from a laptop anywhere in the county.

5.6 **Emergency Services Mobile Communications Programme (ESMCP)** – this is a national programme to replace the current Airwave communications network with a new Emergency Services Network (ESN). Significant savings are expected to be realised through the implementation as running costs for the new network are forecast to be half the current running costs. In order to be ready for the implementation, the force will need to replace some of its IT infrastructure in addition to purchasing the new mobile communication devices. This has been planned into the capital programme for 2019/20.

5.7 The force is currently engaged in a **Bluelight Collaboration Programme**, which will create a shared Headquarters and Control Room for Police and Fire and Rescue, and a tri-service campus in the City of Lincoln for all three emergency services. As part of the programme, agencies are examining the shared estate to maximise the opportunities and efficiencies of co-location. This project commenced in 2016/17 and continued in 2018/19 with completion scheduled in 2019/20.

5.8 **Fleet** – two projects were commenced in 2018/19 and will continue to completion in 2019/20.

- **Telematics** – the force are currently evaluating the implementation of telematics in the operational vehicle fleet. Early indications are that improvements in vehicle usage and efficiency have the potential to realise net savings of circa £150k per annum.
- **Fleet vehicle specifications** - procurement of fleet related products and services are directed by national and regional collaborative purchasing contracts which bring together the combined purchasing power of other police forces and emergency services. These contracts ensure maximum value for money is achieved. Lincolnshire Police will continue to support and actively promote these procurement initiatives. The current vehicle procurement route is via the West Midlands Vehicle Framework which is a national contract. The fleet requirement is reviewed annually, continually maximising the efficiency of the owned fleet. The force commenced a full review of the vehicle specifications, preferred suppliers and full lifecycle costs in 2018/19 to ensure that the force provides its officers with the appropriate vehicles and maximises cost efficiency. This work will continue in 2019/20.

## 6. Management and Performance

6.1 Delivery of the Value for Money & Efficiency Plan is overseen by the Resource Governance Board and progress is reported regularly to the Chief Constable and the Police and Crime Commissioner through monthly budget monitoring reports.

6.2 Independent assessments of the delivery of value for money are also provided by the external auditor and by HM Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS).

## Procurement Plan 2019/20

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Police and Crime Commissioner for Lincolnshire

Chief Constable, Lincolnshire Police

## **Background**

1. The Police and Crime Commissioner (PCC) and the Chief Constable are required to undertake procurement actions on a day to day basis. In general most of these decisions will be for purchases of a relatively minor basis and will be dealt with under delegated purchasing by individual departments. However there are occasions where the obligations being taken on by the PCC or the Force will be significant both in terms of the financial commitment and/or the timescales of the contract being entered into. In these circumstances the Strategic Procurement Unit (SPU) will manage the contractual process to ensure both compliance to legal and statutory requirements and advise on suitable timescales and routes to market.

2. The Strategic Procurement Unit keep a database of all contracts currently in place above £25k, which they manage on a day to day basis and ensure that where renewal actions are required that these are identified, planned and actioned on a timely basis. Further they ensure that the processes that are followed are undertaken in accordance with the relevant rules and standards connected with police procurement in the public sector.

## **Current performance**

3. The schedule attached at Appendix A, which was approved by the PCC, lists fixed term contracts with values above £25k and planned action on the expiry of these contracts.

4. A summary of Lincolnshire's current overall spend identified in the above is shown below:

- Currently 76 live Contracts above £25k with an estimated total value of £23,070,609 (estimated annual value of £10,514,517)
- 34% (26) of contracts listed have an annual value above £100,000 and constitute 82% of spend
- 70% (53) of contracts listed were awarded under other police/public collaborative/framework arrangements and constitute 64% of spend
- 22% (17) of contracts listed were awarded under the PCC for Lincolnshire terms/arrangements and constitute 23% of spend.

5. A list of all fixed term managed contracts has been created and is overseen by the Commercial Partnership Team (CPT) and SPU to ensure timely renewal of any relevant Contracts.

## **Priorities for 2019/20**

6. The main emphasis of work in 2019/20 will be:

### **Ongoing:**

- **Continued review of the Contracts database and the large contracts list** to ensure that contracts above £25k that are due to expire are dealt with in a timely manner. Also, the SPU in liaison with the relevant CPT member/user department will identify and investigate all available procurement options/routes for each requirement to ensure the best value option/route is used to continue with these Contracts. Updated versions of the large contracts list will be considered by the Resource Governance Meeting as required.
- **Continued review of the fixed term managed contracts list** throughout the year to ensure all renewals are dealt with in a timely manner. The SPU will flag relevant contracts to individual departments which are coming up to their expiry dates to ensure they are renewed/terminated as required. The renewal of any Contracts below £25k will be undertaken by individual departments and the Central Purchasing Unit (CPU). The SPU will be involved with all renewals above £25k as per the large contracts list above.
- **Review of the Procurement Risk Assessment** will be undertaken on an ongoing basis throughout the year as required. This should ensure all risks associated with procurement and purchasing are identified as early as possible and reduced as much as possible.
- **t-Police will continue to be developed** as far as possible to improve procurement information available to the PCC and the Force, and to ensure the system is being used as efficiently as possible and to its full capability. OBIEE reports are currently being developed and should become available soon which will also improve the procurement information available regarding all purchases undertaken by the PCC and the Force.
- **Updating the PCC and the Force on any updates regarding procurement/contractual requirements in relation to Brexit** as these are received and any implications that these will have on current processes. This should ensure the risk of non-delivery on current large Contracts is reduced to a minimum.
- **Updating the PCC and the Force on any amendments to the EU Procurement Regulations** as these are received and any implications that these will have on current processes. This will ensure compliance to the relevant procurement rules and standards.
- **Updating the PCC and the Force on the Collaborative Law Enforcement (CLEP)/Proxima Programme** as these are received and any implications that this will have on current processes. This will ensure the PCC and the Force are collaborating and using national arrangements as much as possible and, hopefully, ensuring better value is achieved on national requirements.

- **Major Contract Work for 2019/20.** The following major procurements are due to be undertaken during the Financial Year 2019/20:
  - Vehicle Telematics. Telematics to be introduced into their vehicles. To be procured under South Yorkshire framework if approval received.
  - Pilots for National Wellbeing Service. Potential contract for services required for this. No further detail known at this stage.
  - PCC Complaints Appeals. Currently on hold as requires primary legislation. Will be a 6 month lead time from point of notification. Model will require someone to work on a PAYG basis which will need to be sourced from the market – role profile currently being developed.
  - Sexual Violence Services. Currently grant funded but may be potential to let a two year contract. No further details known at this stage.
  - Fleet Capital budget. Budget value is £1,000,000. Most purchases will be under existing contracts/frameworks.
  - Building Works Capital budget. Budget is £1,226,000. Includes:
    - Force wide gyms – budget of £231k – to be procured under framework or via local tender process
    - HQ window replacement – budget of £500k – to be procured under framework or via local tender process
    - HQ Crime plan building works – budget of £150k – to be procured under framework or via local tender process
    - Repurpose former custody suites force wide – budget of £50k – to be procured under framework or via local tender process
    - Accommodation upgrade to accommodate OHS at BBH – budget of £130k – to be procured under framework or via local tender process
    - Accommodation upgrade and environmental controls force wide – budget of £165k – will be split into smaller projects with values falling below £25k.
  - Capital Programme. Budget value is £11,700,000. Any remaining projects not detailed above will be progressed as and when the relevant paperwork is received.

**Quarter 1 19/20:**

- **Finalise and implement any new processes from the P2P review** undertaken during 2018-19. This is likely to continue throughout the financial year 2019-20. This should ensure the purchasing process from raising a requisition to paying the supplier is as efficient and easy as possible.
- **Implementation and go live of No PO No Pay** from April 2019. This should help to reduce the number of retrospective orders being raised and enable fuller compliance to the PCC Contract and Procurement Regulations. It should also reduce the number of invoices going into dispute and reduce the number of invoice queries having to be dealt with by the CPU.



- **Undertake 6 monthly review of PO spend** to see if formal contracts need to be put in place with any particular suppliers with high value spend. This should reduce the number of retrospective orders being raised and ensure fuller compliance to the PCC Contract and Procurement Regulations.
- **Testing and Implementation of the Contracts Module in t-Police** in liaison with CapGemini. This should enable more in-depth contract spend information to be available from the system and in OBIEE and enable more catalogues to be implemented into the system to speed up the requisitioning process for end users.

#### **Quarter 2 19/20:**

- **Review of current procurement processes and practices.** The SPU will continue to review all the procurement processes and reporting requirements currently being undertaken by the department to ensure these are still required by the Force and that the most efficient methods are being used to complete these.
- **Increase number of catalogues available in NPPH system.** Work with Basware and suppliers to ensure as many contracts as possible entered into the Contracts Module of t-Police have a catalogue/punch-out available. This should make raising requisitions easier for users as they can choose relevant items from a list rather than having to manually key in the details. This should also reduce the number of invoice disputes due to incorrect values being entered onto the requisitions.

#### **Quarter 3 19/20:**

- **Implementation of any amendments to the current processes and practices** that are identified in Quarter 2 and agreed by the Force and any relevant procurement documentation/guidance notes are amended as required. This should ensure SPU are working in the most efficient manner.
- **Undertake 6 monthly review of PO spend** to see if formal contracts need to be put in place with any particular suppliers with high value spend. This should reduce the number of retrospective orders being raised and ensure fuller compliance to the PCC Contract and Procurement Regulations.

#### **Quarter 4 19/20:**

- **Investigation of use of the Force Credit card** to see if alternative processes can be put in place to raise POs for these purchases. This will ensure fuller compliance to the PCC Contract and Procurement Regulations and also that the best value purchasing options are being utilised. It should also reduce the admin burden on the CPU of using the credit card.

## **Management and performance**

### **7. Performance targets and measures will include:**

- Percentage of spending via national and regional frameworks or contracts
- Percentage of spending via other competitive processes
- Savings achieved on major contracts
- Percentage of purchase orders that are retrospective
- The Resource Governance Meeting will monitor delivery of this plan.

Year	Line / Code	Tender Details (Successful / Unsuccessful / Award)	Supplier Reference	Contract Type	Contract Description	Supplier Name	Procurement Type (Local / Regional)	Start Date	End Date	Available to External	Revenue Value	Contract Value (£)	Annual Revenue Value (£)	Business Category (Main/Other)	Framework Order Number	Business Area	Call-off Contract	Contract Terms & Conditions	CCP/ Framework	CPI / Retained (%)	CPT Member	Project Name with Release	Release Comments	Procurement Reference (Main / Other)
467			LPA/PROC4785	Monitored and Managed	PBN network connection and regional infrastructure	Virgin Media Business	Regional	25/03/2015	24/03/2020	2 x 12 months	24/09/2019	£152,861.00	£30,572.20		03240007481	Strategic Development	No	Notice CC Contract under COS PSN framework	No	Strategic Development	Amy Johnson	Amenda Young / Steve Hempton	This is a call-off contract, by Nottinghamshire County Council under the Crown Commercial Services PSN Framework. Options are expected to be: a) continued utilisation of any regional collaborative procurement b) utilisation of any available Framework Arrangement c) exceptional purchase action	
468			LPA/PROC4685	Monitored and Managed	BodyWorn video cameras	Reveal Media Ltd	Regional	01/01/2016	31/12/2020	3 x 12 months	01/12/2019	£285,248.00	£86310.12 months support £17845		0324000555 - original purchase; 03240023171 support 3.10.17-2.10.18	Strategic Development	No	EMSCU Contract	No	Is this still a Project??	Amy Johnson	Amenda Young	This is a Regional Contract led by EMSCU. Options are expected to be: a) exercise first optional extension b) competitive tender process	
683			LPA/PROC4878	Monitored and Managed	Traditional white uniform shirts	W M Sudgen & Sons Ltd	Framework	01/08/2015	31/08/2019	n/a	28/02/2019	£46,000.00	Call-off		Individual POs raised as required	G4S Facilities Management (Stores)	Yes	Mensajade Police	No	CPT	Rachel Pike	Duncan Watson	01/02/18 - meeting arranged on 07/02/18 to look at moving to national Uniform standard 25/08/18 - Awaiting details from HO for NUMS Live details This Contract was awarded under a Mensajade Police framework. Options are expected to be: a) may fall under NUMS, framework will have to utilise whatever arrangement is in place if completed in time b) utilisation of any available Framework Arrangement	
585		Replaced by LPA/PROC6312	LPA/PROC4788	Retained	Legal Services for CPT	Everheds LLP	Framework	01/11/2015	31/10/2018	N/A	30/04/2018	£300,000.00	Call-off		03240011119 / 03240013254 / 03240017158 / 03240017811 / 03240018935	CPT	Yes	CCS RM19 framework	No	CPT	Mick Robinson	Gail Bradshaw	04/04/18 BH New contract on LPA/PROC6312. PO00 received awaiting new COS Framework to become available in September 2018. Award date for CCS framework delayed until Nov 18. This Contract was awarded under a Crown Commercial Services (CCS) National Framework Arrangement. Options are expected to be: a) Exceptional Purchase Action to extend with Everheds	
680			LPA/PROC4865	Monitored and Managed	Office Products (stationery, batteries, paper, computer consumables, etc)	Banner	National	01/10/2016	30/09/2019	1 x 12 months	30/03/2019	£255,000.00	Call-off	0	Individual POs raised as required	G4S Facilities Management	Yes	West Midlands Police under Defunct Council framework	No	CPT	Rachel Pike	Janet Allenby	11/08/18 - W Mids creating extension paper for approval Options are expected to be: a) exercise 12 month optional extension b) continued utilisation of any available Framework Arrangement c) EU competitive tender process	
681			LPA/PROC4844	Monitored and Managed	Provision of Temporary Agency Staff	Brook Street	Regional	01/10/2016	30/09/2019	1 x 12 months	30/03/2019	£300,000.00	Call-off	0	Individual POs raised as required	G4S HR	Yes	ESPO MSTAR framework	Yes	CPT	Mark Garthwaite	Rachel Boltz	This is a collaborative Contract led by Leicestershire Police and awarded under the Eastern Shires Purchasing Organisation (ESPO) MSTAR II Framework Arrangement. Options are expected to be: a) Exercise 12 month option to extend b) continued utilisation of any available Framework Arrangement c) competitive tender process	
721			LPA/PROC5084	Monitored and Managed	Supply and fit of tyres	Goodyear Dunlop Tyres UK Ltd	Framework	11/10/2010	10/10/2020	N/A	10/04/2020	£580,000.00	Call-off		03240018816 / 03240026015	G4S Facilities Management (Fleet)	Yes	Home Office/NAPFM	No	CPT	Rachel Pike	Nigel Coupe	This Contract was awarded under the NAPFMCS Framework Arrangement. Options are expected to be: a) continued utilisation of any available Framework Arrangement	
738			LPA/PROC5003	Retained	Forensic Services	Oxford Cellmark Limited	Regional	01/01/2017	31/03/2024	3 x 12 months	30/09/2023	£3,860,000.00	£547,740 for FY 2017/18		On Invoice exceptions list, therefore no POs to be raised	Facilities Management (Scientific)	Yes	EMSCU	Yes	Crime	Clive McCormack	Gail Bradshaw	This Contract was awarded by EMSCU under a nationally tendered framework arrangement. Options are expected to be: a) exercise first of three optional extensions b) utilisation of any available National Framework Arrangement	
743			LPA/PROC5062	Retained	Integrated Restorative Justice Services	Restorative Solutions CIC	Local	01/04/2017	31/03/2019	2 x 12 months	30/09/2018	£169,400.00	£79,700.00		03240008567	OPCC	No	POC1/14	No	OPCC	Rachel Pike		01/08/18 - SPU flagged to OBR/PMB Options are expected to be: a) exercise first 12 month optional extension b) utilisation of any available Framework Arrangement c) EU competitive tender process	
758			LPA/PROC5138	Retained	Police Pensions Administration Services	Kier Business Services Ltd	Local under framework	01/04/2017	31/03/2019	N/A	01/10/2018	£110,000.00	£59,760.00	N/A	03240016378	Corporate Finance	No	West Yorkshire framework	Yes	FCFO / G4S Finance	Mick Robinson	Sharon Clark	20/08/18 - Kier transferring pension admin to new supplier. WE need to ensure positions are completed and look to see if still wishing to use EMSCU contract. 05/11/18 - Novation Deed sent to Kier for approval and signature. SC confirmed wishing to move to EMSCU contract if pricing/terms are the same This Contract was awarded under a Police National Framework Arrangement. This Framework Arrangement ends on 02/04/19 with one further 12 month optional extension. Options are expected to be: a) Award four year contract under EMSCU regional framework at same costs	
769			LPA/PROC4828	Monitored and Managed	Face to Face Interpreters & custody translations	Centre Language Services Group Ltd	Regional	01/04/2017	31/03/2021	2 x 12 months	30/09/2020	£1,308,000.00	£327,000.00	N/A	03240019512 / 03240028886	Operations Support	No	CCS RM1082, Lot 6f	Yes	CPT	Rachel Pike		This Contract was awarded after a regional mini-competition under the Crown Commercial Services framework led by Leicestershire Police. Options are expected to be: a) Exercise first optional 12 month extension	
780			LPA/PROC8143	Monitored and Managed	British Sign Language & non-custody translations	Centre Language Services Group Ltd	Local	01/04/2017	31/03/2021	N/A	30/09/2020	£35,000.00	£8,750.00	N/A	03240019736	Operations Support	No	EMFLS Services Terms v4	Yes	CPT	Rachel Pike		This Contract was awarded under an Exceptional Purchase Action under the Leicestershire Standard Terms and Conditions for Services LOW v4. Options are expected to be: a) Single source approval from PCFD to keep contract in line with F2F Interpretation contract	
776			LPA/PROC5007	Retained	Redevelop Force Intranet	CDW Ltd	Local	01/04/2017	31/03/2020	3 x 12 months	01/12/2019	£98,475.00	£10,125.00		03240019207 & 03240019208	Media Services	No	CCS framework ref: RM5793	No	Corporate Comm	Amy Johnson	Dominic Wilkinson	This contract was awarded following a mini-competition process under the Crown Commercial Services framework ref: RM5793. Options are expected to be: a) exercise first of three options to extend for 12 months each	
779			LPA/PROC8096	Monitored and Managed	Purchase of Hi-Via Jackets (model 8) and black fleeces	MUK Ltd via Yaffy	National	17/01/2017	23/02/2018		01/01/2019	£30,000.00	Call-off		Individual POs raised as required	G4S Facilities Management (Stores)	No	MET Framework SS1/12/18	No	CPT	Rachel Pike	Janet Allenby	01/10/18 - Waiting to see what outcome of NUMS Live decision is Options are expected to be: a) utilisation of any available Framework unless signing up to NUMS This contract was awarded following a desktop exercise under the Crown Commercial Services framework. Options are expected to be: a) undertake evaluation exercise of available options b) award new contract under CCS Q-Cloud 8 framework	
601			LPA/PROC5152	Monitored and Managed	Integrated enterprise solution (NPPH)	Beavers Holdings Ltd	Local	01/07/2017	30/09/2019	N/A	01/01/2019	£48,048.00	£24,024.00	0	03240020803	CPT/OPCC/ Related Finance	No	CCS Q-Cloud 8 Framework	Yes	CPT	Amy Johnson	Sharon Clark/Julie Flint	04/01/18 - SPU investigating options Options are expected to be: a) undertake evaluation exercise of available options b) award new contract under CCS Q-Cloud 8 framework	
688			LPA/PROC5168	Retained	Mobile alarms - maintenance of temporary alarms	AVR Group TIA National Monitoring Ltd	National Framework	02/01/2017	01/01/2019	N/A	01/12/2018	£120,000.00	Call-off £30,000		03240027533	Community Safety	Yes	GMP framework	Yes	Local Policing/ Strategic Development	Rachel Pike	Debra Wroughby	08/12/18 - SPU flagged to JAD/W. PO00 to be completed	
632			LPA/PROC5102	Retained	Social media management software	Hootsuite Media Inc	Local	01/08/2017	31/05/2019	N/A	01/01/2019	£48,800.00	£20,400.00		03240020819	Corporate Communications	No	G Cloud 8 framework	No	Corporate Comm	Amy Johnson	Dominic Wilkinson	03/01/18 - SPU flagged up to DW This Contract was awarded following a desktop exercise under the Crown Commercial Services framework. There are no available options to extend as only able to be award contracts for a maximum of two years under this framework. Options are expected to be: a) single source approval/exceptional purchase action to continue with existing solution b) competition process under any available Framework Arrangement	
633			LPA/PROC5212	Retained	Supply of Conducted Energy Devices (CEDs) and associated equipment	Axon Public Safety UK Ltd	National	19/07/2017	12/03/2019	2 x 12 months	12/02/2018	£30,000.00	Call-off		Individual POs raised as required	Operations Support	No	Home Office Framework HO/CP/PP/10	No	Firearms	Mark Garthwaite	Colin Williams	03/08/18 - HO confirmed looking to extend - waiting for update from HO Options are expected to be: a) single source approval/exceptional purchase action to continue with existing solution b) competition process under any available Framework Arrangement	
840			LPA/PROC8098	Retained	Interim Selected Medical Practitioners	Gel Ltd TIA Healthwork	Local	01/08/2017	31/05/2020	1 x 12 months	30/11/2018	£58,500.00	Call-off		03240022299	OHU	No	EMSCU Regional terms	Yes	Executive	Mark Garthwaite	Charley Rimmer	This Contract was awarded following a regional Collaborative tender process run by EMSCU Options are expected to be: a) exercise optional 12 month extension	
842			LPA/PROC5217	Monitored and Managed	Direct Network Services for Emergency Services Network	Vodafone Limited	National	TBC	TBC	TBC	#VALUE!	£149,000.00	£149,000.00		03240023786 - Yr 1	Strategic Development/ICT	No	HO framework	No	CPT	Amy Johnson	Steve Hempton / Amenda Young	This Contract was awarded following a National Collaborative tender process run by the Home Office Options are expected to be: a) utilisation of any national contract	
843		Extended	LPA/PROC8117	Retained	Children and Young Person's Sexual Violence Support Services (CHISVA)	Volm Support	Local	01/10/2017	30/09/2019	2 x 12 months	30/03/2019	£195,882.00	£97,948.00		03240023973	OPCC	No	EMFLS Services Terms High v5	Yes	OPCC	Rachel Pike		This Contract was awarded under the East Midlands Police Legal Services (EMFLS) High v5 terms under an EU Open tender process following a standard period. Options are expected to be: a) exercise first of two options to extend b) EU Open competitive tender process	
847			LPA/PROC8222	Monitored and Managed	Provision of Electricity for 6 sites (Half Hourly)	EDF Energy	Framework	01/04/2018	31/03/2019	N/A	01/07/2018	£303,000.00	Call-off		AME Invoice approval	G4S Facilities Management	Yes	Crown Commercial Services	No	CPT	Rachel Pike	Chris Allenby	23/07/18 - SPU flagged for review to FM 01/08/08 Chased CA 05/11/18 - SPU chased CA Notice to terminate required to be given by 30/08/17, otherwise Contract will roll over for another 12 month period under COS framework.	
848			LPA/PROC8223	Monitored and Managed	Supply of Electricity to Non HQ Sites - Brown Energy (Non Half Hourly)	British Gas	Framework	01/04/2018	31/03/2019	N/A	01/07/2018	£292,000.00	Call-off		AME Invoice approval	G4S Facilities Management	Yes	Crown Commercial Services	No	CPT	Rachel Pike	Chris Allenby	03/07/18 - SPU flagged for review to FM 01/08/08 Chased CA 05/11/18 - SPU chased CA Notice to terminate required to be given by 30/08/17, otherwise Contract will roll over for another 12 month period under COS framework.	
849			LPA/PROC8221	Monitored and Managed	Supply of Gas for all sites	Corona Energy	Framework	01/04/2018	31/03/2019	N/A	01/07/2018	£138,000.00	Call-off		AME Invoice approval	G4S Facilities Management	Yes	Crown Commercial Services	No	CPT	Rachel Pike	Chris Allenby	03/07/18 - SPU flagged for review to FM 01/08/08 Chased CA 05/11/18 - SPU chased CA Notice to terminate required to be given by 30/08/17, otherwise Contract will roll over for another 12 month period under COS framework.	
857			LPA/PROC8247	Monitored and Managed	Holmes v18 Software Support & Back Up Exec (E Mids Collaboration Licence)	PGC for Nottinghamshire	Regional	28/09/2017	26/09/2019	N/A	25/03/2019	£48,382.00	£23,198.00		03240022700	G4S ICT	No	EMSCU Contract	No	CPT	Amy Johnson	Amenda Young	This Contract was awarded under an EMSCU Regional collaboration run by Nottinghamshire Police. Options are expected to be: a) continued utilisation of any available Framework Arrangement b) exceptional purchase action	

Contract No.	Contract Name	Contract Value	Contract Start	Contract End	Contract Type	Contract Status	Contract Category	Contract Location	Contract Description	Contract Manager	Contract Lead	Contract Sub-Lead	Contract Notes
1001	LP/PRO/0520	£17,445.00	01/04/2018	31/03/2022	Local	Completed	Annual calibration of speed cameras	Local	Annual calibration of speed cameras	John Thomas	John Thomas	John Thomas	Completed
1002	LP/PRO/0516	£28,770.77	01/04/2018	31/03/2019	Local	Completed	ABM UK Ltd	Local	ABM UK Ltd	John Thomas	John Thomas	John Thomas	Completed
998	LP/PRO/0524	£258,000.00	01/01/2018	31/03/2021	Local	Completed	Victim Support	Local	Victim Support	John Thomas	John Thomas	John Thomas	Completed
996	LP/PRO/0504	£69,111.26	01/04/2018	31/03/2019	Local	Completed	Risk Management Partners	Local	Risk Management Partners	John Thomas	John Thomas	John Thomas	Completed
990	LP/PRO/0515	£1,068,950.00	01/07/2018	30/09/2019	National	Completed	Arvivo Solutions Ltd	National	Arvivo Solutions Ltd	John Thomas	John Thomas	John Thomas	Completed
989	LP/PRO/0508	£1,114,798.98	01/09/2018	31/03/2020	Local	Completed	Group Ltd	Local	Group Ltd	John Thomas	John Thomas	John Thomas	Completed
985	LP/PRO/0534	£24,388.40	01/09/2018	31/03/2019	Local	Completed	Bilton Woods Hotel (2 Hotels)	Local	Bilton Woods Hotel (2 Hotels)	John Thomas	John Thomas	John Thomas	Completed
979	LP/PRO/0570	£69,192.88	03/10/2018	05/04/2019	Local	Completed	Orms Corporation UK Ltd	Local	Orms Corporation UK Ltd	John Thomas	John Thomas	John Thomas	Completed
972	LP/PRO/0541	£42,000.00	01/05/2018	30/04/2020	Local	Completed	Orbis Street Media Ltd	Local	Orbis Street Media Ltd	John Thomas	John Thomas	John Thomas	Completed
960	LP/PRO/0519	£44,087.90	01/09/2020	31/03/2021	Local	Completed	Systems (TMS) Ltd	Local	Systems (TMS) Ltd	John Thomas	John Thomas	John Thomas	Completed
946	LP/PRO/0555	£29,790.00	01/11/2017	31/10/2019	Local	Completed	Chorus Intelligence Ltd	Local	Chorus Intelligence Ltd	John Thomas	John Thomas	John Thomas	Completed
899	LP/PRO/0575	£36,141.08 - 11 and 3	01/04/2018	31/03/2021	Local	Completed	Risk Management Partners	Local	Risk Management Partners	John Thomas	John Thomas	John Thomas	Completed
938	LP/PRO/0542	£890,882.00	01/04/2018	31/03/2019	National	Completed	Home Office	National	Home Office	John Thomas	John Thomas	John Thomas	Completed
897	LP/PRO/0527	£50,000.00	01/04/2018	31/03/2019	Local	Completed	Godmoor	Local	Godmoor	John Thomas	John Thomas	John Thomas	Completed
934	LP/PRO/0589	£90,000.00	08/07/2018	08/07/2018	Local	Completed	Foundation Trust	Local	Foundation Trust	John Thomas	John Thomas	John Thomas	Completed
923	LP/PRO/0599	£28,577.04	24/09/2021	24/09/2021	Local	Completed	London Corn Exchange and	Local	London Corn Exchange and	John Thomas	John Thomas	John Thomas	Completed
914	LP/PRO/0516	£70,000.00	01/12/2018	31/03/2019	National	Completed	Home Office	National	Home Office	John Thomas	John Thomas	John Thomas	Completed
913	LP/PRO/0526	£124,900.00	01/12/2018	31/03/2019	Local	Completed	University of Lancaster	Local	University of Lancaster	John Thomas	John Thomas	John Thomas	Completed
911	LP/PRO/0582	£144,824.20	30/09/2021	31/03/2022	National	Completed	Police ICT Company	National	Police ICT Company	John Thomas	John Thomas	John Thomas	Completed
906	New Contract (No Referral)	£25,000.00	08/02/2018	07/02/2020	Local	Completed	Castle Waters	Local	Castle Waters	John Thomas	John Thomas	John Thomas	Completed
895	LP/PRO/0518	£287,822.00	01/12/2018	31/03/2019	Local	Completed	Jenoptik Traffic Solutions UK Ltd	Local	Jenoptik Traffic Solutions UK Ltd	John Thomas	John Thomas	John Thomas	Completed
891	LP/PRO/0423	£2,000,000.00	30/03/2019	30/11/2019	Regional	Completed	BMW (UK) Ltd	Regional	BMW (UK) Ltd	John Thomas	John Thomas	John Thomas	Completed
889	New Contract (No Referral)	£30,000	TBC	TBC	Regional	Completed	JML Software Solutions - Chronicle	Regional	JML Software Solutions - Chronicle	John Thomas	John Thomas	John Thomas	Completed



Line / Case	Further Details (Awarded / Suspended / Cancelled / Other)	Original Reference	Approval for this	Contract Type	Contract Description	Supplier Name	Procurement Type (Local / National / Regional)	Start Date	End Date	Business Unit (to be entered)	Review Date	Contract Value (£)	Annual Revenue Value (£)	Business Continuity Risk Score	Purchase Order Number	Business Area	Call-off Contract	Contract Terms & Conditions	OPCC Reference	CPT Reference	CPT Number	Primary Buying Unit (Internal)	Notes/Comments	Procurement Business Plan - SPU
1026	1026	LP/PROC/5410	Retained	Financial & Personal Data Services	Experian Ltd	Regional	01/05/2016	31/03/2019	N/A	01/02/2019	01/02/2019	£50,544.00	Call-off		93240028757	G4S Facilities Management (Crime Support, Ops Support, PSD.)	Yes	EMSCU framework	No	PSD / CTO / Crime	Amy Johnson	Amy Johnson	20/05/18 - SPU dealing with agreeing terms with Legal and supplier	This Contract was awarded under an EMSCU contract. Options are expected to be: a) collaboration with the rest of the East Midlands Force
1028	1028	LP/PROC/5347	Monitored and Managed	1000 Mobile Sims	Vodafone Limited	National	01/09/2018	31/08/2020	N/A	28/02/2020	28/02/2020	£72,000.00	£26,000.00	6	93240028486	G4S ICT	No	RM1045-LIB-SPORES	TBC	CPT	Amy Johnson	Amanda Young		This Contract was awarded under a Police ICT Co National deal under the Crown Commercial Services framework. Options are expected to be: a) continued utilisation of any available Framework Arrangement b) award under Exceptional Purchase Action
1030	1030	LP/PROC/5457	Monitored and Managed	PINS user licence renewal	PCC for Nottingham (Saxten Technologies UK Ltd)	Regional	01/09/2018	31/08/2020	2 x 12 months	28/02/2020	28/02/2020	£25,919.99	£12,659.97	12	93240029696	G4S ICT	No	EMSCU Contract under COS G-Cloud 10	No	CPT	Amy Johnson	Amanda Young		This Contract was awarded under an EMSCU led contract completed under the COS G-Cloud 10 framework. Options are expected to be: a) exercise first of two 12 month optional extensions b) collaboration with the rest of the East Midlands Force
1031	1031	LP/PROC/5359	Monitored and Managed	Lease of Birchwood Police Station (related to 529)	Lincoln Com Exchange and Markets (1991) Ltd	Local	31/01/2011	31/01/2031	N/A	31/07/2030	01/08/2019	£200,117.84	£200,117.84	Unknown	93240026366	G4S Facilities Management	No		No	CPT	Rachel Pike	Lisa Peck		
1031	1031	LP/PROC/5338	Monitored and Managed	NABIS Access charges for firearms officers	PCC for West Midlands	National	01/04/2016	31/03/2019	N/A	01/03/2019	01/03/2019	£30,719.00	£30,719.00		93240026807	CPT	No	Home Office	TBC	CPT	Amy Johnson	Amy Johnson		All forces contribute to support of various ICT systems. A further 12 month renewal with PCC for West Midlands is a normal course of action
1046	1046	LP/PROC/5451	Retained	Pilot Scheme for Community panel for public consultation	Habit5 Ltd	Local	01/08/2018	31/07/2020	N/A	31/01/2020	01/08/2018	£46,676.00	Y1: - £26,975.00 Y2: - £23,600.00		93240028377	Corporate Communications	No	EMPLS Service Medium v7 & DHS Cat 4 v1	Yes		Amy Johnson	Joanne Dawson		
1048	1048	New Contract (No Reference)	Retained	Storage of ammunition at Donnington and Kibson	Ministry of Defence UK	Local	17/02/2018	16/02/2019	N/A	16/08/2018	16/08/2018	£204,861.90	£204,861.90		93240028685	Ops Support	No		No	Kieran English	Rachel Pike	Debra Willoughby	05/11/18 - SPU chased DW	
1038	1038	LP/PROC/5378	Monitored and Managed	Supply of Diesel, Kerosene & Heating/Gas Oils	Certes Energy UK Ltd	Regional	01/10/2018	30/09/2020	N/A	30/03/2020	30/03/2020	£1,100,000.00	Call-off		Individual POs raised as required	G4S Facilities Management (Fleet)	Yes	ESPO 301 framework	No	CPT	Rachel Pike	Rachel Pike/Dan Bradshaw		This Contract was awarded under an Eastern Shires Purchasing Organisation (ESPO) Framework Arrangement after they undertook a mini-competition on behalf of Lincolnshire public sector organisations. Options are expected to be: a) continued utilisation of any available Framework Arrangement b) EU competitive tender process
1061	1061	LP/PROC/5512	Retained	Business travel and accommodation	Click Travel	Framework	10/11/2018	09/11/2019	3 x 12 months	09/05/2019	09/05/2019	£210,000.00	Call-off		Individual POs raised as required	G4S Finance (ALL)	Yes	Crown Commercial Services	No	Corporate Finance	Mick Robinson	Sharon Clark		This Contract was awarded under an Eastern Shires Purchasing Organisation (ESPO) National Framework Arrangement. Options are expected to be: a) exercise first of three optional extensions b) continued utilisation of any available Framework Arrangement c) EU competitive tender process
1062	1062	LP/PROC/5420	Monitored and Managed	National Protected Personnel Centres (NPPC)	Mercedes-Benz UK Ltd	National	19/12/2018	18/12/2019	1 x 12 months	18/06/2019	18/06/2019	£150,000.00	Call-off		Individual POs raised as required	G4S Fleet	Yes	West Midlands framework	No	CPT	Rachel Pike	Nigel Coupe		This Contract was awarded under a National Collaboration led by West Midlands Police. Options are expected to be: a) exercise second of two optional 12 month extensions b) continued utilisation of any available collaborative Framework Arrangement/contract c) competitive tender process
1063	1063	LP/PROC/5489	Retained	Broking Services - Insurance	Henderson Insurance Brokers	Local	01/11/2018	31/03/2021	N/A	30/09/2020	30/09/2020	£39,875.00	£39,875.00		TBC	Corporate Finance	No	EMPLS	Yes	FCPD	Mick Robinson	Sarah Parkinson		This Contract was awarded as a local contract under an Exceptional Purchase Action. Options are expected to be: a) Exceptional purchase action if further support required
1064	1064	LP/PROC/5514	Monitored and Managed	Chronicle system support for Cars, Firearms, Dogs, Public Order, Ammunition, Booking Modules	JML Software Solutions	Regional	01/08/2018	30/09/2023	2 x 12 months	30/03/2023	30/03/2023	£112,144.00	Y1: £21,578.00; Y2: £21,893.00; Y3: £22,418.00; Y4: £22,854.00; Y5: £23,309.00		93240023159 93240027941	HR (L & D)	No	EMSCU	No	CPT	Mick Robinson	TBC		
1061	1061	LP/PROC/5540	Retained	NPAS (National Police Air Support) Contributions	PCC for West Yorkshire Police	Local	01/04/2016	31/03/2019	N/A	30/08/2018	30/08/2018	£103,679.00	£103,679.00		TBC	Contribution	No		No	CPT	Amy Johnson	Debra Willoughby	12/12/18 - SPU flagged to DW 02/01/19 - SPU chased DW	
1082	1082	LP/PROC/5609	Retained	Roadside Drug Testing Devices	D. Two International Ltd	National	20/11/2018	08/02/2020	2 x 12 months	08/08/2019	08/08/2019	£26,000.00	£10,000.00		Individual POs raised as required	SCIU, EMSCU	Yes	Suffolk Police Framework	No	Devo Plumb	Mark Gerthwaite	Debra Willoughby		This Contract was awarded under a National framework led by Suffolk Police. Options are expected to be: a) exercise first of two optional 12 month extensions b) continued utilisation of any available collaborative Framework Arrangement/contract c) competitive tender process
1083	1083	LP/PROC/5594	Monitored and Managed	Hire of Covert Vehicles (3 years and older)	Soot Group Ltd (TIA Thrifty)	Regional	01/12/2018	30/11/2019	1 x 12 months	30/05/2019	30/05/2019	£38,800.00	£38,800.00	N/A	93240013393	G4S Facilities Management (Crime)	No	EMSCU	No	CPT	Rachel Pike	Debra Willoughby		This Contract was awarded under an East Midlands Strategic Commercial Unit framework agreement. The contract has one further option to extend for 12 months each. Options are expected to be: a) exercise first 12 month extension under EMSCU regional framework
1064	1064	LP/PROC/5504	Retained	FCR Mental Health Crisis Nurse - pilot	Lincolnshire Partnership NHS Foundation Trust	Local	10/07/2018	31/01/2019	N/A	31/07/2018	31/07/2018	£30,000.00	£30,000.00		93240030803	Crime	No	Yes	Head of Crime	Rachel Pike	Jo Dawson		This Contract was awarded as a local contract under an Exceptional Purchase Action. Options are expected to be: a) NHS may put a business case together to pay for the Nurse full time and Lines Police contribute b) Exceptional Purchase Action c) Competitive tender process	
1085	1085	LP/PROC/5478	Retained	Temporary Agency Staff for Finance for OBIEE	Cherry Professional Recruitment	Local	18/08/2018	17/11/2018	N/A	17/05/2018	17/05/2018	£33,800.00	£33,800.00		93240028801	Corporate Finance/OPCC	No	EMPLS Service	No	FCO/CC FCO	Mick Robinson	Sarah Parkinson	08/12/18 - Being extended	This Contract was awarded as a local contract under an Exceptional Purchase Action. Options are expected to be: a) Exceptional Purchase Action
1086	1086	LP/PROC/5388	Monitored and Managed	Fuel cards	Allstar Business Solutions Ltd	National	01/08/2018	31/03/2019	N/A	01/01/2019	01/01/2019	£130,000.00	Call-off		93240030265	G4S Facilities Management (Fleet)	Yes	Crown Commercial Services	No	CPT	Rachel Pike	Nigel Coupe	21/12/18 - Waiting for updated from lead Procure regarding new contract	This Contract was awarded under a Crown Commercial Services (CCS) National Framework Arrangement. Options are expected to be: a) continued utilisation of any available Framework Arrangement b) EU competitive tender process
1087	1087	LP/PROC/5603	Retained	Integrated Restorative Justice Services	Restorative Solutions CIC	Local	01/04/2018	31/03/2021	N/A	30/09/2020	30/09/2020	£199,400.00	£79,700.00		93240031233	OPCC	No	PCC/1/4	No	OPCC	Rachel Pike			This Contract was awarded under the Police and Crime Commissioner for Lincolnshire terms following a PCR2015 compliant Open tender process. Options are expected to be: a) utilisation of any available Framework Arrangement b) EU competitive tender process
1088	1088	LP/PROC/4763	Retained	Internal Audit Services	Mazars LLP	Regional	01/04/2019	31/03/2022	N/A	30/09/2021	30/09/2021	£134,400.00	£44,800.00		93240031481	OPCC/Retained Finance	Yes	EMSCU Contract	No	OPCC	Mick Robinson	Julie Flint		This Contract was awarded as part of an East Midlands Collaborative Arrangement led by EMSCU. Options are expected to be: a) continued utilisation of any available Framework Arrangement b) EU competitive tender process
1093	1093	LP/PROC/5647	Retained	Coroner's Officers recharge for FY 17/18 & FY 18/19	Lincolnshire County Council	Local	01/04/2018	31/03/2019	N/A	30/09/2018	30/09/2018	£208,000.00	£208,000.00	N/A	93240028980	Corporate Finance	No		No	Corporate Finance	Mick Robinson	Gillian Holder	02/01/19 - SPU flagged to JMWSP	
1097	1097	LP/PROC/5513	Retained	SDIS support	Cubic Transportation Systems (TMS) Ltd	Local	15/11/2017	31/03/2021	N/A	30/09/2020	30/09/2020	£32,062.00	£9,600.00		93240031632	LRSP	No	TBC	LRSP	Rachel Pike	Ian Swallow		This Contract was awarded as a local contract under an Exceptional Purchase Action. Only Home Office approved supplier for this equipment in the UK. Options are expected to be: a) Exceptional purchase action if further support required	
1101	1101	LP/PROC/5542	Retained	Children and Young Person's Sexual Violence Support Services (CHSVSA)	Victim Support	Local	01/10/2018	30/09/2021	N/A	30/03/2021	30/03/2021	£196,892.00	£97,948.00		93240031804	OPCC	No	EMPLS Service Terms High v5	Yes	OPCC	Rachel Pike	Suzanne McLardy		This Contract was awarded under the East Midlands Police Legal Services (EMPLS) Hq or OJEU v5 terms under an EU Open tender process following a standard period. Options are expected to be: a) utilisation of any available framework arrangement b) EU Open competitive tender process
1110	1110	New Contract (No Reference)	Retained	SARC including ISVA	NHS England (LPFT)	Local	01/04/2018	31/03/2021	2 x 12 months	30/09/2020	30/09/2020	£480,000.00	£160,000.00		Unknown	OPCC	Yes	NHSE	Yes	OPCC	Rachel Pike	Suzanne McLardy		This Contract was awarded and is managed by NHSE. Total contract value is £298k per annum but OPCC only pay £85k for ISVA and £75k for SARC provision. Options are expected to be: a) NHSE to exercise 12 month optional extension b) NHSE to put new contract in place c) if reverts to OPCC contract, then utilisation of any available framework arrangement or d) EU Open competitive tender process
1111	1111	New Contract (No Reference)	Retained	G&Y SARC	NHS England (LPFT)	Regional	01/04/2018	31/03/2021	2 x 12 months	30/09/2020	30/09/2020	£30,000.00	£20,000.00		Unknown	OPCC	Yes	NHSE	Yes	OPCC	Rachel Pike	Suzanne McLardy		This Contract was awarded and is managed by NHSE. Options are expected to be: a) NHSE to exercise 12 month optional extension b) NHSE to put new contract in place c) if reverts to OPCC contract, then utilisation of any available framework arrangement or d) EU Open competitive tender process
1113	1113	LP/PROC/5548	Monitored and Managed	Managed Vehicle Recovery Scheme	FMG Support (RRRM) Ltd	Framework	14/01/2019	13/01/2020	1 x 12 months	01/10/2019	01/10/2019	£141,486.00	Call-off		93240032189	G4S Facilities Management	Yes	North Wales Contract	Yes	CPT	Rachel Pike	Debra Willoughby		This is a collaborative Contract led by North Wales Police. The second 12 month optional extension has been exercised. Options are expected to be: a) exercise the final optional 12 month extension b) continued utilisation of any available Framework Arrangement c) EU competitive tender process



## **Treasury Management Strategy**

### **Statement 2019/20**

#### **Minimum Revenue Provision Policy Statement and Annual Investment Strategy**

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Police and Crime Commissioner for Lincolnshire

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# 1. INTRODUCTION

## 1.1 Background

The Police and Crime Commissioner (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.

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 its 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.

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.

CIPFA defines treasury management as:

*"The management of the PCC'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."*

Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is reported separately.

The PCC has not engaged in any commercial investments and does not hold any non-treasury investments.

## 1.2 Reporting requirements

### 1.2.1 Capital Strategy

The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, the PCC to prepare an additional report, a capital strategy report, which will provide the following:

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

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

### **1.2.2 Treasury Management reporting**

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);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- 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.

### **1.2.3 Scrutiny**

The above reports require adequate scrutiny before recommendation to the PCC; the Joint Independent Audit Committee will perform this role.

## **1.3 Treasury Management Strategy for 2019/20**

The strategy for 2019/20 covers two main areas:

#### **a) Capital issues**

- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

**b) 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
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

**1.4 Training**

The CIPFA Code requires the responsible officer to ensure that employees with responsibility for treasury management receive adequate training in treasury management. The training needs of treasury management officers are periodically reviewed.

**1.5 Treasury management consultants**

The PCC uses Link Asset Services, Treasury solutions as its external treasury management advisors.

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.

It also recognises 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.

## 2. THE CAPITAL PRUDENTIAL INDICATORS 2019/20 – 2021/22

The PCC's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist the PCC's overview and confirm capital expenditure plans.

### 2.1 Capital expenditure

This prudential indicator is a summary of the PCC's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The PCC is asked to approve the capital expenditure forecasts:

Capital expenditure	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
£000	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
Building Schemes	1,928	1,445	1,291	1,000	1,000	1,000
Command & Control	-	1,009	4,036	-	-	-
Bluelight	4,696	10,866	4,327	-	-	-
ICT	3,572	2,234	2,256	650	500	1,500
Vehicles	1,721	663	1,000	1,000	1,000	1,000
Other / ESMCP	-	500	1,700	-	-	-
<b>Total</b>	<b>11,917</b>	<b>16,517</b>	<b>14,610</b>	<b>2,650</b>	<b>2,500</b>	<b>3,500</b>

The table below summarises the above capital expenditure plans and how capital or revenue resources are financing these plans. Any shortfall of resources results in a funding borrowing need.

Capital expenditure	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
£000	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
<b>Total</b>	<b>11,917</b>	<b>16,517</b>	<b>14,610</b>	<b>2,650</b>	<b>2,500</b>	<b>3,500</b>
<b>Financed by:</b>						
Capital receipts	285	69	60	60	60	60
Capital grants & Contributions	5,523	4,641	3,317	384	384	384
Capital reserves	-	193	-	-	-	-
Revenue	2,094	-	-	-	-	-
<b>Net financing need for the year</b>	<b>4,015</b>	<b>11,614</b>	<b>11,233</b>	<b>2,206</b>	<b>2,056</b>	<b>3,056</b>

### 2.2 The PCC's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the PCC's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the PCC's indebtedness and so the underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge, which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the PCC borrowing requirement, these types of scheme include a borrowing facility by the PFI, PPP lease provider and so

the PCC is not required to separately borrow for these schemes. The PCC currently has £9.3m of such schemes within the CFR.

The PCC is asked to approve the CFR projections below:

Capital Financing Requirement £000	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
CFR Opening Balance	29,260	31,343	41,127	50,376	49,143	47,574
Movement in CFR	2,083	9,784	9,250	(1,234)	(1,568)	(525)
<b>Total CFR</b>	<b>31,343</b>	<b>41,127</b>	<b>50,376</b>	<b>49,143</b>	<b>47,574</b>	<b>47,049</b>

Movement in CFR represented by:						
Net financing need for the year (above)	4,015	11,614	11,233	2,206	2,056	3,056
Less MRP/VRP and other financing movements	1,536	1,830	1,983	3,440	3,624	3,581
<b>Movement in CFR</b>	<b>2,479</b>	<b>9,784</b>	<b>9,250</b>	<b>(1,234)</b>	<b>(1,568)</b>	<b>(525)</b>

### 2.3 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year-end Resources £000	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Fund balances / reserves	17,696	9,544	7,548	6,636	6,256	6,256
Capital receipts	-	-	-	-	-	-
Provisions	1,217	550	550	550	550	550
<b>Total core funds</b>	<b>18,913</b>	<b>10,094</b>	<b>8,098</b>	<b>7,186</b>	<b>6,806</b>	<b>6,806</b>
Working capital*	(3,542)	(3,542)	(3,542)	(3,542)	(3,542)	(3,542)
Under borrowing	(12,944)	(5,600)	(3,648)	(2,387)	(2,312)	(2,271)
<b>Expected investments</b>	<b>2,427</b>	<b>952</b>	<b>908</b>	<b>1,257</b>	<b>952</b>	<b>993</b>

\*Working capital balances shown are estimated year-end; these will fluctuate throughout the year.

Please note that actual figures for 2017/18 for all tables include Regional figures and are therefore as stated in the Financial Statements for 2017/18.

### 2.4 Minimum revenue provision (MRP) policy statement

The PCC is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

MHCLG regulations have been issued which require the PCC to approve an **MRP Statement** in advance of each year. A variety of options is provided to the PCC, so long as there is a prudent provision. The PCC is recommended to approve the following MRP:

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Based on CFR.** MRP will be based on the outstanding CFR. MRP is calculated on a 4% reducing balance basis.

From 1 April 2008 for all unsupported borrowing the MRP policy will be:

- **Asset life method.** MRP will be based on the estimated life of the assets, in accordance with the regulations, however it does not need to reflect the same asset life as the asset policy recommends as long as the decision to vary this is prudent.

This option provides for a reduction in the borrowing need over approximately the asset's life. It is possible to make a voluntary MRP charge (VRP) if required. This will be reviewed each year.

Repayments included in finance leases are applied as MRP.

### 3. BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the PCC. The treasury management function ensures that the PCC's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the PCC's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

#### 3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2018 and for the position as at Feb 2019 are shown below for both borrowing and investments.

Treasury Portfolio £000	2017/18 Actual	2017/18 Actual	Feb-19 Current	Feb-19 Current
Money Market Funds	1,900	100%	7,660	100%
<b>Total treasury investments (managed in house)</b>	<b>1,900</b>	<b>100%</b>	<b>7,660</b>	<b>100%</b>
Local Authorities	104	1%	104	0%
PWLB	11,240	99%	21,365	100%
<b>Total external borrowing</b>	<b>11,344</b>	<b>100%</b>	<b>21,469</b>	<b>100%</b>
<b>Net treasury investments / (borrowing)</b>	<b>(9,444)</b>	<b>0%</b>	<b>(13,809)</b>	<b>0%</b>

The PCC's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Borrowing £000	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Debt at 1 April	12,192	11,344	28,408	41,649	41,677	40,183
New loans	-	18,000	14,500	1,500	-	1,000
Repayments	(848)	(936)	(1,259)	(1,472)	(1,494)	(1,484)
<b>Actual gross debt at 31 March exc finance lease</b>	<b>11,344</b>	<b>28,408</b>	<b>41,649</b>	<b>41,677</b>	<b>40,183</b>	<b>39,699</b>
Finance Lease	7,055	7,119	5,079	5,079	5,079	5,079
<b>Actual gross debt at 31 March</b>	<b>18,399</b>	<b>35,527</b>	<b>46,728</b>	<b>46,756</b>	<b>45,262</b>	<b>44,778</b>
The Capital Financing Requirement	31,343	41,127	50,376	49,143	47,574	47,049
Under / (over) borrowing	12,944	5,600	3,648	2,387	2,312	2,271

Within the range of prudential indicators there are a number of key indicators to ensure that the PCC's activities operate within well-defined limits. One of these is that the PCC needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following three financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Chief Finance Officer reports that the PCC complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

### 3.2 Treasury Indicators: limits to borrowing activity

#### 3.2.1 The operational boundary

This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £m	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Debt	42	51	50	48	48

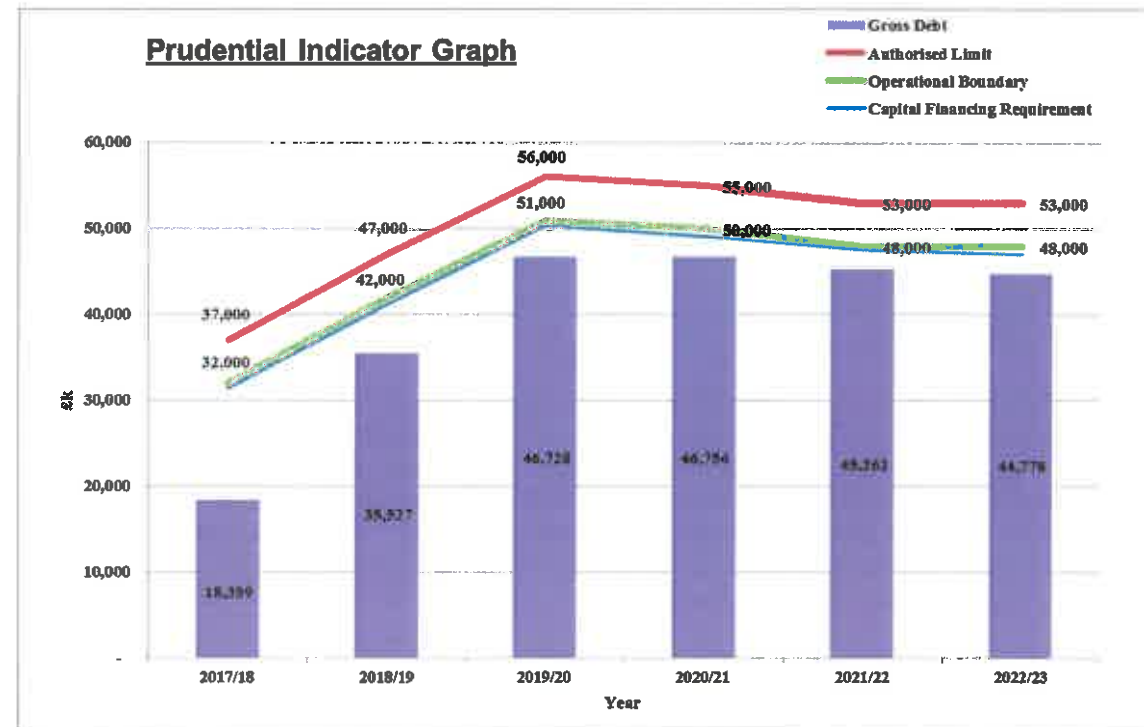
#### The authorised limit for external debt

This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the PCC. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all PCCs' plans, or those of a specific PCC, although this power has not yet been exercised;
- The PCC is asked to approve the following authorised limit:

Authorised limit £m	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Debt	47	56	55	53	53

#### 3.2.2 Projections of CFR and borrowing





### 3.3 Prospects for interest rates

The PCC has appointed Link Asset Services as its treasury advisor and part of their service is to assist the PCC to formulate a view on interest rates. The following table and narrative gives the Link Asset Services central view.

Link Asset Services Interest Rate View													
	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	2.00%
6 Month LIBID	1.30%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
92 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.30%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.60%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.80%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

The flow of generally positive economic statistics after the quarter ended 30 June 2018 meant that it came as no surprise that the MPC came to a decision on 2 August 2018 to make the first increase in Bank Rate since the financial crash, from 0.5% to 0.75%. Growth became increasingly strong during 2018 until slowing significantly during the last quarter. At their November quarterly Inflation Report meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. On a major assumption that Parliament and the EU agree a Brexit deal in the first quarter of 2019, then the next increase in Bank Rate is forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy, which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.25 – 2.50% in December 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We therefore saw US 10 year bond Treasury yields rise above 3.2% during October 2018 and also investors causing a sharp fall in equity prices as they sold out of holding riskier assets. However, by early January 2019, US 10 year bond yields had fallen back considerably on fears that the Fed was being too aggressive in raising interest rates and was going to cause a recession. Equity prices have been very volatile on alternating good and bad news during this period.

From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult due to so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

### 3.4 Investment and borrowing rates

Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.

Borrowing interest rates have been volatile so far in 2018-19 and while they were on a rising trend during the first half of the year, they have back tracked since then until early January. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

### 3.5 Borrowing strategy

The PCC is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the PCC's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it were felt that there is a significant risk of a sharp **FALL** in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered;
- if it were felt that there is a significant risk of a much sharper **RISE** in long and short term rates than that currently forecast then the portfolio position would be re-appraised. This may arise from, for example, acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks. Most likely, fixed rate funding would be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

### **3.6 Policy on borrowing in advance of need**

The PCC 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.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

### **3.7 Debt rescheduling**

As short-term borrowing rates will 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).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

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.

All rescheduling will be reported to the PCC, at the earliest meeting following its action.

## 4. ANNUAL INVESTMENT STRATEGY

### 4.1 Investment policy – management of risk

The PCC's investment policy has regard to the following:

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The PCC's investment priorities will firstly be security, secondly portfolio liquidity and then yield (return).

The management of risk is given a high priority within the guidance from the MHCLG and CIPFA. The PCC has adopted a prudent approach in managing risk and defines his risk appetite by the following means:

- a) Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings;
- b) Ratings will not be the sole determinant of the quality of an institution. It is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the PCC will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings;
- c) **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties;
- d) The PCC has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are under the categories of 'specified' and 'non-specified' investments;
  - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year;
  - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
- e) **Non-specified investments limit.** The PCC has determined that a limit of 0% will be applied to the use of non-specified investments;
- f) **Lending limits** (amounts and maturity) for each counterparty will be set through applying the matrix table in paragraph 4.2;

- g) **Transaction limits** are set for each type of investment (see paragraph 4.2);
- h) The PCC will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.4);
- i) Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3);
- j) The PCC has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year;
- k) All investments will be denominated in **sterling**;
- l) As a result of the change in accounting standards for 2018/19 under **IFRS 9**, the PCC will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18.)

However, the PCC will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

There have been no changes in risk management policy. The above criteria are unchanged from last year.

#### **4.2 Creditworthiness policy**

The PCC applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies (Fitch, Moody's and Standard & Poor's). The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the PCC to determine the suggested duration for investments. The PCC will therefore use counterparties within the following durational bands:

<i>Yellow</i>	<i>5 years</i>
<i>Dark pink</i>	<i>5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25</i>
<i>Light pink</i>	<i>5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5</i>
<i>Purple</i>	<i>2 years</i>
<i>Blue</i>	<i>1 year (only applies to nationalised or semi nationalised UK Banks)</i>
<i>Orange</i>	<i>1 year</i>
<i>Red</i>	<i>6 months</i>
<i>Green</i>	<i>100 days</i>
<i>No colour</i>	<i>Not to be used</i>

The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the PCC uses will be a Short Term rating (Fitch or equivalent) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored frequently. The PCC is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service:

- if a downgrade results in the counterparty/investment scheme no longer meeting the PCC's minimum criteria, its further use as a new investment will be withdrawn immediately;
- in addition to the use of credit ratings the PCC will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the PCC's lending list.

Sole reliance will not be placed on the use of this external service. In addition the PCC will also use market data and market information, information on any external support for banks to help support its decision making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5		7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long term rating where applicable)	Transaction Limit	Time Limit
Banks	yellow	£4m/20%*	5yrs
Banks	purple	£4m/20%*	2 yrs
Banks	orange	£4m/20%*	1 yr
Banks – part nationalised	blue	£4m/20%*	1 yr
Banks	red	£4m/20%*	6 mths
Banks	green	£4m/20%*	100 days
Banks	No colour	Not to be used	
DMADF	AAA	unlimited	6 months
Local authorities	n/a	£4m/20%*	1 yr
	Fund rating		Time Limit
Money market funds	AAA	£4m	liquid
LVNAV			

\* Whichever is the higher

In addition to the above, a further £1m operational limit applies against the PCC's own banker, HSBC, for transactional purposes.

#### 4.2.1 UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail/ Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The PCC will continue to assess the new-formed entities in the same way that it does others and those with sufficiently

high ratings, (and any other metrics considered), will be considered for investment purposes.

### 4.3 Country limits

The PCC has determined that it will use any UK counterparties irrespective of rating and approved counterparties from non-UK countries with a minimum sovereign credit rating of AAA from Fitch. The list of countries that qualify using this credit criteria are provided by Link and is regularly reviewed. Changes will be notified to us should ratings change in accordance with this policy.

### 4.4 Investment strategy

#### 4.4.1 In-house funds.

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed:

- if it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable;
- conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

#### 4.4.2 Investment returns expectations.

On the assumption that the UK and EU agree a Brexit deal in spring 2019, then Bank Rate is forecast to increase steadily but slowly over the next few years, to reach 2.00% by Quarter 1 of 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.50%
- 2021/22 2.00%

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:

2018/19	0.75%
2019/20	1.00%
2020/21	1.50%
2021/22	1.75%
2022/23	1.75%
2023/24	2.00%
Later years	2.75%

- the overall balance of risks to economic growth in the UK is probably neutral;



- the balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

#### 4.4.3 Investment treasury indicator and limit.

Total principal funds invested for greater than 365 days. These limits are set with regard to the PCC's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The PCC is asked to approve the following treasury indicator and limit:

<b>Upper limit for principal sums invested for longer than 365 days</b>			
<b>£m</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Principal sums invested for longer than 365 days	£m Nil	£m Nil	£m Nil

For its cash flow generated balances, the PCC will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits, (overnight to 100 days) in order to benefit from the compounding of interest.

#### 4.5 Investment risk benchmarking

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report. Security - The PCC's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.05% historic risk of default when compared to the whole portfolio.

a) **Liquidity.** In respect of this area the PCC seeks to maintain:

- Liquid short term deposits of at least £1m available with a week's notice;
- Weighted average life benchmark is expected to be 3 months, because the PCC will keep the cash relatively short dated to manage security and cash flow measures.

#### 4.6 End of year investment report

At the end of the financial year the PCC will report on his investment activity as part of the Annual Treasury Report.

## 5. APPENDICES

- 5.1 Prudential and treasury indicators and MRP statement
- 5.2 Treasury management scheme of delegation
- 5.3 The treasury management role of the section 151 officer

## 5.1 The Capital Prudential Treasury Indicators 2018/19 – 2022/23

PRUDENTIAL INDICATOR TARGETS	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
<b>External Debt</b>						
<b>1 Authorised limit for external debt:</b>						
The PCC will set for the forthcoming financial year and the following three years an authorised limit for its total external debt, gross of investments, separately identifying borrowing from other long term liabilities						
Authorised limit for external debt:	£000	£000	£000	£000	£000	£000
Borrowing	29,945	39,881	50,921	49,921	47,921	47,921
Other long term liabilities	7,055	7,119	5,079	5,079	5,079	5,079
Total	37,000	47,000	56,000	55,000	53,000	53,000
<b>2 Operational boundary:</b>						
The PCC will set for the forthcoming financial year and the following three years an operational boundary for its total external debt, gross of investments, separately identifying borrowing from other long term liabilities						
Operational boundary:	£000	£000	£000	£000	£000	£000
Borrowing	24,945	34,881	45,921	44,921	42,921	42,921
Other long term liabilities	7,055	7,119	5,079	5,079	5,079	5,079
Total	32,000	42,000	51,000	50,000	48,000	48,000
<b>Treasury Management Indicators</b>						
<b>Interest Rate Exposures:</b>						
The PCC will set for the forthcoming financial year and the following three years upper limits to its exposures to the effect of changes in interest rates						
	£000	£000	£000	£000	£000	£000
<b>3 Upper limit for fixed interest rate exposure:</b>						
Net principal re fixed rate borrowing less investments	15,972	34,675	45,820	45,499	44,310	43,785
<b>4 Upper limit for variable rate exposure:</b>						
Net principal re variable rate borrowing less investments	4,792	10,372	13,746	13,650	13,293	13,135
<b>Gross and Net Debt:</b>						
The PCC will set for the forthcoming financial year and the following three years upper limits on the proportion of net debt compared to gross debt						
<b>5 Upper limit for net debt as percentage of gross debt:</b>	100%	100%	100%	100%	100%	100%
<b>6 Ratio of financing costs to net revenue stream:</b>						
The PCC will estimate for the forthcoming financial year and the following three years the ratio of financing costs to net revenue stream						
	1.78%	2.11%	2.23%	3.25%	3.29%	3.23%
<b>7 Capital financing requirement:</b>						
The PCC shall make reasonable estimates of the total of capital financing requirement at the end of the forthcoming financial year and the following three years						
	£000	£000	£000	£000	£000	£000
Estimate of the capital financing requirement for the PCC	31,343	41,127	50,376	49,143	47,574	47,049
<b>9 Maturity structure of new fixed rate borrowing:</b>						
The PCC will set for the forthcoming financial year both upper and lower limits with respect to the maturity structure of borrowing						
	Upper Limit	Lower Limit				
Under 12 months	20%	0%				
12 months and within 24 months	30%	20%				
24 months and within 5 years	40%	30%				
5 years and within 10 years	50%	0%				
10 years and above	80%	10%				

### 5.1.1 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the PCC's overall finances. The PCC is asked to approve the following indicators:

**Ratio of financing costs to 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.

Ratio of financing cost to net revenue stream	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	%	%	%	%	%	%
Ratio %	1.78	2.13	2.21	3.25	3.29	3.23

The estimates of financing costs include current commitments and the proposals in this budget report.

## **5.2 Treasury Management scheme of delegation including Section 151 Officer responsibilities**

The Commissioner has adopted CIPFA's 'Treasury Management in the Public Services: Code of Practice' ("the Code").

The Commissioner's CFO shall borrow, temporarily invest and repay monies, subject to any constraints imposed by statute or the CIPFA Code of Practice, and subject to the general directions and within any limits prescribed from time to time by the Commissioner. The Chief Constable does not have the power to undertake any borrowing or investment activity.

The Commissioner will approve the Treasury Management Strategy prior to the commencement of each financial year having first taken the advice of the Commissioner's CFO. The Commissioner's CFO shall report to the Commissioner from time to time during each financial year on treasury management activity and shall submit a Treasury Annual Report by the end of September each year.

The Commissioner's CFO may make arrangements for the Force Chief Finance Officer, other officers or a strategic partner to undertake or procure, in a manner acceptable to the Commissioner's CFO, the daily management of cash, loans and investment work.

No person shall borrow money on behalf of the Commissioner without the prior written approval of the Commissioner's CFO.

The Commissioner's Chief Finance Officer will approve the arrangements for the treasury management function, including the day to day management, the production of the treasury management strategy, and supporting policies and procedures.

### 5.3 The Treasury Management role of the Section 151 Officer

The S151 (responsible) officer is responsible for:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money;
- ensuring that due diligence has been carried out on all investments and is in accordance with the risk appetite of the authority.