


For Public Release

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

**REF: 001 / 2020  
DATE: 6 January 2020**

<b>SUBJECT</b>		<b>FINANCIAL GOVERNANCE REPORT 2018/19</b>
<b>REPORT BY</b>	<b>FORCE CHIEF FINANCE OFFICER (FCFO)</b>	
<b>CONTACT OFFICER</b>	<b>SHARON CLARK, FCFO TELEPHONE 01522 947468</b>	
<b>EXECUTIVE SUMMARY AND PURPOSE OF REPORT</b> To present the Financial Governance Report 2018/19 for the Police and Crime Commissioner for Lincolnshire.		
<b>RECOMMENDATIONS</b>	<b>That the Financial Governance Report 2018/19 appended to this report be approved.</b>	

<b>POLICE AND CRIME COMMISSIONER FOR LINCOLNSHIRE</b> I hereby approve the recommendation above having considered the content of this report.	
Signature: 	Date: 6/1/20

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

**A1. INTRODUCTION AND BACKGROUND**

1. The purpose of the Financial Governance report is to provide details of those Financial and Procurement activities required under Financial, Contract and Procurement Regulations to be reported on an annual basis.
2. The report is broken down into the following sections:
  - Overall financial performance;
  - Procurement;
  - Debt recovery;
  - Insurance;
  - Treasury management;
3. The report, covering the top four sections, was presented at the Joint Independent Audit Committee (JIAC) meeting on 19th November 2019, for review and comment. The Treasury Management Annual Report 2018/19 was presented to JIAC members on 9th July 2019 for review and comment. They are now incorporated into this decision request to recognise that the Financial

Governance Report has been received and to make the report available.

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

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

**B. FINANCIAL CONSIDERATIONS**

These have been included in the Financial Governance Report.

**C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS**

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

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

**D. PERSONNEL AND EQUALITIES ISSUES**

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

**E. REVIEW ARRANGEMENTS**

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

**F. RISK MANAGEMENT**

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

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

**G. PUBLIC ACCESS TO INFORMATION**

Information in this form along with any supporting material is subject to the Freedom of Information Act 2000 and other legislation. Part 1 of this form will be made

available on the PCC's website within one working day of approval. However, if release by that date would compromise the implementation of the decision being approved, publication may be deferred. An explanation for any deferment must be provided below, together with a date for publication.

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

If Yes, for what reason:





Until what date:

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

**Is there a Part 2 form? Yes**

If Yes, for what reason: **Includes sensitive information not to be published.**

**ORIGINATING OFFICER DECLARATION**

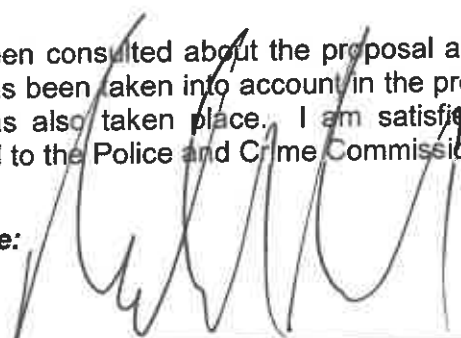
	Initials
<b>Originating Officer:</b> CC's Chief Finance Officer recommends this proposal for the reasons outlined above.	
<b>Chief Constable:</b> The Chief Constable has been consulted on this proposal.	
<b>Financial advice:</b> The PCC's Chief Finance Officer has been consulted on this proposal.	
<b>Monitoring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

**OFFICER APPROVAL**

**Chief Executive**

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

**Signature:**



**Date:**

12/12/19

## **FINANCIAL GOVERNANCE AND PERFORMANCE 2018/19**

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

The report covers:

- Overall financial performance (Appendix A);
- Procurement (Appendix B);
- Debt recovery (Appendix C);
- Insurance (Appendix D);
- Treasury management (Appendix E).

## **APPENDIX A**

### **FINANCIAL PERFORMANCE – ANNUAL REPORT 2018/19**

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

Full details of financial performance in the year are set out in the 2018/19 Revenue Outturn Report, the 2018/19 Capital Outturn Report and the 2018/19 Financial Statements. The following is a summary of the main conclusions:

- Value for Money continues to be an area of strength;
- Financial health is generally sound. The budget for 2019/20 and the following 3 years relies on a programme of significant cost reduction to balance the budget in each of the years. However, financial plans to deliver the reductions are better developed than their associated operational plans. Further development of the operational plans might lead to changed financial plans.
- Continued national political uncertainty has meant that proposals to update the national police grant funding formula have not been progressed by government. Whilst the distribution mechanism has not changed, greater than anticipated precept flexibility, which was exercised by the PCC, meant that budget reductions were not as great as had been feared.
- Audits of core financial processes have received satisfactory levels of assurance with a small number of recommendations for improvement. These reviews inform the overall review of governance arrangements and provide assurance that the controls which the organisation relies upon to manage are suitably designed, consistently applied and effective;

Considerable effort continues to be made to promote Lincolnshire's case for fairer funding in the government grant distribution. This has included the CFO's participation in the joint Home Office/APCC/NPCC team developing a spending review submission for 2019 and applications by the PCC for Special Grant. The PCC continues to ensure that Lincolnshire's MPs are fully briefed. Lincolnshire was awarded £1.8m of Special Grant funding in March 2019 which provides the opportunity for further investment in a limited range of service areas.

The current political and economic uncertainty will continue to impact future central Government expenditure with a consequent potential impact on police funding. Continuing funding uncertainty underlines the need for robust plans with adequate levels of reserves.

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

REF	INDICATOR	NARRATIVE	2017/18	2018/19
<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.	4.4%	4.3%
2	Borrowing	Annual cost of debt repayment and interest not to exceed 5% of annual income.	0.67%	0.7%
3	Internal control	All core financial systems to receive "significant assurance" internal audit conclusions.	No (50%)	No (70%)
4	Accounting	Unqualified external audit opinion on the annual financial statements.	Yes	Audit due Jan 20
<b>Fairer funding</b>				
5	Government grant	Increased share of national police grant.	No	No
<b>Value for money</b>				
6	Spending	Lower than national average spending per head of population (Net Revenue Expenditure estimates)	14.4% lower	15.7% lower
7	Spending	Unqualified VfM Conclusion from the external auditor.	Yes	Audit due Jan 20
<b>Financial performance</b>				
8	Revenue budget management	More than 50% of budgets managed to within 1%.	33%	38%
9	Capital programme management	Actual capital spending managed to more than 80% of the approved programme.	87%	80%
10	Income from fees and charges	Annual Income from fees and charges (with the exception of mutual aid) to exceed £1m.	£1.6m	£1.6m
11	Income collection	Average number of debtor days not to exceed 30.	37 days	35 days
12	Payments	More than 90% of undisputed invoices to be paid within 30 calendar days.	90%	89%

REF	INDICATOR	NARRATIVE	2017/18	2018/19
13	G4S contract – finance functions	100% of G4S contractual targets achieved.	100%	97%
<b>Treasury management</b>				
14	Interest earned	Interest rate on investments higher than average bank rate (0.67% during period).	0.029% above BR	0.095% below BR
15	Interest paid	Interest paid on new long term borrowing less than average government borrowing rate.	n/a No long term borrowing	0.29% less than average
<b>Procurement</b>				
16	Extent of competition	Percentage of spending via national and regional frameworks and other competitive processes	68%	65%
17	Major contracts	Savings achieved on major contracts	£56k	£52k

## **APPENDIX B**

### **PROCUREMENT**

The Strategic Procurement Unit (SPU) seeks to secure best value in all aspects of procurement through the delivery of a professional procurement service to the Force and PCC. During 2018/19, the SPU comprised a total of two G4S staff, one of whom is fully MCIPS qualified and one who is in the process of completing Level 6 MCIPS.

The service provided covers, but is not limited to, provision of advice to officers and staff on a wide range of procurement issues and regulations, tenders/mini competitions, award of contracts and implementation of the most suitable procurement arrangements and requirements to meet operational and support service needs. In 2018/19 the unit awarded 86 contracts for Lincolnshire Police with a total value of £13.3m, with 35 of them being awarded under the EMPLS standard terms and conditions. These contracts are detailed in Table 1.

From the award of these contracts it is estimated that savings totalling approximately £52k have been achieved in 2018/19.

In addition Lincolnshire Police utilise many government/police and local authority collaborative/framework arrangements for a wide range of goods and services. It is estimated up to around 67 arrangements have been utilized to a greater or lesser degree. Spend on these arrangements varies year to year dependent on revenue/capital requirements but is estimated to be as a minimum in excess of £7m pounds per annum. The SPU has been instrumental in the "adoption" of many of these arrangements.

During the year 22 contracts were required to be awarded without formal competition comprising a total value of £1m. A description of these contracts together with justification from the user department is given in Table 2.

Also during the year, a total of 786 retrospective purchase orders (raised after the invoice has been received) have been raised by the Force with a total value of £604k. The SPU have investigated these suppliers and the level of spend if the same items/services have been ordered from the same suppliers; and found that the total annual value for 3 of these suppliers was above £25k. The SPU has liaised with the relevant user departments to ensure that processes can be put in place to try and reduce the number of retrospective orders going forward. These are detailed in Table 3 and equate to approximately 111 purchase orders with a value of approximately £208k. This work will continue to be investigated on a 6 monthly basis. A new No PO No Pay process has been implemented during this year and will go live on 1 April 2019. This should help to reduce the number of retrospective orders being raised during next financial year.



**TABLE 1: STRATEGIC PROCUREMENT UNIT  
CONTRACTS AWARDED 01/04/2018 TO 31/03/2019**

<b>Award Date</b>	<b>File Reference</b>	<b>Description</b>
10-Apr-18	5365	Purchasing further taser equipment
11-Apr-18	5362	Purchase of 2 Vauxhall Vivaro Cell Vans
19-Apr-18	5364	Non-Life Insurance Services for period 01/04/18 to 31/03/2019
26-Apr-18	5341	Communications and Media Services for OPCC for period 01/05/19 to 30/04/2020
30-Apr-18	5379	Purchase of 10 Vauxhall Astras in white
01-May-18	5370	Renewal of Oracle Enterprise Licences for period 06/04/19 to 05/04/2019
04-May-18	5307	Upgrade of mobile ANPR - new procurement process
10-May-18	5322	Redacted
29-May-18	5371	Create new office area to the undercroft adjacent to the Lakeside at HQ
01-Jun-18	5340	Hire of venue for Police Communicator courses and Annual Conference 2018-2019
06-Jun-18	5315	Dog Vehicle replacement
11-Jun-18	5400	Create a new DDA path from the Lakeside to the Gym at HQ
12-Jun-18	5402	Purchase of 5 Ford Mondeo AWD Estate in white
12-Jun-18	5390	Redacted
26-Jun-18	5392	Temp for Finance for OBIEE for period 21/05/2018 to 17/08/18
27-Jun-18	5406	Carry out essential works to HQ & Boston Offices
28-Jun-18	5306	Forensic Medical Examiner (FME) Services for period 01/09/2018 to 31/08/20
04-Jul-18	5425	Purchase of 6 BMW's
05-Jul-18	5458	Various Mandatory Contributions as per PCC's Decision Report

<b>Award Date</b>	<b>File Reference</b>	<b>Description</b>
05-Jul-18	5369	Upgrade to ABM pegasus
05-Jul-18	5416	ABM Renewal for period 01/04/18 to 31/03/19
17-Jul-18	5324	Victims's Support Services - Outreach Service for period 01/10/18 to 31/03/21
18-Jul-18	5320	Calibration, repairs and postage of 10 Gatso digital speed cameras for period 01/04/18 to 31/03/22
18-Jul-18	5447	Coroner's Officers recharge for FY 17/18 & FY 18/19
24-Jul-18	5415	Extension to Airwave Coverage Contract for period 01/07/18 to 30/06/19
24-Jul-18	5319	Upgrade of EROS2 to EROS Core for period 01/04/18 to 31/03/21
31-Jul-18	5426	Interim SOE contract for period 25/06/18 to 31/08/18
02-Aug-18	5476	Temp for Finance for OBIEE for period 18/08/18 to 17/11/18
09-Aug-18	5459	Contribution to Sobriety Tag Pilot for period 01/04/18 to 31/03/19
14-Aug-18	5462	Purchase of 3 converted Mercedes Sprinter Panel Vans in white - PO CANCELLED
23-Aug-18	5470	Purchase of 9 Vauxhall Astra Estate
30-Aug-18	5347	Mobile Telephone - NPTC Commercial Working Group deals via EMSCU for period 01/09/18 to 31/08/20
04-Sep-18	5496	Vehicle Lubricants National Contract led by GMP for period 05/10/18 to 04/10/20
10-Sep-18	5540	NPAS Contribution for FY 2018/2019
11-Sep-18	5457	PINS renewal for period 01/09/18 to 31/08/20
11-Sep-18	5412	To refurbish the ground floor toilets and showers at Gainsborough
11-Sep-18	5376	Supply of Diesel, Kerosene and Heating Oil for period 01/10/18 to 30/09/20
13-Sep-18	5431	Habit 5 - Community Panel for public consultations (2 year pilot scheme) for period 01/08/18 to 31/07/20
20-Sep-18	5539	Redacted

<b>Award Date</b>	<b>File Reference</b>	<b>Description</b>
20-Sep-18	5538	NABIS Force Funding Contribution for Firearm offences for period FY18/19 - CANCELLED
20-Sep-18	5482	Contribution to NABIS 2018-19
25-Sep-18	5410	Financial and Data Services for period 01/04/18 to 31/03/19
08-Oct-18	5288	National Mobile Phone Register (NMPR) for period 01/04/18 to 31/03/20
15-Oct-18	5243	Provision of electric vehicles
30-Oct-18	5593	First Aid products for period 09/11/18 to 30/09/19
06-Nov-18	5512	Business Travel, Accommodation and Events for period 10/11/18 to 09/11/19
13-Nov-18	5537	Public Sector Audit fee for the PCC and CC of Lincolnshire 2018/19
13-Nov-18	5366	National Contract for Fuel Cards for period 01/08/18 to 31/03/19
15-Nov-18	5504	FCR Mental Health Crisis Nurse Pilot Extension for period 10/07/18 to 31/01/19
20-Nov-18	5509	Supply of Drugwipes for period 20/11/18 to 06/02/20
27-Nov-18	5541	Temp for Finance for OBIEE for period 18/11/18 to 31/12/18
28-Nov-18	5498	Redacted
30-Nov-18	5534	Redacted
30-Nov-18	5503	Integrated Restorative Justice Services Extension for period 01/04/19 to 31/03/21
30-Nov-18	5453	Building works to make provision for gym equipment
07-Dec-18	5420	National Protected Personal Carriers (van) standard competition extension for period 19/12/18 to 18/12/19
07-Dec-18	5532	Internal Audit Services for period 08/05/19 to 07/05/22
18-Dec-18	5558	Temp OBIEE Accountant for period 01/01/19 to 31/01/19
21-Dec-18	5500	Redacted

<b>Award Date</b>	<b>File Reference</b>	<b>Description</b>
21-Dec-18	5276	Supply and installation of LED lighting
27-Dec-18	5542	Extension of CHISVA - Children and Young Person's Sexual Violence Support Services for period 01/10/19 to 30/09/21
18-Jan-19	5546	Vehicle Recovery Services led by North Wales Police for period 14/01/19 to 13/01/20
18-Jan-19	5513	SDIS Support for period 15/11/17 to 31/03/21
22-Jan-19	5527	Extension of pilot to provide psychological assessments and counselling to staff for period 15/10/18 to 31/03/19
23-Jan-19	5501	Redacted
30-Jan-19	5531	Temp for Finance for OBIEE for period 01/02/19 to 31/03/2019
11-Feb-19	5514	Chronicle system support - Regional Contract led by EMSCU for period 01/10/18 to 30/09/24
19-Feb-19	5629	NPAS Contribution for FY 2019/2020
06-Mar-19	5235	Purchase of gym equipment
06-Mar-19	5556	Extension for Provision and Monitoring of temporary alarms for period 02/01/19 to 01/01/21
07-Mar-19	5522	Supply of Half Hourly Electricity to 8 sites for period 01/04/19 to 31/03/20
07-Mar-19	5523	Supply of Non half hourly electricity for period 01/04/19 to 31/03/20
07-Mar-19	5521	Natural Gas to Lincolnshire Police for period 01/04/19 to 31/03/20
11-Mar-19	5545	Installation of Home Office Type approved spot speed camera and housing to be sited at Ryhall Road Stamford for period 01/04/19 to 31/03/24
11-Mar-19	5488	Employee Benefits - Cycle to work scheme for period 01/04/19 to 31/07/19
12-Mar-19	5596	Women's Aid Contribution - Grant Q3 & Q4
20-Mar-19	5601	PCC & CC Audit fees 2019/20
25-Mar-19	5583	Consultancy services for G4S extension
25-Mar-19	5613	Contribution for MH Outreach Worker 2018-19 and 2019-20

Award Date	File Reference	Description
28-Mar-19	5614	Subscription to Police ICT Company for period 01/04/19 to 31/03/20
28-Mar-19	5588	Taser ammunition and ancillary equipment
28-Mar-19	5617	Redacted
28-Mar-19	5591	Autopsy Services for 2019/2020
28-Mar-19	5602	Coroner's Officers recharge FY 19/20
29-Mar-19	5618	OPCC Leics Contributions 2018-19
29-Mar-19	5595	Temp OBIEE Accountant for period 01/04/19 to 30/06/19
<b>TOTAL</b>	<b>86</b>	

**TABLE 2: STRATEGIC PROCUREMENT UNIT  
EXCEPTIONAL PURCHASE ACTION  
CONTRACTS AWARDED 01/04/18 TO 31/03/19**

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

<b>Award Date</b>	<b>File Reference</b>	<b>Contract Value £'000</b>	<b>Provider &amp; Description</b>	<b>User Justification as detailed in the Exceptional Purchase Action Form</b>	<b>Department</b>
01/05/18	5370	69	ORACLE CORPORATION UK LTD Renewal of Enterprise Licences for period 06/04/18 to 05/04/19	This is being awarded under the CCS MoU. There is no benefit to awarding to another reseller due to additional charges that this would bring.	IT
11/06/18	5400	30	ROBERT WOODHEAD LTD Create new DDA path from Lakeside to Gym at HQ	This supplier is already undertaking works in this location under the EMPA framework and therefore can carry out this work at the same time and by the deadline of 30/09/18	Facilities Management
12/06/18	5390	27	Redacted	Redacted	Support Services
26/06/18	5392	34	CHERRY PROFESSIONAL RECRUITMENT Temp for Finance for OBIEE consultancy for period 21/05/18 to 17/08/18	The contractor has specific skills and has already been providing this service to the Force so knows exactly what we need and can provide guidance and expertise in both the System and Police specific finance reporting.	Corporate Finance
27/06/18	5406	54	SELMEC (LINCOLN) LTD Essential works to HQ & Boston offices	These works cannot be advertised due to having to release sensitive details regarding the departments that this relates to hence single source approval obtained	Facilities Management

Award Date	File Reference	Contract Value £'000	Provider & Description	User Justification as detailed in the Exceptional Purchase Action Form	Department
05/07/18	5416	29	ABM INTELLIGENCE LTD Renewal of ABM Pegasus solution for period 01/04/18 to 31/03/19	These products are owned by ABM and therefore not available via another supplier hence the need to single source to ABM	IT
05/07/18	5369	31	ABM UK LTD Upgrade to ABM Pegasus	The products are owned by ABM and therefore only this supplier can provide upgrades to the system hence the need to single source to ABM	IT
18/07/18	5320	70	CUBIC TRANSPORTATION SYSTEMS LTD Annual calibration speed cameras for period 01.04.18 to 31/03/22	Cubic systems are the sole supplier of all our current Gatso wet film cameras and Gatso digital speed cameras. All the speed cameras require an annual calibration as part of the Home Office Type Approval system and Cubic are the only company that are permitted to calibrate or repair their equipment.	LRSP
24/07/18	5319	44	CUBIC TRANSPORTATION SYSTEMS LTD Upgrade to EROS Core and support for period 01/04/18 to 31/03/21	Cubic systems are the sole supplier of all our current Gatso wet film cameras and Gatso digital speed cameras. Cubic are the only company that can provide this upgrade to the existing system.	LRSP
31/07/18	5426	40	CASTLEROCK RECRUITMENT GROUP LTD Interim SOE cover for period 25/06/18 to 31/08/18	New FME contract starts on 01/09/18. Current provider advised they are unable to provide cover throughout this interim period therefore the same provider as the tendered FME contract will provide interim cover as and when required	CPT
02/08/18	5476	34	CHERRY PROFESSIONAL RECRUITMENT Temp for Finance for OBIEE consultancy for period 18/08/18 to 17/11/18	The contractor has specific skills and has already been providing this service to the Force so knows exactly what we need and can provide guidance and expertise in both the System and Police specific finance reporting.	Corporate Finance

Award Date	File Reference	Contract Value £'000	Provider & Description	User Justification as detailed in the Exceptional Purchase Action Form	Department
13/09/18	5431	50	HABIT 5 Community panel for public consultations (2 year pilot scheme) for period 01/08/18 to 31/07/20	This supplier has previously undertaken a consultation on behalf of OPCC and therefore have an existing base of individuals who have already expressed an interest in being involved in future consultation. There is no other organisation who would have access to this base of individuals within the requested timeframe.	Strategic Development
15/11/18	5504	30	LINCOLNSHIRE PARTNERSHIP NHS FOUNDATION TRUST FCR mental health crisis nurse for period 10/07/18 to 31/01/19	Extension to existing contract. The NHS is the only provider of this service which has access to NHS protocols and is already signed up to ISA between LPFT and Lincs Police. Part of the service is the ability to seamlessly pathway sufferers into appropriate care – this can only be provided by LPFT.	OPCC
20/11/18	5519	47	BRITISH GAS NEW HEATING T/A BRITISH GAS HQ boiler replacement	Due to urgency as one boiler has failed and due to the time of year the other boilers may not be able to cope with the extra load.	Facilities Management
28/11/18	5498	12	Redacted	Redacted	CPT
21/12/18	5500	22	Redacted	Redacted	CPT
18/01/19	5513	32	CUBIC TRANSPORTATION SYSTEMS LTD SDIS Support renewal for period 15/11/17 to 31/03/21	Cubic are the only company that can provide support for this existing system.	LRSP



Award Date	File Reference	Contract Value £'000	Provider & Description	User Justification as detailed in the Exceptional Purchase Action Form	Department
22/01/19	5527	30	SUPPORTING MINDS Extension of pilot to provide psychological assessments and counselling to staff for period 15/10/2018 to 31/03/19	The force has an existing contract with this supplier to provide psychological support and counselling to officers and staff in the Public Protection Unit. This request seeks to extend this and to incorporate a screening assessment for response officers at Boston and Spalding stations. Delivery timescales for the pilot schemes imposed by the Police Transformation Fund meant that service had to commence in October 2018.	Wellbeing Programme
23/01/19	5501	32	Redacted	Redacted	CPT
25/03/19	5583	95	CIPFA BUSINESS LTD Consultancy services for Strategic Partnership Contract extension	Due to the timescales involved with this project it not considered that there is sufficient time to enable a mini-competition to be held. Three quotes were received however it was believed that this would be able to be procured under a framework without realising a formal mini-competition process should be followed.	CPT
28/03/19	5591	156	UNIVERSITY OF LEICESTER Autopsy Services for 2019/2020	Home Office autopsies must be carried out by an approved Home Office Pathologist. The local Home Office approved supplier is University of Leicester	Support Services
28/02/18	5595	33	CHERRY PROFESSIONAL RECRUITMENT for period	The contractor has specific skills and has already been providing this service to the Force so knows exactly what we need and can provide guidance and expertise in both the System and Police specific finance reporting.	Corporate Finance
<b>TOTAL</b>	<b>22</b>	<b>1,001</b>			

**TABLE 3: STRATEGIC PROCUREMENT UNIT  
RETROSPECTIVE PURCHASE ORDERS  
CONTRACTS AWARDED 01/04/18 TO 31/03/19**

<b>Supplier</b>	<b>Action Taken</b>
Pitney Bowes	Liaised with Support Services and annual PO's will now be raised
Royal Mail	Liaised with Support Services and annual PO's will now be raised
Vodafone	Liaised with IT to ensure requisitions are raised prior to invoices coming in

## APPENDIX C

### DEBT RECOVERY 2018/19

The total of debtor invoices raised in 2018/19 on behalf of the PCC was £6.572m (2017/18 £7.478m).

The level of outstanding debt at 31 March 2019 was £1.332m. Most of this was money owed to the PCC by companies or public bodies.

Type of Debtor	2017/18		2018/19	
	Amount £000s	% of Total Outstanding	Amount £000s	% of Total Outstanding
Individuals	39	3.18%	46	3.45%
Companies	47	3.83%	25	1.88%
Public bodies	1,140	92.99%	1,261	94.67%
<b>Total Outstanding</b>	<b>1,226</b>		<b>1,332</b>	

The age profile of this debt is shown below. This is a snapshot as at 31 March 2019.

Number of Days	0 - 30	31 - 60	61 - 90	>90	Total Outstanding
<b>2018/19</b>					
Amount Outstanding £000s	1,265	13	1	53	<b>1,332</b>
% of Outstanding Debt	95.0%	1.0%	0.0%	4.0%	
<b>2017/18</b>					
Amount Outstanding £000s	1,007	119	37	63	<b>1,226</b>
% of Outstanding Debt	82.1%	9.7%	3.0%	5.2%	

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

Debts written off in the year total £20,096 equivalent to 0.3% of the total debt raised. This includes invoices for legal court costs which have been awarded to Lincolnshire Police but have proved unrecoverable. The debts written off were subject to investigation by the appointed external Debt Recovery Agent prior to write off.

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

## **APPENDIX D**

### **INSURANCE SERVICES**

- 1.1. The Police and Crime Commissioner's (PCC) main classes of insurance, including Motor Fleet, Public / Employers Liability and Fidelity Guarantee, cover were subject to competitive tender under EU rules at the end of 2017, for insurance services commencing 1<sup>st</sup> April 2018. Contracts were awarded for a three year period with an option to extend for two further individual years.
- 1.2. The Police and Crime Commissioner's (PCC) other classes of insurance cover, including Property, Business Interruption, Engineering Inspection, Personal Accident and Travel, are still under contract until 31<sup>st</sup> March 2020.
- 1.3. Insurance Premium Tax (IPT) was charged at 12% on all invoices for 2018/19.
- 1.4. The table in part 2 of this report provides an analysis of the cost of insurance for 2018/19.
- 1.5. Insurance cover is provided for the Office of the PCC as well as Police Officers, PCSOs, Support Staff, Special Constabulary, Police Staff Volunteers, Police Cadets, Volunteer Police Support Officers and JIAC members.
- 1.6. The PCC's brokers, Henderson Insurance Brokers Limited (HIBL) an Aon company, provide advice on insurance terms and cover level and renegotiations of premiums. Renewal information is provided annually; any changes to our exposure such as changes in vehicle numbers, wages and property value increase or decreases would result in the premiums being adjusted up or down accordingly.

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

- 1.7. Employers Liability and Public Liability claims over the deductible are handled by Risk Management Partners, while those under are handled by East Midlands Police Legal Services.

#### **Claims History**

- 1.8. The tables on pages 19 and 20 of this document summarise the claims experience over the period from November 2012 to 31<sup>st</sup> March 2019.
- 1.9. The Sum of Net paid column relates to the actual amount paid out in respect of claims, the Sum of Remaining Reserve represents the estimate of the amount still to be paid in respect of claims, with the Sum of Total Experience therefore being the total potential cost of the claims.

### Employers Liability Claims

Policy Year	Number of Claims	Sum of Net paid £000s	Sum of Remaining Reserve £000s	Sum of Total Experience £000s
1 <sup>st</sup> Nov 2012 – 31 <sup>st</sup> Oct 2013	8	16.7	-	16.7
1 <sup>st</sup> Nov 2013 – 31 <sup>st</sup> Mar 2015	5	8.3	55.0	63.3
1 <sup>st</sup> Apr 2015 – 31 <sup>st</sup> Mar 2016	4	7.9	-	7.9
1 <sup>st</sup> Apr 2016 – 31 <sup>st</sup> Mar 2017	5	23.3	40.0	63.3
1 <sup>st</sup> Apr 2017 – 31 <sup>st</sup> Mar 2018	1	10.9	-	10.9
1 <sup>st</sup> Apr 2018 – 31 <sup>st</sup> Mar 2019	-	-	-	-
<b>Total</b>	<b>23</b>	<b>67.1</b>	<b>95.0</b>	<b>162.1</b>

### Public Liability Claims

Policy Year	Number of Claims	Sum of Net paid £000s	Sum of Remaining Reserve £000s	Sum of Total Experience £000s
1 <sup>st</sup> Nov 2012 – 31 <sup>st</sup> Oct 2013	43	57.5	-	57.5
1 <sup>st</sup> Nov 2013 – 31 <sup>st</sup> Mar 2015	37	98.7	18.5	117.2
1 <sup>st</sup> Apr 2015 – 31 <sup>st</sup> Mar 2016	37	77.3	590.3	667.6
1 <sup>st</sup> Apr 2016 – 31 <sup>st</sup> Mar 2017	33	134.8	20.4	155.2
1 <sup>st</sup> Apr 2017 – 31 <sup>st</sup> Mar 2018	13	2.7	114.5	117.2
1 <sup>st</sup> Apr 2018 – 31 <sup>st</sup> Mar 2019	20	11.9	822.8	834.7
<b>Total</b>	<b>183</b>	<b>382.9</b>	<b>1566.5</b>	<b>1949.4</b>

### Motor Claims Handling

- 1.10 Since April 2018, motor claims handling services have been provided by Gallagher Bassett on behalf of Risk Management Partners. The claims team handle all “fault” motor claims and a few “non-fault” motor claims involving a third party, at a fixed price of £149 per claim. All other “non-fault” claims are managed by Hendersons on behalf of the PCC.

- 1.11 Insurance cover is provided for damage to third parties. The PCC is self-insured in respect of accidental damage to police vehicles as the premiums for comprehensive insurance would be far in excess of the cost of repairs.

<b>Policy Year</b>	<b>Number of Claims</b>	<b>Sum of Net paid £000s</b>	<b>Sum of Remaining Reserve £000s</b>	<b>Sum of Total Experience £000s</b>
1 <sup>st</sup> Nov 2012 – 31 <sup>st</sup> Oct 2013	63	396.6	-	396.6
1 <sup>st</sup> Nov 2013 – 31 <sup>st</sup> Mar 2015	86	75.6	-	75.6
1 <sup>st</sup> Apr 2015 – 31 <sup>st</sup> Mar 2016	71	38.8	-	38.8
1 <sup>st</sup> Apr 2016 – 31 <sup>st</sup> Mar 2017	73	88.4	118.6	207.0
1 <sup>st</sup> Apr 2017 – 31 <sup>st</sup> Mar 2018	82	26.8	177.0	203.8
1 <sup>st</sup> Apr 2018 – 31 <sup>st</sup> Mar 2019	65	12.5	35.2	47.7
<b>Total</b>	<b>440</b>	<b>638.7</b>	<b>330.8</b>	<b>969.5</b>

#### **Computer Claims**

- 1.12 None in the last 10 years.

#### **Other Policies**

- 1.13 In the last 10 years, there have been no claims on the other policies held by the PCC.

#### **Review of Settlements**

- 1.14 To comply with Financial Regulations, it is required that the annual report includes the following occurrences in the financial year:

- Settlements made in excess of £25k,
- Ex gratia payments in excess of £10k and
- The position in respect of claims estimated at over £50k.

- 1.15 Three payments have been made in excess of the £25k settlement limit and no payments have been made in excess of the £10k Ex Gratia limit. Current ongoing claims with a reserve above £50k consist of five Public Liability claims and one motor insurance claim.

## APPENDIX E: ANNUAL TREASURY MANAGEMENT REVIEW 2018/19

### 1. Introduction

The Police & Crime Commissioner (PCC) is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2018/19. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2018/19 the minimum reporting requirements were that the PCC should receive the following reports:

- an annual treasury strategy in advance of the year (PCC decision 015-2018 29/03/2018);
- a mid-year treasury update report (Resource Governance paper 26/11/2018);
- an annual review following the end of the year describing the activity compared to the strategy (this report).

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

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

### 2. The PCC's Capital Expenditure and Financing

The PCC undertakes capital expenditure on long-term assets. These activities may either be:

- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the PCC's borrowing need; or
- if insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

Capital Expenditure and Financing (£m)	2017/18	2018/19	2018/19
	Actual	Revised Budget	Actual
Capital expenditure	11.9	21.3	16.4
Financed in year	7.9	6.8	5.8
Unfinanced capital expenditure	4.0	14.5	10.6

### 3. The PCC's Overall Borrowing Need

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

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

Gross Borrowing and CFR (£m)	31-Mar-18 Actual	31-Mar-19 Revised Budget	31-Mar-19 Actual
Capital Financing Requirement	31.3	43.9	39.8
Borrowing	11.6	29.9	28.7
Other long term liabilities*	7.1	7.1	6.9
Over / (under) borrowing	(12.6)	(6.9)	(4.2)

\*includes the finance lease liability for the ICT assets transferred to G4S.

**The authorised limit** - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the PCC does not have the power to borrow above this level. The table below demonstrates that during 2018/19 the PCC has maintained gross borrowing within its authorised limit.

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

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

Authorised Limit and Operational Boundary (£m)	2018/19
Authorised limit	53.0
Maximum gross borrowing position during the year	35.6
Operational boundary	48.0
Average gross borrowing position	27.1
Financing costs as a proportion of net revenue stream	2.09%



#### 4. Treasury Position as at 31 March 2019

At the beginning and the end of 2018/19 the PCC's treasury position (excluding borrowing by PFI and finance leases) was as follows:

Treasury Position (£m)	31-Mar-18 Principal	31-Mar-19 Principal
Total debt	11.6	28.7
Capital Financing Requirement	31.3	39.8
Other long term liabilities	(7.1)	(6.9)
Underlying Borrowing Need	24.2	32.9
Over / (under) borrowing	(12.6)	(4.2)
Total investments	2.4	8.1
Net debt	9.2	20.6

The maturity structure of the debt portfolio was as follows:

Maturity Structure (£m)	31-Mar-18 Actual	31-Mar-19 Actual
Under 12 mths	1.0	1.1
12 mths and within 24 mths	1.0	0.8
24 mths and within 5 yrs	2.5	2.4
5 yrs and within 10 yrs	1.3	3.6
10 yrs and within 20 yrs	5.8	2.8
40 yrs and within 50 yrs	-	18.0

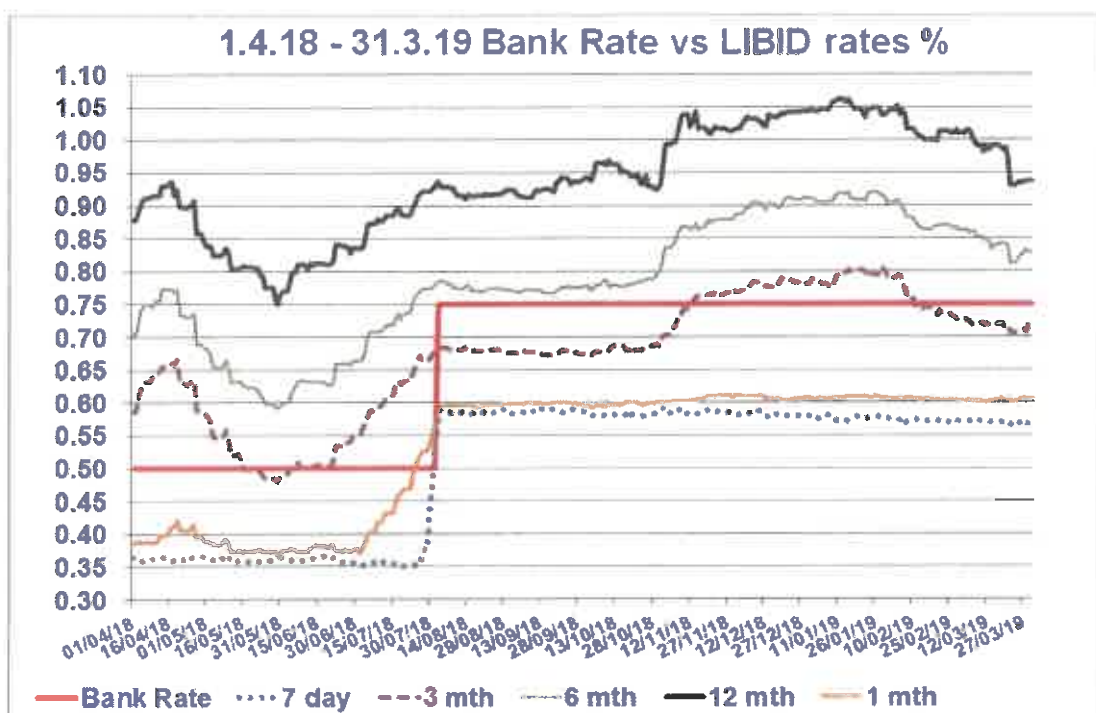
The maturity structure of the investment portfolio was as follows:

Investments (£m)	31-Mar-18	31-Mar-19
Longer than 1 year	-	-
Up to 1 year	2.4	8.1
Total	2.4	8.1

All investments were made for up to one year.

## 5. The Strategy for 2018/19

### Investment strategy and control of interest rate risk



Investment returns remained low during 2018/19. The expectation for interest rates within the treasury management strategy for 2018/19 was that Bank Rate would rise from 0.50% to 0.75%. At the start of 2018-19, and after UK GDP growth had proved disappointingly weak in the first few months of 2018, the expectation for the timing of this increase was pushed back from May to August 2018. Investment interest rates were therefore on a gently rising trend in the first half of the year after April, in anticipation that the MPC would raise Bank Rate in August. This duly happened at the MPC meeting on 2 August 2018. During this period, investments were, therefore, kept shorter term in anticipation that rates would be higher later in the year.

It was not expected that the MPC would raise Bank Rate again during 2018-19 after August in view of the fact that the UK was entering into a time of major uncertainty with Brexit having been due in March 2019. Value was therefore sought by placing longer term investments after 2 August where cash balances were sufficient to allow this.

Investment rates were little changed during August to October but rose sharply after the MPC meeting of 1 November was unexpectedly hawkish about their perception of building inflationary pressures, particularly from rising wages. However, weak GDP growth data after December, plus increasing concerns generated by Brexit, resulted in investment rates falling back again.

Continued uncertainty in the aftermath of the 2008 financial crisis has promoted a cautious approach whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

## Borrowing strategy and control of interest rate risk

During 2018-19, the PCC maintained an under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement) was not fully funded with loan debt, as cash supporting the PCC's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.

A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this has incurred a revenue cost being the difference between (higher) borrowing costs and (lower) investment returns.

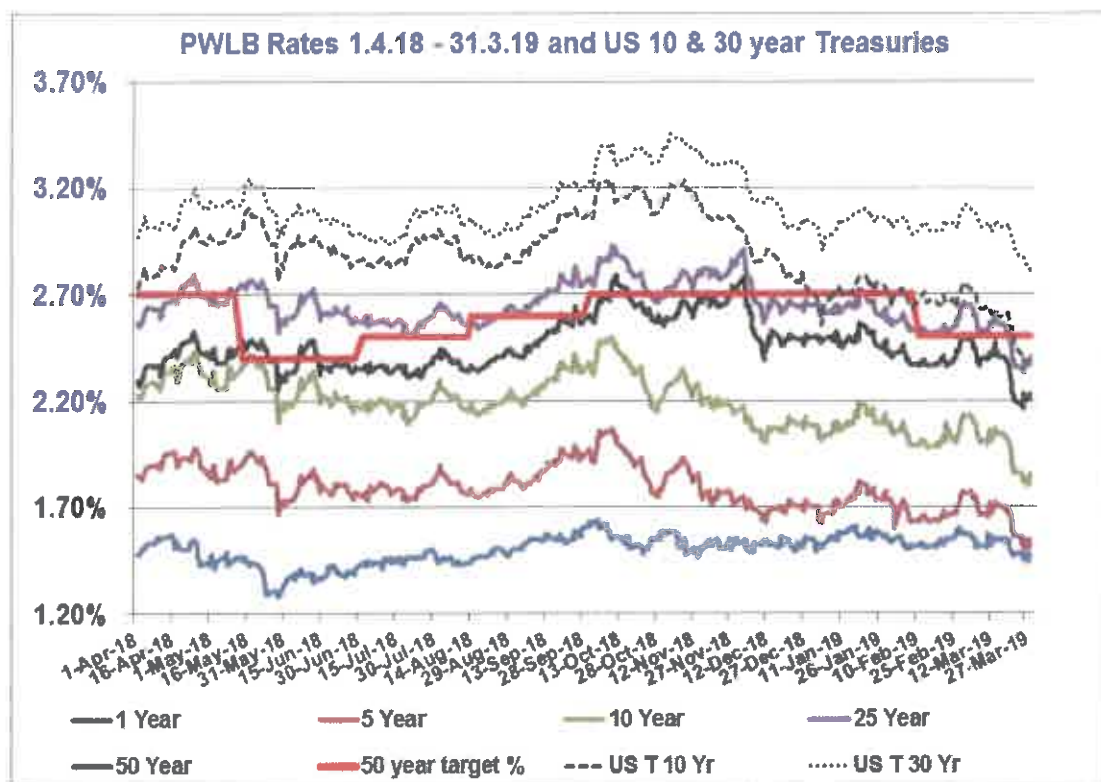
The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this was kept under close review in 2018/19 as cash balances were reducing and to avoid incurring higher borrowing costs in the future when the PCC may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Chief Finance Officer therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

- if it had been felt that there was 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 would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered;
- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and 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, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2018/19 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

Link Asset Services Interest Rate View												12.2.18	
	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.50%
5yr PWLB Rate	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%
10yr PWLB Rate	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%



Since PWLB rates peaked during October 2018, most PWLB rates have been on a general downward trend, though longer term rates did spike upwards again during December and, apart from the 1 year rate, reached lows for the year at the end of March. There was a significant level of correlation between movements in US Treasury yields and UK gilt yields which determine PWLB rates. The Fed in America increased the Fed Rate four times in 2018 making nine increases in all in this cycle to reach 2.25% to 2.5% in December. However, it had been giving forward guidance that rates could go up to nearly 3.5%. These rate increases and guidance caused Treasury yields to also move up. However financial markets considered by December 2018, that the Fed had gone too far, and discounted its expectations of further increases. Since then, the Fed has also come round to the view that there are probably going to be no more increases in this cycle. The issue now is how many cuts in the Fed Rate there will be and how soon, in order to support economic growth in the US. But weak growth now also looks to be the outlook for China and the EU so this will mean that world growth as a whole will be weak. Treasury yields have therefore fallen sharply during 2019 and gilt yields/PWLB rates have also fallen.

## 6. Borrowing Outturn for 2018/19

### Borrowing

There has been temporary borrowing in the year, details are shown below:

Amount Borrowed	Number of Days	Interest Rate	Interest Paid (£)
£2.5m	3	0.35%	71.92
£5.5m	20	0.55%	1,657.53
£0.6m	6	0.55%	54.25

Loans were drawn to fund the net unfinanced capital expenditure and naturally maturing debt. The loans drawn were:

Lender	Principal	Type	Average Interest Rate	Maturity
PWLB	£18.0m	Fixed interest rate	2.34%	50 yrs

PWLB interest rates dropped to historically low levels during 2018/19, and given that cash balances were reducing such that internal borrowing had to be replaced with external debt, borrowing was taken to secure low interest rates for the longer term. The table below shows that the average interest rate incurred on the debt portfolio reduced from 4.44% to 3.13% as a result of the borrowing taken in year.

The borrowing was taken as PWLB 50 year maturity loans with the loan principals varying from £2M to £5M. Most of the borrowing requirement for 2018/19 was in respect of the Blue Light building project i.e. longer life property assets were being financed. Previously, borrowing had been shorter term repayment debt, so the new borrowing represented a change in borrowing strategy in order to build a long term debt portfolio for the long life assets being acquired. Ideally, borrowing would have been taken with a range of maturities in the 30 to 50 year range to reduce future refinancing risk. The PWLB yield curve shows that interest rates are higher in the 25 to 30 year range than for a 50 year maturity. Given the projected budgetary gaps and the substantial savings required to balance the budget over the Medium Term Financial Plan, advantage has been taken of the lowest interest rates available to minimise borrowing costs. However, to reduce refinancing risk as far as possible, the borrowing was taken as individual loans of smaller principal sums over the course of the year.

### Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

### Repayments

In 2018/19 the PCC repaid £0.8m on the principal on PWLB loans. The outstanding PWLB debt is shown below:

	31-Mar-18	31-Mar-19
Outstanding PWLB debt	£11.2m	£28.4m
Average interest rate	4.44%	3.13%
Average remaining life	14.4 yrs	36.6 yrs

## 7. Investment Outturn for 2018/19

### Investment Policy.

The PCC's investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the PCC on 29 March

2018. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The PCC held £8.2m of investments as at 31 March 2019; a breakdown of the investments held is in Appendix A1. During the year, no investments were outstanding with counterparties that were not on the PCC's approved list. Interest receipts during the year were £58k, against a budget of £25k.

## Resources

The PCC's cash balances comprise revenue and capital resources and cash flow monies. The PCC's core cash resources were as follows:

Balance Sheet Resources (£k)	31-Mar-18	31-Mar-19
General Fund Balance	5,664	3,232
Earmarked Reserves	10,979	9,227
Provisions	1,217	1,657
Capital Receipts Reserve	-	-
Capital Grants Unapplied	596	292
<b>Total</b>	<b>18,456</b>	<b>14,408</b>

### Appendix A1: Investments List as at 31 March 2019

Capita Colour Coding	Investment duration*	Borrower	Principal (£)	Interest Rate	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
Yellow	Up to 5 years	Black Rock MMF	4,000,000	0.74%	MMF	AAA	0.000%
Yellow	Up to 5 years	Aberdeen Standard MMF	4,000,000	0.73%	MMF	AAA	0.000%
Yellow	Up to 5 years	Insight MMF	170,000	0.72%	MMF	AAA	0.000%
<b>Total Investments</b>			<b>8,170,000</b>	<b>0.74%</b>			<b>0.000%</b>

\*Suggested maximum Investment duration