


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

REF: 023/2014
DATE: 24 September 2014

SUBJECT		FINANCIAL GOVERNANCE REPORT 2013/14
REPORT BY	FORCE CHIEF FINANCE OFFICER (FCFO)	
CONTACT OFFICER	TONY TOMLINSON, FCFO TELEPHONE 01522 558179	
EXECUTIVE SUMMARY AND PURPOSE OF REPORT To present the Financial Governance Report 2013/14 for the Police and Crime Commissioner for Lincolnshire.		
RECOMMENDATION	<i>That the Financial Governance Report 2013/14 appended to this report be approved.</i>	

<p>POLICE AND CRIME COMMISSIONER FOR LINCOLNSHIRE</p> <p>I hereby approve the recommendation above, having considered the content of this report.</p> <p>Signature:  Date: 24/09/14</p>

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 and Contract Regulations to be reported on an annual basis.
2. The report is broken down into the following sections:
 - Overall financial performance
 - Procurement
 - Debt recovery
 - Insurance
 - Treasury management
3. The report was presented at the Resource Governance meeting on 28th May 2014, for agreement and noting. It is now incorporated into this decision request

to recognise that it has been received and to make the Financial Governance Report available.

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

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

B. FINANCIAL CONSIDERATIONS

These have been included in the Financial Governance Report.

The cost of insurance in 2013/14 is detailed within the report; a tender exercise is being carried out for the renewal in November. As there is an excess policy operated, there is an Insurance Reserve. At 31st March 2014, this amounted to £0.75 million.

Treasury Management is a crucial aspect of financial management, with the objective of maximising returns but with limited risk. The services of a treasury management advice specialist are utilised, at an annual cost of £7k.

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. This equation is being reviewed as part of the tendering process for the insurance cover.

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/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.

Is there a part 2 form? No

If Yes, for what reason:

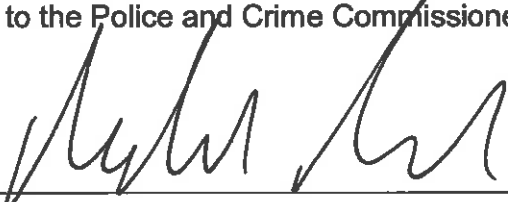
ORIGINATING OFFICER DECLARATION

	Tick to confirm
Originating Officer: CC'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.	✓
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:** 24/1/14

<i>Security Classification</i>	Not protectively marked
<i>Disclosable under FOIA 2000</i>	YES
<i>Contact/Author</i>	Tony Tomlinson, FCFO
<i>Telephone/Ext number</i>	8179
<i>Department/Area</i>	Corporate Finance
<i>Date created</i>	May 2014
<i>Chief Officer Approved by</i>	
<i>Attachments:</i>	
<i>Appendix A Financial Performance Annual Report 2013/14</i>	
<i>Appendix B Procurement Annual Report 2013/14</i>	
<i>Appendix C Debt recovery</i>	
<i>Appendix D Insurance services</i>	
<i>Appendix E Treasury Management Annual Report 2013/14</i>	

RESOURCES GOVERNANCE MEETING

MEETING DATE: 28 MAY 2014

REPORT : FINANCIAL GOVERNANCE 2013/14

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

The report covers :

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

APPENDIX A

FINANCIAL PERFORMANCE ANNUAL REPORT 2013/14

The Commissioner's Financial Strategy requires the preparation of an Annual Report on Financial Performance including actual performance compared with the targets agreed with the Financial Strategy.

Actual performance is shown in the Appendix.

There is a need for improvement in some areas particularly revenue budget management. Overall, budget management is good with close monitoring and with overall spending controlled within the total budget. However, there is scope for improvement in budget holder forecasting and corrective action.

Some areas, e.g. Fairer Funding, are outside the organisation's direct control although substantial effort to influence this is continuing.

Full details of financial performance in the year are set out in the 2013/14 Revenue Outturn Report, the 2013/14 Capital Outturn Report and the 2013/14 Financial Statements.

30 April 2014

Appendix

PERFORMANCE MEASURES : financial health and performance

REF	MEASURE	TARGET	2013/14	
	Financial health			
1	General reserves	Maintained around the mid-point of a target range based on a financial risk assessment, currently around 5% of total annual expenditure.	5.1%	✓
2	Borrowing	Annual cost of debt repayment and interest not to exceed 5% of annual income.	2.2%	✓
3	Internal control	All core financial systems to receive "substantial assurance" internal audit conclusions.	No	×
4	Accounting	Unqualified external audit opinion on the annual financial statements.	n/a	
	Fairer funding			
5	Government grant	Increased share of national Police Grant.	No change	×
	Value for money			
6	Crime	Lower than national average number of crimes per head of population	17% lower	✓
7	Anti-social behaviour	Lower than national average rate per head of population	47% Lower	✓
8	Crime resolution	Higher than national average rate per head of population	1% lower	×
9	Victim satisfaction	Higher than national average level	2% lower	×
10	Spending	Lower than national average spending per head of population	16% Lower	✓
	Financial performance			
11	Revenue budget management	More than 50% of budgets managed to within 1%.	28%	×
12	Capital programme management	Actual capital spending managed to more than 80% of the approved programme.	83%	✓
13	Income from fees and charges	Annual Income from fees and charges to exceed £?m – <i>to be determined</i>	£1.536m	
14	Income collection	Average number of debtor days not to exceed - <i>to be determined</i>	33	
15	Payments	More than 90% of undisputed invoices to be paid within 30 working days.	75%	×
16	G4S contract – finance functions	100% of G4S contractual targets achieved.	89%	×
	Treasury management			
17	Interest earned	Interest rate on investments higher than average bank rate.	0.51%	✓
18	Interest paid	Interest paid on new long term borrowing less than average government borrowing rate.	n/a	
	Procurement			
19	Extent of competition	Percentage of spending via national and regional frameworks and other competitive processes	n/a	
20	Major contracts	Savings achieved on major contracts	£112k	

APPENDIX B

Strategic Procurement Unit
Procurement Report May 2014

Police and Crime Commissioner for Lincolnshire

Chief Constable, Lincolnshire Police

Authored

Robert Cobb MCIPS MCMI

Head of Procurement.

Policing Support Services - Lincolnshire Police

Background

1. The Police and Crime Commissioner and the Chief Constable are required to undertake purchases on a day to day basis. In general most of these purchase decisions will be for acquisitions of a relatively small value and under the current contract and Procurement regulation devolved threshold of £5000.00. However there are occasions where the requirement being undertaken by the PCC or the Force will be significant both in terms of the financial, legal and/or political commitment and in these circumstances the SPU (Strategic Procurement Unit) will manage the contractual process to ensure both compliance to regulatory frameworks and advise on suitable timescales allowing any process map to deliver Value for Money.

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 to the user department so they can make decisions of their future requirements.

Further they ensure that the processes that are followed are undertaken in accordance with and regulatory compliance and standards connected with internal Contract regulations and Public Contracts Act 2006.

Past and current performance

3. The schedule attached lists Procurement contracts executed/managed via SPU during the 2013 /14 Fiscal Period with values above £25k (attached at Appendix 1) + those that were awarded under EPA scheme without competition. (attached Appendix 2).

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

- 53 Contracts executed with a value of £6,682,794.96.
- 15% of contracts awarded under EPA with a value of 5% of total.
- Top 10 above £100,000 represent 58% of contracts listed and 78% of spend
- 3% of contracts listed constitute 10% of spend
- 50% of contracts listed were awarded under police/public collaborative/framework arrangements and constitute 74% of spend

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

Major Contract Work

6. The following schemes are currently scheduled to be undertaken within the next 12 months:

- **Victim Services Commissioning Project.**

This is probably one of the largest and most high profile projects to be undertaken by procurement. Being led by the OPCC it is intended to commission the whole of the current grant funded victim support services. This will be a full OJEU led project with a significant support role for the bidders as most will have never been involved in any aspect of bid management.

There is also a very challenging time frame to this which has been clearly highlighted to the Project Manager (Michelle Howard). We have a Home Office dead line of commissioning these services by 1 April 2015. In view of the various gap analysis required to establish requirements and the mandatory OJEU process time periods in

the OJEU restricted process this puts us behind the curve of where we should ideally be.

- **Provision of Insurance Services.**

This is a renewal of a 4 year old contract for Insurance services. Being Led by the force CFO jointly with the OPCC CFO this is another OJEU contract. Henderson's have currently been engaged on a consultancy basis and as part of this they are advising on levels of cover. The Procurement process will however be run by the SPU and will take the form of a public open tender process.

The renewal Date is 1 November so again time is of the essence but with an open process I am currently comfortable with the process time plan.

- **Static Digital Speed Cameras.**

The Pre Procurement process paperwork has now been completed and this project is ready to commence on the procurement phase. There is no definitive time frame for this although it does need completion ASAP. I will again be an OJEU open process which reduces the time scales somewhat but I am anticipating a significant clarification & evaluation process.

- **PSN Services Transfer Networks.**

This is another significant piece of work to be undertaken. This has now been approved as a formal project and will be led by one of the project team. Although this project is external to the public procurement regulations there is still a requirement to abide by the principles. There is therefore substantial work for SPU to ensure that procurements are carried out in a compliant format. This is highly technical based requirement but imperative that SPU are engaged and consulted prior to any vendor engagement.

- **Temporary Agency Staff.**

This is a contract that is expiring and has a mandatory renewal rather than any further extensions. There is however a pre-arranged framework which it is anticipated using as a vehicle to achieve the best VFM (Value for money) for the force. There will be a mini competition process undertaken to establish current contractual requirements. It is however advised that this should be put to open market after a 12 month Contract.

- **Capital Spend Program**

In addition to the items above, there is a current capital program of £3.7 + carry over where Procurement will have involvement in some of these arrangements. Historically Procurement may not have had involvement in these schemes but moving forward it is essential that Procurement is seen as more strategic function which aligns with the Vision of the Collaborative Law Enforcement Procurement Programme.

Contract Management

7. Supplier Performance.

- **Successful Contract Management.**

Any order placed or contract agreed is only ever as successful as the structured management program applied to ensure compliance to the original expectation.

It is simply not acceptable to place an order or sign a contract and then hope for the best. Most issues that arise in a contract management phase are a direct result of lack of clarity and expectation at the pre agreement phase highlighting just how important this is. Vagaries, poor specification and open ended scope are a certain recipe for future dissatisfaction, considerable additional resource, conflict and potential failure of the requirement. Again this highlights the potential exposure of using supplier T&C's without fully reading or understanding them.

Measures will include:

- a) Working jointly to lower joint cost such as electronic and condensed invoicing processes.
- b) Regular structured Contract review meetings.
- c) Regular review of expectation and scope
- d) Openness, honesty and relationships.
- e) Clear Indications of long term plans allowing them to invest in the agreement.

Management and performance

8. Internal Performance targets and measures have included the following measurement during the 13/14 period.

- Percentage of spending via national and regional frameworks or contracts, was 78.14%
- Cost Savings and cost avoidance savings achieved on all contracts were £112k.
- Percentage of purchase orders that are retrospective, where this information is available. Information not available.
- The Resource Governance Meeting will monitor delivery of this plan.

**STRATEGIC PROCUREMENT UNIT
CONTRACTS AWARDED 1/4/2013 TO 31/3/2014**

Award Date	File Reference	Description
08/04/2013	4469	Purchase of 5 Ford Transit Vans for Lincolnshire Road Safety Partnership
14/05/2013	3295	Internal Audit Services 01/04/2013 – 31/03/2014
23/05/2013	4488	Purchase of 5 Vauxhall Astra 5 Door Hatchbacks 1.3CDTi Vehicles
20/06/2013	4477	Police and Crime Commissioners 1000 Volunteer Project
18/07/2013	4504	Purchase of 30 Vauxhall Astra Tourers
22/07/2013	4428	Managed Vehicle Recovery Scheme 01/10/2013 – 13/01/2015
22/07/2013	4478	Supply of Diesel, Kerosene and Heating Oil 01/10/2013 – 30/09/2015
07/08/2013	4506	Employee Benefits – Childcare Vouchers 01/09/2013 – 31/08/2015
13/08/2013	4519	Consultancy Services for Police Funding Research
20/08/2013	4497	Advice on and Purchase of Mobile ID Units for Trial
30/08/2013	4501	PentiP Managed Service 01/04/2013 – 31/03/2014
30/08/2013	4518	Extension of the PNN3 Network 01/11/2013 – 30/09/2014
05/09/2013	4507	Re-Roofing of Lincoln West Parade Police Station
23/09/2013	4542	Purchase of 4 Ford Focus Estates for Dog Vehicles
23/09/2013	4490	Extension of Financial and Personal Data Services 01/09/2013 – 30/09/2014
26/09/2013	4553	Purchase of Replacement Airwave Terminals
21/10/2013	4534	Extension of Temporary Agency Staff Contract 01/10/2013 – 30/09/2014

Award Date	File Reference	Description
24/10/2013	4525	Replacement of Boilers at Skegness, Boston and Headquarters
07/11/2013	4529	Conversion of 5 Lincolnshire Road Safety Partnership Ford Transit Vans
08/11/2013	4513	Refurbishment of Toilets at Lincoln Police Station
14/11/2013	4523	Provision of Insurance 01/1/2013 – 31/10/2014
19/11/2013	4577	Renewal of Oracle Licence Support 24/11/2013 – 23/11/2014
22/11/2013	4536	Police Vehicle Conversions
26/11/2013	4575	Purchase of 3 Mercedes Benz 519 CDI Vans
26/11/2013	4535	Electricity for Headquarters and Grantham 01/10/2013 – 30/09/2014
28/11/2013	4582	Renewal of LANDesk 17/11/2013 – 17/11/2014
10/12/2013	4567	Supply and Installation of Custodial Equipment at Skegness Police Station
19/12/2013	4569	Alterations to Skegness Custody
02/01/2014	4588	Home Office Contributions 2014/15
06/01/2014	4557	Replacement of Server Room Cooling System
16/01/2014	4602	Final Extension of Utility Vests 01/02/2014 – 31/01/2015
24/01/2014	4543	Justice Video Service – Live Links
28/01/2014	4609	Mutual Aid Provided for Op Sandy (PCC for Northamptonshire)
04/02/2014	4580	Toilet Refurbishment and Decoration at Boston Police Station
05/02/2014	4587	Hire of Covert Vehicles 01/04/2014 to 31/30/2015
06/02/2014	4558	Replacement of Windows at Boston Police Station
14/02/2014	4574	Supply of Gas to Lincolnshire Police 01/04/2014 – 31/03/2015
19/02/2014	4573	Supply of Non-Half Hourly Electricity 01/04/2014 – 31/03/2015
19/02/2014	4571	Conversion of 7 PSU/OSU Vans and Preferred Supplier

Award Date	File Reference	Description
20/02/2014	4629	Firearms Body Armour 01/01/2014 – 31/12/2014
27/02/2014	4627	Replacement of Boiler Plant, Controls and Associated Pipework and Insulation and Headquarters Workshop/Garage
27/03/2014	4648	Mutual Aid Provision for Op Sandy (PCC for Nottinghamshire)
05/03/2014	4640	Third Extension of the Contract for Substance Misuse Testing 07/03/14 – 06/03/15
20/03/2014	4638	Purchase of Camera Equipment for Crime Scene Investigation Department
24/03/2014	4635	Extension of Police Pension Administration 01/04/2014 – 31/03/2015
TOTAL	45	£6,347,188.96

APPENDIX 2

STRATEGIC PROCUREMENT UNIT
EXCEPTIONAL PURCHASE ACTION
CONTRACTS AWARDED 1/4/13 TO 31/3/14

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

Award Date	File Reference	Contract Value £'000	Provider & Description	User Justification as detailed in the Exceptional Purchase Action Form	Department
20/06/2013	4477	50	LINCOLNSHIRE COMMUNITY AND VOLUNTARY SERVICE (LCVS) - PCC's 1000 volunteer project.	LCVS successfully bid for part of the NESTA charitable fund, they won the innovative engagement with public sector organizations category. In using the LCVS NESTA would provide £50,000.00 to the project, which would then be matched by the Police and Crime Commissioner who supported their innovative bid.	Strategic Development
13/08/2013	4519	19.750	OXFORD ECONOMICS LTD - Consultancy services for police funding research	Contract dealt with by Procurement albeit been under delegated purchasing limits, single source approval provided by Tony Tomlinson.	Retained Finance
21/10/2013	4534	100	ADECCO UK LTD - Extension of temporary agency staff contract 01/10/2013 to 30/09/2014	Lincolnshire Police provided commitment to Thames Valley Police for the new Police Framework but Thames Valley single sourced to Reed. This did not provide sufficient time to run our own tender process therefore the contract with Adecco required further extending to maintain continuity of service.	Human Resources
24/01/2014	4543	35.251	VODAFONE -- Justice Video Service Live Links	The network connection had to be procured via Vodafone due to the existing infrastructure; single source approval was received for this under delegated limits. Options were provided by the Strategic Procurement Unit (SPU) with regards to the hardware, but the Project Manager decided to single source the hardware to Vodafone as well. Therefore the SPU requested retrospective exceptional purchase action (EPA) to cover the hardware and previously procured network connection due to them being part of the same contract.	Strategic Development
05/02/2014	4587	44.438	Hire of Covert vehicles from	Technical and operational benefits due to covert nature of requirement.	Operations

				01/04/13			Support
27/02/2014	4627	33.571	SELMEC LLP – Replacement of boiler plant, controls, associated Pipework and insulation at headquarters	Both existing boilers condemned for gas safety therefore the main workshop was without heating and needed to be rectified as soon as it possibly could be. This action would also avoid excess costs of hiring temporary heating.	Assets and Facilities		
27/03/2014	4648	29.960	POLICE AND CRIME COMMISSIONER FOR NOTTINGHAMSHIRE – Mutual aid costs for operation sandy	EPA form not completed due to the nature of the requirement, this was agreed by Tony Tomlinson. Email trail is available.	Operations and Crime Support		
28/01/2014	4609	25.221	POLICE AND CRIME COMMISSIONER FOR NORTHAMPTONSHIRE – Mutual aid costs for operation sandy	EPA form not completed due to the nature of the requirement, this was agreed by Tony Tomlinson. Email trail is available.	Operations and Crime Support		
TOTAL	8	335.606					

APPENDIX C

DEBT RECOVERY 2013/14

The total of debtor invoices raised in 2013/14 on behalf of the PCC was £6.093m.

The average number of debtor days was 33. This was the average time taken for debtors to settle their bills.

The level of outstanding debt at 31 March 2014 was £685k. Most of this was money owed to the PCC by companies or public bodies.

Type of debtor	Amount £000's	% of total outstanding
Individuals	46	7%
Companies	343	50%
Public bodies	296	43%
Total outstanding	685	100%

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

Number of days	0 -30	31-60	61-90	>90	Total
Amount outstanding £000's	555	26	37	67	685
% of outstanding debt	81%	4%	5%	10%	100%

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 £23,926 equivalent to 0.4% of the total debt raised. This includes invoices for legal court costs which have been awarded to Lincolnshire Police but have proved unrecoverable.

All debts write offs must be approved in accordance with the Financial Regulations.

1. APPENDIX D : INSURANCE SERVICES

1.1. The Police and Crime Commissioner's (PCC) insurance contract has reached its last year. Cover is currently provided by:

- | | |
|------------------------------------|----------------------------|
| ➤ Property | - Zurich Municipal |
| ➤ Business Interruption | - Zurich Municipal |
| ➤ Public /Employers Liability | - Zurich Municipal |
| ➤ Fidelity Guarantee | - Zurich Municipal |
| ➤ Motor Fleet | - Zurich Municipal |
| ➤ Personal Accident and Travel | - Risk Man. Partners (AIG) |
| ➤ Engineering including Inspection | - Risk Man. Partners (AIG) |

We are now looking to invite competitive tenders, under EU rules, for insurance services from 1st November 2014. The specification is currently being drafted. A national insurance framework exists and has been assessed as restrictive with additional fees.

1.2. The following table provides an analysis of the cost of insurance for the insurance year 2013/14:

COST	
Type of Cover	2013/14 £'000
Multi Liability Policy	104.8
Motor	62.8
Fidelity Guarantee	7.7
Engineering / Travel	7.0
Property & Business Int.	52.2
Total	234.5

1.3. It should be noted that these figures refer to the premiums payable for the annual period of insurance (1st November to 31st October). The premiums have remained consistent as Zurich were unable to offer any further reductions due to the low level of premiums originally tendered. The rates have been held by Zurich, for the duration of the time they have held the risk, since being appointed in 2009.

1.4. A summary of the cover provided under each policy is set out in the Appendix.

- 1.5. Insurance cover is provided for the Office of the PCC as well as Police Officers, Support Staff and members of the Special Constabulary. Volunteers are also covered.
- 1.6. In terms of advice, claims handling and renegotiations of premiums, the PCC's brokers, Hendersons Insurance Brokers Limited, are utilised.
- 1.7. As claims are dealt with retrospectively Gallagher Bassett will continue to act as the administrators for Risk Management Partners in settling claims prior to 1st November 2009. There are currently 5 claims being administered by Gallagher Bassett with a combined reserve of approximately £96.9k. Zurich utilise their own in house provision for claims from this date onwards.

Claims History

- 1.8. The following tables summarise the claims experience over the period from October 2002 to 12th May 2014 the latest period for which figures are available. These show the amount of claims paid and outstanding. It should be noted that since the commencement of the Zurich contract small Public Liability claims are handled in Force and are not included in these figures. Year to date figures are included for the current year.
- 1.9. In the tables below 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 cost of the claims.

Computer Claims

- 1.10. Only one claim has been made historically, in the 2003/04 policy year, with a total cost of £59.4k.

Employers Liability Claims

Policy Year	Number of Claims	Sum of Net paid £'000	Sum of Remaining Reserve £'000	Sum of Total Experience £'000
1 st Oct 2002 – 30 th Sept 2003	4	111.8	-	111.8
1 st Oct 2003 – 30 th Sept 2004	9	108.5	-	108.5
1 st Oct 2004 – 30 th Sept 2005	8	28.9	33.0	61.9
1 st Oct 2005 – 30 th Sept 2006	6	83.7	-	83.7
1 st Oct 2006 – 30 th Sept 2007	7	293.1	-	293.1

1 st Oct 2007 – 30 th Sept 2008	10	215.9	-	215.9
1 st Oct 2008 – 31 st Oct 2009	8	155.7	20.0	175.7
1 st Nov 2009 – 31 st Oct 2010	8	35.9	29.0	64.9
1 st Nov 2010 – 31 st Oct 2011	8	44.9	55.8	100.7
1 st Nov 2011 – 31 st Oct 2012	11	15.3	804.6	819.9
1 st Nov 2012 – 31 st Oct 2013	6	-	73.9	73.9
1 st Nov 2013 – 12 th May 2014	-	-	-	-
Total	85	1,093.7	1,016.3	2,110.0

Public Liability Claims

Policy Year	Number of Claims	Sum of Net paid £'000	Sum of Remaining Reserve £'000	Sum of Total Experience £'000
1 st Oct 2002 – 30 th Sept 2003	45	47.4	-	47.4
1 st Oct 2003 – 30 th Sept 2004	36	36.5	-	36.5
1 st Oct 2004 – 30 th Sept 2005	31	26.8	-	26.8
1 st Oct 2005 – 30 th Sept 2006	51	70.8	-	70.8
1 st Oct 2006 – 30 th Sept 2007	35	37.8	-	37.8
1 st Oct 2007 – 30 th Sept 2008	6	29.9	0.4	30.3
1 st Oct 2008 – 31 st Oct 2009	10	38.6	3.5	42.1
1 st Nov 2009 – 31 st Oct 2010	38	47.6	3.5	51.1
1 st Nov 2010 – 31 st Oct 2011	29	22.5	10.0	32.5
1 st Nov 2011 – 31 st Oct 2012	42	44.6	18.0	62.6
1 st Nov 2012 – 31 st Oct 2013	22	10.5	194.9	205.4
1 st Nov 2013 – 12 th May 2014	4	-	9.2	9.2
Total	340	413.0	239.5	652.5

Motor Claims

- 1.11 All insurance matters relating to motor vehicle accidents are processed by Hendersons on behalf of the PCC. Insurance cover is provided for damage to third parties. The PCC is self-insured in respect of accidental damage to police vehicles as the premiums for comprehensive insurance would be far in excess of the cost of repairs.

Policy Year	Number of Claims	Sum of Net paid £'000	Sum of Remaining Reserve £'000	Sum of Total Experience £'000
1 st Oct 2002 – 30 th Sept 2003	53	35.3	-	35.3
1 st Oct 2003 – 30 th Sept 2004	40	161.1	-	161.1
1 st Oct 2004 – 30 th Sept 2005	50	60.2	-	60.2
1 st Oct 2005 – 30 th Sept 2006	51	144.2	-	144.2
1 st Oct 2006 – 30 th Sept 2007	38	77.9	-	77.9
1 st Oct 2007 – 30 th Sept 2008	50	73.9	-	73.9
1 st Oct 2008 – 31 st Oct 2009	61	213.9	10.0	223.9
1 st Nov 2009 – 31 st Oct 2010	34	104.3	39.9	144.2
1 st Nov 2010 – 31 st Oct 2011	50	85.9	1.4	87.3
1 st Nov 2011– 31 st Oct 2012	41	78.1	26.4	104.5
1 st Nov 2012– 31 st Oct 2013	37	69.8	50.7	120.5
1 st Nov 2013– 12 th May 2014	22	10.6	24.8	35.4
Total	527	1,115.2	153.2	1,268.4

Other Policies

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

Review of Settlements

- 1.13 To comply with Financial Regulations, it is required that Resource and Governance are notified of 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.

- 1.14 One settlement has been made in excess of £25k, being £60k. No payments have been made in excess of the £10k ex gratia limit. Current ongoing claims with a reserve in excess of £25k consist of two Public Liability claims with reserves between £45k and £75k, five Employer Liability claims between £25k and £53k, a further Employer Liability claim under £750k and two Motor claims with reserves between £27k and £38k.

Appendix

SUMMARY OF INSURANCE COVER

EMPLOYERS LIABILITY - Excess £264,781 each loss
- Limit of Indemnity £40,000,000

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

Principal extensions to the cover provided are:

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

PUBLIC AND PRODUCTS LIABILITY - Excess £264,781
- Limit of Indemnity £40,000,000

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

Principal extensions to the cover provided are:

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

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

OFFICIALS INDEMNITY - Excess £264,781 each loss
- Limit of Indemnity £2,000,000

Indemnification of any loss arising from claims made in respect of any wrongful act committed in the course of the business of the PCC including costs and expenses incurred.

Principal extensions to the cover provided are:

- Libel and Slander
- Consumer Protection Act
- Data Protection Act 1984
- Option to reinstate Indemnity Limit
- Discovery Clause Extension
- Exclusion of non statutory duties performed for a fee
- Legal defence costs

PROPERTY - Excess £5,000 each loss

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

Principal extensions to the cover provided are:

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

any employee
any other visitor

BUSINESS INTERRUPTION - Excess as insured under other parts of the policy

Business interruption is cover for loss arising from fire, lightning, aircraft, explosion and storm damage to the value of £11.75 million.

Principal extensions to the cover provided are:

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

PROFESSIONAL INDEMNITY - Excess £264,781 each loss

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

Principal extensions to the cover provided are:

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

MOTOR FLEET - Excess £259,844 each loss

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

Principal extensions to the cover provided are:

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

- Unauthorised movement of vehicles

AVIATION - Excess £500 each loss

Cover is provided for aircraft owned or operated by other persons/organisations and chartered/leased to the Force limited to "top up" their own insurance.

FIDELITY GUARANTEE - Excess £20,000 each loss

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

Principal extensions to the cover provided are:

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

ENGINEERING INSPECTION - Excess None

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

PERSONAL ACCIDENT - Excess None

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

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

BUSINESS TRAVEL - Excess None

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

APPENDIX E : Annual Treasury Management Review 2013/14

1. Introduction

This Police and Crime Commissioner 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 2013/14. 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 2013/14 the minimum reporting requirements were that the Police and Crime Commissioner should receive the following reports:

- an annual treasury strategy in advance of the year (PCC decision 26/02/2013)
- a mid-year (minimum) treasury update report (Resource Governance 04/11/2013)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment places responsibility on the Resource Governance Committee 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 Police and Crime Commissioner's policies.

This Resource Governance Committee also confirms that it has complied with the requirement under the Code to scrutinise treasury management reports.

Capita Asset Services (Sector) have continued to provide a specialist treasury management advice service covering:

- Strategic advice
- Investment advice
- Debt management advice
- Interest rate forecasting
- Technical support
- Benchmarking comparisons
- And training and attendance at meetings to provide independent assurance on treasury management issues.

2. The Economy and Interest Rates

The financial year 2013/14 continued the challenging investment environment of previous years, namely low investment returns, although levels of counterparty risk had subsided somewhat. The original expectation for 2013/14 was that Bank Rate would not rise during the year and for it only to start gently rising from quarter 1 2015. This forecast rise has now been pushed back to a start in quarter 3 2015. Economic growth (GDP) in the UK was virtually flat during 2012/13 but surged strongly during the year. Consequently there was no additional quantitative easing during

2013/14 and Bank Rate ended the year unchanged at 0.5% for the fifth successive year. While CPI inflation had remained stubbornly high and substantially above the 2% target during 2012, by January 2014 it had, at last, fallen below the target rate to 1.9% and then fell further to 1.7% in February. It is also expected to remain slightly below the target rate for most of the two years ahead.

Gilt yields were on a sharply rising trend during 2013 but volatility returned in the first quarter of 2014 as various fears sparked a flight to quality (see paragraph 4.) The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing into 2013/14. That part of the Scheme which supported the provision of credit for mortgages was terminated in the first quarter of 2014 as concerns rose over resurging house prices.

The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth has led to a cumulative, (in the Autumn Statement and the March Budget), reduction in the forecasts for total borrowing, of £97bn over the next five years, culminating in a £5bn surplus in 2018-19.

The EU sovereign debt crisis subsided during the year and confidence in the ability of the Eurozone to remain intact increased substantially. Perceptions of counterparty risk improved after the ECB statement in July 2012 that it would do “whatever it takes” to support struggling Eurozone countries; this led to a return of confidence in its banking system which has continued into 2013/14 and led to a move away from only very short term investing. However, this is not to say that the problems of the Eurozone, or its banks, have ended as the zone faces the likelihood of weak growth over the next few years at a time when the total size of government debt for some nations is likely to continue rising. Upcoming stress tests of Eurozone banks could also reveal some areas of concern.

3. Overall Treasury Position as at 31 March 2014

At the beginning and the end of 2013/14 the Police and Crime Commissioner’s treasury position was as follows:

TABLE 1	31 March 2013 Principal	31 March 2014 Principal
Total debt	£18.0m	£16.1m
CPI	£24.4m	£24.1m
Over / (under) borrowing	£(6.4)m	£(8.0)m
Total investments	£10.4m	£4.1m
Net debt	£7.6m	£12.0m

4. The Strategy for 2013/14

The expectation for interest rates within the strategy for 2013/14 anticipated low but rising Bank Rate (starting in quarter 1 of 2015), and gradual rises in medium and longer term fixed borrowing rates during 2013/14. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

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

The actual movement in gilt yields meant that PWLB rates were on a sharply rising trend during 2013 as markets anticipated the start of tapering of asset purchases by the Fed. This duly started in December 2013 and the US FOMC (the Fed.), adopted a future course of monthly reductions of \$10bn (from a starting position of \$85bn), meaning that asset purchases were likely to stop by the end of 2014. However, volatility set in during the first quarter of 2014 as fears around emerging markets, various vulnerabilities in the Chinese economy, the increasing danger for the Eurozone to drop into a deflationary spiral, and the situation in the Ukraine, caused rates to dip down, reflecting a flight to quality into UK gilts.

5. The Borrowing Requirement and Debt

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

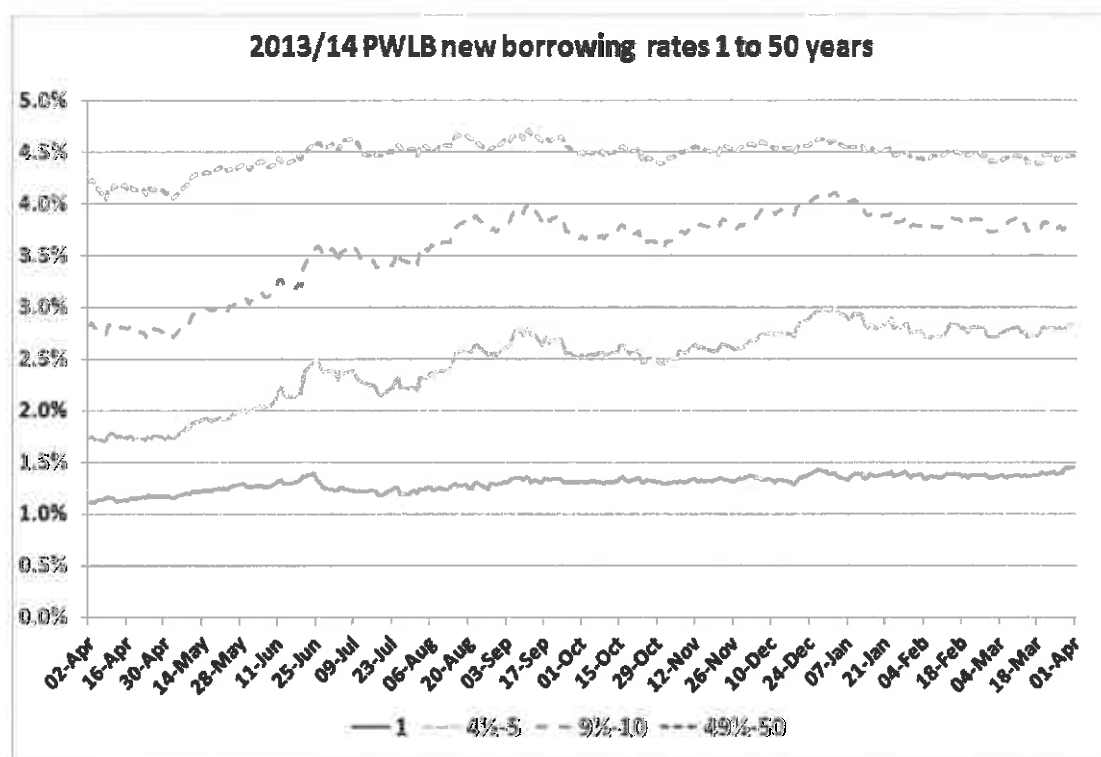
	31 March 2013 Actual	31 March 2014 Budget	31 March 2014 Actual
Total CFR (£m)	24.4	29.8	24.1

The actual Capital Financing Requirement is lower than the original forecast. The actual net financing needs for 2013/14 and 2012/13 are lower than estimated due to the lower capital spend.

The provisional capital outturn for 2013/14 is £7.9m (2012/13: £8.2m) against a revised programme of £9.5m (2012/13: £12.6m).

6. Borrowing Rates in 2013/14

PWLB borrowing rates - the graph below shows how PWLB certainty rates have risen from historically very low levels during the year.



7. Borrowing Outturn for 2013/14

Borrowing

Due to investment concerns, both counterparty risk and low investment returns, no borrowing was undertaken during 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

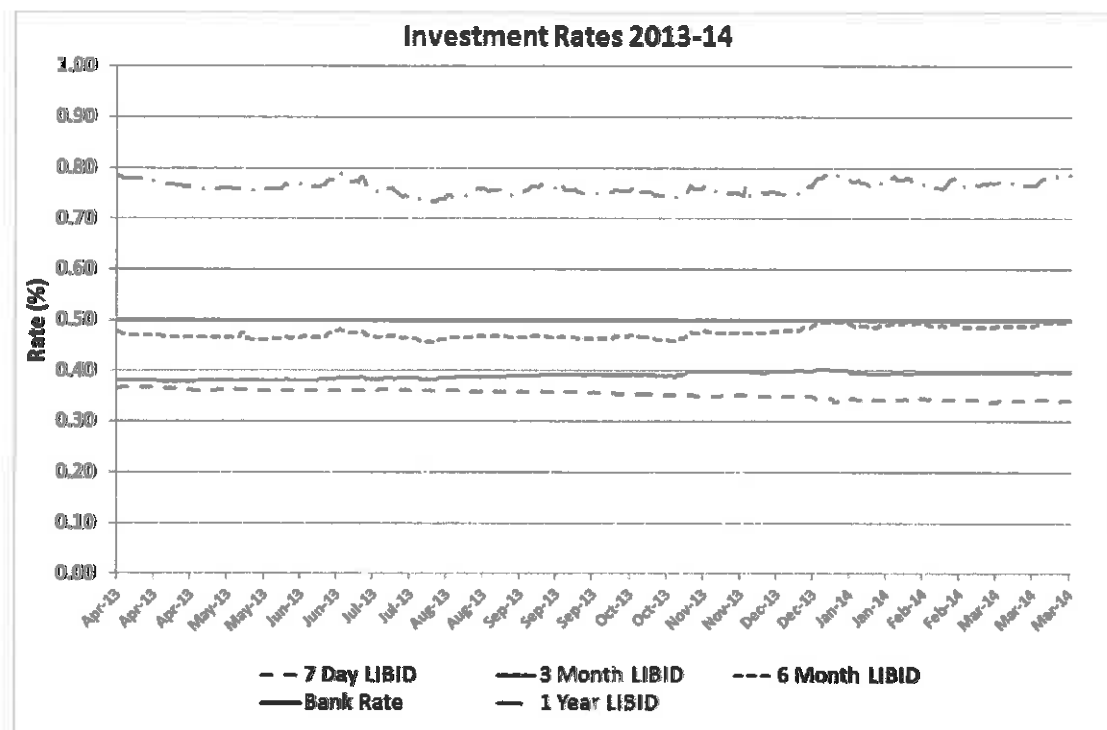
During the year principal of £2.1m was repaid on PWLB loans. The outstanding debt has an average interest rate of 4.3% and an average remaining life of 17 years. Interest payments totalled £731k.

Savings

In 2013/14 there is an underspending on capital financing charges of £874k due to the lower level of capital spend in 2012/13. This has been used to fund £969k for the purchase of Titan House.

8. Investment Rates in 2013/14

Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for five years. Market expectations as to the timing of the start of monetary tightening ended up unchanged at early 2015. The Funding for Lending Scheme resulted in deposit rates remaining depressed during the whole of the year, although the part of the scheme supporting provision of credit for mortgages came to an end in the first quarter of 2014.



9. Investment Outturn for 2013/14

Investment Policy – the Police and Crime Commissioner’s investment policy is governed by CLG guidance, which was implemented in the annual investment strategy approved by the Police and Crime Commissioner on 26 February 2013. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Police and Crime Commissioner had no liquidity difficulties.

Investments held by the Police and Crime Commissioner - the Police and Crime Commissioner maintained an average balance of £12.8m of internally managed funds. The internally managed funds earned an average rate of return of 0.51%. An informal benchmark is the base rate of 0.5%. Interest receipts during the year were £65k, against a budget of £100k. The more active approach to treasury management to improve on current rates of interest received was started tentatively while the cashflow and monitoring information was improved to enable sound investment decisions. The benefits are hoped to be realised in 2014/15.

The PCC held £4.1m of investments as at 31 March 2014 (£10.4m at 31 March 2013). A full list of investments held as at 31 March 2014 is in Appendix 2.

During the year, no investments were outstanding with counterparties that were not on the PCC’s approved list and no loans were invested for longer than the duration limits in place.

In the financial year 2013/14 there were three instances where the account was overdrawn. £394k for a weekend with additional charges of £50, £480k for a weekend with additional charges recouped from the precepting authority and £10k for one night with charges to be reimbursed by G4S.

Appendix 1: Prudential and Treasury Indicators

During 2013/14, the Police and Crime Commissioner complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	2012/13 Actual £000	2013/14 Original £000	2013/14 Actual £000
Capital expenditure	8,244	6,177	7,871
Capital Financing Requirement	24,419	29,766	24,078
External debt	18,030	20,510	16,128
Investments (under 1 year)	10,388	7,500	4,075

The actual capital expenditure for 2013/14 reflects the impact of the reprofiling of projects, including slippage from 2012/13, within the Business Transformation programme.

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 Police and Crime Commissioner 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 (2013/14) plus the estimates of any additional capital financing requirement for the current (2014/15) and next two financial years. This essentially means that the Police and Crime Commissioner is not borrowing to support revenue expenditure. This indicator allows the Police and Crime Commissioner some flexibility to borrow in advance of its immediate capital needs in 2013/14.

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 Police and Crime Commissioner does not have the power to borrow above this level. The table below demonstrates that during 2013/14 the Police and Crime Commissioner has maintained gross borrowing within its authorised limit.

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

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

	2013/14
Authorised limit	£36m
Maximum gross borrowing position	£18.0m
Operational boundary	£34m
Average gross borrowing position	£17.1m
Financing costs as a proportion of net revenue stream	2.21%

Ratio of financing costs to net revenue stream	31 March 2013 actual	2013/14 original limits	31 March 2014 actual
Financing costs to net revenue stream	2.15%	3.38%	2.21%

Incremental impact of capital investment decisions	31 March 2013 actual	2013/14 original limits	31 March 2014 actual
Increase in Police and Crime Commissioner tax (band D) per annum	-	£5.43	-

TABLE 1	31 March 2013 Principal	31 March 2014 Principal
Fixed rate funding:		
-PWLB	£17.6m	£15.8m
Variable rate funding:		
-Transferred debt	£0.4m	£0.3m
Total debt	£18.0m	£16.1m
CFR	£24.4m	£24.1m
Over/ (under) borrowing	£(6.4)m	£(8.0)m
Total investments	£10.4m	£4.1m
Net debt	£7.6m	£12.0m

The maturity structure of the debt portfolio was as follows:

	31 March 2013 actual	31 March 2014 actual
Under 12 months	£2.0m	£1.6m
12 months and within 24 months	£1.5m	£1.3m
24 months and within 5 years	£3.2m	£2.8m
5 years and above	£11.3m	£10.4m

Appendix 2: Investments List as at 31 March 2014

Sector/Colour Coding	Borrower	Principal (£)	Interest Rate	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
Blue	Bank of Scotland Plc	100,000	0.4%	Call	A	0.000%
Orange	HSBC Bank Plc	340,000	0.5%	Call	AA-	0.000%
Green	Barclays Bank Plc	135,000	0.4%	Call	A	0.000%
Blue	National Westminster Bank Plc	3,500,000	0.5%	Call	BBB+	0.001%
	Total Investments	4,075,000	0.49%			0.001%

