

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

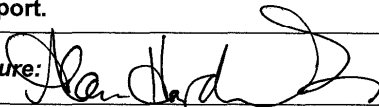
REF: 008/2014
DATE: 24 February 2014

SUBJECT	
FINANCIAL STRATEGY AND SUPPORTING PLANS	
REPORT BY	Chief Finance Officer to the Police and Crime Commissioner
CONTACT OFFICER	Alun Jones, Force Chief Finance Officer Tel 01522 558187
EXECUTIVE SUMMARY AND PURPOSE OF REPORT The Financial Strategy attached is intended to provide a framework and parameters for financial management. It will be supported by annual budgets and plans. The following plans are also attached to this report : <ul style="list-style-type: none">• Value for Money Plan 2014/15• Procurement Plan 2014/15• Treasury Management Plan 2014/15.	
RECOMMENDATIONS	<i>That the following be approved :</i> <ol style="list-style-type: none"><i>1. The Financial Strategy</i><i>2. The Value for Money Plan 2014/15</i><i>3. The Procurement Plan 2014/15</i><i>4. The Treasury Management Plan 2014/15 including</i><ul style="list-style-type: none"><i>• The Minimum Revenue Provision described at paragraph 2.3 of the Plan</i><i>• The prudential indicators and targets summarised at Appendix A of the Plan.</i>

POLICE AND CRIME COMMISSIONER FOR LINCOLNSHIRE

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

Signature:



Date: 24/02/14

A. NON-CONFIDENTIAL FACTS AND ADVICE TO THE PCC

A1. INTRODUCTION AND BACKGROUND

1. See 'Introduction to the Financial Strategy' appended to this Decision report.

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

The Financial Strategy will support the Police and Crime Plan and provide the framework for the management of all financial issues.

B. FINANCIAL CONSIDERATIONS

These are discussed in the Financial Strategy and supporting plans.

C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS

There are no statutory requirements for the PCC to agree a Financial Strategy, Value for Money Plan or Procurement Plan. The Treasury Management Plan 2014/15 complies with statutory and best practice guidance on treasury management. The PCC is required to agree prudential indicators and targets and to set a minimum revenue provision policy before the start of each financial year.

D. PERSONNEL AND EQUALITIES ISSUES

None.

E. REVIEW ARRANGEMENTS

It is intended that, like the Police and Crime Plan, the Financial Strategy will be valid for the Commissioner's term of office. Changes should be exceptional and probably related to external changes.

Budgets and supporting plans will be updated annually.

F. RISK MANAGEMENT

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

G. PUBLIC ACCESS TO INFORMATION

Information in this form along with any supporting material is subject to the Freedom of Information Act 2000 and other legislation. Part 1 of this form will be made available on the PCC's website within one working day of approval. However, if release by that date would compromise the implementation of the decision being approved, publication may be deferred. An explanation for any deferment must be provided below, together with a date for publication.

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
Julie Flint recommends this proposal for the reasons outlined above.	✓
Financial advice: The PCC's Chief Finance Officer has been consulted on this proposal.	✓
The CC's Chief Finance Officer has been consulted on this proposal.	✓
Monitoring Officer: The PCC's Monitoring Officer has been consulted on this proposal	✓
Chief Constable: The Chief Constable has been consulted on this proposal	✓

OFFICER APPROVAL

Chief Executive

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

Signature: 

Date: 24/2/2014

The Police and Crime Commissioner for Lincolnshire

Financial Strategy

February 2014

1

1. Introduction

- 1.1 The purpose of the Financial Strategy is to provide a framework and parameters for financial management. It aims to ensure that finances are managed well so that:
- Financial management helps to deliver the Police and Crime Plan;
 - Taxpayers' money is used in a way which provides good value for money;
 - Lincolnshire Police is in sound financial health;
 - There is effective corporate governance with sound systems of internal financial control.
- 1.2 The Strategy is implemented through a number of plans and policies as shown in Appendix A.
- 1.3 Content of the Financial Strategy :
- Statutory requirements and guidance
 - Revenue spending and council tax
 - Fairer funding
 - Value for money
 - Capital spending and funding
 - Financial health and governance
 - Budget management
 - Procurement
 - Income and charging
 - Treasury management
 - Accounting and financial processes
- 1.4 Implementation of the Financial Strategy will be monitored through the measures of financial health and performance attached at Appendix B. There will also be an Annual Report on Financial Performance to the Chief Constable and the Commissioner which will include actual performance compared to the targets shown in Appendix B.

2. Statutory requirements and guidance

- 2.1 The financial affairs of the Commissioner and the Chief Constable will comply with statutory requirements including the requirements of the Police Reform and Social Responsibility Act 2011.
- 2.2 Financial affairs will also comply with the considerable amount of secondary legislation and guidance including:
 - The Accounts and Audit Regulations
 - The Code of Practice on Local Authority Accounting
 - The Code of Practice on Internal Audit in Local Government
 - Delivering Good Governance in Local Government
 - Prudential Code for Capital Finance in Local Authorities
 - The Code of Practice for Treasury Management in Public Services
 - Financial Management Code of Practice for the Police Service.

3. Spending and council tax

- 3.1 Resources will be allocated in budgets to support and promote achievement of the Police and Crime Plan.
- 3.2 The total resources available and their allocation will be planned for a number of years ahead and agreed in a Medium Term Financial Plan.
- 3.3 Budgets will be set realistically with expenditure balanced to the income available: planned savings will compensate for reductions in government grant.
- 3.4 The council tax will be set so as to deliver the Police and Crime Plan and with regard to the impact on Lincolnshire council tax payers and council tax capping limits set by the government.

4. Fairer funding

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

5. Value for money

- 5.1 The Commissioner will agree an annual Value for Money Plan before the start of each financial year. There will be specific arrangements to oversee its delivery with regular monitoring and reporting to the Chief Constable and the Police and Crime Commissioner.
- 5.2 Value for money will be a key consideration in decision making. This includes:

- Having robust business plans linking policing plans with the budgets available.
 - Applying a rigorous business case test for all major projects involving new revenue or capital spending. All business cases will include the Chief Finance Officer's comments on financial implications, compliance, risk and value for money.
 - Reviewing all areas of spending periodically through a planned programme of value for money reviews.
- 5.3 Services will be delivered in partnership with other bodies where this provides better value for money including better services and/or lower costs. This may include:
- working jointly with partners particularly other police bodies in the region;
 - commissioning services from other bodies;
 - contracting out services to private sector providers.

6. Capital spending and funding

- 6.1 Resources will be allocated in the capital programme to maintain and replace existing assets including buildings, vehicles and ICT systems.
- 6.2 Resources will also be allocated for new developments with priority given to projects, particularly ICT projects, which will generate worthwhile future savings or promote performance and productivity improvements.
- 6.3 Capital spending will be funded largely through long term borrowing. Surplus assets will be disposed of where appropriate in accordance with the Asset Management Strategy.
- 6.4 Annual provision will be made for the repayment of debt. The amount repaid will be related directly to the useful life of the assets acquired through borrowing so that debt is not outstanding after an asset's useful life.
- 6.5 Provision for the repayment of debt including interest as a proportion of annual income from government grants and council tax will not exceed a limit set to ensure that long term borrowing is affordable and sustainable.

7. Financial health and governance

- 7.1 The Commissioner's Chief Finance Officer is responsible for ensuring that the Commissioner's financial affairs are properly administered having regard to their probity, legality and appropriate standards. The Chief Constable's Chief Finance Officer has the same responsibilities in relation to the Police Force.
- 7.2 The PCC and the Chief Constable will both prepare and publish codes of corporate governance and annual governance statements.
- 7.3 The PCC and the Chief Constable will also prepare risk registers and keep them under review.

- 7.4 A Joint Independent Audit Committee will monitor and report on the effectiveness of corporate governance and risk management arrangements.
- 7.5 Detailed Financial Regulations will be maintained and compliance monitored.
- 7.6 An internal audit function will be maintained in accordance with the CIPFA Code of Practice.
- 7.7 A register of financial risks will be maintained and kept under review, and appropriate arrangements made to eliminate or mitigate risks including establishing provisions, earmarked reserves and the use of insurance.
- 7.8 General reserves will be maintained around the mid- point of a target range based on the financial risk assessment in respect of residual financial risks.

8. Budget management

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

9. Procurement

- 9.1 The Commissioner will agree an annual Procurement Plan before the start of each financial year and will receive a year end annual report and other reports as required.
- 9.2 Procurement arrangements will be designed to ensure that the right things are acquired at the best price. This recognises both price and value.
- 9.3 Procurement processes will promote
- value for money;
 - transparency, accountability and probity; and
 - compliance with legal requirements

9.4 Strong centralised controls will be maintained to ensure high levels of compliance with approved processes.

9.5 Competitive prices will be achieved through maximizing the use of national or regional contracts which provide significant savings. Higher value contracts will be subject to tendering or other competitive processes.

10. Income and charging

10.1 To be included following review of the charging policy

11. Treasury management

11.1 The Commissioner will agree an annual Treasury Management Plan before the start of each financial year and will receive, as a minimum, a six month progress report and a year end annual report.

11.2 Long term borrowing will be taken from the Public Works Loan Board to fund capital expenditure. Decisions on borrowing will be based on a range of treasury management considerations including the cash flow position, current and projected interest rates, and the maturity profile of current debt.

11.3 Policies for the investment of surplus cash will be security first, liquidity second and then return. Protection of the capital invested will be the overriding priority. Return on investment will be maximized but will be modest, commensurate with this level of risk.

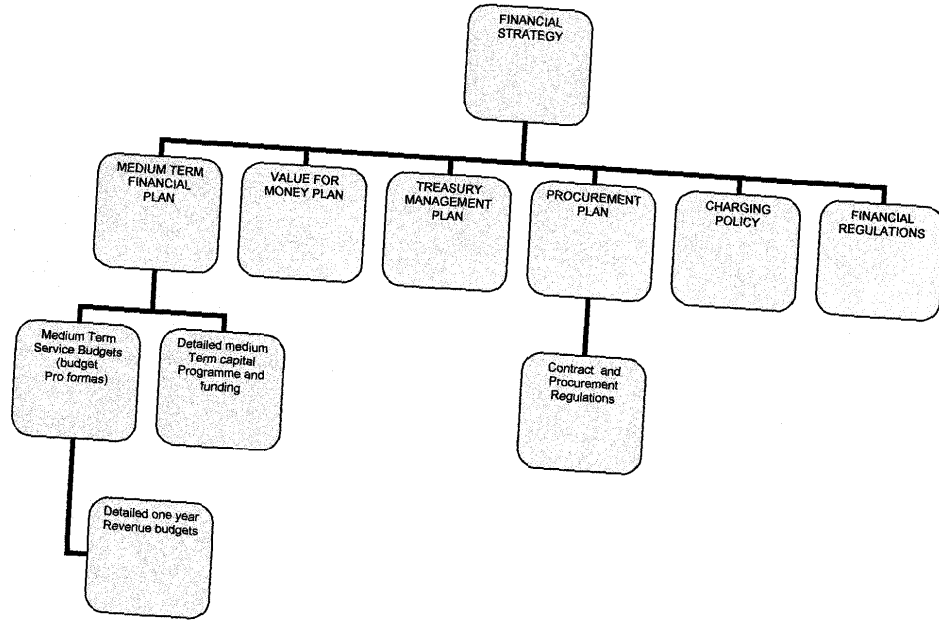
11.4 The Commissioner will agree targets for specified prudential indicators in relation to capital financing and other treasury management matters before the start of each financial year. The main purpose of these is to ensure that capital financing, in particular its long term borrowing, is prudent, affordable and sustainable.

12. Accounting and financial processes

12.1 Strong financial controls will be maintained with the Chief Finance Officer responsible for agreeing all financial processes, systems and financial records.

12.2 Accounting policies will comply fully with International Financial Reporting Standards and statutory requirements as set out in the Code of Practice on Local Authority Accounting in the UK. The annual financial statements will give a true and fair view of the financial position and transactions in the opinion of the external auditor.

APPENDIX A



APPENDIX B

PERFORMANCE MEASURES : financial health and performance

REF	MEASURE	TARGET
	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.
2	Borrowing	Annual cost of debt repayment and interest not to exceed 5% of annual income.
3	Internal control	All core financial systems to receive "substantial assurance" internal audit conclusions.
4	Accounting	Unqualified external audit opinion on the annual financial statements.
	Fairer funding	
5	Government grant	Increased share of national Police Grant.
	Value for money	
6	Crime	Lower than national average number of crimes per head of population
7	Anti-social behaviour	Lower than national average rate per head of population
8	Crime resolution	Higher than national average rate per head of population
9	Victim satisfaction	Higher than national average level
10	Spending	Lower than national average spending per head of population
	Financial performance	
11	Revenue budget management	More than 50% of budgets managed to within 1%.
12	Capital programme management	Actual capital spending managed to more than 80% of the approved programme.
13	Income from fees and charges	Annual Income from fees and charges to exceed £?m – <i>to be determined</i>
14	Income collection	Average number of debtor days not to exceed – <i>to be determined</i>
15	Payments	More than 90% of undisputed invoices to be paid within 30 working days.
16	G4S contract – finance functions	100% of G4S contractual targets achieved.
	Treasury management	
17	Interest earned	Interest rate on investments higher than average bank rate.
18	Interest paid	Interest paid on new long term borrowing less than average government borrowing rate.
	Procurement	
19	Extent of competition	Percentage of spending via national and regional frameworks and other competitive processes
20	Major contracts	Savings achieved on major contracts



Value for Money Plan 2014/15

Chief Constable, Lincolnshire Police

February 2014

1. Background

- 1.1 The Police and Crime Commissioner and the Chief Constable both have a statutory duty to make the best use of the resources available to them. The majority of the income for police and crime services comes from local and national taxpayers. The PCC and Chief Constable need to be able to demonstrate - to Lincolnshire people and to central government - that they are using the funding received to the best possible effect.
- 1.2 Central government grants provide over half the service's income. The grant which Lincolnshire receives is well below the national average: in fact, Lincolnshire's grant per head is one of the lowest in England. With a much lower level of resources, it is not possible to provide a police service in Lincolnshire which is much better than the service provided by other forces. However, by delivering good value for money, services can be provided which are as good as those provided elsewhere in the country.
- 1.3 Lincolnshire's performance has improved over recent years and, in general, compares well with other areas.
- 1.4 Lincolnshire Police, like most other public bodies, has to make substantial savings. Income from government grants has been reduced by 18% in the four years to 2014/15. Further reductions are planned for 2015/16 and grant reductions may continue in future years. The council tax for police services will be set locally but within a limit set by central government and the scope for increases in council tax is limited.
- 1.5 Lincolnshire police services therefore have to be managed with reducing resources. The total budget available in 2014/15 will be 2% less than the previous year and further reductions are likely in the following years.

Current performance

- 1.6 A summary of Lincolnshire's performance compared with other areas of England and Wales is shown in the table below. This is taken from nationally published statistics including HM Inspectorate of Constabulary's (HMIC) value for money profiles and HMIC Crime and Policing Comparators.

PERFORMANCE OR COST INDICATOR	LINCS	AVERAGE	LINCS DIFFERENCE	LINCS LEAGUE POSITION OUT OF 41 AREAS
Crime per 1,000 population (12 months to June 2013)	51.10	61.22	17% better than average	14 th lowest
Anti-social behaviour incidents per 1,000 population (12 months to March 2013)	25.42	48.23	47% better than average	Lowest

Crimes solved % (12 months to March 2013)	26.79	26.99	1% worse than average	23rd highest
Victim satisfaction % (12 months to June 2013)	83.49	85.03	2% worse than average	34th highest
Expenditure per head of population (2013/14)	£157.5	£187.8	16% lower than average	Lowest

2. Financial Strategy

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

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

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

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

3. Priorities for 2014/15

3.1 The main emphasis of work in 2014/15 will be on:

- **Delivering planned savings for 2014/15.** Planned savings of £17.5million per annum have been delivered successfully over the last three years. There have been substantial savings from introducing a new operational structure in order to maintain police services with fewer police officers, and establishing a strategic partnership arrangement. The budget for 2014/15 identifies a further £2.5m of savings which will require close monitoring and management through the year.
- Securing the transformational improvement being delivered through the **strategic partner arrangement** with G4S who now provide the majority of back office, control room and some criminal justice services. A key part of the partnership agreement is that, in addition to providing financial savings, G4S will improve services significantly by transforming the way they are delivered.
- Developing and implementing the **Police Transformation Programme**. This is a major programme of work. Details of the programme were reported to the Planning and Strategy meeting on 19 December. This detailed the Force arrangements for management of the Programme, the reporting mechanisms to Planning and Strategy and Resource Governance meetings, together with Programme Review milestones.

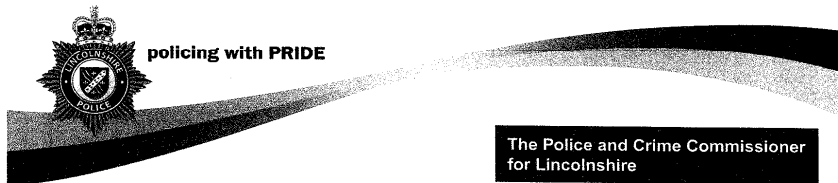
3.2 Funding is available within the budget to assist this programme and robust business cases will be needed to justify the release of this funding. Ensuring that promised benefits are realised in practice will also be a key feature of the programme.

4. Management and performance

4.1 Delivery of the Value for Money Plan is overseen by a Transformation Board and progress is reported regularly to the Chief Constable and the Police and Crime Commissioner.

4.2 The Board maintains an oversight of all work impacting on value for money and ensures that it is coordinated.

4.3 Independent assessments of the delivery of value for money are also provided by the external auditor and by HM Inspectorate of Constabulary.



Procurement Plan 2014/15

Chief Constable, Lincolnshire Police

1. Background

- 1.1 The Police and Crime Commissioner and the Chief Constable are required to undertake procurement actions on a day to day basis. In general most of these decisions will be for purchases of a relatively minor basis and will be dealt with under delegated purchasing by individual departments. However there are occasions where the obligations being taken on by the PCC or the Force will be significant both in terms of the financial commitment and/or the timescales of the contract being entered into.
- 1.2 The Strategic Procurement Unit keep a database of all contracts currently in place above £25k, which they manage on a day to day basis and ensure that where renewal actions are required that these are identified, planned and actioned in a timely basis. Further they ensure that the processes that are followed are undertaken in accordance with the relevant rules and standards connected with police procurement in the public sector.

2. Current performance

- 2.1 The schedule attached, which was approved by the PCC, lists fixed term contracts with values above £25k and planned action on the expiry of these contracts (attached at Appendix A).
- 2.2 A summary of Lincolnshire's current overall spend identified in the above is shown below:
 - 52% of contracts listed constitute 90% of spend (top 12 above £100,000)
 - 48% of contracts listed constitute 10% of spend
 - 85% of contracts listed were awarded under other police/public collaborative/framework arrangements and constitute 83% of spend
 - 11% of contracts listed were awarded under Lincs Police terms/arrangements and constitute 6% of spend.
- 2.3 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.

3. Priorities for 2014/15

- 3.1 The main emphasis of work in 2014/15 will be:

Ongoing:

- **Continued review of the large contracts list** to ensure that contracts above £25k that are due to expire are dealt with in a timely manner. Updated versions of the large contracts list will be considered by the Resource Governance Meeting as required.
- **Continued review of the fixed term managed contracts list** throughout the year to ensure all renewals are dealt with in a timely

manner. The renewal of any Contracts below £10k will be undertaken by individual departments and the CPU. The SPU will be involved with all renewals above £10k.

- **Review of the Procurement Risk Assessment** will be undertaken on an ongoing basis throughout the year as required.
- **t-Police will be developed** as far as possible to improve procurement information available to the PCC and the Force. Where possible, this will include identifying expenditure occurring under frameworks and Contracts, and amending the standard reports to produce relevant information as required by the PCC and the Force. This will also include the SPU investigating to see if there any opportunities/benefits to get more catalogues set up on T-Police for more requirements.
- **Stock holding of all items** will be continue to be investigated throughout the year to ensure these are still required and therefore not unnecessarily tying up Force finances.
- **Updating the PCC and the Force on the new EU Procurement Regulations** as these are received and any implications that this will have on current processes.

Quarter 1 14/15:

- **Training and communication.** Budget holders and departmental heads to be reminded of their responsibilities with regards to making the right decisions on what to buy and from where.

Quarter 2 14/15:

- **Evaluation of all existing frameworks/contracts** used by the PCC and the Force against any other available framework/contracts for similar items to ensure the best value ones are being used. This will include looking at any high value spend for suppliers for requirements under £10k to assess whether there is any benefit to setting up any further frameworks/contracts or commencing to use existing ones available. It will also include training/communication for Central Purchasing Unit, requisitioning staff and budgets holders to ensure they understand the importance of using any frameworks/contracts put in place.

Quarter 3 14/15:

- **Investigation of increasing the use of electronic invoices and/or consolidated invoices.** This will include identifying the suppliers sending the highest number of invoices and highlighting the benefits to them of switching to electronic/consolidated invoices.

4. Management and performance

4.1 7. Performance targets and measures will include:

- Percentage of spending via national and regional frameworks or contracts, where this information is available
- Percentage of spending via other competitive processes
- Savings achieved on major contracts
- Percentage of purchase orders that are retrospective, where this information is available

- The Resource Governance Meeting will monitor delivery of this plan.

LINCOLNSHIRE POLICE FIXED TERM CONTRACTS VALUE £25,000 AND ABOVE
CURRENT AS AT 03/02/14

APPENDIX A

REF	GOODS/SERVICES	PRIME EXPIRY DATE	OPTIONS TO EXTEND	ACTUAL/JEST ANNUAL VALUE £	PROCUREMENT RENEWAL PLAN
4357	FINANCIAL & PERSONAL DATA SERVICES	31/08/13	N/A	29000	<p>SFU - STRATEGIC PROCUREMENT UNIT</p> <p>This Contract was awarded under a Police National Framework Arrangement.</p> <p>A Departmental renewal reminder date has been set for 01/05/13</p> <p>Options are expected to be:</p> <ol style="list-style-type: none"> continued utilisation of any Framework Arrangement competition <p>The reminder date has been set to allow time for both options to be considered.</p> <p>LEAD DEPARTMENTS- CPT (GB)/G4S IS</p> <p>UPDATE 17/09/13 TVP CONFIRMED CURRENTLY PROGRESSING EXTENSION OF FRAMEWORK. WAITING FOR P600 FROM CPT.</p> <p>UPDATE 01/09/13 P600 RECEIVED. WAITING FOR CONTRACT PRICING FROM EXPERIAN TO THEN EXTEND CONTRACT</p> <p>UPDATE 29/09/13 WAITING FOR CLARIFICATION OF FUNDING FROM FORCE ACCOUNTANT FOR EXTRA £8K REQUIRED DUE TO INCREASED USAGE</p> <p>UPDATE 10/10/13 CONTRACT EXTENSION AWARDED ON 23/09/13 - SEE EXTENSION DETAILS ADDED BELOW UNDER 4490</p>
3914	VEHICLES AND SPARE PARTS	13/09/13 TO 28/09/13 EXPIRY DEFENDANT ON CATEGORY	2X12MTHS	1,300,000	<p>These Contracts were awarded by West Midlands Police following a mini competition led by West Midlands Police under a Police National Framework Arrangement involving forces from East/West Midlands regions and elsewhere. Lincolnshire Police were a named force</p> <p>Options are expected to be:</p> <ol style="list-style-type: none"> exercise the first 12 month optional extension run a new mini competition under the of the National Police Framework Arrangement as a stand alone force or in collaboration with other forces) <p>Mandation legislation requires use of the Police National Framework Arrangement in the case of Option (b)</p> <p>LEAD DEPARTMENTS-CPT (GB)/G4S IS</p> <p>UPDATE 18/03/13 RENEWAL REMINDER ISSUED BY SFU ON 01/03/13 TO WEST MIDS REGARDING EXTENSION OF CONTRACT AFTER 28/02/13</p> <p>UPDATE 10/08/13 CONTRACT TO BE EXTENDED TO 2015. WAITING FOR P600 FROM CPT</p> <p>UPDATE 05/07/13 CHASED FOR P600 / APPROVALS FROM CPT</p> <p>UPDATE 23/08/13 ALL APPROVALS RECEIVED AND EXTENSION AWARDED. SEE EXTENSION DETAILS ADDED BELOW UNDER 4456</p>

LINCOLNSHIRE POLICE FIXED TERM CONTRACTS VALUE £25,000 AND ABOVE
CURRENT AS AT 03/02/14

APPENDIX A

REF	GOODS/SERVICES	PRIME EXPIRY DATE	OPTIONS TO EXTEND	ACTUAL/JEST ANNUAL VALUE £	PROCUREMENT RENEWAL PLAN
4442 replaced by 4319	ELECTRICITY HQ/GRANTHAM	30/09/13	N/A	170000	<p>SPU - STRATEGIC PROCUREMENT UNIT This Contract was awarded under a Government Procurement Service (GPS) National Framework Arrangement</p> <p>A departmental reminder has been issued</p> <p>Options are expected to be: a) continued utilisation of any Framework Arrangement b) competition</p> <p>The reminder date has been set to allow time for both options to be considered.</p> <p>LEAD DEPARTMENTS-CPT (GB)/G4S IS (FACILITIES)</p> <p>UPDATE 18/03/13 SPU EMAILED REASONS (FROM FACILITIES) FOR TWO SEPARATE ELECTRICITY CONTRACTS TO OPCC ON 28/2/13</p> <p>UPDATE 05/09/13 CHASED CPT/G4S IS FOR UPDATE</p> <p>UPDATE 09/01/14 CONTRACT RENEWED ON 28/11/13. NEW CONTRACT DETAILS UNDER 4536 BELOW</p>
4452	TEMPORARY AGENCY STAFF	30/09/13	N/A	70000	<p>This Contract was awarded under a Police National Framework Arrangement.</p> <p>A Departmental reminder date has been set for 01/05/13</p> <p>The user department has confirmed renewal and a commitment to be part of the new Police National Framework Arrangement that will commence 01/10/13.</p> <p>LEAD DEPARTMENTS-CPT (NS)/G4S HR</p> <p>UPDATE 10/09/13 WAITING FOR UPDATE FROM TVP ON NEW FRAMEWORK AWARD</p> <p>UPDATE 09/01/14 CONTRACT RENEWED ON 21/10/13. NEW CONTRACT DETAILS UNDER 4534 BELOW</p>
4394	INSURANCE	31/10/13	1X12MTHS	217000	<p>This Contract was awarded under Lincolnshire Police terms</p> <p>Options are expected to be: a) exercise the further and final 12 month optional extension b) utilisation of any Framework Arrangement (if one exists) c) competition</p> <p>LEAD DEPARTMENTS-FCFO/G4S FINANCE</p> <p>UPDATE 18/03/13 RENEWAL REMINDER ISSUED BY SPU TO FCFO ON 4/2/13</p> <p>UPDATE 03/04/13 FCFO MADE AWARE BY SPU OF GPS FRAMEWORK ARRANGEMENT FOR INSURANCE SERVICES/BROKER SERVICES</p> <p>UPDATE 10/08/13 CHASED FCFO FOR P800 AND QUOTES IN ORDER TO EXERCISE FINAL EXTENSION OF 12 MONTHS</p> <p>UPDATE 05/07/13 CHASED FCFO FOR UPDATE</p> <p>UPDATE 09/01/14 CONTRACT RENEWED ON 14 & 22/11/13. NEW CONTRACT DETAILS UNDER 4523 BELOW</p>

LINCOLNSHIRE POLICE FIXED TERM CONTRACTS VALUE £25,000 AND ABOVE
CURRENT AS AT 03/02/14

REF	GOODS/SERVICES	PRIME EXPIRY DATE	OPTIONS TO EXTEND	ACTUAL/EST ANNUAL VALUE £	PROCUREMENT RENEWAL PLAN
4441	PNNS	31/10/13	N/A	45300	<p>SPU - STRATEGIC PROCUREMENT UNIT This Contract was awarded under a Police National Framework Arrangement</p> <p>A Departmental renewal reminder date has been set for 01/06/13</p> <p>NPIA/Home Office have stated that current Framework will be replaced by PSN Framework from November 2013. It is assumed this will be the route used by Lincolnshire Police after October 2013</p> <p>LEAD DEPARTMENTS-CPT/G4S ICT</p> <p>UPDATE 10/08/13 RENEWAL REMINDER EMAILED TO CPT/ICT</p> <p>UPDATE 30/08/13 CONTRACT AWARDED AND PO SENT TO SUPPLIER - SEE EXTENSION DETAILS ADDED BELOW UNDER 4518</p>
4382	LANDESK	17/11/13	N/A	37600	<p>This Contract was awarded under a Government Procurement Service (GPS) National Framework Arrangement</p> <p>A Departmental renewal reminder date has been set for 01/06/13</p> <p>Subject to confirmation of renewal the procurement route is mandatory via GPS National Framework 'Sprint11' in accordance with Home Office legislation</p> <p>LEAD DEPARTMENTS-CPT/G4S ICT</p> <p>UPDATE 18/03/13 SPU HAVE QUERIED WITH FCFO WHY NOT NOVATED. FCFO WILL UPDATE RMG ON 21/03/13</p> <p>UPDATE 03/04/13 NOVATION V MANAGED ISSUE RAISED WITH CPT ON INSTRUCTIONS OF CFO 21/03/13</p> <p>UPDATE 10/08/13 RENEWAL REMINDER SENT TO CPT/ICT</p> <p>UPDATE 01/08/13 ICT CURRENTLY LOCKING AT OPTIONS AVAILABLE TO RENEW THIS CONTRACT</p> <p>UPDATE 09/01/14 CONTRACT EXTENDED ON 28/11/13 - SEE DETAILS UNDER 4682 BELOW</p>

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REF	GOODS/SERVICES	PRIME EXPIRY DATE	OPTIONS TO EXTEND	ACTUAL/EST ANNUAL VALUE £	PROCUREMENT RENEWAL PLAN
4403	ORACLE	23/11/13	N/A	67000	<p>SPU - STRATEGIC PROCUREMENT UNIT This Contract was awarded under a Government Procurement Service (GPS) National Framework Arrangement</p> <p>A Departmental renewal reminder date has been set for 01/06/13</p> <p>Subject to confirmation of renewal the procurement route is mandatory via GPS National Framework 'Sprint11' in accordance with Home Office legislation.</p> <p>LEAD DEPARTMENTS-CPT (AJ)/G4S ICT</p> <p>UPDATE 18/03/13 SPU HAVE QUERIED WITH FCFO WHY NOT NOVATED. FCFO WILL UPDATE RMG ON 21/03/13</p> <p>UPDATE 09/04/13 NOVATION V MANAGED ISSUE RAISED WITH CPT ON INSTRUCTIONS OF CFO 21/03/13</p> <p>UPDATE 10/09/13 RENEWAL REMINDER SENT TO CPT/ICT</p> <p>UPDATE 06/07/13 RENEWAL REMINDER SENT TO CPT/ICT</p> <p>UPDATE 09/01/14 CONTRACT EXTENDED ON 19/11/13 - SEE DETAILS UNDER 4577 BELOW</p>
4477	1,000 VOLUNTEER CHALLENGE PROJECT	31/12/13	N/A	50000	<p>This Contract was awarded under an Exceptional Purchase Action</p> <p>A Departmental renewal reminder date has been set for 01/11/13</p> <p>LEAD DEPARTMENT-STRATEGIC DEVELOPMENT</p> <p>UPDATE 05/11/13 CONFIRMATION RECEIVED FROM SD THAT CONTRACT IS NOT TO BE RENEWED - WILL BE DELETED FROM LIST IN FUTURE VERSIONS</p>
4415	UTILITY VESTS	31/01/14	1 X 12MTHS	8000	<p>This Contract was awarded under Lincolnshire Police terms.</p> <p>A Departmental renewal reminder date has been set for 01/07/13</p> <p>Options are expected to be: a) exercise further and final 12 month extension b) seek competition</p> <p>The reminder date has been set to allow time for both options to be considered</p> <p>LEAD DEPARTMENTS- CPT (GB)/G4S IS</p> <p>UPDATE 01/08/13 WAITING FOR G4S IS TO ADVISE WHETHER THIS WILL BE RENEWED.</p> <p>UPDATE 09/01/14 APPROVAL TO EXERCISE FINAL 12 MONTH EXTENSION RECEIVED. CONTRACT TO BE AWARDED SHORTLY.</p> <p>UPDATE 03/02/14 CONTRACT EXTENDED ON 16/01/14 - SEE DETAILS BELOW ON 4602</p>

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REF	GOODS/SERVICES	PRIME EXPIRY DATE	OPTIONS TO EXTEND	ACTUAL/EST ANNUAL VALUE £	PROCUREMENT RENEWAL PLAN
2848	AIRWAVE HANDSETS	31/03/14	N/A	82000	<p>SPU = STRATEGIC PROCUREMENT UNIT This Contract was awarded under a Police National Framework Arrangement</p> <p>A Departmental renewal reminder date has been set for 01/08/13. Options are expected to be: a) continued utilisation of any Framework Arrangement as any renewal will be to support existing equipment b) direct single source award justified on technical grounds in the absence of a Framework Arrangement</p> <p>The reminder date has been set to allow time for both options to be considered</p> <p>LEAD DEPARTMENTS-CPT (AJ)/GAS ICT UPDATE 10/05/13 RENEWAL REMINDER SENT TO CPT/ICT UPDATE 01/07/13 RENEWAL REMINDER SENT TO CPT/ICT UPDATE 03/10/13 NEW TERMINALS PURCHASED THEREFORE NEW DETAILS ON 4553 BELOW</p> <p>This Contract was awarded under a Government Procurement Services (GPS) National Framework Arrangement</p> <p>A Departmental renewal reminder date has been set for 01/08/13 Options are expected to be: a) continued utilisation of any Framework Arrangement b) competition</p> <p>The reminder date has been set to allow time for both options to be considered</p> <p>UPDATE 19/09/13 SPU EMAILED REASONS (FROM FACILITIES) FOR TWO SEPARATE ELECTRICITY CONTRACTS TO OPCC ON 29/02/13 LEAD DEPARTMENTS-CPT/GAS IS (FACILITIES) UPDATE 08/11/13 P600 RECEIVED TO EXTEND UNDER EXISTING GPS FRAMEWORK. WAITING FOR APPROVAL FROM CPT TO EXTEND.</p> <p>This Contract was awarded under a Government Procurement Services (GPS) National Framework Arrangement</p> <p>A Departmental renewal reminder date has been set for 01/08/13 Options are expected to be: a) continued utilisation of any Framework Arrangement b) competition</p> <p>The reminder date has been set to allow time for both options to be considered</p> <p>LEAD DEPARTMENTS-CPT (GB)/GAS IS UPDATE 08/11/13 P600 RECEIVED TO EXTEND UNDER EXISTING GPS FRAMEWORK. WAITING FOR APPROVAL FROM CPT TO EXTEND.</p>
4029	ELECTRICITY (OTHER SITES)	31/03/14	N/A	210000	
4030	GAS	31/03/14	N/A	145000	

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REF	GOODS/SERVICES	PRIME EXPIRY DATE	OPTIONS TO EXTEND Terms allow for extensions	ACTUAL/BEST ANNUAL VALUE £	PROCUREMENT RENEWAL PLAN
4427	FIRST AID TRAINING	31/03/14	The Contract Terms allow for extensions	10000	SPU - STRATEGIC PROCUREMENT UNIT This Contract was awarded under Lincolnshire Police terms. A Departmental renewal reminder date has been set for 01/09/13 Discussions with LP regarding G4S for provision of this service through the SDA contracts are ongoing. Contract has been extended for 12 months pending a final decision. Further action after 31/03/14 dependant on decision LEAD DEPARTMENTS- CPT (GBJ/G4S (L&D)) UPDATE 18/11/13 TO BE RENEWED FOR ONE YEAR ONLY. FALLS UNDER £25K. THEREFORE TO BE RENEWED DIRECTLY BY USER DEPARTMENT. CONTRACT TO BE TAKEN OFF IN FUTURE VERSIONS
4440	VARIOUS ICT SYSTEMS - CONTRIBUTION TO HOME OFFICE	31/03/14	N/A	531000	All forces contribute to support of various ICT systems - payment to Home Office A further 12 month renewal with Home Office is assumed course of action A Departmental renewal reminder date has been set for 01/10/13 LEAD DEPARTMENTS- CPT (AJ/JICT) UPDATE 09/01/14 CONTRACT RENEWED ON 02/01/14 - SEE DETAILS ON 4588 BELOW
4458	PENSIONS ADMINISTRATION SERVICES	31/03/14	SEE PLAN NOTES	41000	This Contract was awarded under a Police National Framework Arrangement. This Framework Arrangement has been extended until 30/03/14 LEAD DEPARTMENTS - FCFO/G4S FINANCE UPDATE 19/03/13 FCFO IS SEEKING PROVISION OF THIS SERVICE AFTER 31/03/14 VIA G4S. SPU HAVE WRITTEN TO THE PROVIDER AND ARE AWAITING A RESPONSE UPDATE 08/04/13 SPU CHASD PROVIDER 02/04/13 - RESPONSE STILL AWAITED A Departmental renewal reminder date has been set for 01/09/13 UPDATE 03/12/13 LOOKING AT BEST VALUE OPTION BETWEEN WEST YORKSHIRE FRAMEWORK AND CURRENT HAMPSHIRE FRAMEWORK. WAITING FOR FEEDBACK FROM FCFO
4501	PENTIP MANAGED SERVICE AND UPLIFT FUND	31/03/14	N/A	27000	All forces contribute to support of this ICT system - payment to Home Office A further 12 month renewal with Home Office is assumed course of action A Departmental renewal reminder date has been set for 01/10/13 LEAD DEPARTMENTS- CPT (AJ/JICT) UPDATE 09/01/14 RENEWED UNDER 4588 BELOW

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REF	GOODS/SERVICES	PRIME EXPIRY DATE	OPTIONS TO EXTEND	ACTUAL/EST ANNUAL VALUE £	PROCUREMENT RENEWAL PLAN
4373	HIRE OF COVERT VEHICLES	01/04/14	N/A	52000	<p>SPU - STRATEGIC PROCUREMENT UNIT This Contract was awarded under Lincolnshire Police terms.</p> <p>A. Departmental renewal reminder date has been set for 01/08/13</p> <p>Subject to confirmation of renewal the User Dept will have two known procurement routes to consider:</p> <p>a) Use of a regional framework b) Competitive tender</p> <p>Justification for not using use of either a) or b) will be subject to Exception action. It should be noted that historically Exception action has been approved for operational reasons</p> <p>The reminder date has been set to allow time for both options to be considered</p> <p>LEAD DEPARTMENTS - CPT (GB) /G4S IS</p> <p>UPDATE 16/12/13 P600 AND EPA RECEIVED TO EXTEND FOR ONE YEAR WITH CURRENT PROVIDER.</p> <p>UPDATE 09/01/14 EPA APPROVAL RECEIVED. CONTRACT TO BE AWARDED SHORTLY.</p>
3222	FORENSIC SERVICES (Various)	02/08/14 TO 02/08/15 EXPIRY DEPENDANT ON LOT	7 X 12 MTHS (already taken 2 x 12 mths)	369000	<p>These Contracts were awarded by Derbyshire Constabulary as part of an East Midlands Collaborative Arrangement led by Derbyshire Constabulary under a NPFA National Framework Arrangement.</p> <p>Lincolnshire Police were a signatory to the Contract. Information from Derbyshire suggests their plan is to extend the Contract as it is not envisaged that any re-tendering will be looked at before 2014/2015 at the earliest.</p> <p>A Departmental renewal reminder date has been set for 01/08/13.</p> <p>LEAD DEPARTMENT- CPT (NS) /G4S IS</p> <p>UPDATE 10/06/13 DERBYSHIRE ADVISED THEY ARE CURRENTLY LOOKING AT PRICES IN ORDER TO EXTEND CONTRACTS.</p> <p>UPDATE 27/08/13 NEW CONTRACT DATES WILL BE AS FOLLOWS: All Lots (excluding exceptions below) 06/08/13 - 02/08/15 Crime Scenes (Callmark) 06/08/13 - 02/08/14 (EMSOU are pursuing something call Rapid DNA) Drugs (ESG) 06/08/13 - 02/08/14</p>
4480	FINANCIAL & PERSONAL DATA SERVICES	30/08/14	N/A	40000	<p>This Contract was awarded under a Police National Framework Arrangement.</p> <p>A. Departmental renewal reminder date has been set for 01/03/14</p> <p>Options are expected to be:</p> <p>a) continued utilisation of any Framework Arrangement b) competition</p> <p>The reminder date has been set to allow time for both options to be considered.</p> <p>LEAD DEPARTMENTS- CPT (GB) /G4S IS</p>

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REF	GOODS/SERVICES	PRIME EXPIRY DATE	OPTIONS TO EXTEND	ACTUAL/EST ANNUAL VALUE £	PROCUREMENT RENEWAL PLAN
4348	PINS4	01/09/14	N/A	12500 (currently 26 month Contract)	<p>SPU = STRATEGIC PROCUREMENT UNIT This Contract was awarded under a Police National Framework Arrangement which expires 31/8/14 one day prior to Contract expiry</p> <p>A. Departmental renewal reminder date has been set for 01/03/14</p> <p>Options are expected to be: a) continued utilisation of the Framework Arrangement should it be renewed or has an option to extend b) use of Sprint II Framework Arrangement</p> <p>The reminder date has been set to allow time for both options to be considered</p> <p>LEAD DEPARTMENTS-CRIME/G4S IS (SUPPORT SERVICES)</p> <p>This Contract/MOU was awarded by West Midlands Police following a mini competition led by West Midlands Police under a Police National Framework Arrangement involving forces from East/West Midlands regions and elsewhere. Lincolnshire Police were a named force.</p> <p>A. Departmental renewal reminder date has been set for 01/02/14</p> <p>Options are expected to be: a) exercise the first 12 month optional extension b) run a new mini competition under the National Police Framework Arrangement as a stand alone force or in collaboration with other forces</p> <p>Mandation legislation requires use of the Metropolitan Police National Framework Arrangement in the case of Option (b)</p> <p>The reminder date has been set to allow time for both options to be considered</p> <p>LEAD DEPARTMENTS- CPT (GB)OPERATIONS SUPPORT</p> <p>This Contract was awarded under a Police National Framework Arrangement</p> <p>A. Departmental renewal reminder date has been set for 01/03/14</p> <p>NPIA/Home Office have stated that current Framework will be replaced by PSN Framework from November 2013. It is assumed this will be the route used by Lincolnshire Police after September 2014</p> <p>LEAD DEPARTMENTS-CPT/G4S ICT</p> <p>This Contract was awarded under a Police National Framework Arrangement.</p> <p>A. Departmental renewal reminder date has been set for 01/01/14</p> <p>The user department has confirmed renewal and a commitment to be part of the new Police National Framework Arrangement that will commence 01/10/13.</p> <p>LEAD DEPARTMENTS-CPT (NS)/G4S HR</p> <p>UPDATE 03/02/14 Waiting for feedback from HR as to how to proceed.</p>
4033	PATROL BODY ARMOUR	25/09/14	2 X 12 MTHS	12500 (currently 2 year period)	
4518	PNN3	30/09/14	N/A	42000	
4534	TEMPORARY AGENCY STAFF	30/09/13	N/A	100000	

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4535	ELECTRICITY HQ/GRANTHAM	30/09/14	N/A	325000	<p>SFU - STRATEGIC PROCUREMENT UNIT This Contract was awarded under a Government Procurement Service (GPS) National Framework Arrangement</p> <p>A. Departmental renewal reminder date has been set for 01/01/14</p> <p>Options are expected to be: a) continued utilisation of any Framework Arrangement b) competition</p> <p>The reminder date has been set to allow time for both options to be considered.</p> <p>LEAD DEPARTMENTS-CPT (GB)/GAS IS (FACILITIES)</p> <p>UPDATE 02/01/14 REMINDER SENT TO LEAD DEPTS TO SEE HOW THEY WISH TO PROCEED</p> <p>This Contract was awarded under Lincolnshire Police terms</p> <p>A. Departmental renewal reminder date has been set for 01/01/14</p> <p>Options are expected to be: a) utilisation of any Framework Arrangement (if one exists) b) run an EU competitive tender process</p> <p>LEAD DEPARTMENTS-FCFO/GAS FINANCE</p> <p>UPDATE 08/01/14 Advised Finance of GPS framework available or need to start tender process with the next month. Meeting between Finance and SPU arranged to discuss options on 22/01/14. Waiting for feedback from FCFO as to how to proceed.</p> <p>This Contract was awarded under a Government Procurement Service (GPS) National Framework Arrangement</p> <p>A. Departmental renewal reminder date has been set for 01/05/14</p> <p>Subject to confirmation of renewal the procurement route is mandatory via GPS National Framework 'Sprint1' in accordance with Home Office legislation</p> <p>LEAD DEPARTMENTS-CPT/GAS ICT</p> <p>This Contract was awarded under a Government Procurement Service (GPS) National Framework Arrangement</p> <p>A. Departmental renewal reminder date has been set for 01/05/14</p> <p>Subject to confirmation of renewal the procurement route is mandatory via GPS National Framework 'Sprint1' in accordance with Home Office legislation</p> <p>LEAD DEPARTMENTS-CPT (AJ)/GAS ICT</p> <p>This Contract was awarded under the Lancashire Police Framework Arrangement</p> <p>A. Departmental renewal reminder date has been set for 01/04/14</p> <p>Options are expected to be: a) continued utilisation of any available Framework Arrangement b) competition</p> <p>The reminder date has been set to allow time for both options to be considered</p> <p>LEAD DEPARTMENTS-CPT (GB)/GAS IS</p>
4523	INSURANCE	31/10/14	N/A	257000	
4582	LANDESK	17/11/14	N/A	38000	
4577	ORACLE	23/11/14	N/A	68000	
4428	MANAGED VEHICLE RECOVERY SCHEME	13/01/15	N/A	50000	

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REF	GOODS/SERVICES	PRIME EXPIRY DATE	OPTIONS TO EXTEND	ACTUAL/EST ANNUAL VALUE £	PROCUREMENT RENEWAL PLAN
4602	UTILITY VESTS	31/01/15	No further extensions available	10000	<p>SPU - STRATEGIC PROCUREMENT UNIT This Contract was awarded under Lincolnshire Police terms.</p> <p>A Departmental renewal reminder date has been set for 01/06/15</p> <p>Options are expected to be: a) utilisation of any available Framework Arrangement b) seek competition</p> <p>The reminder date has been set to allow time for both options to be considered</p> <p>LEAD DEPARTMENTS- CPT (GB)/G4S IS</p>
3285	INTERNAL AUDIT SERVICES	31/03/15	N/A	47600	<p>This Contract was awarded as part of an East Midlands Collaborative Arrangement led by Northamptonshire Police under an ESPO Framework Arrangement.</p> <p>SPU did not award this Contract but have obtained data that suggests and expiry date of 31/03/13. There is an option to utilise the Collaborative Arrangement until 31/03/14. The user department has indicated that they wish to extend until this date. Clarification is being sought from the Office of the PCC on current contractual arrangements/expiry date.</p> <p>LEAD DEPARTMENT-OPCC</p> <p>UPDATE 18/03/13 FURTHER RENEWAL REMINDER ISSUED BY SPU TO CFO ON 01/03/13</p> <p>UPDATE 10/08/13 RECEIVED COPY OF CONTRACT FROM OPCC STATING END DATE OF 31/03/15. PO RAISED ON NPPH FOR FY 2013-14. WILL NEED TO RAISE PO FOR FY 2014-15 WHEN COSTS ARE KNOWN</p> <p>A Departmental renewal reminder date has been set for 01/02/14</p> <p>UPDATE 03/02/14 Waiting for feedback from OPCC regarding raising a new PO for the FY 2014/15</p>
4553	AIRWAVE HANDSETS	31/03/14	N/A	595500	<p>This Contract was awarded under a Police National Framework Arrangement</p> <p>A Departmental renewal reminder date has been set for 01/05/14.</p> <p>Options are expected to be: a) continued utilisation of any Framework Arrangement as any renewal will be to support existing equipment b) direct single source award justified on technical grounds in the absence of a Framework Arrangement</p> <p>The reminder date has been set to allow time for both options to be considered</p> <p>LEAD DEPARTMENTS-CPT (AJ)/G4S ICT</p>
4588	VARIOUS ICT SYSTEMS - CONTRIBUTION TO HOME OFFICE	31/03/14	N/A	652000	<p>All forces contribute to support of various ICT systems -payment to Home Office</p> <p>A further 12 month renewal with Home Office is assumed course of action</p> <p>A Departmental renewal reminder date has been set for 01/10/14</p> <p>LEAD DEPARTMENTS - CPT (AJ)/ICT</p>

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4456	VEHICLES AND SPARE PARTS	13/09/14 TO 28/09/14 EXPIRY DEPENDANT ON CATEGORY	1 X 12 MTHS	1,000000	<p>SFU - STRATEGIC PROCUREMENT UNIT These Contracts were awarded by West Midlands Police following a mini competition led by West Midlands Police under a Police National Framework Arrangement involving forces from East/West Midlands regions and elsewhere. Lincolnshire Police were a named force. No further extensions available.</p> <p>A Departmental renewal reminder date has been set for 01/03/14</p> <p>Options are expected to be: a) run a new mini competition under the applicable National Police Framework Arrangement as a stand alone force b) run a new mini competition under the applicable National Police Framework Arrangement or in collaboration with other forces</p> <p>Mandation legislation requires use of the Police National Framework Arrangement in the case of both Options above</p> <p>LEAD DEPARTMENTS-CPT (GB)/GAS IS</p>
4385	BUSINESS TRAVEL	31/08/15	N/A	125000	<p>This Contract was awarded under a Government Procurement Service (GPS) National Framework Arrangement.</p> <p>A Departmental renewal reminder date has been set for 01/01/15</p> <p>Options are expected to be: a) continued utilisation of any Framework Arrangement b) competition</p> <p>The reminder date has been set to allow time for both options to be considered</p> <p>LEAD DEPARTMENTS-CPT (GB)/GAS FINANCE</p>
4478	DIESEL, KEROSENE & HEATING OIL	30/09/15	N/A	793000	<p>This Contract was awarded under a Government Procurement Service (GPS) National Framework Arrangement.</p> <p>A Departmental renewal reminder date has been set for 01/10/14</p> <p>Options are expected to be: a) continued utilisation of any applicable Framework Arrangement b) competition</p> <p>The reminder date has been set to allow time for both options to be considered</p> <p>LEAD DEPARTMENTS-CPT (GB)/GAS FINANCE</p>
3942	LAYER 2 NETWORK SERVICES	31/03/16	N/A	8000 (currently a five year period)	<p>This Contract was awarded by Leicestershire Constabulary following a mini competition led by Leicestershire Constabulary under a Government Procurement Service (GPS) Police National Framework Arrangement involving East Midlands Police Forces</p> <p>A Departmental renewal reminder date has been set for 01/02/15</p> <p>Options are expected to be: a) a further collaborative exercise will arranged b) other routes unknown at this stage</p> <p>The reminder date has been set to allow time for both options to be considered</p> <p>LEAD DEPARTMENTS-CPT (AJ)/GAS ICT</p>

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4059	NATIONAL POLICE PROCUREMENT HUB (NPPH)	31/03/16	2X12MTHS	25000	<p>SFU - STRATEGIC PROCUREMENT UNIT This Contract was awarded under a Government Procurement Service (GPS) National Framework Arrangement</p> <p>A. Departmental renewal reminder date has been set for 01/02/15</p> <p>Options are expected to be: a) if the GPS contract extension exercise the first (or both) 2 x 12 month optional extension b) utilise any other applicable Framework Arrangement c) competition</p> <p>As all 43 forces are being steered to use NPPH it is assumed either (a) or (b) will be utilised.</p> <p>The reminder date has been set to allow time for all options to be considered</p> <p>LEAD DEPARTMENTS-FCFO/G4S FINANCE</p> <p>UPDATE 10/01/14 NOW DEALT WITH UNDER 4588 ABOVE THEREFORE WILL BE DELETED FROM FUTURE VERSIONS</p>
4371	LEGAL SERVICES	31/05/16	N/A	50000	<p>This Contract was awarded under a Police National Framework Arrangement</p> <p>A. Departmental renewal reminder date has been set for 01/06/15</p> <p>Options are expected to be: a) utilise any other applicable Framework Arrangement b) competition</p> <p>The reminder date has been set to allow time for both options to be considered</p> <p>LEAD DEPARTMENT-LEGAL SERVICES (JW)CPT (NS)</p>
0175	AIRWAVE MANAGED SERVICE	27/12/16	N/A	617800	<p>This Contract was awarded under a Police National Framework Arrangement</p> <p>A. Departmental renewal reminder date has been set for 27/12/14</p> <p>Options are expected to be: a) continued utilisation of any Framework Arrangement b) competition</p> <p>The critical nature of the service/value assumes some form of nationally led procurement exercise will be undertaken</p> <p>The reminder date has been set to allow time for both options to be considered</p> <p>LEAD DEPARTMENTS-CPT (AJ)G4S ICT</p>
3512	AIRWAVE MANAGED SERVICE	30/06/17	N/A	110300	<p>This Contract was awarded under a Police National Framework Arrangement</p> <p>A. Departmental renewal reminder date has been set for 01/10/16</p> <p>Options are expected to be: a) continued utilisation of any Framework Arrangement b) competition</p> <p>The critical nature of the service/value assumes some form of nationally led procurement exercise will be undertaken</p> <p>The reminder date has been set to allow time for both options to be considered</p> <p>LEAD DEPARTMENTS-CPT (AJ)G4S ICT</p>

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4443	IAM MANAGED SERVICE	30/11/18	N/A	28000	<p>SFU - STRATEGIC PROCUREMENT UNIT This Contract was awarded under a Police National Framework Arrangement</p> <p>A Departmental renewal reminder date has been set for 01/05/18</p> <p>Options are expected to be: a) continued utilisation of any Framework Arrangement b) competition</p> <p>The critical nature of the service/value assumes some form of nationally led procurement exercise will be undertaken</p> <p>The reminder date has been set to allow time for both options to be considered</p> <p>LEAD DEPARTMENTS-CPT (AJ)/G4S ICT</p>

The Police and Crime Commissioner for Lincolnshire

Treasury Management Plan 2014/15

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1 INTRODUCTION

1.1 Background

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

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

CIPFA defines treasury management as:

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

1.2 Reporting requirements

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

Prudential and treasury indicators and treasury management plan (this report) - The first, and most important report covers:

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

A mid year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury plan is being implemented or whether any policies require revision.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the plan.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the PCC. This role is undertaken by the Resource Governance meeting.

1.3 Treasury Management Plan for 2014/15

The plan for 2014/15 covers two main areas:

Capital issues

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

Treasury management issues

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

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

1.4 Training

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

1.5 Treasury management consultants

The OPCC uses Capita Asset Services, Treasury Solutions as its external treasury management advisors.

The PCC recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

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

2 THE CAPITAL PRUDENTIAL INDICATORS 2014/15 – 2015/16

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

2.1 Capital expenditure

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

Capital expenditure £000s	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Building Schemes	1,356	1,026	1,420	1,500
Business Transformation	5,050	5,240	608	-
ICT Schemes	977	702	622	1,000
Other Replacements	12	253	-	-
Vehicles	849	1,150	1,120	1,135
Titan House	-	969	-	-
Total	8,244	9,340	3,770	3,635

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

Capital expenditure £000s	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Total	8,244	9,340	3,770	3,635
Financed by:				
Capital receipts	1,663	333	340	-
Capital grants	1,246	1,168	923	800
Revenue	57	5,276	-	-
Net financing need for the year	5,278	2,563	2,507	2,835

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

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

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

£000s	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
CFR b/fwd	20,084	24,419	24,873	24,959
Net financing need for the year (above)	5,278	2,563	2,507	2,835
ICT asset lease *	1,121	-	-	-
Less MRP/VRP and other financing movements	(2,064)	(2,109)	(2,421)	(2,145)
Movement in CFR	4,335	454	86	690
CFR c/fwd	24,419	24,873	24,959	25,649

* The net financing need in 2012/13 includes the finance lease, from the transfer of assets to G4S.

2.3 Minimum revenue provision (MRP) policy statement

The PCC is required to pay off an element of the accumulated capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP).

CLG regulations have been issued which require the PCC to approve an MRP Statement in advance of each year. A variety of options are provided to PCCs, so long as there is a prudent provision. The PCC's existing policy is:

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

- Based on CFR – MRP will be based on the CFR;

These options provide for an approximate 4% reduction in the borrowing need (CFR) each year.

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

- Asset life method – MRP will be based on the estimated life of the assets; These options provide for a reduction in the borrowing need over approximately the asset's life.

This is a prudent approach providing for a reduction in the borrowing need over approximately the asset's life. It is possible to undertake additional voluntary payments if required (voluntary revenue provision – VRP). However, having regard to affordability, it is proposed that debt is repaid at the Minimum Revenue Provision level.

2.4 Core funds and expected investment balances

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

Year End Resources £000s	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Fund balances / reserves	13,883	11,238	10,332	8,532
Capital receipts	-	-	-	-
Provisions	1,901	600	600	600
Other	-	-	-	-
Total core funds	15,784	11,838	10,932	9,132
Working capital*	(118)	(118)	(118)	(118)
Under borrowing	5,278	7,841	7,841	7,841
Expected investments	10,388	3,879	2,973	1,173

*Working capital balances shown are estimated year end; these may be higher mid year.

2.5 Affordability prudential indicators

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

2.6 Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Financing costs to net revenue stream	2.15%	2.26%	2.56%	2.51%

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

2.7 Incremental impact of capital investment decisions on PCC tax

This indicator identifies the revenue costs associated with proposed changes to the two year capital programme recommended in this budget report compared to the PCC's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support.

Incremental impact of capital investment decisions on the band D PCC tax

£	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
PCC tax - band D	-	-	3.66	1.57

3 Borrowing

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

3.1 Current portfolio position

The PCC's treasury portfolio position at 31 March 2013, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations).

£000s	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Debt at 1 April	20,253	18,030	15,971	16,806
New loans	-	-	2,507	2,835
Repayments	(2,223)	(2,059)	(1,672)	(1,715)
Actual debt at 31 March	18,030	15,971	16,806	17,926

Within the prudential indicators there are a number of key indicators to ensure that the PCC operates its activities within well defined limits. One of these is that the PCC needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Chief Finance Officer reports that the PCC complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes

into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary £m	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Debt	34	38	40

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

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

Authorised limit £m	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Debt	36	40	42

3.3 Prospects for interest rates

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

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Dec 2013	0.50	2.50	4.40	4.40
Mar 2014	0.50	2.50	4.40	4.40
Jun 2014	0.50	2.60	4.50	4.50
Sep 2014	0.50	2.70	4.50	4.50
Dec 2014	0.50	2.70	4.60	4.60
Mar 2015	0.50	2.80	4.60	4.70
Jun 2015	0.50	2.80	4.70	4.80
Sep 2015	0.50	2.90	4.80	4.90
Dec 2015	0.50	3.00	4.90	5.00
Mar 2016	0.50	3.10	5.00	5.10
Jun 2016	0.75	3.20	5.10	5.20
Sep 2016	1.00	3.30	5.10	5.20
Dec 2016	1.00	3.40	5.10	5.20
Mar 2017	1.25	3.40	5.10	5.20

Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth has rebounded during 2013 to surpass all expectations. Growth prospects remain strong for 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. One downside is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent.

A rebalancing of the economy towards exports has started but as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth. There are, therefore, concerns that a UK recovery currently based mainly on consumer spending and the housing market, may not endure much beyond 2014. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.

The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- Although Eurozone concerns have subsided in 2013, Eurozone sovereign debt difficulties have not gone away and there are major concerns as to how these will be managed over the next few years as levels of government debt to GDP ratios, in some countries, continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2014/15 and beyond;
- Borrowing interest rates have risen significantly during 2013 and are on a rising trend. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring even higher borrowing costs, which are now looming ever closer, where PCC's will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt, in the near future;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

3.4 Borrowing strategy

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

Against this background and the risks within the economic forecast, caution will be adopted with the 2014/15 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was 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 will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- if it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in the anticipated rate to US tapering of asset purchases, or in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.

Any decisions will be reported to the Resource Governance meeting at the next available opportunity.

The PCC is able to borrow at advantageous rates from the Public Works Loans Board (PWLB) and all projected future borrowings, to finance the capital programme, are anticipated to be from this source.

Borrowing is undertaken at a time appropriate to coincide with an identified dip in borrowing rates available and as long term borrowing rates have not increased significantly and cashflows have remained strong, no new external borrowing has yet been taken in 2013/14. Projections are likely to allow borrowings to be avoided in 2013/14.

The objective is to achieve a debt maturity profile, which ensures that no one year has a high level of repayments. This is a requirement under the Prudential Borrowing Guidelines.

Current loan terms match the life of the asset they are financing. Future loans to be considered for the most appropriate loan length, ensuring compliance with prudential indicators.

All current loans have been taken on the basis of equal instalment of principal (EIP), which ensures payments are spread evenly across the term of the loan. Future strategies to include the comparison and consideration of other available repayment bases.

Apart from the transferred borrowing, (which is based on a share of the average amount of interest paid on all Lincolnshire County Council debt) all long term debt is at fixed rates of interest. Consideration has been given to the possible restructuring of the loans outstanding in order to take advantage of lower interest rates. However, the indications are that savings through lower interest rates would be offset by significant penalties for early termination of some of the loans.

3.5 Treasury management limits on activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;

- Maturity structure of borrowing. These gross limits are set to reduce the PCC's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

	2014/15	2015/16
Interest rate exposures		
	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%
Limits on variable interest rates based on net debt	30%	30%
Maturity structure of fixed interest rate borrowing 2014/15		
	Lower	Upper
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	30%
5 years to 10 years	0%	50%
10 years and above	10%	80%
Maturity structure of variable interest rate borrowing 2014/15		
	Lower	Upper
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	30%
5 years to 10 years	0%	50%
10 years and above	10%	80%

3.6 Policy on borrowing in advance of need

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

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

3.7 Debt rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;

- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

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

4 ANNUAL INVESTMENT PLAN

4.1 Investment policy

The PCC's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The PCC's investment priorities will be security first, liquidity second and then return.

In accordance with guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the PCC has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Using our ratings service potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Furthermore, the PCC's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the PCC will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors, Capita Asset Services in producing its colour codings which show the varying degrees of suggested creditworthiness.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

The intention of the strategy is to provide security of investment and minimisation of risk.

Investment instruments identified for use in the financial year are listed below under the 'specified' and 'non-specified' investments categories.

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' quality criteria where applicable.

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. There will be no non-specified investments.

The criteria below are intended to be the operational criteria in normal times. At times of heightened volatility, risk and concern in financial markets, this strategy may be amended by temporary operational criteria further limiting investments to counterparties of a higher creditworthiness and / or restricted time limits.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	Max % of total investments/ £ limit per institution	Max. maturity period
<u>Specified Investments</u>			
DMADF – UK Government	N/A	100%	1 year (current max maturity period is 6 months)
Money market funds	AAA	£4m each	Liquid
Local authorities	N/A	£4m each	1 year
Term deposits with banks and building societies	See paragraph 4.2	£4m each	See paragraph 4.2

4.2 Creditworthiness policy

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

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

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the PCC to

determine the suggested duration for investments. The PCC will therefore use counterparties within the following durational bands:

- Yellow/Pink/Purple/Blue/Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

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

Typically the minimum credit ratings criteria the PCC use will be a short term rating (Fitch or equivalents) of short term rating F1, long term rating A-, viability rating of A-, and a support rating of 1. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored. The PCC is alerted to changes to ratings of all three agencies through its use of the creditworthiness service.

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

Sole reliance will not be placed on the use of this external service. In addition the PCC will also use market data and market information, information on government support for banks and the credit ratings of the supporting government.

4.3 Diversifying Investment

The PCC shall avoid a concentration of investments in too few counterparties, with a suitable spreading approach likely to be sufficient given the safeguards already built into its creditworthiness service of Capita Asset Services.

Investments with any group of financial institutions will not exceed £4m at any one time

4.4 Country limits

The PCC has determined that investments will be made in the UK or approved counterparties from countries with a minimum sovereign credit rating of AAA from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown below:

- Australia
- Canada
- Denmark
- Finland
- Germany
- Luxembourg
- Norway

- Singapore
- Sweden
- Switzerland

The sovereign rating of the UK has been and will continue to be reviewed by the PCC.

This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4.5 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment returns expectations. Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 2 of 2016. Bank Rate forecasts for financial year ends (March) are:

- 2013/14 0.50%
- 2014/15 0.50%
- 2015/16 0.50%
- 2016/17 1.25%

There are upside risks to these forecasts (i.e. start of increases in Bank Rate occurs sooner) if economic growth remains strong and unemployment falls faster than expected. However, should the pace of growth fall back, there could be downside risk, particularly if Bank of England inflation forecasts or the rate of fall of unemployment were to prove to be too optimistic.

Interest earned on investments will reflect the Bank Rate forecasts.

The following table shows the budget for investment earnings:

£000s	2014/15	2015/16
Investment earnings	(100)	(100)

Investment treasury indicator and limit - total principal funds invested for greater than 364 days:

£m	2014/15	2015/16
Principal sums invested > 364 days	£m Nil	£m Nil

For its cash flow generated balances, the PCC will seek to utilise its business reserve instant access and notice accounts and the UK Government Debt Management Office.

4.6 End of year investment report

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

SUMMARY OF PRUDENTIAL INDICATORS AND TARGETS

Appendix A

18

PRUDENTIAL INDICATOR TARGETS	2012/13	2013/14	2014/15	2015/16
External Debt				
1 Authorised limit for external debt: The PCC will set for the forthcoming financial year and the following two years an authorised limit for its total external debt, gross of investments, separately identifying borrowing from other long term liabilities				
<u>Authorised limit for external debt:</u>				
Borrowing	£'000 32,000	£'000 36,000	£'000 40,000	£'000 42,000
Other long term liabilities	-	-	-	-
Total	32,000	36,000	40,000	42,000
2 Operational boundary: The PCC will set for the forthcoming financial year and the following two years an operational boundary for its total external debt, gross of investments, separately identifying borrowing from other long term liabilities				
<u>Operational boundary:</u>				
Borrowing	£'000 30,000	£'000 34,000	£'000 38,000	£'000 40,000
Other long term liabilities	-	-	-	-
Total	30,000	34,000	38,000	40,000
Treasury Management Indicators				
Interest Rate Exposures The PCC will set for the forthcoming financial year and the following two years upper limits to its exposures to the effect of changes in interest rates				
<u>3 Upper limit for fixed interest rate exposure:</u>				
Net principal re fixed rate borrowing less investments	£'000 7,642	£'000 12,092	£'000 13,833	£'000 16,753
<u>4 Upper limit for variable rate exposure:</u>				
Net principal re variable rate borrowing less investments	2,293	3,628	4,150	5,026
Gross and Net Debt The PCC will set for the forthcoming financial year and the following two years upper limits on the proportion of net debt compared to gross debt				
<u>5 Upper limit for net debt as percentage of gross debt:</u>				
	100%	100%	100%	100%
6 Ratio of financing costs to net revenue stream: The PCC will estimate for the forthcoming financial year and the following two years the ratio of financing costs to net revenue stream				
	2.15%	2.26%	2.56%	2.51%
7 Capital financing requirement: The PCC shall make reasonable estimates of the total of capital financing requirement at the end of the forthcoming financial year and the following two years				
Estimate of the capital financing requirement for the PCC				
	£'000 24,419	£'000 24,873	£'000 24,959	£'000 25,649
8 Estimate of the incremental impact of capital investment decisions on the council tax: The PCC will calculate the addition or reduction to council tax that results from any proposed changes to the capital programme				
Band D council tax				
	-	-	£3.66	£1.57
9 Maturity structure of new fixed rate borrowing: The PCC will set for the forthcoming financial year both upper and lower limits with respect to the maturity structure of borrowing				
	Upper Limit		Lower Limit	
Under 12 months	20%		0%	
12 months and within 24 months	20%		0%	
24 months and within 5 years	30%		0%	
5 years and within 10 years	50%		0%	
10 years and above	80%		10%	

APPENDIX B

Treasury management scheme of delegation

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

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

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

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

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

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

As section 151 officer, the Commissioner's CFO is responsible for:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
 - submitting regular treasury management policy reports;
 - submitting budgets and budget variations;
 - receiving and reviewing management information reports;
 - reviewing the performance of the treasury management function;
 - ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
 - ensuring the adequacy of internal audit, and liaising with external audit;
 - recommending the appointment of external service providers.
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