

For Public Release

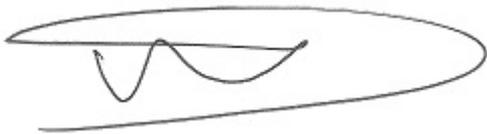
**POLICE AND CRIME COMMISSIONER (PCC) FOR LINCOLNSHIRE  
REQUEST FOR DECISION**

**REF: 003/2022  
DATE: 15 June 2022**

<b>SUBJECT</b>	<b>FINANCIAL GOVERNANCE AND PERFORMANCE REPORT 2020/21</b>
REPORT BY	<b>FORCE CHIEF FINANCE OFFICER (FCFO)</b>
CONTACT OFFICER	<b>SHARON CLARK, FCFO TELEPHONE 01522 947468</b>
<b>EXECUTIVE SUMMARY AND PURPOSE OF REPORT</b> To present the Financial Governance and Performance Report 2020/21 for the Police and Crime Commissioner for Lincolnshire. The report includes details of issues required to be reported under the Financial, Contract and Procurement Regulations. It also includes the annual reports agreed as part of arrangements for performance management.	
<b>RECOMMENDATIONS</b>	<b>That the Financial Governance and Performance Report 2020/21 appended to this report be approved.</b>

**POLICE AND CRIME COMMISSIONER FOR LINCOLNSHIRE**

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

Signature:  Date: 15 June 2022

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

**A1. INTRODUCTION AND BACKGROUND**

1. The purpose of the Financial Governance and Performance report is to provide details of those Financial and Procurement activities required under Financial, Contract and Procurement Regulations to be reported on an annual basis.
2. The report is broken down into the following sections:
  - Overall financial performance;
  - Procurement;
  - Debt recovery;
  - Insurance;
  - Treasury management;

3. The report was presented at the Joint Independent Audit Committee (JIAC) meeting on 11th November 2021, for review and comment. It is now incorporated into this decision request to recognise that the Financial Governance and Performance Report has been received and to make the report available.

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

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

## **B. FINANCIAL CONSIDERATIONS**

These have been included in the Financial Governance and Performance Report.

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

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

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

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

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

## **E. REVIEW ARRANGEMENTS**

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

## **F. RISK MANAGEMENT**

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

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provision.

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

## G. PUBLIC ACCESS TO INFORMATION

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

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

If Yes, for what reason:

Until what date:

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

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

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

## ORIGINATING OFFICER DECLARATION

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

**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:** 15 June 2022

## **FINANCIAL GOVERNANCE AND PERFORMANCE 2020/21**

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

The report covers:

- Overall financial performance (Appendix A);
  - Procurement (Appendix B);
  - Debt recovery (Appendix C);
  - Insurance (Appendix D);
  - Treasury Management Annual Report (Appendix E);
  - Corporate Finance team performance (Appendix F).
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## APPENDIX A

### FINANCIAL PERFORMANCE – ANNUAL REPORT 2020/21

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

Full details of financial performance in the year are set out in the 2020/21 Revenue Outturn Report, the 2020/21 Capital Outturn Report and the 2020/21 Financial Statements. The following is a summary of the main conclusions:

Value for Money continues to be an area of strength. Planned savings were achieved and an underspend was achieved for 2020/21.

Financial health was generally sound despite the global coronavirus pandemic. The budget for 2020/21 and the following 3 years were in a balanced position prior to the Covid-19 pandemic in 2020/21. The impact of prolonged Covid lockdowns on employment levels and the general economy means that the UK will, in all likelihood, be facing another period of government austerity in the medium term. Public sector pay restrictions have already been announced for 2021/22. Whilst the government remains committed to the Police Uplift Programme to deliver the additional 20,000 police officers, reductions in the core Police grant are possible. This would mean that once again, the force may be facing the need to implement cost reductions to balance the budget in future years. To ensure that limited funding is best used to support key priorities, the Force plans to conduct a Priority Based Budgeting (PBB) exercise in 2022/23. This will follow the end of the 10 year strategic partnership contract with G4S and the transfer back of the majority of the outsourced services to the force. This will give Lincolnshire Police the control and flexibility to design an organisational structure which delivers the key priorities, is responsive to future demand, and offers best value for money for the local taxpayers. Audits of core financial processes have received satisfactory levels of assurance with a small number of recommendations for improvement. These reviews inform the overall review of governance arrangements and provide assurance that the controls which the organisation relies upon to manage are suitably designed, consistently applied and effective.

Considerable effort continues to be made to promote Lincolnshire's case for fairer funding in the government grant distribution. In the meantime, the PCC continues to pursue opportunities to secure one-off funding to support policing in Lincolnshire. The Home Office awarded Lincolnshire £4.3m of Special Grant funding in March 2021 which provides the opportunity for further investment in a range of service areas.

The current political and economic uncertainty will continue to impact on future central Government expenditure with a consequent potential impact on police funding. Continuing sound financial control and planning will also be important to delivering financial balance into the medium term. Reserves have been used to support the revenue budget over recent years but following three successful special grant applications, sound financial management has allowed some measure of topping up of the depleted general reserves.

Insurance, procurement and Corporate Finance team performance are described in detail in separate appendices;

The completion of a programme of reviews of financial processes is a key task in the Corporate Finance Business Plan for 2020/21.

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

REF	INDICATOR	NARRATIVE	2019/20	2020/21
<b>Financial health</b>				
1	Risk & General reserves	Maintained around the minimum level of a target range based on a financial risk assessment, currently around 4% of total annual expenditure.	4.8%	4.4%
2	Borrowing	Annual cost of debt repayment and interest not to exceed 5% of annual income.	0.6%	0.7%
3	Internal control	All core financial systems to receive "significant assurance" internal audit conclusions.	No (83%)	No (80%)
4	Accounting	Unqualified external audit opinion on the annual financial statements.	Expected	Expected
<b>Fairer funding</b>				
5	Government grant	Increased share of national police grant.	No	No
<b>Value for money</b>				
6	Spending	Lower than national average spending per head of population (Net Revenue Expenditure estimates, excluding national policing and PCC)	14.5% lower	19.6% lower
7	Spending	Unqualified VfM Conclusion from the external auditor.	Expected	Expected
<b>Financial performance</b>				
8	Revenue budget management	More than 50% of budgets managed to within 1%.	25%	33%
9	Capital programme management	Actual capital spending managed to more than 80% of the approved programme.	57%	52%
10	Income from fees and charges	Annual Income from fees and charges (with the exception of mutual aid) to exceed £1m.	£1.6m	£1.6m
11	Income collection	Average number of debtor days not to exceed 30.	29 days	32 days
12	Payments	More than 90% of undisputed invoices to be paid within 30 calendar days.	92%	93%

REF	INDICATOR	NARRATIVE	2019/20	2020/21
13	G4S contract – finance functions	100% of G4S contractual targets achieved.	100%	98%
<b>Treasury management</b>				
14	Interest earned	Interest rate on investments higher than average bank rate (0.72% during period).	0.21% above BR	0.17% above BR
15	Interest paid	Interest paid on new long term borrowing less than average government borrowing rate.	0.46% less than average	No new long-term borrowing
<b>Procurement</b>				
16	Extent of competition	Percentage of spending via national and regional frameworks and other competitive processes	67%	71%
17	Major contracts	Savings achieved on major contracts	£627k	£306k

## **APPENDIX B PROCUREMENT**

The Strategic Procurement Unit (SPU) seeks to secure best value in all aspects of procurement through the delivery of a professional procurement service to the Force and PCC. During 2020/21, the SPU comprised a total of two G4S staff, one of whom is fully MCIPS qualified.

The service provided covers, but is not limited to, provision of advice to officers and staff on a wide range of procurement issues and regulations, tenders/mini competitions, award of contracts and implementation of the most suitable procurement arrangements and requirements to meet operational and support service needs. In 2020/21 the unit awarded 103 contracts for the Police and Crime Commissioner/Lincolnshire Police with a total value of £18.729 million, with 29 of them being awarded under the EMPLS standard terms and conditions. These contracts are detailed in Table 1.

From the award of these contracts, it is estimated that savings totalling approximately £306k have been achieved in 2020/21.

In addition, Lincolnshire Police utilise many government/police and local authority collaborative/framework arrangements for a wide range of goods and services. It is estimated up to around 42 arrangements have been utilized to a greater or lesser degree. Spend on these arrangements varies year to year dependent on revenue/capital requirements but is estimated to be approximately £5.8 million pounds per annum (71% of total spend). The SPU has been instrumental in the "adoption" of many of these arrangements.

During the year, 34 contracts were required to be awarded without formal competition comprising a total value of £2.477 million. A description of these contracts together with justification from the user department is given in Table 2.

A total of 55 retrospective purchase orders (raised after the invoice has been received) have been raised by the Force during the year, with a total value of £102K. The SPU have investigated these suppliers and the level of spend if the same items/services have been ordered from the same suppliers; and found that the total annual value for all of these suppliers is below £25k. The SPU has liaised with the relevant user departments to enable processes to be put in place to try and reduce the number of retrospective orders going forward.

During this financial year, two additional catalogues have been set up in t-Police for requisitioners to call off from and Smart forms have been created in t-Police for raising requisitions for Scenes of Crime consumables, business travel and fuel/diesel. These help to speed up and simplify the process of raising requisitions.

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**TABLE 1: STRATEGIC PROCUREMENT UNIT  
CONTRACTS AWARDED 01/04/2020 TO 31/03/2021**

<b>Award Date</b>	<b>File Reference</b>	<b>Description</b>
06/04/2020	0292	Purchase of Armed Response Vehicles
14/04/2020	0300	Purchase of COVID-19 PPE - Surgical Facemasks
17/04/2020	0296	Purchase of Skoda Octavia Vehicles
20/04/2020	0299	Supply of Conducted Energy Devices (CEDs) (5764)
28/04/2020	0283	Purchase and installation of average speed camera system on A52 (5761)
29/05/2020	0311	Purchase of Taser training equipment for 2020-21
02/06/2020	0333	Communications and Media Support Services for PCC
04/06/2020	0305	Consultancy Support Extension to Support Partnership Programme
04/06/2020	0308	Purchase of Kia Rio vehicles
04/06/2020	0309	Purchase of Skoda Fabia vehicles
08/06/2020	0350	Purchase of Mercedes Sprinter PSU vehicles
19/06/2020	0306	Sailpoint Identity and Access Management (IDAM) application (5693)
19/06/2020	0404	CTO pre-paid envelopes postage charges for all traffic, summons and fixed penalty offences (5782)
03/07/2020	0368	Additional Mobile SIMs (variation to 0139 (5347)
06/07/2020	0044	Coroner's Officers recharge for FY 20/21 (5789)
07/07/2020	0360	Purchase of Peugeot Vehicles
08/07/2020	0366	Purchase of Dog Vehicles
13/07/2020	0367	National Police Chiefs Council Drugs National Tactical Delivery Coordinator
28/07/2020	0363	Development of a Community Place Based Initiative (5775)

<b>Award Date</b>	<b>File Reference</b>	<b>Description</b>
29/07/2020	0450	Airwave Coverage Contract Managed Service (5749)
04/08/2020	0164	Chorus software (5258)
04/08/2020	0361	FME Services- Medical Services in Custody and Sexual Offence Examination Combined (0559 amendment also refers)
04/08/2020	0374	FHQ Solar PV Installation
04/08/2020	0382	Purchase of CSI Dog Vehicles
05/08/2020	0385	Additional FT Independent Sexual Violence Advisor (ISVA) post
14/08/2020	0388	East Coast Training Centre - Former Skegness Magistrates Court
17/08/2020	0384	Purchase of Cell Vans
17/08/2020	0384	Conversion of Cell Vans
20/08/2020	0395	Microsoft Enterprise Agreement
03/09/2020	0391	Purchase of BMW Vehicles
03/09/2020	0392	Purchase of Vauxhall Corsa Vehicles
03/09/2020	0393	Scene of Crime Consumables (5525)
03/09/2020	0396	Pilot Scheme for Community panel for public consultation
14/09/2020	0394	Victim Support Outreach Service
14/09/2020	0406	Mental Health Worker Role in FCR and Vehicular Response
21/09/2020	0412	Purchase of Peugeot vehicles
22/09/2020	0441	Public Sector PCC & CC Audit Fees
24/09/2020	0389	CC Recruitment & Selection
29/09/2020	0414	Office Products (stationery, batteries, paper, computer consumables, etc)

<b>Award Date</b>	<b>File Reference</b>	<b>Description</b>
01/10/2020	0302	Redacted
01/10/2020	0362	Purchase of Peugeot Electric Vehicles
01/10/2020	0411	PSU Suits
13/10/2020	0171	Business travel and accommodation (5512 & 5720)
13/10/2020	0415	Supply of Diesel, Kerosene & Heating/Gas Oils
13/10/2020	0454	Purchase of Hyundai Tucson vehicles
16/10/2020	0310	Integrated Restorative Justice Services
23/10/2020	0410	PEQF Research Project
27/10/2020	0489	Purchase of BMW Tourer Vehicles
28/10/2020	0151	Project management for Partnership Futures Project to support CPT and Project Team (5756)
28/10/2020	0407	Scene guarding services
28/10/2020	0488	Project management for Partnership Futures Project to support CPT and Project Team (0151)
03/11/2020	0487	Chorus software (Chorus Analyser licences and cloud hosting costs)
05/11/2020	0364	Additional FHQ Generator
10/11/2020	0373	Access Card Readers
10/11/2020	0397	SIMs (minimum commitment 2000)
12/11/2020	0434	Replacement of damaged vehicle
12/11/2020	0490	Redacted
19/11/2020	0386	Spalding Locker Room Conversion
19/11/2020	0491	Repair of HQ Main Entrance Steps & Ramp

<b>Award Date</b>	<b>File Reference</b>	<b>Description</b>
24/11/2020	0503	Purchase of Skoda Kodiaq vehicles
27/11/2020	0504	Purchase of Converted Ford Transit Dog Vehicle
04/12/2020	0398	Speed guns
09/12/2020	0514	Supply and fit of tyres
10/12/2020	0511	Purchase of Replacement Vehicle for Chief Constable use
14/12/2020	0362	Purchase of Vauxhall Corsa Electric Vehicles
14/12/2020	0417	Purchase of replacement guns
14/12/2020	0506	Consultancy for organisational change - cultural assessment and min 60 consultancy days
16/12/2020	0508	Managed Vehicle Recovery Scheme
17/12/2020	0527	Fuel cards (5610/0210)
17/12/2020	0528	Airwave Coverage Contract Managed Service (5749/0450)
22/12/2020	0531	Police ICT Subscription for 2020-2021
23/12/2020	0526	Purchase of Peugeot 308SW Vehicles
30/12/2020	0492	Conversion of Hyundai Tucson Vehicles
01/02/2021	0544	Mobile alarms - maintenance of temporary alarms (0185)
08/02/2021	0553	Consultancy for the Future Service Provision Programme in terms of all HR aspects and advice
08/02/2021	0554	Programme Manager for the Future Service Provision Programme - consultancy
08/02/2021	0555	Consultancy for the Future Service Provision Programme in terms of all financial aspects and advice
08/02/2021	0556	Consultancy for the Future Service Provision Programme in terms of all ICT aspects and advice
09/02/2021	0559	FME Services - SARC amendment re vaccines

<b>Award Date</b>	<b>File Reference</b>	<b>Description</b>
09/02/2021	0562	DNA Sampling Kits (0197)
11/02/2021	0603	OHS rent for Sixfield Close, Lincoln (linked to 0347)
16/02/2021	0525	Provision of Temporary Agency Staff (4944)
16/02/2021	0542	OPTO Crime Training
16/02/2021	0543	AITC SCIU Training
16/02/2021	0552	Programme Director for the Future Service Provision (FSP) Project - consultancy
24/02/2021	0564	Consultancy for the Future Service Provision Programme in terms of Legal Aspects & Advice
26/02/2021	0579	Redacted
05/03/2021	0581	HQ L&D Windows Project
08/03/2021	0545	Redacted
08/03/2021	0580	Supply of Conducted Energy Devices (CEDs) and associated equipment (0209 also refers)
12/03/2021	0572	Broking Services - Insurance (0222)
19/03/2021	0584	Redacted
24/03/2021	0521	Face to Face interpreters & custody translations (4926)
25/03/2021	0612	ABM Pegasus - Source Management System -Comms & Covert/Surveillance (0211)
26/03/2021	0602	Subscription for Excellence in Police Finance Programme
26/03/2021	0614	IL4 security encryption and firewalls (PSN for Policing)
30/03/2021	0509	Provision of Domestic Abuse Matters Training Programme
31/03/2021	0601	National Police Chiefs Council Drugs National Tactical Delivery Coordinator
31/03/2021	0607	Renewal of Support & Maintenance for Oracle Licences

<b>Award Date</b>	<b>File Reference</b>	<b>Description</b>
31/03/2021	0609	Autopsy Services (0284)
31/03/2021	0620	Provision of Electricity for 8 sites (Half Hourly - V6 & L6) (0219)
31/03/2021	0621	Supply of Electricity to Non-HQ Sites - Brown Energy (Non-Half Hourly - L6) (0220)
31/03/2021	0622	Supply of Gas for all sites (V6 & L6) (0229)
<b>TOTAL</b>	<b>103</b>	

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**TABLE 2: STRATEGIC PROCUREMENT UNIT  
EXCEPTIONAL PURCHASE ACTION  
CONTRACTS AWARDED 01/04/20 TO 31/03/21**

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

<b>Award Date</b>	<b>File Reference</b>	<b>Contract Value £'000</b>	<b>Provider &amp; Description</b>	<b>User Justification as detailed in the Exceptional Purchase Action Form</b>	<b>Department</b>
14/04/2020	0300	93	DEOSGROUP Purchase of COVID-19 PPE - Surgical Facemasks	This is PPE to cover COVID requirements. A PO was needed to be raised urgently so we did not miss out on limited supplier stocks as ours are being depleted.	Operations Support
02/06/2020	0333	42	GRUBB STREET MEDIA LTD Communications and Media Support Services for PCC for period 01/08/20 to 31/07/21	As a result of Government action to extend the current term of office for PCC's by a further year to 31st July 2021, it will be necessary to extend the existing contract with Grubb Street Media Limited for the provision of communications and media services to the PCC. The intention has always been for the contract to expire at the end of the PCC's term of office.	OPCC
04/06/2020	0305	53	CIPFA BUSINESS LTD Extension to Support Partnership Programme for period 01/04/20 to 30/09/20	Extension to the original EPA and P600 due to the extension of the Project and at present it would not be viable to obtain new formal compensative tenders at this stage of the project.	CPT
19/06/2020	0404	230	ROYAL MAIL GROUP LTD CTO pre-paid envelopes postage charges for all traffic, summons and fixed penalty offences for period 01/04/20 to 31/03/21	Royal Mail is the only service that meets legal requirements for sending of this type of documentation.	CJS

<b>Award Date</b>	<b>File Reference</b>	<b>Contract Value £'000</b>	<b>Provider &amp; Description</b>	<b>User Justification as detailed in the Exceptional Purchase Action Form</b>	<b>Department</b>
07/07/2020	0360	28	PEUGEOT MOTOR COMPANY Purchase of Peugeot Vehicles	The purchase of these vehicles direct with the relative manufacturer forms part of the 2020/21 vehicle replacement programme and decreases the purchase cost when compared against the CCS Framework.	G4S Facilities Management (Fleet)
08/07/2020	0366	40	FORD MOTOR COMPANY LTD Purchase of Dog Vehicles	These two vehicles form part of the planned vehicle replacement programme providing much needed vehicle replacements for overaged vehicles. The vehicle lead times for new build of this type of vehicle are between 6 and 9 months which we are currently unable to order. The purchase of these two ex- demonstration vehicles means delivery will be within two months of order thereby allowing the replacement of two overaged vehicles within the next couple of months.	G4S Facilities Management (Fleet)
13/07/2020	0367	60	NEXUS UK INVESTIGATIONS LTD National Police Chiefs Council Drugs National Tactical Delivery Coordinator for period 01/06/20 to 31/05/21	Due to the approaching complexities and demands from HMG and in particular the Home Office in this area this will generate a large volume of work and will require visits to other forces in order to deliver Home Office and HMG actions and recommendations as determined by the DSSRP and Dame Carol Black review. Additionally, the Home Office have requested that the work be completed within 12 months. Due to this time criticality, if this had been put out to tender, the timescale would not have been met.	Executive
04/08/2020	0374	137	CUSTOM SOLAR LTD FHQ Solar PV Installation	Custom Solar are the appointed contractor for the Lincolnshire Police Solar PV Project and already have a large team of vetted technicians that will be undertaking installations at other Lincolnshire Police premises	G4S Facilities Management

<b>Award Date</b>	<b>File Reference</b>	<b>Contract Value £'000</b>	<b>Provider &amp; Description</b>	<b>User Justification as detailed in the Exceptional Purchase Action Form</b>	<b>Department</b>
05/08/2020	0385	85	LINCOLNSHIRE PARTNERSHIP FOUNDATION TRUST Additional FT Independent Sexual Violence Advisor (ISVA) post for period 01/09/20 to 31/03/22	LPFT are the only ISVA service with existing relationships Lincolnshire police, HMCTS and with other service providers. It would create confusion and unnecessary additionality to the existing established referral path ways if a different provider was contracted to provide the 1x FTE ISVA.	OPCC
17/08/2020	0384	27	VAUXHALL MOTORS LTD Conversion of Cell Vans	In order to retain vehicle make and model consistency with a tried and tested vehicle that has proven to be operationally fit for purpose, demonstrates value for money, has been crash tested by the relevant manufacturer, passes all the required police conformance testing, benefits from an enhanced conversion warranty it is recommended that approval is given to the conversion of 3 Vauxhall Vivaro vans into cell vans using Vauxhall Motors one stop shop facility.	G4S Facilities Management (Fleet)
03/09/2020	0396	37	HABIT5 LTD Pilot Scheme for Community panel for public consultation for period 01/08/20 to 31/08/21	Habit5 are currently undertaking this work on our behalf and are a specialist provider with the necessary skills to undertake panel management, consultation and statistical analysis.	OPCC
24/09/2020	0389	32	PERTEMPS CC Recruitment & Selection for period 01/07/20 to 30/09/20	Following the announcement made by the Chief Constable of Lincolnshire Police to retire with effect from 18 December 2020, it will now be necessary for the Police and Crime Commissioner to select and appoint a new Chief Constable within a timeframe that will allow the appointee to commence in post on 19 December 2020. PPD will provide the necessary specialist advice and support to facilitate an appointment within the required timeframe.	OPCC
23/10/2020	0410	62	UNIVERSITY OF LINCOLN PEQF Research Project for period 01/10/20 to 30/09/23	This is a three-year research project with a mid-term deliverable circa March 2022. Due to the timescales it is necessary to procure this research in a timely fashion that may be undermined by a public procurement process.	Executive

Award Date	File Reference	Contract Value £'000	Provider & Description	User Justification as detailed in the Exceptional Purchase Action Form	Department
28/10/2020	0151	73	E2E PROJECT MANAGEMENT LTD Project management for Partnership Futures Project to support CPT and Project Team for period 01/01/20 to 30/09/20	Whilst the initial piece of work has been completed, it is known E2E Consultant has a detailed knowledge of both Lincolnshire Police and G4S, having been involved during the initial procurement process and dialogue pre contract award and has managed the current project for the last 6 months. Under Regulation 10.2.3 it is considered that the marketplace for advice with regards to this contract is limited and to tender for this would substantially increase both the costs of the service and the time involved and given the time constraints involved it would not be appropriate to tender.	CPT
28/10/2020	0488	35	E2E PROJECT MANAGEMENT LTD Project management for Partnership Futures Project to support CPT and Project Team for period 01/10/20 to 31/12/20	Whilst the initial piece of work has been completed, it is known E2E Consultant has a detailed knowledge of both Lincolnshire Police and G4S, having been involved during the initial procurement process and dialogue pre contract award and has managed the current project for the last 6 months. Under Regulation 10.2.3 it is considered that the marketplace for advice with regards to this contract is limited and to tender for this would substantially increase both the costs of the service and the time involved and given the time constraints involved it would not be appropriate to tender.	Strategic Development
12/11/2020	0490	114	REDACTED	REDACTED	G4S ICT
27/11/2020	0504	36	LOOKERS GROUP Purchase of Converted Ford Transit Dog Vehicle	To minimise lead times and to deliver an operationally appropriate vehicle for dog training duties, Fleet Management have sourced a fit for purpose vehicle with significantly less lead times. The vehicle is 80% complete and can be delivered within 4-6 weeks of receipt of purchase order. This would be well within this year's financial year. The vehicle is actually a cancelled order that was being built for the Kent Fire Service.	G4S Fleet

Award Date	File Reference	Contract Value £'000	Provider & Description	User Justification as detailed in the Exceptional Purchase Action Form	Department
04/12/2020	0398	27	UNIPAR SERVICES Speed guns	Unipar have supplied speed guns to Lincolnshire Police on previous occasions, increasing the availability of laser speed guns for use. These have proven popular amongst police officers and have been useful in increasing the number of traffic tickets issued within Lincolnshire Police. They have also been used to support and start to replace older radar guns. For this, Unipar are a trusted supplier of the product required by Lincolnshire Police.	Specialist Ops
14/12/2020	0417	112	LAW ENFORCEMENT INTERNATIONAL LTD Purchase of replacement guns	The LMT 5.56mm carbine has been chosen following a regional evaluation process. The project to replace the ARV carbines has been conducted jointly with Lincolnshire, Leicestershire and Northamptonshire. Although each force is placing separate individual orders for weapons the quotation reflects the economies of scale provided by the sum of the orders	Specialist Ops
14/12/2020	0506	40	LYNCHPIN AND ASSOCIATES LTD Consultancy for organisational change - cultural assessment and min 60 consultancy days for period 30/07/20 to 01/04/21	The Unwritten Grounds Rules (UGRs) methodology used by this supplier fits well within Policing. The methodology has been used in other public sector organisations including policing, and has been demonstrated to make successful, purposeful changes to an organisation's culture. The UGRs methodology has been chosen by the Deputy Chief Constable as the preferred way of achieving the outcomes and benefits described above. There is only one company in the United Kingdom who are licenced to use the UGRs methodology, a local firm called Lynchpin Solutions.	Strategic Development
16/12/2020	0508	99	FMG SUPPORT (RRRM) LTD Managed Vehicle Recovery Scheme for period 14/01/21 to 30/09/21	Lincolnshire police have an existing contract with FMG Group to provide a managed service under a North Wales Police framework agreement. This contract was extended for 12 months and is now set to expire at midnight on 13th January 2021. Due to the Covid 19 situation it has been agreed to extend this until 30 September 2021. Therefore the force requires a contract extension to commence from 00:01 hours on 14th January 2021	G4S Facilities Management

Award Date	File Reference	Contract Value £'000	Provider & Description	User Justification as detailed in the Exceptional Purchase Action Form	Department
08/02/2021	0553	175	SARAH FARMER CONSULTING LTD Consultancy for the Future Service Provision Programme in terms of all HR aspects and advice for period 01/01/21 to 31/05/22	It is known that Sarah Farmer Ltd has the appropriate detailed knowledge of both Lincolnshire Police and G4S, having been involved during the initial procurement process, commercial dialogue and Partnership outsourcing Project. Under Regulation 10.2.3 it is considered that the marketplace for advice with regards to this contract is limited and to tender for this would substantially increase both the costs of the service and the time involved and given the time constraints involved it would not be appropriate to tender.	OPCC
08/02/2021	0554	133	E2E PROJECT MANAGEMENT LTD Programme Manager for the Future Service Provision Programme – consultancy for period 01/01/21 to 31/05/22	It is known E2E Consultant has a detailed knowledge of both Lincolnshire Police and G4S, having been involved during the initial procurement process, commercial dialogue and Partnership Futures Project. Under Regulation 10.2.3 it is considered that the marketplace for advice with regards to this contract is limited and to tender for this would substantially increase both the costs of the service and the time involved and given the time constraints involved it would not be appropriate to tender.	OPCC
08/02/2021	0555	67	GARY BANDY LTD Consultancy for the Future Service Provision Programme in terms of all financial aspects and advice for period 01/01/21 to 31/03/22	It is known that Gary Bandy Ltd has the appropriate detailed knowledge of both Lincolnshire Police and G4S, having been involved during the initial procurement process, commercial dialogue and Partnership outsourcing Project. Under Regulation 10.2.3 it is considered that the market place for advice with regards to this contract is limited and to tender for this would substantially increase both the costs of the service and the time involved and given the time constraints involved it would not be appropriate to tender.	OPCC

Award Date	File Reference	Contract Value £'000	Provider & Description	User Justification as detailed in the Exceptional Purchase Action Form	Department
08/02/2021	0556	47	EXCEPTION LTD Consultancy for the Future Service Provision Programme in terms of all ICT aspects and advice for period 01/01/21 to 31/05/21	It is known that Exception has the appropriate detailed knowledge of both Lincolnshire Police and G4S, having been involved during the initial procurement process, commercial dialogue and Partnership outsourcing Project. Under Regulation 10.2.3 it is considered that the market place for advice with regards to this contract is limited and to tender for this would substantially increase both the costs of the service and the time involved and given the time constraints involved it would not be appropriate to tender.	OPCC
16/02/2021	0542	56	OPTO TRAINING LTD Crime Training for period 01/04/21 to 31/03/22	SingleTraining Provider able to conduct the required training programme	G4S Learning & Development
16/02/2021	0543	62	A I TRAINING LTD SCIU Training for period 01/04/21 to 31/03/22	SingleTraining Provider able to conduct the required training programme	G4S Learning & Development
16/02/2021	0552	156	MOTIVATO LTD Programme Director for the Future Service Provision (FSP) Project – consultancy for period 01/01/21 to 31/01/22	It is known that Motivato Ltd has an appropriate consultant with detailed knowledge of both Lincolnshire Police and G4S, having been involved during the initial procurement process, commercial dialogue and Partnership outsourcing Project. Under Regulation 10.2.3 it is considered that the market place for advice with regards to this contract is limited and to tender for this would substantially increase both the costs of the service and the time involved and given the time constraints involved it would not be appropriate to tender.	OPCC

Award Date	File Reference	Contract Value £'000	Provider & Description	User Justification as detailed in the Exceptional Purchase Action Form	Department
24/02/2021	0564	50	EVERSHEDS SUTHERLAND Consultancy for the Future Service Provision Programme in terms of Legal Aspects & Advice for period 01/02/21 to 30/04/22	It is known that Eversheds Sutherland has the appropriate detailed knowledge of both Lincolnshire Police and G4S, having been involved during the initial procurement process, commercial dialogue and Partnership outsourcing Project. Under Regulation 10.2.3 it is considered that the market place for advice with regards to this contract is limited and to tender for this would substantially increase both the costs of the service and the time involved and given the time constraints involved it would not be appropriate to tender.	OPCC
08/03/2021	0545	63	REDACTED	REDACTED	Digital Forensics Unit
12/03/2021	0572	52	AON UK LTD Broking Services - Insurance for period 01/04/21 to 31/03/24	It is felt that the amount of work required for an open tender would exceed the value of any potential cost savings. We have reviewed the Insurance Services II Framework agreement (RM6020) which is based on hourly rates for all providers, and based on this review, the fixed annual fee arrangement represents a better deal for Lincolnshire Police. By entering into a long-term agreement with AON, it removes any uncertainty around expenditure until 31/03/24 and offers value for money to Lincolnshire Police based on the estimated hours required to deliver the service. Lincolnshire Police's main Liability insurance is due to be retendered during this period, this is a resource-intensive process and AONs (previously Henderson's) expertise has always ensured the best outcomes are achieved for Lincolnshire Police.	Corporate Finance
19/03/2021	0584	25	REDACTED	REDACTED	G4S ICT

Award Date	File Reference	Contract Value £'000	Provider & Description	User Justification as detailed in the Exceptional Purchase Action Form	Department
31/03/2021	0601	60	NEXUS UK INVESTIGATIONS LTD National Police Chiefs Council Drugs National Tactical Delivery Coordinator for period 01/06/21 to 31/05/22	Having previously done this role as a D/Ch. Supt. in Bedfordshire, Mark brings extensive knowledge to the position. As this has not gone out to tender, considerable time and money has been saved in appointing Mark. Further, Mark is the current incumbent in this role and has delivered and continues to deliver against his objectives. Retaining Mark in this role ensures continuity and stability with other forces and the Home Office. Additionally, due to Mark's working knowledge and existing contact base in this area, there are no training requirements or the necessity to 'network' which would've required an investment in time and money to bring Mark up to speed with the requirements of the role.	Executive
31/03/2021	0607	69	ORACLE CORPORATION UK LTD Renewal of Support & Maintenance for Oracle Licences for period 06/04/21 to 05/04/22	The Crown Commercial Service (CCS) have informed us of a Memorandum of Understanding (MoU) with Oracle. The MoU is an understanding between the Crown Commercial Service and Oracle with an agreed 0% indexation offer from oracle. A purchase order is required to for the period 06/04/2021 – 05/04/2022. Although neither a tender process, nor a mini-competition has been carried out, CCS have advised that we are able to renew direct with Oracle as they own the licences. There would be no benefit in going to a reseller as they will only add an additional charge to Oracle's original pricing. In previous years we have not had the option to go direct with Oracle but now they are willing to contract directly with the Force.	G4S ICT
<b>TOTAL</b>	<b>34</b>	<b>£2477</b>			

## APPENDIX C

### DEBT RECOVERY 2020/21

The total of debtor invoices raised in 2020/21 on behalf of the PCC was £7.223m (2019/20 £7.245m).

The level of outstanding debt at 31 March 2021 was £1.165m. Most of this was money owed to the PCC by companies or public bodies.

Type of Debtor	2019/20		2020/21	
	Amount £000s	% of Total Outstanding	Amount £000s	% of Total Outstanding
Individuals	41	2.84%	54	4.65%
Companies	28	1.94%	75	6.43%
Public bodies	1,374	95.22%	1,036	88.92%
<b>Total Outstanding</b>	<b>1,443</b>		<b>1,165</b>	

The age profile of this debt is shown below. This is a snapshot as at 31 March 2021.

Number of Days	0 - 30	31 - 60	61 - 90	>90	Total Outstanding
<b>2020/21</b>					
Amount Outstanding £000s	867	185	37	76	<b>1,165</b>
% of Outstanding Debt	74.4%	15.9%	3.2%	6.5%	
<b>2019/20</b>					
Amount Outstanding £000s	1,294	115	0	34	<b>1,443</b>
% of Outstanding Debt	89.7%	8.0%	-	2.3%	

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

Debts written off in the year total £32,118 equivalent to 0.4% of the total debt raised. This includes invoices for legal court costs which have been awarded to Lincolnshire Police but have proved unrecoverable. The debts written off were subject to investigation by the appointed external Debt Recovery Agent prior to write off.

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

## **APPENDIX D INSURANCE SERVICES**

- 1.1. The Police and Crime Commissioner's (PCC) main classes of insurance, including Motor Fleet, Public / Employers Liability and Fidelity Guarantee, cover were subject to competitive tender under EU rules at the end of 2017, for insurance services commencing 1<sup>st</sup> April 2018. Contracts were awarded for a three year period with an option to extend for two further individual years.
- 1.2. The Police and Crime Commissioner's (PCC) other classes of insurance cover, including Property, Business Interruption, Personal Accident and Travel were subject to a further competition via YPO's Insurance Placement for insurance services commencing 1<sup>st</sup> April 2020. A contract was awarded for a three year period with an option to extend for two further individual years.
- 1.3. Insurance Premium Tax (IPT) was charged at 12% on all invoices for 20/21.
- 1.4. The table in part 2 of this report provides an analysis of the cost of insurance for 2020/21 (includes IPT):
- 1.5. Insurance cover is provided for the Office of the PCC as well as Police Officers, PCSOs, Support Staff, Special Constabulary, Police Staff Volunteers, Police Cadets, Volunteer Police Support Officers and JIAC members.
- 1.6. The PCC's brokers, Henderson Insurance Brokers Limited (HIBL) an Aon company, provide advice on insurance terms and cover level and renegotiations of premiums. Renewal information is provided annually; any changes to our exposure such as changes in vehicle numbers, wages and property value increase or decreases would result in the premiums being adjusted up or down accordingly.

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

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

### **Claims History**

- 1.8. Paragraphs 1.9 and 1.11 of this document summarise the claims experience over the period from April 2015 to 31st March 2021.
  - 1.9. The Sum of Net paid column relates to the actual amount paid out in respect of claims, the Sum of Remaining Reserve represents the estimate of the amount still to be paid in respect of claims, with the Sum of Total Experience therefore being the total potential cost of the claims.
-

### Employers Liability Claims

Policy Year	Number of Claims	Sum of Net paid £000s	Sum of Remaining Reserve £000s	Sum of Total Experience £000s
1 <sup>st</sup> Apr 2015 – 31 <sup>st</sup> Mar 2016	3	7.9	-	7.9
1 <sup>st</sup> Apr 2016 – 31 <sup>st</sup> Mar 2017	5	23.3	-	23.3
1 <sup>st</sup> Apr 2017 – 31 <sup>st</sup> Mar 2018	1	10.9	-	10.9
1 <sup>st</sup> Apr 2018 – 31 <sup>st</sup> Mar 2019	3	8.7	35.0	43.7
1 <sup>st</sup> Apr 2019 – 31 <sup>st</sup> Mar 2020	1	-	-	-
1 <sup>st</sup> Apr 2020 – 31 <sup>st</sup> Mar 2021	-	-	-	-
<b>Total</b>	<b>13</b>	<b>50.9</b>	<b>35.0</b>	<b>85.9</b>

### Public Liability Claims

Policy Year	Number of Claims	Sum of Net paid £000s	Sum of Remaining Reserve £000s	Sum of Total Experience £000s
1 <sup>st</sup> Apr 2015 – 31 <sup>st</sup> Mar 2016	41	270.8	295.2	566.0
1 <sup>st</sup> Apr 2016 – 31 <sup>st</sup> Mar 2017	30	114.9	-	114.9
1 <sup>st</sup> Apr 2017 – 31 <sup>st</sup> Mar 2018	14	5.7	28.5	34.2
1 <sup>st</sup> Apr 2018 – 31 <sup>st</sup> Mar 2019	28	23.2	160.7	183.9
1 <sup>st</sup> Apr 2019 – 31 <sup>st</sup> Mar 2020	19	5.3	189.5	194.8
1 <sup>st</sup> Apr 2020 – 31 <sup>st</sup> Mar 2021	14	3.9	70.1	74.0
<b>Total</b>	<b>146</b>	<b>423.8</b>	<b>743.9</b>	<b>1,167.7</b>

### Motor Claims Handling

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

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

<b>Policy Year</b>	<b>Number of Claims</b>	<b>Sum of Net paid £000s</b>	<b>Sum of Remaining Reserve £000s</b>	<b>Sum of Total Experience £000s</b>
1 <sup>st</sup> Apr 2015 – 31 <sup>st</sup> Mar 2016	71	38.8	-	38.8
1 <sup>st</sup> Apr 2016 – 31 <sup>st</sup> Mar 2017	73	88.7	-	88.4
1 <sup>st</sup> Apr 2017 – 31 <sup>st</sup> Mar 2018	83	46.2	-	46.2
1 <sup>st</sup> Apr 2018 – 31 <sup>st</sup> Mar 2019	79	14.7	6.2	21.0
1 <sup>st</sup> Apr 2019 – 31 <sup>st</sup> Mar 2020	74	29.6	33.8	63.4
1 <sup>st</sup> Apr 2020 – 31 <sup>st</sup> Mar 2021	50	-	12.6	12.6
<b>Total</b>	<b>430</b>	<b>218.1</b>	<b>52.6</b>	<b>270.8</b>

### **Computer Claims**

- 1.12 None in the last 10 years.

### **Other Policies**

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

### **Review of Settlements**

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

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

- 1.15 One payment has been made in excess of the £25k settlement limit and no payments have been made in excess of the £10k Ex Gratia limit. Current ongoing claims with a reserve above £50k consist of two Public Liability claims, two Employers Liability claims and no motor insurance claims.

## APPENDIX E: ANNUAL TREASURY MANAGEMENT REVIEW 2020/21

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### 1. Introduction

The Police & Crime Commissioner (PCC) is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2020/21 the minimum reporting requirements were that the PCC should receive the following reports:

- an annual treasury strategy in advance of the year (PCC decision 020-2020 18/08/2020);
- a mid-year treasury update report (Resource Governance paper 25/11/2020);
- an annual review following the end of the year describing the activity compared to the strategy (this report).

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

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

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

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

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

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

Capital Expenditure and Financing (£m)	2019/20 Actual	2020/21 Revised Budget	2020/21 Actual
Capital expenditure	9.4	10.9	6.2
Financed in year	2.9	1.8	2.6
Unfinanced capital expenditure	6.5	9.1	3.6

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

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

**Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the PCC should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2019/20) plus the estimates of any additional capital financing requirement for the current (2020/21) and next two financial years. This essentially means that the PCC is not borrowing to support revenue expenditure. This indicator allowed the PCC some flexibility to borrow in advance of its immediate capital needs in 2020/21. The table below highlights the PCC's gross borrowing position against the CFR. The PCC has complied with this prudential indicator.

Gross Borrowing and CFR (£m)	31-Mar-20 Actual	31-Mar-21 Revised Budget	31-Mar-21 Actual
Capital Financing Requirement	43.6	49.4	42.0
Borrowing	29.9	38.8	29.3
Other long term liabilities*	6.1	5.1	3.4
Over / (under) borrowing	(7.6)	(5.5)	(9.3)

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

**The authorised limit** - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the PCC does not have the power to borrow above this level. The table below demonstrates that during 2020/21 the PCC has maintained gross borrowing within its authorised limit.

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

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

Authorised Limit and Operational Boundary (£m)	2020/21
Authorised limit	48.0
Maximum gross borrowing position during the year	32.7
Operational boundary	43.0
Average gross borrowing position	29.6
Financing costs as a proportion of net revenue stream	2.56%

#### 4. Treasury Position as at 31 March 2021

At the beginning and the end of 2020/21 the PCC's treasury position (excluding borrowing by PFI and finance leases) was as follows:

Treasury Position (£m)	31-Mar-20 Principal	31-Mar-21 Principal
Total debt	29.9	29.3
Capital Financing Requirement	43.6	42.0
Other long term liabilities	(6.1)	(3.4)
Underlying Borrowing Need	37.5	38.6
Over / (under) borrowing	(7.6)	(9.3)
Total investments	6.6	8.9
Net debt	23.3	20.4

The maturity structure of the debt portfolio was as follows:

Maturity Structure (£m)	31-Mar-20 Actual	31-Mar-21 Actual
Under 12 mths	1.1	1.1
12 mths and within 24 mths	0.8	0.9
24 mths and within 5 yrs	2.5	2.5
5 yrs and within 10 yrs	3.4	3.2
10 yrs and within 20 yrs	2.1	1.6
40 yrs and within 50 yrs	20.0	20.0

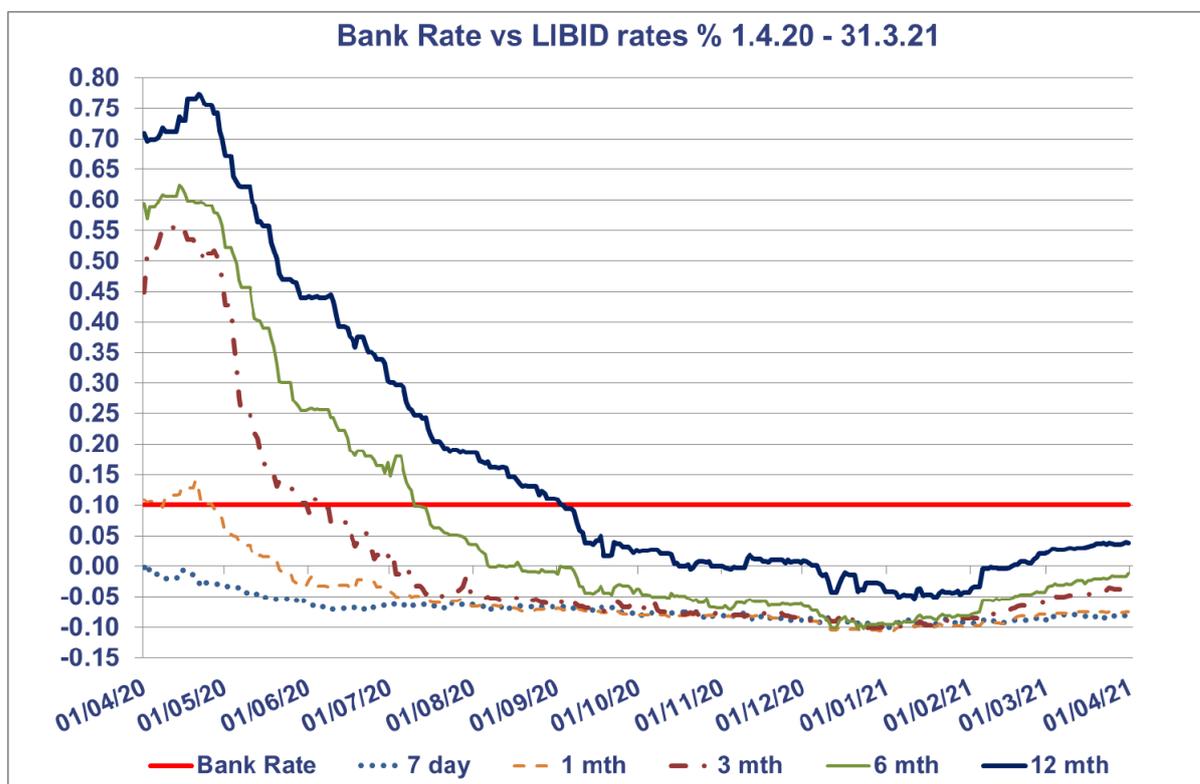
The maturity structure of the investment portfolio was as follows:

Investments (£m)	31-Mar-20	31-Mar-21
Longer than 1 year	-	-
Up to 1 year	6.6	8.9
Total	6.6	8.9

All investments were made for up to one year.

## 5. The Strategy for 2020/21

### 5.1 Investment strategy and control of interest rate risk



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
<b>High</b>	0.10	0.00	0.14	0.56	0.62	0.77
<b>High Date</b>	01/04/2020	02/04/2020	20/04/2020	08/04/2020	14/04/2020	21/04/2020
<b>Low</b>	0.10	-0.10	-0.11	-0.10	-0.10	-0.05
<b>Low Date</b>	01/04/2020	31/12/2020	29/12/2020	23/12/2020	21/12/2020	11/01/2021
<b>Average</b>	0.10	-0.07	-0.05	0.01	0.07	0.17
<b>Spread</b>	0.00	0.10	0.25	0.66	0.73	0.83

Investment returns which had been low during 2019/20, plunged during 2020/21 to near zero or even into negative territory. Most local authority lending managed to avoid negative rates and one feature of the year was the growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic bursting onto the scene in March 2020 which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy. The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.

While the PCC has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.

## **5.2 Borrowing strategy and control of interest rate risk**

During 2020-21, the PCC maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the PCC's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were very low and minimising counterparty risk on placing investments also needed to be considered.

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

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

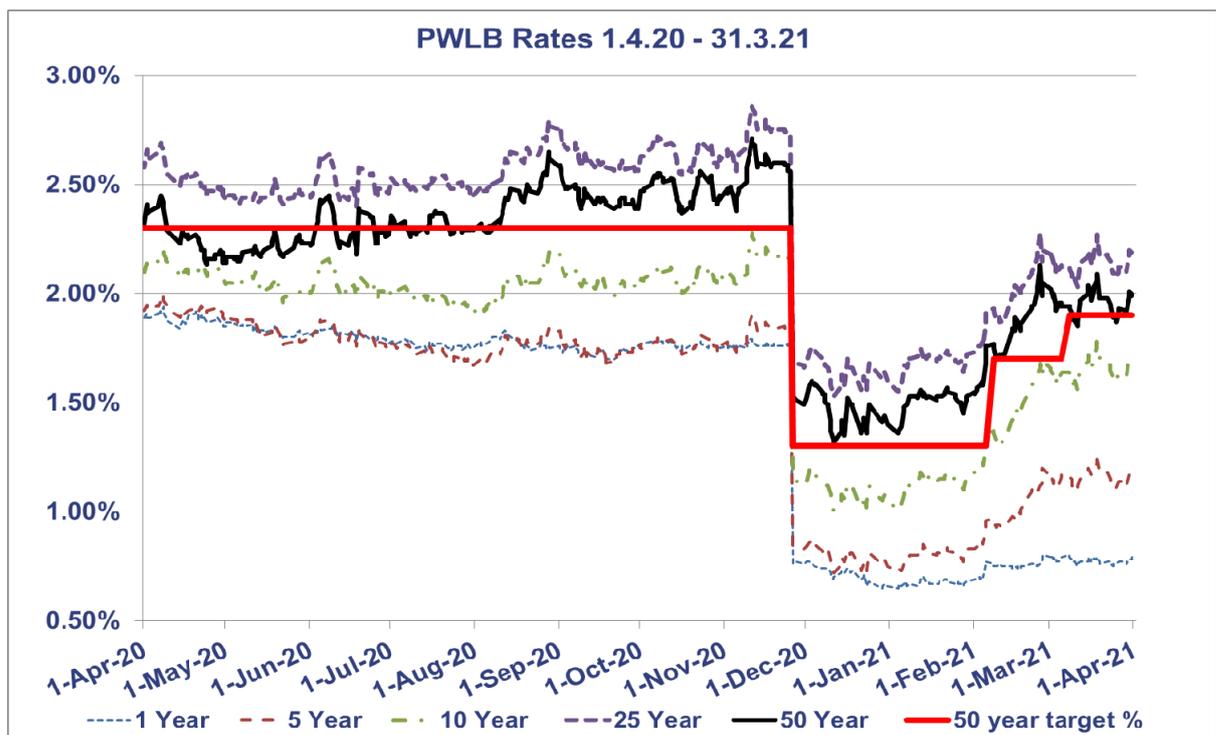
Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Chief Finance Officer therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

- If it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered
- If it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years

Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2020/21 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

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Link Group Interest Rate View		10.5.21											
	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.25	0.25	
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.30	0.30	0.30	
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.20	0.30	0.40	0.40	0.40	
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.30	0.30	0.40	0.50	0.50	0.50	
5 yr PWLB	1.20	1.20	1.30	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	
10 yr PWLB	1.70	1.70	1.70	1.80	1.80	1.90	1.90	1.90	2.00	2.00	2.00	2.00	
25 yr PWLB	2.20	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.50	2.60	
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.30	2.40	



PWLB rates are based on, and are determined by, gilt (UK Government bonds) yields through H.M. Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have seen over the last two years, many bond yields up to 10 years in the Eurozone turn negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession.

Gilt yields fell sharply from the start of 2020 and then spiked up during a financial markets melt down in March caused by the pandemic hitting western countries; this was rapidly countered by central banks flooding the markets with liquidity. While US treasury yields do exert influence on UK gilt yields so that the two often move in tandem, they have diverged during the first three quarters of 2020/21 but then converged in the final quarter. Expectations of economic recovery started earlier in the US than the UK but once the UK vaccination programme started making rapid progress in the new year of 2021, gilt yields and gilt yields and PWLB rates started rising sharply as confidence in economic recovery rebounded. Financial markets also expected Bank Rate to rise quicker than in the forecast tables in this report.

At the close of the day on 31 March 2021, all gilt yields from 1 to 5 years were between 0.19 – 0.58% while the 10-year and 25-year yields were at 1.11% and 1.59%.

HM Treasury imposed two changes of margins over gilt yields for PWLB rates in 2019/20 without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then, at least partially, reversed for some forms of borrowing on 11th March 2020, but not for mainstream non-HRA capital schemes. A consultation was then held with local authorities and on 25th November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -

- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)

There is likely to be only a gentle rise in gilt yields and PWLB rates over the next three years as Bank Rate is not forecast to rise from 0.10% by March 2024 as the Bank of England has clearly stated that it will not raise rates until inflation is sustainably above its target of 2%; this sets a high bar for Bank Rate to start rising.

## 6. Borrowing Outturn for 2020/21

### Borrowing

Temporary borrowing in the year was as follows:

Amount Borrowed	Number of Days	Interest Rate	Interest Paid (£)
£1.5m	7	0.08%	23.01

No temporary borrowing took place in 2019/20.

The following new loans were taken in 2020/21:

Lender	Principal	Type	Average Interest Rate	Maturity
SALIX	£0.025m	Interest Free	N/A	5 years

This was an interest free loan for the installation of solar roof panels to reduce the carbon footprint across the estate.

### Rescheduling

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

### Repayments

In 2020/21 the PCC repaid £0.8m on the principal on PWLB loans. The outstanding PWLB debt is shown below:

	31-Mar-20	31-Mar-21
Outstanding PWLB debt	£29.5m	£28.7m
Average interest rate	3.02%	2.98%
Average remaining life	37.2 yrs	36.9 yrs

## 7. Investment Outturn for 2020/21

### Investment Policy

The PCC's investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the PCC on 18/08/2020. This policy sets out the approach for choosing investment counter parties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The PCC held £8.9m of investments as at 31 March 2021; a breakdown of the investments held is in Appendix A1. During the year, no investments were outstanding with counterparties that were not on the PCC's approved list. Interest receipts during the year were £38k, against a budget of £75k.

### Resources

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

Balance Sheet Resources (£k)	31-Mar-20	31-Mar-21
General Fund Balance	3,333	5,979
Earmarked Reserves	12,439	14,256
Provisions	1,421	1,389
Capital Grants Unapplied	12	-
Total	17,205	21,624

### Appendix A1: Investments List as at 31 March 2021

Capita Colour Coding	Borrower	Principal (£)	Interest Rate	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
Yellow	Aberdeen Standard MMF	4,000,000	0.01%	MMF	AAA	0.00%
Yellow	Insight MMF	870,000	0.00%	MMF	AAA	0.00%
Yellow	Black Rock MMF	4,000,000	0.01%	MMF	AAA	0.00%
	<b>Total Investments</b>	<b>8,870,000</b>	<b>0.01%</b>			<b>0.00%</b>

## CORPORATE FINANCE TEAM – PERFORMANCE IN 2020/21

## APPENDIX F

Despite the changes to working practices necessitated by the national Covid-19 lockdown in 2020/21, the finance function successfully adapted to home working and maintained a sound system of financial controls over daily business. Most key tasks were still achieved or largely achieved. However, the issue regarding completion of the audit of the 2018/19 financial statements, which first arose in 2019/20, continued throughout 2020/21. The significant resourcing issues experienced by the external audit providers Ernst & Young were further exacerbated by the Covid-19 lockdown and remote working. By the end of 2020/21, the audits of both the 2018/19 and 2019/20 financial statements were not completed. The 2020/21 accounts were completed for sign off by May 2021 but EY have confirmed that the audit will not commence until January 2022.

As part of the national 'Achieving Finance Excellence in Policing' (AFEP) programme a Financial Management Capability Review was undertaken by CIPFA in December 2019. The resulting draft improvement plan identified various elements relating to finance roles and responsibilities, budget management and forecasting training and competency framework. The next stage of sharing with the wider organisation and developing an action plan has since been delayed in 2020/21 due to the Covid-19 pandemic. However, this will be picked up and addressed in time for the 2021/22 Corporate Business Plan.

Achievement on the key tasks set out in the Corporate Finance Business Plan for 2020/21 is described below.

REF.	KEY TASK	ACHIEVED?	COMMENTS
1	<p><b>Medium Term Financial Plan –</b></p> <ul style="list-style-type: none"> <li>a) To develop medium term scenarios reflecting differing levels of grant and council tax.</li> <li>b) To establish the options potentially available to balance the budget for 2021/22.</li> <li>c) To continue to promote Lincolnshire's case with Home Office officials and others with influence including providing objective information and analysis including special grant applications as and when appropriate.</li> <li>d) To review the capital programme in the context of longer term plans for ICT, property and other assets.</li> </ul>	<p>✓✓✓✓ Fully achieved</p>	<p>The medium-term plan was developed over the course of the autumn resulting in a 4-year MTFP being approved in February 2021. A balanced budget for 2021/22 and future years was presented, which incorporated the Police Uplift programme (PUP) officers and associated funding.</p> <p>The PCC continued to pursue opportunities to secure additional funding through special grant applications and an application was submitted in 2020/21. This was subsequently reviewed by the Home Office early in 21/22 and a grant of £4.3m was awarded in May 2021.</p>

	<p>e) To promote realistic medium term planning for regional collaborations.</p> <p>f) To incorporate the impact of national officer uplift</p>		<p>The review of the capital programme was completed but again without the benefit of the key strategies to underpin the forward plan. This is again being addressed through the Corporate Planning cycle in 21/22.</p> <p>Some progress was made on delivering a medium term financial perspective for the region. However, uncertainty about the continuation of significant national funding streams meant that attention was focused on delivering an agreed budget for the forthcoming year. Given the continuing financial pressures and further delays to the funding formula review, this seems set to continue to be the case in future years.</p> <p>The first and second tranches of national officer uplift has now been planned into the base budgets for 21/22 and future years. The third tranche will be added as confirmed.</p>
2	<p><b>Value for money –</b></p> <p>a) To assist in delivering the Value for Money Plan 2020/21 including monitoring the delivery of planned savings and realising cashable benefits.</p>	<p>✓✓✓</p> <p>Largely achieved</p>	<p>Planned savings were achieved and an underspend was reported for 2020/21.</p> <p>The underspend largely arose due to delays in spending initiatives as result of Covid-19 restrictions and was therefore carried forward to allow completion of these programmes of work.</p> <p>During November 2020, the decision was taken not to extend the strategic partnership contract with G4S for a further 5 years as this was not felt to offer the force best value and flexibility in the future. Planning then commenced to determine the options for future service delivery. Value for money considerations are an integral part of this programme of work.</p> <p>A Priority Based Budgeting exercise was last completed in</p>

	b) To promote efficiency savings and improved value for money in regional collaborations.		2016/17. The service planning described above included the intention to repeat a full PBB evaluation once the service transition from G4S has been completed. This will be built into budget planning for 22/23.
3	<p><b>Financial processes –</b></p> <p>a) To agree and implement a programme of process reviews.</p> <p>b) To secure t-Police benefits in processes and management information.</p> <p>c) To incorporate resulting changes in the Financial, Contract and Procurement Regulations.</p> <p>d) OBIEE Reporting Project dashboard development and rollout.</p> <p>e) Reporting of Chief Officer expenses.</p>	<p>✓✓✓</p> <p>Largely achieved</p>	<p>Work has continued to develop the t-Police capability. A number of projects have completed in year –</p> <ul style="list-style-type: none"> <li>• Work has been undertaken to enhance the processes around the procurement module these include <ul style="list-style-type: none"> <li>○ Utilisation of CPA's (Contract Purchase Agreements)</li> <li>○ Extension of smart forms for requisitions to enable automatic allocation of CPA reference.</li> <li>○ Enhanced reporting resulting from CPA</li> <li>○ Automatic routing of specific requisitions once approved – removing non-value adding activities</li> </ul> </li> <li>• Work to configure t-Police for the mandatory HMRC requirement of Making Tax Digital (MTD) achieved through a new contract with supplier Innovate Tax.</li> </ul> <p>The rapid change of process happened in April 2020 due to</p>

			<p>the entire Finance staff working from home through the pandemic. This involved reviewing the current processes and amending them to reflect home working. This involved the following –</p> <ul style="list-style-type: none"> <li>• Removing paper in processes wherever possible to make processes electronic. In many cases this involved utilising shared drives and emails, ensuring internal controls continue to operate.</li> <li>• Encourage stakeholders to transact electronically where possible</li> <li>• Paperwork received into the office scanned and distributed to appropriate staff</li> </ul>
4	<b>Region –</b> Representing Lincolnshire interests.	✓✓✓✓ Achieved	During 2020/21, the lead force for finance responsibility for EMCJS transferred to Leicestershire. This was a logical development as all the regional reporting is now undertaken by the same team, ensuring consistency of reporting.
5	<p><b>Budget management –</b></p> <p>a) To review the outturn for 2020/21 identifying reasons for variance from budgets.</p> <p>b) To review budget management arrangements and performance.</p>	✓✓✓  Largely achieved	<p>Review of 2020/21 outturn was circulated in May 2021, relevant implications will be factored into budget setting 2022/23 and the MTFP. Budget monitoring reports are taken to PCSB monthly for revenue and quarterly for capital.</p> <p>As part of the national ‘Achieving Finance Excellence in Policing’ (AFEP) programme a Financial Management Capability Review was undertaken by CIPFA in December 2019. The resulting draft improvement plan identified various elements relating to finance roles and responsibilities, budget management and forecasting training and competency framework. The improvement plan will be further progressed in 2021/22 when additional resources are allocated to this.</p> <p>Balance Sheet monitoring was routinely reported to JIAC</p>

			every four months.
6	<p><b>Strategic Partnership –</b></p> <p>a) To address contract requirements on financial issues, the impact of new developments (e.g. the extension of services to other forces) and KPI's for finance services.</p> <p>b) To lead on the financial and commercial aspects of the potential contract extension, to support the interests of the PCC and CC.</p>	<p>✓✓✓✓ Fully achieved</p>	<p>a) The decision was taken on 9th November 2020 to not extend the SP contract for a further 5 years. Planning then began to determine the best model for future service delivery following the end of the contract on 31st March 2022. The Future Services Programme (FSP) was established to undertake this work.</p> <p>b) All FSP Project Board and Steering Group meetings have been attended by a representative from finance. Financial and commercial input provided throughout the process, with all deadlines met. Further activity, and any further requirements, will be identified and reported in the 2021/22 business plan.</p>
7	<p><b>Treasury Management -</b></p> <p>a) Short term and medium term cash flow forecast to support the MTFP and a strategic 50 year capital financing requirement / borrowing forecast</p> <p>b) Ensure account signatories are up to date</p>	<p>✓✓✓✓ Fully achieved</p>	<p>An exercise to ensure all account bank signatories are accurate has been undertaken.</p> <p>Work has been undertaken on both the short and medium term cashflow forecast to support MTFP and borrowing forecast.</p>
8	<p><b>Joint Independent Audit Committee –</b></p> <p>a) To support the Committee including addressing members' training needs.</p> <p>b) To continue working arrangements with the internal audit provider.</p> <p>c) To continue working arrangements with the external audit provider.</p>	<p>✓✓✓✓ Fully achieved</p>	<p>The committee membership is stable. Courses and forums of interest were highlighted to members to give opportunities to attend. Consultation opportunities were communicated to members.</p> <p>The Mazars internal audit contract has continued to run smoothly and there is a good relationship with the Audit Manager.</p> <p>The 2018/19 and 2019/20 financial statements audits were not complete at the end March 2021. Ernst &amp; Young have still experienced significant resourcing issues. We continue to work with EY to progress the outstanding issues. Their</p>

			relationship with Lincolnshire is very much embedded in the control environment.
9	<b>Corporate Finance –</b> a) To establish Corporate Finance’s identity and promote awareness of financial management/issues and statutory compliance b) Promoting sound Financial Governance c) Promoting VfM	✓✓  Partially achieved	With the launch of CIPFA’s national initiative “Excellence in Police Finance” in Spring 2018, a new plan was commenced to include signing up for this initiative, giving access to professional guidance and resources for Police Finance in line with CIPFA’s existing provision for local government and the NHS. This included the CIPFA Financial Management & Capability Review (FMCR) which was completed and agreed with Corporate Finance. The next stage of sharing with the wider organisation and developing an action plan has since been delayed in 20/21 due to the Covid-19 pandemic. However, this will be picked up and addressed in time for the 21/22 Corporate Business Plan.
10	<b>CIPFA Achieving Excellence in Police Finance</b>  a) CIPFA Achieving Excellence in Police Finance b) Future Leaders Academy – DCFO to attend c) Leadership Academy – CFO to attend d) Undertaking the Financial Management Capability Review e) Developing the action plan, including training needs	✓✓✓  Largely achieved	It was agreed that the national ‘Achieving Finance Excellence in Policing’ (AFEP) programme presented the PCC/Force with the opportunity to take stock of the progress to date and revise future plans to make use of the new resources which will be made available through this initiative. Lincolnshire signed up to AFEP from April 2019. The DCFO completed the Future Leaders Academy, and the CFO completed the Leadership Academy in 2019/20. The FMCR was undertaken in December 2019, an improvement plan was drafted which was then delayed in 2020/21 due to Covid-19 and the decision to bring the 40 finance team back in house. The plan will be revisited in 22/23 once the transition has taken place. However, in preparation for this and to support future needs and succession planning, the Head of Finance and Force Accountant are undertaking the Future Leaders Academy in 21/22.
11	<b>Horizons 2023 Programme Support – To provide</b>	✓✓✓✓ Fully	The Horizon’s 2023 Programme began in 2019, a key component of the programme is the National Police Officer

	financial advice	achieved	Uplift Programme (PUP) which commenced in September 2019. Finance support was provided to the PUP project and all HO grant requirements were met for 2020/21. Numerous workstream meetings have been supported by DCFO, plus review of business cases to bid for extra officers/staff.
12	<b>Benefits Realisation</b> – to get better at promoting benefits realisation and reporting of efficiency savings across the Force. Ensure processes in place to capture the info.	✓✓✓ Largely achieved	This now features in strategic development's reporting against delivery plans and that the new business case proformas specifically include benefits to be realised from the proposal.
13	<b>COVID-19</b> –review impact on financial plans and treasury management.	✓✓✓✓ Fully achieved	The impact of the pandemic has been closely monitored throughout the period of review. The associated costs of the pandemic we controlled as part of a major incident.  The pandemic did not affect the financial plans of the Force as much as was envisaged. The Government distributed additional funding to soft the financial impact.

