



Enquiries to: Mrs P Coulter
Telephone: 01768 217734

Our reference: PC

17th February 2016

AGENDA

TO: THE MEMBERS OF THE EXECUTIVE BOARD

CUMBRIA POLICE & CRIME COMMISSIONER'S EXECUTIVE BOARD

A public meeting of the Police and Crime Commissioner's Executive Board will take place on **Wednesday 24th February 2016** in **Conference Room 2**, Police Headquarters, Carleton Hall, Penrith, at **10.00am**.

S Edwards
Chief Executive

COMMITTEE MEMBERSHIP

Police & Crime Commissioner	- Mr Richard Rhodes (Chair)
OPCC Chief Executive	- Mr Stuart Edwards
OPCC Chief Finance Officer	- Mrs Ruth Hunter
Chief Constable	- Mr Jerry Graham

AGENDA

PART 1 – ITEMS TO BE CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC

1. APOLOGIES FOR ABSENCE

2. URGENT BUSINESS AND EXCLUSION OF PRESS AND PUBLIC

To consider (i) any urgent items of business and (ii) whether the press and public should be excluded from the Meeting during consideration of any Agenda item where there is likely disclosure of information exempt under s.100A(4) and Part I Schedule A of the Local Government Act 1972 and the public interest in not disclosing outweighs any public interest in disclosure.

3. DISCLOSURE OF PERSONAL INTERESTS

Members are invited to disclose any personal/prejudicial interest which they may have in any of the items on the Agenda. If the personal interest is a prejudicial interest, then the individual member should not participate in a discussion of the matter and must withdraw from the meeting room unless a dispensation has previously been obtained.

4. QUESTIONS FROM THE PUBLIC

An opportunity (not exceeding 20 minutes) to deal with any questions which have been provided in writing within at least three clear working days before the meeting date to the Chief Executive.

5. CAPITAL BUDGET MONITORING 2015/16 – QUARTER 3 TO DECEMBER 2015

To receive & note the OPCC Capital Budget Monitoring Report – Quarter 3 to December 2015 (copy enclosed)

6. CONSTABULARY REVENUE BUDGET MONITORING 2015/16 QUARTER 3 TO DECEMBER 2015

To receive & note the Constabulary Revenue Budget Monitoring Report – Quarter 3 to December 2015 (copy enclosed)

7. COMMISSIONER'S REVENUE BUDGET MONITORING 2015/16 QUARTER 3 TO DECEMBER 2015

To receive & note the OPCC Revenue Budget Monitoring Report – Quarter 3 to December 2015 (copy enclosed)

8. TREASURY MANAGEMENT ACTIVITIES 2015/16 QUARTER 3 (OCTOBER TO DECEMBER 2015)

To receive & note the OPCC Treasury Management Activities 2015/16 Report – Quarter 3 to December 2015 (copy enclosed)

9. DECISION 006-2016 - TREASURY MANAGEMENT STRATEGY STATEMENT 2016/17 AND PRUDENTIAL INDICATORS 2016/17 TO 2018/19

To receive, note and approve the Treasury Management Strategy Statement 2016/17 and Prudential Indicators 2016/17 to 2018/19 (copy enclosed)

10. DECISION 007-2016 - ESTATE AND FLEET STRATEGIES

To receive, note and approve the Estate Strategy & Fleet Strategy (2013-2017) 2016 Annual Updates (copies enclosed)

A) ESTATE STRATEGY (2013 – 2017) 2016 ANNUAL UPDATE

B) FLEET STRATEGY (2013 – 2017) 2016 ANNUAL UPDATE

11. DECISION 008-2016 - ICT STRATEGY 2015 – 2019 UPDATED NOVEMBER 2015

To receive, note and approve the ICT Strategy (2015-2019) Updated November 2015 (copy enclosed)

12. DECISION 009-2016 - CAPITAL STRATEGY 2016/17 & BEYOND

To receive, note and approve the Capital Strategy – 2016/17 & beyond (copy enclosed)

13. DECISION 010/2016 - 2016/17 BUDGET AND MEDIUM TERM FINANCIAL STRATEGY

To receive, note and approve the Budget and Medium Term Financial Strategy reports (copies enclosed)

A) LOCAL GOVERNMENT ACT 2003 REQUIREMENTS REPORT

B) BUDGET 2016/17 AND FINANCIAL FORECASTS 2018/19 TO 2019/20

C) POLICE AND CRIME COMMISSIONER FOR CUMBRIA MEDIUM TERM FINANCIAL STRATEGY 2016 – 2020

14. PROCUREMENT STRATEGY AND REGULATIONS

To receive, note and approve the Procurement Strategy and Regulations (copies enclosed)

A) DECISION 012-2016 - PROCUREMENT STRATEGY 2016 – 2019

B) DECISION 011-2016 - CUMBRIA OPCC & CUMBRIA CONSTABULARY JOINT PROCUREMENT REGULATIONS V2 JANUARY 2016

PART 2 – ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PRESS AND PUBLIC

(Any members of the public or press in attendance will be asked to leave the meeting room prior to consideration of these matters.)

15. ESTATES REVIEW 2016-2017

To receive and note the Constabulary Estates Review 2016-2017 (copy enclosed)

16. ICT – APPENDIX TO AGENDA ITEM 11

To receive and note the appendix to Agenda Item 11 - ICT Strategy (copy enclosed)

17. DECISION 013-2016 - CONSTABULARY FUNDING ARRANGEMENT 2015-16

To receive, note and approve the Funding Arrangement for the 2016/17 Financial Year (copy enclosed)

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Item 05 - PCC 24-02-15 Capital Budget Monitoring 2015-16 Qtr 3 to December 2015 (agenda item 06)



Office of the Police & Crime Commissioner

TITLE: Capital Budget Monitoring 2015/16 – Quarter 3 to Dec 2015**Date of Meeting:** 24 February 2016**Executive Summary:**

The attached report provides an updated position of income and expenditure against the capital programme as approved for the current financial year. Projections are based on actual expenditure up to the end of December 2015 plus estimates of spending for future periods provided by the project managers. Known changes to the capital programme budget approved to date have been included in the report.

Recommendation:

The Commissioner is asked to:

- Note the latest forecasts of expenditure against the capital programme for 2015/16.

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Item 05 - PCC 24-02-15 Capital Budget Monitoring 2015-16 Qtr 3 to December 2015 (agenda item 06)

MAIN SECTION**1. Introduction and Background**

- 1.1 The Commissioner approves on an annual basis a 10 year capital strategy and a more detailed four year capital programme. This includes the annual capital budget that finances the delivery of capital schemes and provides for investment in ICT, the estate, vehicles and equipment needed to deliver operational policing.
- 1.2 This report is set out in two main sections:
- Section 2, provides an update on the capital budget for the current financial year (2015/16).
 - Section 3, provides a brief update on the overall capital programme for a four year period to 2018/19.

2. Capital Budget 2015/16

- 2.1 On 24 February 2015 the Commissioner approved the capital budget for 2015/16. The capital programme has subsequently been amended to incorporate the effect of the capital outturn position for 2014/15 and in year changes, such as variations to existing schemes.

The table below summarises the movement in the capital budget as at the end of the third quarter and shows a net reduction of just £1,143k (9.7%) against the approved budget for 2015/16. This represents projected slippage of £959k (of which £158k had been reported previously) and other net changes to the budget of £185k.

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Item 05 - PCC 24-02-15 Capital Budget Monitoring 2015-16 Qtr 3 to December 2015 (agenda item 06)

Summary of Budget Movement 2015/16	Capital Budget 2015/16 £000s
Capital Budget 2015/16 (approved by PCC 24/02/15)	9,941
Impact of 2014/15 Capital Outturn (approved 21/05/15)	472
New Schemes Approved/Drawndown	134
Budgets Changes - Approved	1,242
Approved Adjusted Budget 2015/16	11,789
Current Forecast of Capital Expenditure 2015/16	10,646
Forecast Variation	(1,143)
Made up of:	
1 Budget Changes (Under)/Overspend	(185)
2 Forecast Slippage to 2016/17	(959)
	(1,143)

The forecast capital expenditure and financing position for 2015/16 can be summarised as follows:

Summary of Capital Budget 2015/16	2015/16 £000s
Capital Expenditure	
ICT Schemes	4,191
Fleet Schemes	599
Estates Schemes	4,991
Other Schemes	864
	10,646
Capital Financing	
Capital Receipts	0
Direct Revenue Contributions	1,869
Capital Grants	576
Reserves	6,155
Borrowing	2,045
	10,646

A more detailed breakdown of the individual schemes that make up these amounts can be found at **Appendix A**.

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2.2 The paragraphs below provide a brief update on the progress on each of the main categories of scheme:

- ICT Schemes are comprised of the rolling replacement programme in respect of ICT hardware, software and radios together with schemes to support the roll out of larger specific projects.

Scoping work has been completed on a converged infrastructure approach to ICT delivery, which will improve the efficiency of the rolling infrastructure replacement programme and make savings across the 10 year capital strategy. The converged Infrastructure project has now been approved and the budgets have been re-profiled, including bringing forward some budgets from 2016/17 in to 2015/16.

During the 15/16 financial year the Mobile and Digital project has successfully deployed the Smartphone devices to officers and staff which have delivered significant operational benefits. Deployment was broadly on schedule. The next stage of the project is to deploy “flex” devices. Procurement is underway but is behind schedule due to supply issues. During the current financial year the programme has been impacted by a number of different issues, including technical and resource interdependencies with other strategic initiatives and supplier delivery plans. Decisions have been taken to prioritise ICT deliveries to minimise risk and manage resource effectively and as a result some aspects of the Mobile and Digital project have been deferred to later in the programme and capital provision slipped to 2016/17. A more detailed review of the capital forecast for the project is to be undertaken in the final quarter of 2015/16.

The national project to implement a computer usage audit tool which had been deferred and will no longer be implemented in its current form. Further evaluation of alternative systems will be undertaken and a new business case developed. The projects to replace the Wide Area Network and the Criminal Justice Extranet have been completed. Overall, this has resulted in the return of £200k of budget.

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- Fleet Schemes are comprised of the cyclical replacement of the Constabulary fleet of vehicles – A small amount of budgeted replacements in 2015/16 have been slipped into 2016/17 pending the outcome of reviews. The remainder of the 2015/16 replacements are expected to delivered in line with the plan.
- Estates Schemes are comprised of the construction of the Barrow TPA HQ, work to HQ site in preparation for the North Resilience Flood Management Works and a number of smaller estates projects - Expenditure predominantly relates to the Barrow project. The new TPA HQ was completed and handed over in mid-September became operational in early October.

Works to the HQ site continue with the installation of the new electrical infrastructure. Contractors have now started on site and the works will take until June to complete. The majority of the expenditure will fall into 2016/17 and the budget has been profiled across the financial years to reflect this.

- Other Schemes include the CCTV project, intranet and internet and firearms and camera replacements. – The large part of this category is in relation to the provision of a county wide CCTV system, which is now operational. One camera is still to be installed and this has been delayed due to the condition of the mounting pole. The pole belonging to the legacy CCTV system had been identified as a site for the new camera but the internal structure has collapsed resulting in damage to the electricity supply and data cables. This had not been foreseen and has resulted in a £15k increase to the budget for the replacement. A contribution from the CCTV revenue budget will be used to fund this work and the capital financing schedules have been adjusted to reflect this.

Replacement Body Cameras and replacement Digital Interview Suite equipment have been added as new schemes. These have been funded by additional contributions from Constabulary revenue and the capital financing schedules have been increased to reflect this.

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3. Capital Programme 2015/16 to 2018/19

The table below provides a summary of the capital programme and associated capital financing over the four year period to 2018/19:

Summary of Capital Budget 2015/16 to 2018/19				
	2015/16	2016/17	2017/18	2018/19
	£000s	£000s	£000s	£000s
Capital Expenditure				
ICT Schemes	4,191	4,891	1,458	1,011
Fleet Schemes	599	816	1,491	684
Estates Schemes	4,991	3,510	2,884	38
Other Schemes	864	24	95	0
	10,646	9,241	5,928	1,732
Capital Financing				
Capital Receipts	0	0	0	248
Direct Revenue Contributions	1,869	1,200	1,240	1,222
Capital Grants	576	5,131	4,687	262
Reserves	6,155	2,810	0	0
Borrowing	2,045	100	0	0
	10,646	9,241	5,928	1,732

A more detailed schedule is provided at **Appendix B** which also illustrates the whole life costs of the current projects within the capital programme.

The ICT schemes have been re-profiled following the approval of the Converged Infrastructure programme. As a result £1,110k from 2016/17 and £34k from 2017/18 have been brought forward into 2015/16 to facilitate the purchase of the hardware. Overall, the budget requirement for the scheme has reduced by £630k over the life of the capital programme.

4. Supplementary Information

4.1 Appendices to this report are provided as follows:

- Appendix A – Capital Budget 2015/16
- Appendix B – Capital Programme 2015/16 to 2018/19

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Appendix A**Capital Budget 2015/16**

Capital Budget 2015/16	Original Approved Budget £000s	Impact of 2014/15 Outturn £000s	New Schemes Approved £000s	Budget Variations Approved £000s	Approved Adjusted Budget £000s	Forecast Capital Outturn £000s	Forecast Variation £000s
ICT Schemes							
ICT Historic Schemes	26	0	0	0	26	0	(26)
Information security	78	0	0	0	78	0	(78)
Software Application Replacement	0	0	0	0	0	0	0
Hardware Replacement	523	147	(265)	(25)	380	357	(23)
Hardware Comms / Network Replacement	556	40	671	1,144	2,411	2,287	(124)
Communications Network Replacement	148	(47)	(271)	0	(170)	(170)	0
Radio Replacement	0	0	0	0	0	0	0
Infrastructure Solution Replacement	1,169	(24)	(120)	(100)	925	825	(100)
Devices & Applications	871	(68)	0	0	802	759	(43)
Digital Working	170	0	0	0	170	0	(170)
Digital Enablers	295	8	0	0	303	134	(169)
Total ICT Schemes	3,835	55	15	1,019	4,924	4,191	(733)
Fleet Schemes	1,299	(573)	0	0	726	599	(127)
Estates Schemes							
South Estate - Kendal	137	7	0	0	145	45	(100)
South Estate - Barrow & Ulverston	3,471	683	0	67	4,222	4,222	0
HQ Flood Defence Works	33	(29)	0	(6)	(1)	(1)	0
HQ Demolition of The Green	80	0	0	0	80	0	(80)
HQ Electrical Infrastructure	200	(79)	0	70	191	191	0
Workington Land Purchase	500	0	0	0	500	500	0
Durranhill Carpark	0	0	47	(13)	34	34	0
Total Estates Schemes	4,422	583	47	119	5,171	4,991	(180)
Other Schemes							
ANPR	0	9	0	0	9	9	0
Finance & Business Systems Upgrade	101	4	0	0	105	10	(95)
Firearms Replacement	0	7	0	0	7	7	0
CCTV	80	368	0	63	511	502	(9)
Intranet	0	50	0	0	50	50	0
Internet	75	0	0	(25)	50	50	0
Leadership & Skills - Blended Learning	110	(31)	0	0	79	79	0
Egremont Vetrans Hostel	19	0	0	67	86	86	0
Body Worn Video Cameras	0	0	46	0	46	46	0
	0	0	26	0	26	26	0
Total Other Schemes	385	407	72	105	968	864	(104)
Total Capital Expenditure 2015/16	9,941	472	134	1,242	11,789	10,646	(1,143)

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Item 05 - PCC 24-02-15 Capital Budget Monitoring 2015-16 Qtr 3 to December 2015 (agenda item 06)

Appendix B

Capital Programme 2015/16 to 2018/19

	Current Approved Budget	Spend to 31 Mar '15	Programme Remaining Budget	Spend to Dec-15	Projected Outturn 2015/16	Projected Outturn 2016/17	Projected Outturn 2017/18	Projected Outturn 2018/19	Projected Total Cost	Forecast Variation
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
ICT Schemes										
ICT Historic Schemes	3,972	3,946	26	0	0	26	0	0	3,972	0
Information security	78	0	78	0	0	0	0	0	0	(78)
Software Application Replacement	95	61	35	0	0	0	0	35	95	0
Hardware Replacement	3,077	1,088	1,989	189	357	458	186	336	2,424	(652)
Hardware Communications Network Replacement	4,893	836	4,056	25	2,117	1,150	453	238	4,794	(98)
Communications Network Replacement	0	0	0	0	0	0	0	0	0	0
Radio Replacement	514	464	50	0	0	50	0	0	514	0
Infrastructure Solution Replacement	2,496	159	2,337	283	825	1,400	112	0	2,496	0
Devices & Applications	3,033	443	2,589	68	759	827	641	362	3,033	0
Digital Working	854	0	854	0	0	748	66	40	854	0
Digital Enablers	469	104	365	97	134	231	0	0	469	0
Total ICT Schemes	19,481	7,101	12,380	661	4,191	4,891	1,458	1,011	18,652	(829)
Fleet Schemes	3,590	0	3,590	474	599	816	1,491	684	3,590	0
SUB TOTAL CONSTABULARY PROGRAMME	23,071	7,101	15,970	1,135	4,790	5,707	2,949	1,694	22,242	(829)

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Item 05 - PCC 24-02-15 Capital Budget Monitoring 2015-16 Qtr 3 to December 2015 (agenda item 06)

Appendix B

Capital Programme 2015/16 to 2018/19 (Continued)

	Current Approved Budget	Spend to 31 Mar '15	Programme Remaining Budget	Spend to Dec-15	Projected Outturn 2015/16	Projected Outturn 2016/17	Projected Outturn 2017/18	Projected Outturn 2018/19	Projected Total Cost	Forecast Variation
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Estates Schemes										
South Estate - Kendal	3,610	3,465	145	2	45	100	0	0	3,610	0
South Estate - Barrow & Ulverston	9,104	4,883	4,222	3,861	4,222	0	0	0	9,104	0
HQ Flood Defence Works	59	60	(1)	(1)	(1)	0	0	0	59	0
HQ Demolition of The Green	80	0	80	0	0	80	0	0	80	0
HQ Electrical Infrastructure	717	79	638	12	191	446	0	0	717	0
Workington Land Purchase	500	0	500	0	500	0	0	0	500	0
Durranhill Carpark	34	0	34	3	34	0	0	0	34	0
Roof Repairs	183	146	38	0	0	0	0	38	183	0
Strategic Command Centre	5,017	0	5,017	0	0	2,509	2,509	0	5,017	0
NPT Base - Replacement Hostel	750	0	750	0	0	375	375	0	750	0
Total Estates Schemes	20,055	8,633	11,422	3,877	4,991	3,510	2,884	38	20,055	0
Other Schemes										
ANPR	105	96	9	1	9	0	0	0	105	0
Finance & Business Systems Upgrade	842	737	105	9	10	0	95	0	842	0
Firearms Replacement	75	68	7	6	7	0	0	0	75	0
CCTV	1,106	595	511	480	502	24	0	0	1,121	15
Intranet	50	0	50	18	50	0	0	0	50	0
Internet	50	0	50	49	50	0	0	0	50	0
Leadership & Skills - Blended Learning	79	0	79	0	79	0	0	0	79	0
Egremont Vetrans Hostel	114	28	86	86	86	0	0	0	114	0
Body Worn Video Cameras	46	0	46	46	46	0	0	0	46	0
Digital interview Equipment	26	0	26	0	26	0	0	0	26	0
Total Other Schemes	2,492	1,524	968	694	864	24	95	0	2,507	15
GRAND TOTAL CAPITAL PRROGRAMME	45,617	17,257	28,360	5,706	10,646	9,241	5,928	1,732	44,804	(814)

Corporate Support / Financial Services / MB/LVH

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Item 06 - PCC 24-02-16 Constabulary Revenue Budget Monitoring Qtr 3 (agenda item 07)



Constabulary Report to OPCC

TITLE OF REPORT:	Revenue Budget Monitoring 2015/16 Quarter 3 to December 2015
DATE OF MEETING:	24 February 2016
ORIGINATING OFFICERS:	Michelle Bellis, Deputy Chief Finance Officer
PART 1 or PART 2 PAPER:	PART 1 (OPEN)
Executive Summary: <p>The attached report provides an update of the financial position for 2015/16 based on the actual and committed spending for the first nine months, to December 2015, plus a forecast for the remainder of the year.</p> <p>The current forecast of net expenditure on Constabulary controlled and managed budgets amounts to £106.7428m, which represents an underspend of £354k (against the approved revised budget of £106.425m). The forecast underspend at December of £354k is higher than the forecast position as at the end of September of £188k.</p> <p>The projected underspend is made up of a forecast underspend on expenditure budgets of £36k (0.03%) plus forecast of additional income of £318k (7.22%).</p>	
Recommendation: <p>The Commissioner is asked to note the latest estimate of the Constabulary revenue budget position for 2015/16.</p>	

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Item 06 - PCC 24-02-16 Constabulary Revenue Budget Monitoring Qtr 3 (agenda item 07)

MAIN SECTION**1. Introduction and Background**

- 1.1 The purpose of this report is to provide an update of the forecast financial position for 2015/16, based on actual spending and commitments for the first nine months of the year as at the end of December 2015 plus a forecast for the remainder of the year.
- 1.2 The current forecast as at December 2015 on Constabulary funding and managed budgets is for an underspend of £354k, which compares to an underspend of £188k forecast at the end of September (Qtr. 2).
- 1.3 The total budget is based on the funding arrangement between the Commissioner and the Chief Constable which was approved in April 2015.
- 1.4 The approved funding amounted to £113.647m, which is made up of a net revenue budget of £108.513m plus a plant and equipment capital budget of £5.134m. This report deals solely with the revenue funding. The current revised budget for revenue expenditure is £106.425m. The original approved funding has subsequently been amended by a number of budget adjustments, principally in relation to a decrease in police officer pensions, for which there is a corresponding decrease in Home Office top up grant funding which is shown in the Commissioner's budgets.

2. Revenue Expenditure

- 2.1 The current prediction for net revenue expenditure during 2015/16 is £106.428m, which is £354k (0.33%) below the approved revised budget of £106.425m, this compares to an underspend of £188k forecast at the end of September (Qtr. 2). The forecast position is made up of a forecast underspend on expenditure of £36k (previously £138k at September) plus a forecast over recovery of income of £318k (previously £50k at September).
- 2.2 The principal variances as at December 2015 together with comparatives as reported at the end of September (Qtr. 2), are outlined in the table below:

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Item 06 - PCC 24-02-16 Constabulary Revenue Budget Monitoring Qtr 3 (agenda item 07)

Description	Revised Budget	Provisional Outturn	Provisional (Under)/Overspend	Provisional (Under)/Overspend	Explanation Paragraph	Forecast (Under)/Overspend at Sep-15	Change in Forecast Sep-15 to Dec-15
	2015/16 £'000s	2015/16 £'000s	2015/16 £'000s	2015/16 %		£'000s	£'000s
Constabulary Funding							
Police Officers	74,086	73,384	(702)	-0.95%	2.4	(263)	(438)
Police Community Support Officers	2,627	2,606	(21)	-0.80%	2.5	(20)	(1)
Police Staff	18,982	19,011	29	0.15%	2.6	173	(144)
Other Employee Budgets	1,284	1,860	576	44.87%	2.7	(41)	617
Transport Related Expenditure	2,304	2,126	(178)	-7.71%	2.8	(103)	(75)
Supplies & Services	10,119	10,392	273	2.70%	2.9	163	110
Third Party Related Expenses	1,785	1,772	(13)	-0.75%	2.10	(48)	35
Total Constabulary Funding	111,186	111,150	(36)	-0.03%		(138)	102
Income	(4,405)	(4,723)	(318)	7.22%	2.11	(50)	(267)
Total Constabulary Funding Net of Income	106,781	106,428	(354)	-0.33%		(188)	(165)

A more detailed analysis of the figures in the above table is provided at **Appendix A**.

Commentary on specific variances is provided in the paragraphs below.

- 2.3 The forecast variance reported at the end of December (Qtr. 3) is higher than that reported as at the end of September (Qtr. 2). The main reasons for the increase in underspend are in relation to: changes to workforce planning; changes in accounting policy in relation to overtime, changes to forecast transport expenditure as a result of falling fuel prices and a reduction to forecast mileage figures for the year and increased income in respect of escorting abnormal loads.

The quarterly reported variances for 2015/16 together with comparators for 2014/15 are summarised in the table below:

Constabulary Reported Variance	(Under)/Overspend	
	2014/15 £'000s	2015/16 £'000s
Quarter 1 (to 30 June)	(167)	(51)
Quarter 2 (to 30 September)	(175)	(188)
Quarter 3 (to 31 December)	(245)	(354)
Quarter 4 (to 31 March)	(258)	-

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Item 06 - PCC 24-02-16 Constabulary Revenue Budget Monitoring Qtr 3 (agenda item 07)

- 2.4 The budget for police officer pay is £73m and is currently forecast to come in under budget by £702k (0.95%), previously £263k (0.36%) as at September.

The principal reason for the underspend relates to minor changes the workforce plan (WFP) which gives rise to a forecast underspend of £452k (£138k as at September). Police officer retirements and resignations for the year have both exceeded the forecast. In January an intake of 13 police officer transferees was completed with a further intake of 18 recruits planned for March, it is anticipated that this will mean by the end of the financial year actual officer numbers will be within 2 posts of full the establishment.

The forecast underspend is also partly attributable to lower than anticipated expenditure on police allowances, in particular in relation to unsociable hours £159k (£145k at September).

Police Overtime is projected to underspend by £91k (previously an overspend of £50k was forecast at September). The underspend has arisen as a result of a change in accounting policy (agreed by Chief Officers in December) concerning the accounting accrual of overtime paid in April back into the accounts of the previous year. The change is designed to help streamline the accounts closure process in response to tighter statutory deadlines for issuing the Statement of Accounts. This underspend is being partially offset by additional spend in Crime Command due to several major operations and cases coming to court (£21k) and additional spend in Territorial Policing on providing cover for vacancies.

Appendix B provides a graphical representation of the current HR WFP assumptions compared with the original WFP budget and budgeted establishment. Where the latest WFP forecast (red line) falls below the original WFP budget (green line) an underspend will result, where the workforce plan rises above the adjusted budget line an overspend will result.

- 2.5 The budget for PCSO pay is £2.6m and is currently forecast to underspend by £21k (0.80%), previously £20k (0.75%) under as at September.

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The forecast underspend is as a result of in-year changes to the WFP for PCSOs. More leavers are now forecast for the year and are also being weighted to the earlier part of the year. The Constabulary has experienced some difficulties in recruiting PCSOs with the result that there is now only one intake planned for the year which took place in September. For 2016/17 the establishment for PCSOs has been maintained at 95 FTE and plans are in place for two intakes of PCSOs in the year which will take place in May 2016 and January 2017, these intakes will see actual numbers of PCSOs increase to the establishment level by the end of 2016/17.

- 2.6 The budget for Police Staff Pay & Allowances is £19m and is currently forecast to come in over budget by £29k (0.15%), previously £173k (0.92%) over as at September.

The primary reason for the overspend is as previously reported, that following the research and consultation phases of the change programme reviews being undertaken, there have been some delays in the implementation schedule and changes to planned savings, with the result that several of the reviews will not deliver as much first year savings as expected. These forecast overspends are being partially offset by a reduction in overtime (particularly in the Communications Centre) and by the removal from the establishment of a number of vacant posts in advance of reviews.

- 2.7 The budget for Other Employee Expenditure is £1.3m and is currently forecast to come in over budget by £576k (44.87%), previously £41k (3.26%) under as at September. The primary reason for the overspend is as a result of the decision to finance some of the termination costs incurred in the year from the core 2015/16 budget rather than draw down reserves earmarked for this purpose, which may be required in future years.

- 2.8 The budget for transport related expenditure is £2.3m and is currently forecast to come in under budget by £178k (7.71%), previously £103k (4.61%) as at September. The reason for the underspend is twofold, firstly the Constabulary continues to benefit lower fuel prices and secondly reductions in overall vehicle mileage is adding to the fuel savings and providing reduced repair and maintenance costs.

- 2.9 The Supplies & Services budget is £10.1m and is currently forecast to overspend by £273k (2.70%), previously £163k (1.56%) as at September.

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At the time of setting the budget for 2015/16 a number of potential budget pressures were identified that could impact in 2015/16. As part of the budget process an amount of £500k was set aside in a contingency reserve to cover the risks associated with these budget pressures. It was however agreed that these budget pressures should in the first instance be met from the in-year revenue budget where possible.

It is projected that a number of these identified pressures will give rise to additional expenditure in 2015/16 as a result of implementation of the Constabulary's Change Programme and a new contract for custody medical services, with the result that the supplies and services section is forecast to overspend by £273k. At this point in time these pressures can be accommodated within the overall funding provided to the Constabulary, if however the position changes a drawdown from the contingency reserve will be requested.

- 2.10 The budget for Third Party related expenditure is £1.8m and is currently forecast to come in under budget by £13k (0.75%), previously £48k (2.73%) as at September. The forecast underspend arises from a number of smaller variances in relation to contracts.
- 2.11 The Income budget is £4.4m and is currently forecast to exceed the budget by £318k (7.22%), previously £50k (1.22%) as at September. The primary reasons for the increase in income are in respect of additional income secured as a result of a contract for escorting abnormal loads (£190k) and an increase in receipts in respect of the sale of end of life vehicles (£40k).
- 2.12 In December Cumbria was hit by widespread flooding which involved a significant police response. Information is still being collated regarding the financial cost of policing the emergency but it is felt that this cost will not exceed the £200k threshold for a claim to be made under the Government's "Bellwin" emergency assistance scheme.

In addition to the above emergency response, the Constabulary also suffered damage to a number of police premises and vehicles. The costs of the reinstatements will largely be covered by insurance claims although policy excesses will apply. The 2015/16 financial outturn report to be provided in May 2016 will contain further details.

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3. Supplementary Information

3.1 Appendices to this report are provided as follows:

- Appendix A - Constabulary Revenue Budget monitoring as at December 2015.
- Appendix B - Graph showing current WFP assumptions compared to original/budget for 2015/16.

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Item 06 - PCC 24-02-16 Constabulary Revenue Budget Monitoring Qtr 3 (agenda item 07)

Appendix A**The Chief Constable for Cumbria Constabulary****Revenue Budget Monitoring to December 2015**

Description	Base Budget	Revised Budget	Budget To Date	Actual To Date	Provisional Outturn	Forecast (Under)/ Overspend	Forecast (Under)/ Overspend	Projected (Under) / Overspend @ Sep-15	Change Sep-15 to Dec-15
	2015/16 £	2015/16 £	2015/16 £	2015/16 £	2015/16 £	2015/16 £	2015/16 %	£	£
Constabulary Funding									
Police Officers	76,347,224	74,085,569	43,464,585	41,977,234	73,383,822	(701,747)	-0.95%	(263,443)	(438,305)
Police Community Support Officers	2,810,501	2,626,741	1,986,389	1,952,318	2,605,696	(21,045)	-0.80%	(19,735)	(1,310)
Police Staff	18,555,500	18,982,131	14,348,092	14,400,061	19,011,051	28,920	0.15%	173,350	(144,429)
Other Employee Budgets	803,280	1,284,015	821,001	881,873	1,860,164	576,149	44.87%	(40,644)	616,793
Transport Related Expenditure	2,469,876	2,303,727	1,343,122	1,390,035	2,126,124	(177,603)	-7.71%	(102,686)	(74,918)
Supplies & Services	9,877,535	10,118,620	8,153,092	8,126,530	10,391,585	272,966	2.70%	163,250	109,716
Third Party Related Expenses	1,615,709	1,785,162	963,808	920,828	1,771,854	(13,308)	-0.75%	(47,854)	34,546
Total Constabulary Funding	112,479,625	111,185,965	71,080,089	69,648,877	111,150,297	(35,668)	-0.03%	(137,761)	102,093
Income	(3,966,595)	(4,404,659)	(3,005,852)	(3,304,970)	(4,722,544)	(317,885)	7.22%	(50,397)	(267,488)
Total Constabulary Funding Net of Incom	108,513,030	106,781,306	68,074,237	66,343,907	106,427,753	(353,553)	-0.33%	(188,159)	(165,395)

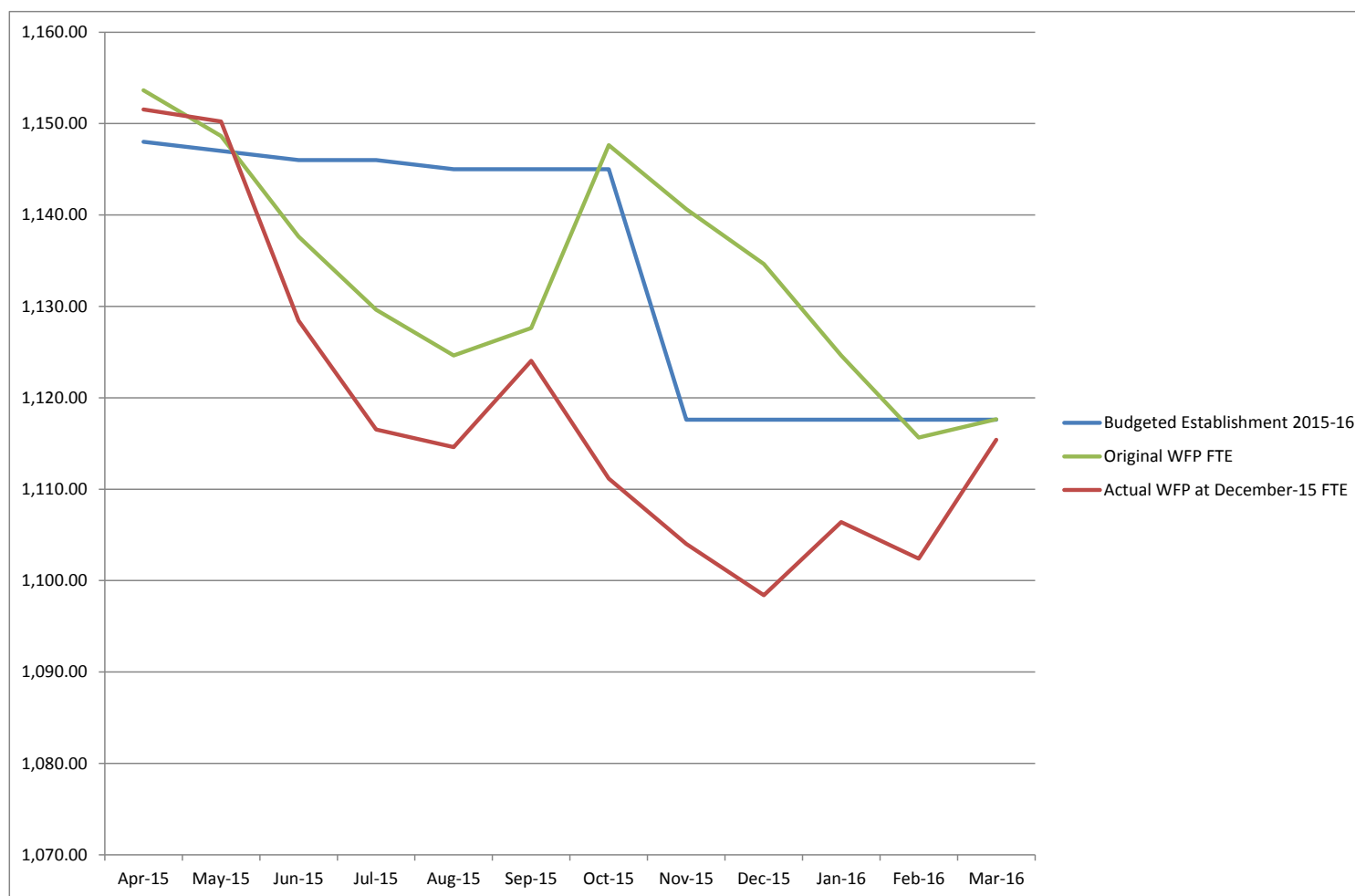
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Appendix B

The Chief Constable for Cumbria Constabulary

Current Workforce Plan (WFP) Assumptions Compared to Budget & Original WFP Budget (Police Officers)



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Item 07 - PCC 24-02-16 Commissioner's Revenue Budget Monitoring Qtr 3 (agenda item 08)



Cumbria Office of the Police and Crime Commissioner Report

Title: Commissioner's Revenue Budget Monitoring 2015/16 Quarter 3 (December 2015)

Date: 24 February 2016

Originating Officer: Michelle Bellis – Deputy Chief Finance Officer

Report of the PCC Chief Finance Officer

1. Purpose of the Report

- 1.1. The purpose of this report is to provide an update on the Commissioner's revenue budget monitoring position for 2015/16 based on actual and committed spending for the first nine months to December 2015 plus a forecast for the remainder of the year. The current forecast of net expenditure amounts to £94.775m compared to an approved budget of £94.871m. This is a net variance of £97k (0.10%) and comprises £267k over achievement of income and £170k underspend on expenditure. The net variance at December is only slightly higher than the position reported at the end of the second quarter to September 2015 which was for an £80k underspend.

2. Recommendation

- 2.1. The Commissioner is asked to note the latest estimate of the revenue budget position for 2015/16.

3. Revenue Expenditure

- 3.1. The provisional outturn for net expenditure, after taking account of movements to and from earmarked reserves, amounts to £94.775m, and is £97k (0.10%) under the approved budget of £94.871m. The forecast position is made up of £354k underspend in respect of funding provided to the Constabulary (made up of anticipated over recovery of income of £318k and a forecast underspend on expenditure of £36k) plus a £257k overspend in respect of budgets controlled by the Commissioner (made up of a forecast overspend on expenditure of £206k and a forecast under achievement of income £51k).

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- 3.2. The principal variances at the end of quarter 3 (31 December 2015) are outlined in the table below:

Description	Base Budget 2015/16 £000s	Revised Budget 2015/16 £000s	Forecast Outturn 2015/16 £000s	Forecast (Under)/ Overspend £000s	Forecast (Under)/ Overspend %	Explanation Paragraph
Office of the Police and Crime Commissioner	799	794	787	(7)	-0.88%	3.3
Other PCC Budgets	(10,083)	(7,246)	(6,982)	264	-3.64%	3.4
Funding Provided to the Constabulary	108,513	106,781	106,428	(354)	-0.33%	3.5
Movements To/(From) Reserves	(4,358)	(5,458)	(5,458)	0	0.00%	
Net Expenditure	94,871	94,871	94,775	(97)	-0.10%	
External Funding	(94,871)	(94,871)	(94,871)	(0)	0.00%	
Total	0	0	(97)	(97)	-0.10%	

A more detailed analysis of the figures in the above table is provided at **Appendix A**. Commentary on specific variances is provided in the paragraphs below.

- 3.3. The budget for the Office of the Police and Crime Commissioner is forecasting to come in under budget by £7k (previously £11k at September). The forecast underspend has arisen from a combination of factors but in the main relates to the OPCC contingency budget of £15k which is currently forecast not to be needed in the year. This has been offset slightly by the additional costs earlier in the year of the temporary secondment into the partnerships and strategy manager role to support the delivery of the sexual assault referral centre.
- 3.4. The Other PCC Controlled Budgets are forecast to come in over budget by £264k (previously £119k at September). The overspend is made up of:
- expenditure on redundancies (£300k). This relates to termination costs as a result of the implementation of the change programme which are being funded from core budgets rather than being drawn down from the management of change reserve.
 - increase in insurance premiums (£21k). The increase in insurance premiums is linked to the announcement in the Chancellor's July budget that insurance premium tax (IPT) will increase from 6% to 9.5% in November. The Commissioner/Constabulary insurance premiums were renewed on 1 November. The forecast overspend has arisen due to a

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combination of an increase in premiums as a result of an increase in the limit of indemnity on the public and employers liability policies and the increase in the rate for IPT.

- variation in grant income (£43k). The Commissioner receives a specific grant to support funding for a number of police officer posts. At the time of budget setting final grant allocations were outstanding. The actual grant notice from the home office is £43k less than the amount estimated within the budget. Actual expenditure on police officer pay funded by this grant is in line with the notified grant award.
- reduction in interest and investment income (£8k). The current forecast is that investment income for the year will be £177k against a budget of £125k. The treasury management activities report elsewhere on this agenda provides details.

The above overspends are being offset by underspends as follows:

- expenditure on premises costs (£63k). This relates to lower utilities costs as a result of the currently low fuel prices and reductions in rates as a result of rating revaluations which are being offset to a degree by increased repairs and maintenance the HQ site in connection with electrical infrastructure works.
- expenditure on Commissioned Services (£24k). The current forecasts for commissioned services are for a reduction in expenditure compared to budget.
- reduction in the amount of charge in respect of the minimum revenue provision compared to the base budget of £21k.

3.5. The Commissioner provides funding of £108.5m to the Chief Constable to operate the Constabulary under the terms of a funding arrangement. The Chief Constable is currently forecasting an underspend of £354k (0.33%) against this budget. The forecast underspend is made up of £36k underspend on expenditure budgets plus anticipated additional income of £318k. The primary reason for the underspend relates to changes in the profile for police officer recruitment, increased income in respect of providing police escorts for the movement of abnormal loads and reduced transport costs as a result of the continuing low fuel prices. The Chief Constable has provided a separate report elsewhere on this agenda which provides a specific update regarding funding provided to the Constabulary.

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- 3.6. The Commissioner maintains the police property act fund. This fund has been accumulated over a period of time as a result of the disposal of property coming into the possession of the police under the Police Property Act 1987 and the Powers of Criminal Courts Act 1973. On a quarterly basis community groups or individuals can submit applications for funding to the Commissioner, the proposals should support priorities within the Commissioner's Police and Crime Plan, have an impact on community safety and crime reduction or contribute to the delivery of the Constabulary youth strategy (e.g. diversionary activities for young people). At 31 December 2015, the fund amounted to £68k. In December awards to successful applicants totalling £1.3k were made and details of these are shown in **Appendix B**. Further details of the funding allocations can be found on the Commissioner's website <http://www.cumbria-pcc.gov.uk/working-for-you/property-fund.aspx>

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Revenue Budget Monitoring 2015/16 – Quarter 3 to December 2015**Appendix A**

Description	Base Budget 2015/16 £	Revised Budget 2015/16 £	Budget To Date 2015/16 £	Actual To Date 2015/16 £	Forecast Outturn 2015/16 £	Variance (Under)/Overspend 2015/16 £		Projected (Under)/Overspend @ Sep-15 £	Change Sep-15 to Dec'15 £
Office of the Police and Crime Commissioner	799,004	793,586	598,063	616,392	786,567	(7,019)		(10,620)	3,601
Other PCC Budgets									
Commissioned Services Budget	2,699,000	2,442,899	1,232,433	958,726	2,443,361	462		2,103	(1,641)
Sexual Assault Support Services	0	196,049	13,056	66,397	171,638	(24,411)		499	(24,910)
PCC Efficiency Savings Identified In-year	0	0	0	0	0	0		0	0
Estates	3,716,924	3,467,124	2,801,487	3,127,380	3,404,484	(62,640)		61,115	(123,755)
Insurances	506,816	506,816	784,711	840,835	527,464	20,648		8,272	12,376
LGPS Past Service Cost	799,000	0	0	0	0	0		0	0
Redundancies	1,830,000	541,898	449,946	449,946	841,899	300,001		1	300,000
Provision for Insurance Liability	196,175	196,175	0	0	196,175	0		0	0
Technical Accounting	859,231	969,846	(7,008)	(11,590)	969,847	1		0	1
Capital Financing	4,888,993	8,160,058	7,486,953	7,465,618	8,138,723	(21,335)		0	(21,335)
Grants & Contributions	(25,454,489)	(23,601,781)	(18,380,291)	(18,660,496)	(23,558,571)	43,210		44,226	(1,016)
Interest/Investment Income	(125,000)	(125,000)	(93,753)	(62,459)	(117,000)	8,000		3,000	5,000
	(10,083,350)	(7,245,916)	(5,712,466)	(5,825,644)	(6,981,980)	263,936		119,216	144,720
Total Police & Crime Commissioner Directly Controlled	(9,284,346)	(6,452,330)	(5,114,403)	(5,209,253)	(6,195,413)	256,917		108,596	148,321
Constabulary Funding	112,479,625	111,185,965	71,080,089	69,648,877	111,150,297	(35,668)		(137,761)	102,093
Constabulary Income	(3,966,595)	(4,404,659)	(3,005,852)	(3,304,970)	(4,722,544)	(317,885)		(50,397)	(267,488)
Total Constabulary Funding	108,513,030	106,781,306	68,074,237	66,343,907	106,427,753	(353,553)		(188,159)	(165,395)
Total Approved Budget	99,228,684	100,328,976	62,959,834	61,134,654	100,232,340	(96,636)		(79,563)	(17,073)
Transfers To/(From) Earmarked Revenue Reserves	(2,236,827)	(686,984)	(1,553,355)	(1,553,355)	(686,984)	0		0	0
Transfers To/(From) Capital Reserves	(2,120,677)	(4,770,812)	(4,770,812)	(4,770,812)	(4,770,812)	0		0	0
Aggregated External Financing	(94,871,180)	(94,871,180)	(71,153,382)	(71,153,383)	(94,871,180)	(0)		(0)	0
Net Requirement	0	0	(14,517,715)	(16,342,895)	(96,636)	(96,636)		(79,563)	(17,073)

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Appendix B

Police Property Act Awards - Quarter 3 December 2015

Award To	Amount Awarded £
Cleator Moor Amateur Boxing Club	300
Community Reach	1,000
Total	1,300

Further details of the funding allocations can be found on the Commissioner's website
<http://www.cumbria-pcc.gov.uk/working-for-you/property-fund.aspx>

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Item 08 - PCC 24-02-16 TM Activities 2015-16 Quarter 3 (October to December 2015) (agenda item 09)



Cumbria Office of the Police and Crime Commissioner

Title: Treasury Management Activities 2015/16 Quarter 3 (October to December 2015)

PCC Executive Board: 24 February 2016

**Originating Officers: Michelle Bellis, Deputy Chief Finance Officer and,
Lorraine Holme, Principal Financial Services Officer.**

1. Purpose of the Report

- 1.1. The purpose of this paper is to report on the Treasury Management activities, which have taken place during the period October to December 2015 in accordance with the requirements of CIPFA's Code of Practice on Treasury Management.
- 1.2. Treasury Management activities are undertaken in accordance with the Treasury Management Strategy Statement and Treasury Management Practices approved by the Commissioner in February each year.

2. Recommendation

- 2.1. The Commissioner is asked to note the contents of this report. The report will also be presented to the Joint Audit and Standards Committee meeting of 9 March as part of the arrangements to ensure members are briefed on Treasury Management and maintain an understanding of activity in support of their review of the annual strategy.

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- 2.2. JASC Members are asked to note the contents of this report. The report is provided as part of the arrangements to ensure members are briefed on Treasury Management and maintain an understanding of activity in support of their review of the annual strategy. The report was presented to the Commissioner at his Executive Board meeting on 16 February.

3. Economic Background

- 3.1. The UK economy had a solid 2015 with overall growth estimated to be around 2.5%, a figure well in line with the trend rate. The labour market was also strong. Data released in December for the period to October 2015, showed employment the highest at 73.9% and unemployment at 5.2% the lowest it had been since 2006. As a result, wage growth was generally strong over the year; although having peaked at 3.3% in May, it fell to 2.4% in October. Consumer price inflation was very low over the second half of 2015, a collapse in food, fuel and transport costs along with a strong Pound being the contributors to this fall. Stronger wage growth and low inflation allowed real earnings to grow at the fastest rate in eight years. At the beginning of the October-December 2015 quarter the general consensus was that the MPC would look to raise interest rates in early 2016. However a number of factors have pushed back the expectation of a rate rise to Q3 or Q4 of 2016, with possibly one or two increases in 2017: inflation, having dipped below zero earlier in 2015, remained very low at 0.1% year/year in November 2015, oil prices have fallen even further and growth in China isn't looking like it is going to return to its usual 7%+ levels very soon.
- 3.2. In the US, the Federal Reserve raised interest rates in December 2015 for the first time in nine years to take the new Federal funds range to 0.25%-0.50%. The accompanying statement justified this increase as due to continuing tightening of the labour market, the solid improvement in economic household spending and business fixed investment and a strong housing sector. The statement suggested we can expect four interest rises over 2016. Over 2015, the US dollar appreciated by 8%, leading to lower import prices. The decline in import prices filtered into consumer prices in 2015, which alongside the sharp drop in energy costs, depressed the headline inflation rate. However, as a result of the strong dollar and weak global demand, US exports have fallen by nearly 10% over the year. With the presidential elections coming up at the end the year, we should start to see uncertainty creep into the market until a clear winner emerges.
- 3.3. In the Eurozone, the European Central Bank announced a modest reduction in the Deposit Rate from -0.2% to -0.3% and an extension of their asset purchase programme by 6 months to March 2017.

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Overall, the Eurozone economic activity was stronger over 2015 and there was an improvement in unemployment to 10.5% from 11.5% a year earlier, which helped drive private consumption as a result. Eurozone CPI inflation fell below zero during 2015 and is currently hovering just above.

- 3.4. The slowdown in the Chinese economy became the largest threat to the region and to the prospects for global growth as a whole. The effect of the Chinese authorities' intervention in their currency and equity markets was temporary and led to further market volatility as a consequence. As the global economy entered 2016, there was a high uncertainty about growth, the outcome of the US presidential election (no clear party or candidate can be identified as a winner right now) and the consequences of the vote whether the UK is to remain in the EU, the timing of which could well likely be summer 2016.

4. Treasury Management Operations and Performance Measures

- 4.1. The Commissioner's day to day treasury management activities are undertaken on behalf of the Commissioner's Chief Finance Officer/Deputy Chief Executive by the financial services team under the management of the Chief Constable's Chief Finance Officer. Responsibilities and requirements for treasury management are set out in the financial regulations and rules. Treasury management practices are approved annually setting out the arrangements as part of the Treasury Management Strategy Statement (TMSS).

The TMSS sets maximum limits for investments according to category. The categories and overall limit per category is illustrated in the table below together with the actual investments outstanding as at 31 December 2015. Within each category there are further limits to the total amount and duration of investments that can be placed with individual counterparties, these vary depending on the credit rating of the counterparty at the time the investment is made.

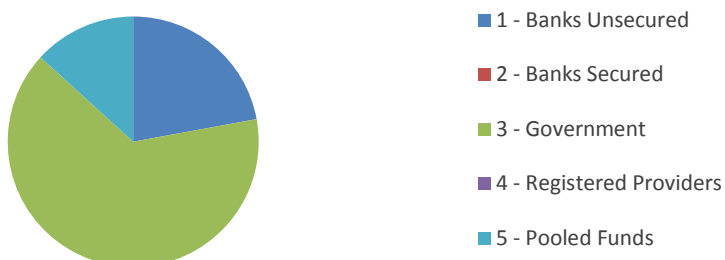
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Category	Category Limit (£m)	Actual Investments at 31 December (£m)	Compliance with Limit
1 - Banks Unsecured	20	4.269	Yes
2 - Banks Secured	20	0.000	Yes
3 - Government	unlimited	12.485	Yes
4 - Registered Providers	10	0.000	Yes
5 - Pooled Funds	15	2.553	Yes
Total		19.306	

A schedule detailing the individual investments that make up the £19.31m total invested at 31 December 2015 is attached at **Appendix 2**. A further illustrative analysis is provided of the balance outstanding at **Appendix 3**, where the first chart analyses the outstanding balance by the credit rating of the investment counterparty and the second shows the maturity structure of investments by the credit rating of the counterparty.

Analysis of Outstanding Investments at 31 December 2015 by Category



4.2. Management of Cash Balances

The aim of the Treasury Management Strategy is to invest surplus cash and minimise the level of un-invested cash balances, whilst limiting risks to the Commissioner's funds. Actual un-invested balances for the months of October to December 2015 for the Commissioner's main bank account are summarised in the table below:

	Number of Days	Average Balance £	Largest Balance £
Days In Credit	92	1,174	13,155
Days Overdrawn	0	0	0

The largest un-invested balance occurred on the 3 December as a result of a large banking of seized cash. We are advised by the bank that transactions being posted during the day are subject to checking and can be removed, therefore, we do not invest these sums until the following day to limit the risk of being overdrawn.

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During the period October to December 2015 there were no instances where the main bank account was overdrawn.

Within the Treasury Management Strategy a target is set to achieve a daily balance of +/- £2k on the Commissioner's main bank account. Whilst the daily treasury management process always calculates the anticipated balance within these limits, daily transactions through the bank of which we are not aware (e.g. banking of cash/cheque receipts) can alter the closing balance for the day. During the months October to December 2015, the balance was within the £2k limit for 82 out of 92 days (89%). This statistic is skewed by our policy to ensure that all cash and cheques are banked on a Friday, as a minimum, more often if large sums are received. If cash is banked it clears our account on the same day and we will be over our £2k limit for 3 days over the weekend not just the day it is banked. This did not occur during this quarter.

An estimate of the interest forgone on un-invested balances over £2k during this three month period is £4.

4.3. Investment Activity

The table below illustrates the number and value of investments made with banks (category 1 unsecured & 2 secured) and Government (category 3) of the approved investment counterparties during the months of October to December 2015:

Month	Number of Investments	Total Value of Investments £m
October 2015	4	5.5
November 2015	1	1.0
December 2015	1	2.0

In addition to the above there are regular smaller investments made via money market funds (category 5 pooled funds).

The Commissioner sets a limit for "non-specified" investments of over 364 days at the time of investment. The maximum of all investments with outstanding maturities greater than 364 days is set at a limit of £5m for 2015/16. The Commissioner currently has no investments that have an

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outstanding maturity of greater than 364 days. However, as at 31 December, there were two investments which at the time of investing, were for a period of just over 364 days. These are set out in the table below:

Borrower	Value £m	Investment Period (Days)	Date Invested	End Date	Period Remaining to maturity (days)	Actual Rate (%)
Lloyds Bank PLC	2.0	366	11/08/2015	11/08/2016	316	1.00%
Lancashire County Council	2.0	365	08/05/2015	06/05/2016	219	0.50%
Total	4.0					

4.4. Interest Earned

Interest earned for the period of the report and the average return on investment that it represents is set out in the table below:

Month	Interest Amount (£)	Average Total Investment (£)	Average Return on Investment (%)
October 2015	11,197	26,580,591	0.50%
November 2015	10,467	25,104,230	0.51%
December 2015	10,253	23,090,361	0.52%
	31,917	24,923,113	0.51%

Total interest earned during April to December 2015 amounted to £93.7k. A simple pro-rata of this figure would suggest a full year effect of interest in the region of £125k. The current forecast is that interest receipts for 2015/16 will be £117k. This figure is slightly lower than the budget for the year which was set at £125k, the reduction reflects the lower rates currently being achieved on investments as a result of their short duration, which is in line with current policy and advice.

A comparison of this figure against the budget is outlined in the table below:

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	Amount (£000's)
Original Estimate 2015/16	125
Forecast Position June 2015	125
Forecast Position September 2015	122
Forecast Position December 2015	117
Increase/(Decrease) compared to estimate	-8
Increase/(Decrease) as a percentage	-6%

4.5. Investment Performance

As a performance measure for the quality of investment decisions, the rate achieved on maturing longer term investments of over three months in duration is compared with the average Bank of England base rate over the life of the investment. The table below provides details of the individual performance of investments (of over 3 month's duration at time of investment) for the months October to December 2015:

Borrower	Value £m	Period (Months)	Actual Rate (%)	Average Base Rate (%)
Barclays Bank PLC	2	3	0.41%	0.50%
Government Treasury Bill	2	3	0.47%	0.50%
Government Treasury Bill	0.5	3	0.45%	0.50%

The above table illustrates that for the three maturing investments that were for a duration of 3 months, the return was slightly below the bank base rate.

5. Compliance with Prudential Indicators

- 5.1. All treasury related Prudential Indicators for 2015/16, which were set in February 2015 as part of the annual Statement of Treasury Management Strategy, have been complied with. Further details can be found at **Appendix 4**.

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6. Implications

- 6.1. Financial – As detailed in the main body of report above.
- 6.2. Legal – None
- 6.3. Risk – The report advises the Commissioner/members about treasury activities. Given the large unsecured sums invested with financial institutions treasury management can be a risky area. Nevertheless, procedures are in place to minimise the risks involved, including limits on the sums to be invested with any single institution and reference to credit ratings are set down in the PCC's treasury strategy and in particular the treasury management practices (TMP1 Treasury Risk Management).
- 6.4. HR / Equality – None
- 6.5. I.T – None
- 6.6. Procurement – None

7. Supplementary information

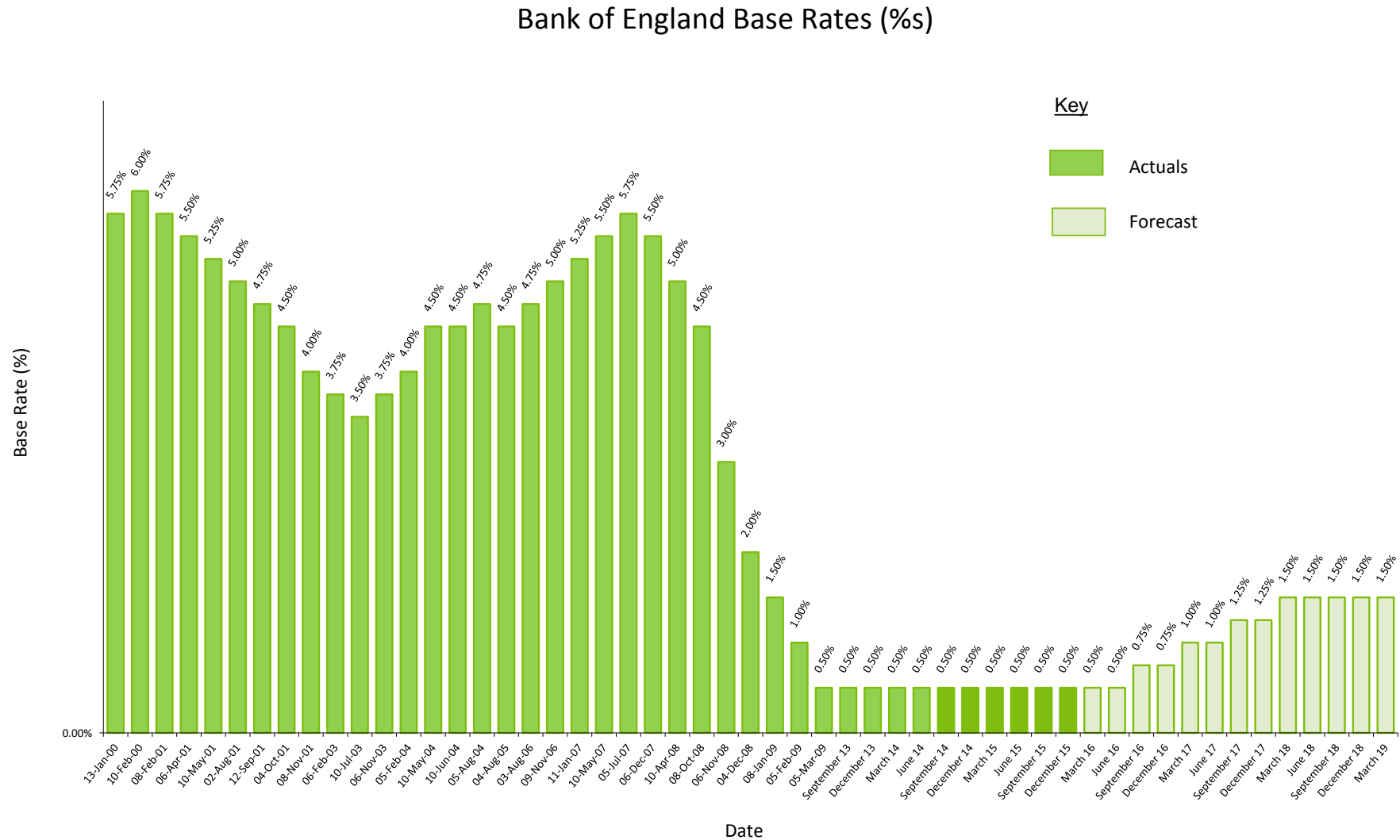
Attachments

- Appendix 1 Recent history and projections of Bank Base Rates
- Appendix 2 Schedule of Investments as at 31 December 2015
- Appendix 3 Analysis of Investments as at 31 December 2015
- Appendix 4 Prudential Indicator Compliance

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Appendix 1



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Appendix 2

Schedule of Investments as at 31 December 2015

Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate (%)	Amount (£)	Counterparty Total (£)
Category 1 - Banks Unsecured (Includes Banks & Building Societies)							
Lloyds Bank PLC	A+	11/08/2015	11/08/2016	224	1.00%	2,000,000	2,000,000
Svenska (Deposit Account)	AA-	Various	On Demand	N/A	0.35%	911,732	911,732
NatWest (Liquidity Select Account)	BBB+	31/12/2015	04/01/2016	O/N	0.25%	357,000	357,000
Svenska (CD*)	AA-	03/11/2015	03/02/2016	34	0.54%	1,000,000	1,000,000
						4,268,732	4,268,732
Category 2 - Banks Secured (Includes Banks & Building Societies)							
None							0
						0	0
Category 3 - Government (Includes HM Treasury and Other Local Authorities)							
West Dunbartonshire Council	NR	24/07/2015	22/01/2016	22	0.40%	2,000,000	2,000,000
Lancashire County Council	NR	08/05/2015	06/05/2016	127	0.50%	2,000,000	2,000,000
Stirling Council	NR	14/12/2015	14/04/2016	105	0.500%	2,000,000	2,000,000
DMO - Treasury Bills	NR	06/07/2015	04/01/2016	4	0.490%	4,987,813	
DMO - Treasury Bills	NR	19/10/2015	18/01/2016	18	0.450%	499,427	
DMO - Treasury Bills	NR	01/09/2015	29/02/2016	60	0.510%	997,477	6,484,718
						12,484,718	12,484,718
Category 4 -Registered Providers (Includes Providers of Social Housing)							
None							0
						0	0
Category 5 -Pooled Funds (Includes AAA rated Money Market Funds)							
Aberdeen Asset Management	AAA	Various	On demand	O/N	Various	0	0
AIM	AAA	Various	On demand	O/N	Various	0	0
BlackRock	AAA	Various	On demand	O/N	Various	0	0
Fidelity	AAA	Various	On demand	O/N	Various	252,685	252,685
Goldman Sachs	AAA	Various	On demand	O/N	Various	0	0
Standard Life (Formally Ignis)	AAA	Various	On demand	O/N	Various	2,300,000	2,300,000
						2,552,685	2,552,685
Total						19,306,135	19,306,135

Note – the credit ratings shown in the above table relate to the standing as at 31 December 2015, as discussed in the main body of the report, the ratings are constantly subject to change.

The TMSS sets limits for maximum investment with counterparties. These limits vary depending on the credit rating of the counterparty at the time the investment was placed. The TMSS also places a limit on the total investments per category.

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CD* = Certificate of Deposit which are a negotiable form of fixed deposit and are ranked the same as a fixed deposit. The primary difference is that we are not obliged to hold the CD to maturity and cash can be realised by selling the CD on the secondary market.

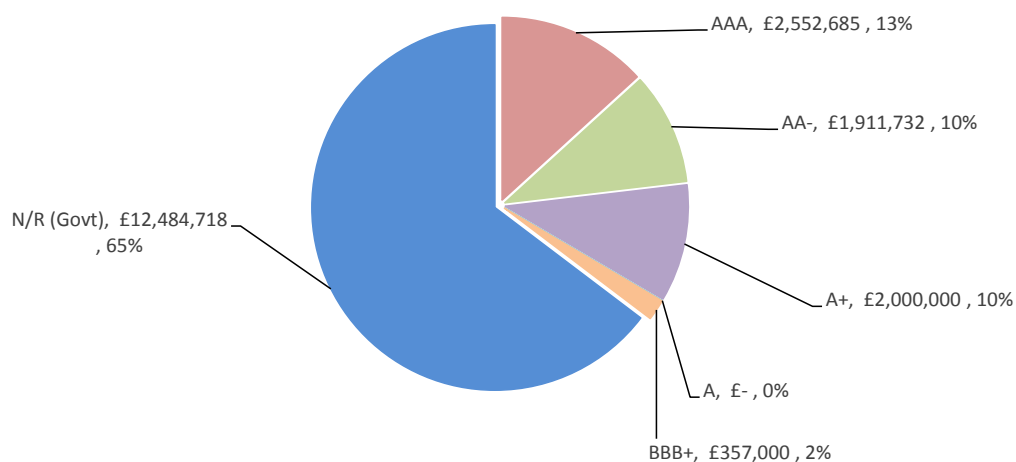
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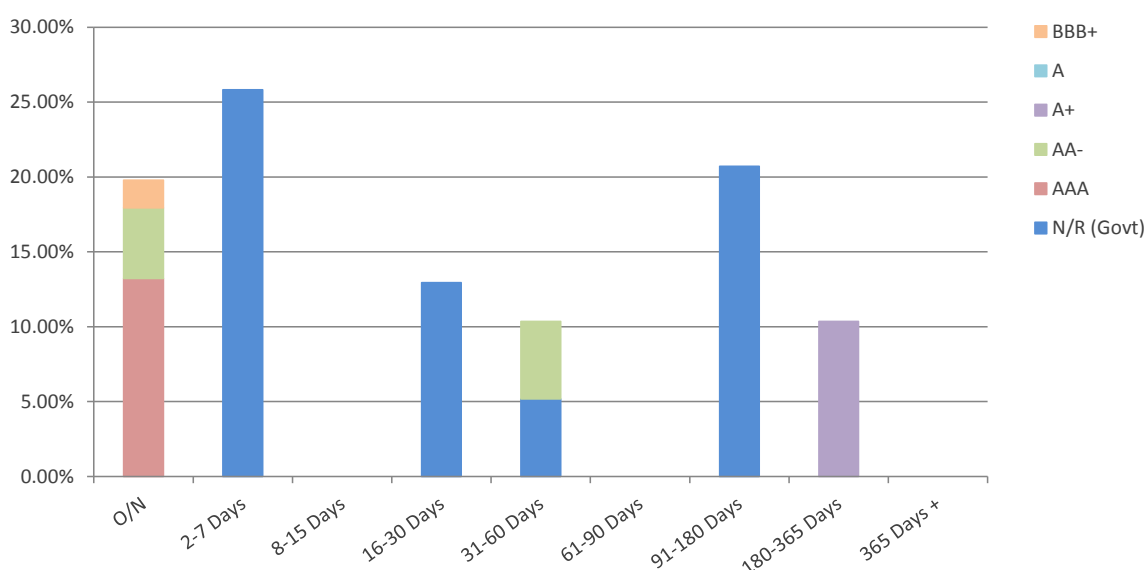
Appendix 3

Analysis of Outstanding Investments as at 31 December 2015

Analysis of Outstanding Investments by Credit Rating of Counterparty at 31 December 2015 (Minimum Criteria per TMSS A-)



Analysis of Outstanding Investments at 31 December 2015 by Number of Days to Maturity



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Note – the credit ratings shown in the above charts relate to the standing as at 31 December 2015, as discussed in the main body of the report, the ratings are constantly subject to change.

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Appendix 4

Prudential Indicator Compliance

(a) Authorised Limit and Operational Boundary for External Debt

- The Local Government Act 2003 requires the Commissioner to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached during the year. The Affordable Borrowing Limit is made up of two components; the *Authorised Limit* and the *Operational Boundary*.
- The Authorised Limit represents an upper limit for external borrowing that could be afforded in the short term but may not be sustainable. The figure includes a risk assessment of exceptional events taking into account the demands of revenue and capital cash flows. The Commissioner's Authorised Limit was set at £25.31m for 2015/16.
- The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit. The Operational Boundary for 2015/16 was set at £23.81m.
- The actual amount of external borrowing as at 31 December 2015 was £Nil which is well within the above limits. No new external borrowings have been undertaken in the current financial year.

(b) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- These indicators allow the Commissioner to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2015/16	Actual Borrowing at 31 Dec'15	Compliance with limits
	£m	£m	
Upper Limit for Fixed Rate Exposure	25.31	0.00	Yes
Upper Limit for Variable Rate Exposure	1.50	0.00	Yes

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(c) Maturity Structure of Fixed Rate Borrowing

- This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit	Lower Limit	Actual Fixed Rate Borrowing as at 31 Dec '15 £m	% Fixed Rate Borrowing as at 31 Dec '15 %	Compliance with Set Limits?
Under 12 months	100	0	0.00	0	Yes
12 months and within 24 months	100	0	0.00	0	Yes
24 months and within 5 years	100	0	0.00	0	Yes
5 years and within 10 years	100	0	0.00	0	Yes
10 years and above	100	0	0.00	0	Yes

(d) Total principal sums invested for periods longer than 364 days

- This indicator allows the Commissioner to manage the risk inherent in investments longer than 364 days.
- The limit for 2015/16 was set at £5m.
- As at 31 December 2015, the PCC had two investments totalling £4m which were for a duration greater than 364 days at the time of investment. Neither of which now have outstanding maturities greater than 364 days. Please see additional details within paragraph 4.3 above.



Office of the Police and Crime Commissioner Report

REQUEST FOR POLICE & CRIME COMMISSIONER DECISION - (N° 006 / 2016)

TITLE: Approval of Treasury Management Strategy Statement 2016/17 and Prudential Indicators 2016/17 to 2018/19

Executive Summary:

The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the CIPFA TM Code) and the Prudential Code require Local Authorities (including PCCs) to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis.

These codes were originally issued in 2002 and were later fully revised in 2009 and 2011. The TMSS also incorporates the Investment Strategy which is a requirement of the Communities and Local Government (CLG) Investment Guidance. This report proposes a strategy for the financial year 2016/17.

Treasury Management in Local Government continues to be a highly important activity. The Police and Crime Commissioner ("The Commissioner") adopts the CIPFA definition of Treasury Management which is as follows:

'the management of the organisation'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.'

Recommendation:

The Commissioner is asked to:

- Approve the Strategy for Treasury Management as set out at paragraph 4 for 2016/17.
- Approve the Prudential Indicators for 2016/17 as described in paragraph 5 and as set out in detail at **Appendix B**.
- Approve the Minimum Revenue Provision Policy Statement for 2016/17 as set out in paragraph 6.
- Note that the detailed Treasury Management Practices (TMPs) have been reviewed and updated as required by the Code of Practice and will be published alongside the TMSS on the Commissioner's website.
- Delegate to the Chief Finance Officer any non-material amendments arising from scrutiny of the strategy by the Joint Audit and Standards Committee.

Police & Crime Commissioner

I confirm that I have considered whether or not I have any personal or prejudicial in this matter and take the proposed decision in compliance with the Code of Conduct for Cumbria Police & Crime Commissioner. Any such interests are recorded below.

I hereby approve/do not approve the recommendation above

Police & Crime Commissioner / Chief Executive (delete as appropriate)

Signature:

Date:



PCC Executive Board
24 February 2016
Agenda Item No 09

Office of the Police and Crime Commissioner Report

Title: Treasury Management Strategy Statement 2016/17 and Prudential Indicators 2016/17 to 2018/19

Report of the Chief Finance Officer/Deputy Chief Executive.

Originating Officers: Michelle Bellis, Deputy Chief Finance Officer;
Lorraine Holme, Principal Financial Services Officer

1. Purpose of the Report

- 1.1. The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the CIPFA TM Code) and the Prudential Code require Local Authorities (including PCCs) to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis.

These codes were originally issued in 2002 and were later fully revised in 2009 and 2011. The TMSS also incorporates the Investment Strategy which is a requirement of the Communities and Local Government (CLG) Investment Guidance. This report proposes a strategy for the financial year 2016/17.

Treasury Management in Local Government continues to be a highly important activity. The Police and Crime Commissioner ("The Commissioner") adopts the CIPFA definition of Treasury Management which is as follows:

'the management of the organisation'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.'

2. Recommendations

2.1. The Commissioner is asked to:

- Approve the Strategy for Treasury Management as set out at paragraph 4 for 2016/17.
- Approve the Prudential Indicators for 2016/17 as described in paragraph 5 and as set out in detail at **Appendix B**.
- Approve the Minimum Revenue Provision Policy Statement for 2016/17 as set out in paragraph 6.
- Note that the detailed Treasury Management Practices (TMPs) have been reviewed and updated as required by the Code of Practice and will be published alongside the TMSS on the Commissioner's website.
- Delegate to the Chief Finance Officer any non-material amendments arising from scrutiny of the strategy by the Joint Audit and Standards Committee.

2.2. The Joint Audit and Standards Committee are asked to review the Treasury Management Strategy Statement and Treasury Management Practices to be satisfied that controls are satisfactory and provide advice as appropriate to the Commissioner.

3. Background

3.1. The Commissioner is required to approve an annual Treasury Management Strategy Statement in accordance with the CIPFA Code of Practice on Treasury Management, which also incorporates an Investment Strategy as required by the Local Government Act 2003 and which is prepared in accordance with the Communities and Local Government (CLG) Investment Guidance. Together, these cover the financing and investment strategy for the forthcoming financial year. Subsequent to the Local Government Act 2003, the system of Government control over borrowing to support capital spending has been replaced with a self-regulatory system of borrowing controls, based on a Prudential Code of Practice. Accordingly, this paper now brings together a schedule of Prudential Indicators alongside the Treasury Management Strategy for the Commissioner to endorse.

- 3.2. The Treasury Management Strategy has been prepared in line with the model guidance produced by Arlingclose Ltd, who provide specialist treasury management advice to the Commissioner. It should however be noted that all treasury management decisions and activity are the responsibility of the Commissioner and any such references to the use of these advisors should be viewed in this context.

4. Treasury Management Strategy 2016/17

4.1. General Principles

- 4.1.1. Treasury management activities involving, as they do, the investment of large sums of money and the generation of potentially significant interest earnings have inherent risks. The Commissioner regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks. The main risks to the Commissioner's treasury activities are outlined below:

- Credit and Counterparty Risk (Security of Investments)
- Liquidity Risk (Inadequate cash resources)
- Market or Interest Rate Risk (Fluctuations in interest rate levels)
- Re-financing risks (Impact of debt maturing in future years)
- Legal & Regulatory Risk.
- Fraud, error and corruption Risk

- 4.1.2. Details of the control measures the Commissioner has put in place to manage these risks are contained within the separate Treasury Management Practices (TMPs).

- 4.1.3. The Commissioner acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management. However, the high profile near failure of major banks in 2008 highlighted that this objective must be sought within a context of effective management of counter-party risk. Accordingly, the Commissioner will continue to search for optimum returns on investments, but at all times the security of the sums invested will be paramount. This is a cornerstone of the CIPFA Code of Treasury Management

Practice which emphasises “Security, Liquidity, Yield in order of importance at all times”. The security of the sums invested is managed by tight controls over the schedules of approved counter-parties, which are continually reviewed to take account of changing circumstances, and by the setting of limits on individual and categories of investments as set out at **Appendix A**.

The strategy also takes into account the impact of treasury management activities on the Commissioner’s revenue budget. Forecasts of cash balances, interest receipts and financing costs are regularly re-modelled. The revenue budget for 2016/17 and forecasts for future years have been updated in light of the latest available information as part of the financial planning process.

4.2. External Guidance

4.2.1. The guidance under which this strategy is put forward comes from a variety of different places. Principally, however, the requirement to produce an annual Treasury Management Strategy is set out in the latest CIPFA Code of Practice on Treasury Management published in 2011. There is, in addition, a further requirement arising from the Local Government Act 2003 (Section 15) to produce an investment strategy as part of the wider Treasury Strategy. This is set out below at paragraph 4.6. Finally, the Commissioner’s treasury advisor’s Arlingclose Ltd have provided some advice about possible future trends in interest rates and advice on best practice in relation to the format of the TMSS.

4.3. Resources and the Current Treasury Position

4.3.1. Treasury Management activity is driven by the complex interaction of expenditure and income flows, but the core drivers within the Commissioner’s balance sheet are the underlying need to borrow to finance its capital programme, as measured by the capital financing requirement (CFR), which is explored in detail in section 4.5 of this report, and the level of reserves and balances. In addition, day to day fluctuations in cash-flows due to the timing of grant and council tax receipts and out-going payments to employees and suppliers have an impact on treasury activities and accordingly are modelled in detail. The Commissioner’s level of debt and investments is linked to the above elements, but market conditions, interest rate expectations and credit risk considerations all influence the Commissioner’s strategy in determining exact borrowing and lending activity.

4.3.2. The estimated treasury position at 31st March 2016 and for the following financial years are summarised below:

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Estimated Treasury Position	Estimate 2016/17 £m	Estimate 2017/18 £m	Estimate 2018/19 £m	Estimate 2019/20 £m
External Borrowing - PWLB – at start of year	0.000	0.000	0.000	0.000
Interest Payments	0.000	0.000	0.000	0.000
Investments (average)	13.504	11.106	9.895	8.667
Interest Receipts	0.100	0.135	0.170	0.170

4.3.3. The figures in the table above are based on the approval of the proposed revenue budget and capital programme presented to the Commissioner elsewhere on this agenda and are based on the interest rate assumptions as outlined in paragraph 4.4.4 below.

4.3.4. The estimate for interest payments in 2016/17 is Nil. This is based on the assumption that the Commissioner will not actually undertake any new borrowing to fund capital expenditure for the period of this forecast. This is not to say that there is no underlying need to borrow. The Commissioner's underlying need to borrow, as measured by the Capital Financing Requirement (CFR), is estimated to be £18.7m at the start of the 2016/17 financial year. This includes £5.1m which is the capital value of the PFI contract as required by changes to proper accounting practices introduced in The Code of Practice on Local Authority Accounting 2009. The capital strategy paper elsewhere on this agenda illustrates that the Commissioner will not need to borrow to deliver the agreed capital programme. However, under current market conditions, where short term interest receipts are forecast to remain low in the immediate future, and there are continuing general uncertainties over the credit worthiness of financial institutions, it is assumed that the most prudent borrowing strategy for the present is to meet the capital funding requirement from within internal resources, by reducing cash balances available for investment. At some time in the future it will be necessary to undertake external borrowing. Advice will be sought from Arlingclose as to the most opportune time and interest rate to undertake such borrowing.

4.3.5. The estimate for interest receipts in 2016/17 is £100k (latest forecast for 2015/16 is £117k), which is comparable to recent years. The low level of receipts reflects the historically low level of investment returns currently available where the Bank of England base rate stands at 0.5% and is expected to remain at this level for the first two quarters of 2016/17.

4.3.6. The forecast interest receipts beyond 2016/17 reflects Arlingclose's view that interest rates will start to rise in September 2016 with a gradual pace of increases thereafter, with the average for 2016/17 being around 0.75%. (see table at 4.4.4 below).

4.4. Interest Rate Prospects

4.4.1. In recent months the market consensus of when the first interest rate rise will occur has shifted dramatically. At the start of 2015 the consensus had been for the first rate rise to occur in the second half 2015 but weak economic data and falling prices (negative inflation) pushed this back. The markets began pricing the first rise to occur in the first half of 2016. However, new concerns over the slowing global economy, caused by China, now mean that the market currently predicts the first rise to be even further into 2016. The Commissioners' treasury advisor Arlingclose projects the first 0.25% increase in UK Bank Rate in the third quarter of 2016, rising by 0.5% a year thereafter, finally settling between 2% and 3% in several years' time.

4.4.2. A number of economic indicators are important in judging when interest rates might rise, including:

- Inflation –the rate has tumbled over the last year with the biggest reason being the fall in the price of oil alongside heavy discounting in shops. This is showing no signs of change for the foreseeable future and is fuelling speculation that interest rates will remain lower for longer.
- UK economic growth – the UK economy had grown strongly in the second quarter of 2015 but then slowed during the third quarter of 2015. The slowdown was due to a big fall in construction output. Economic growth is now back at its pre-crisis level and a growing economy increases the prospect of an interest rate rise. However, in August 2015 concerns that China's economic growth rate slowed caused panic. Stock markets fell and economists rushed to factor in the impact of the world's second largest economy slowing on developed world economies. Growth rate forecasts everywhere were downgraded. This knock on effect on the UK will be slower growth and this in turn implies a delay in interest rises until growth stabilises.
- Unemployment – The number of people out of work fell again in the three months to November 2015 to the lowest rate in nearly a decade. This is well below the bank of England's old 'forward guidance' threshold. Wage growth continues to exceed inflation but the rate of increase has slowed. A lack of wage growth is a sign of slack in the economy which would make an early rise less

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likely. But if wage growth improves then calls for an interest rate rise will increase. The development of wage growth is one of the factors being closely monitored by the MPC.

4.4.3. In summary persistently low inflation, subdued global growth and potential concerns over the UK's position in Europe mean that the risks to this forecast are weighted towards the downside (i.e. lower rates for longer).

4.4.4. The main forward projections of interest rates provided by Arlingclose are shown in the table below. It should be noted that these forecasts are based on information as at December 2015. The quarterly treasury activities reports will contain updated information in respect of interest rate forecasts.

Arlingclose Base Rate Estimates	2016	2017	2018
Quarter 1	0.50%	1.00%	1.50%
Quarter 2	0.75%	1.25%	1.75%
Quarter 3	0.75%	1.25%	1.75%
Quarter 4	1.00%	1.50%	2.00%

4.5. Borrowing Requirement and Strategy

4.5.1. Long Term Borrowing

The Commissioner's underlying need to borrow for capital purposes is measured by reference to the Capital Financing Requirement (CFR), which is one of the Prudential Indicators and represents the cumulative capital expenditure of the Commissioner that has not been financed from other sources such as capital receipts, capital grants, revenue contributions or reserves. To ensure that this expenditure will ultimately be financed, authorities are required to make a provision from their revenue accounts each year for the repayment of debt. This sum known as the Minimum Revenue Provision (MRP) is intended to cover the principal repayments of any loan over the expected life of a capital asset. The CFR together with Usable Reserves, are the core drivers of the Commissioner's Treasury Management activities.

Actual borrowing may be greater or less than the CFR, but in order to comply with the Prudential Code, the Commissioner must ensure that in the medium term, net debt will only be for capital purposes. Therefore the Commissioner must ensure that except in the short term, net debt does not exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and

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next two financial years. In accordance with this requirement the Commissioner does not currently intend to borrow in advance of spending needs.

The table below shows the Commissioner's projected capital financing requirement for 2016/17 and beyond.

Capital Financing Requirement	Estimate 2016/17 £m	Estimate 2017/18 £m	Estimate 2018/19 £m	Estimate 2019/20 £m
Balance B/fwd	18.714	18.400	17.977	17.546
Plus Capital Expenditure financed from borrowing	0.100	0.000	0.000	0.000
Less MRP for Debt Redemption	-0.414	-0.423	-0.431	-0.443
Balance C/Fwd	18.400	17.977	17.546	17.103

The above table shows only capital expenditure that is not financed from sources other than borrowing. The full capital programme and associated financing is reported in summary within the Prudential Indicators and in detail elsewhere on the agenda.

The Commissioner is not expected to have any external borrowing at the start of 2016/17. Given that the CFR is forecast to be £18.7m this effectively means that the Commissioner will be funding over £13.6m of capital spend from internal resources (CFR £18.7m less £5.1m in relation to PFI).

Currently, there is a significant differential between investment rates at 0.5% and the rate at which long term finance can be procured, which despite standing at historically low levels, will still cost over 2.5% pa. Consequently, at this juncture, undertaking long term borrowing is likely to have a prohibitively high short term cost to the revenue account. However, such funding decisions may commit the Commissioner to costs for many years into the future and it is therefore critical that a long term view is taken regarding the timing of such deals. It should also be recognised that by funding internally, there is an exposure to interest rate risk at the point that actual borrowing is undertaken. Accordingly, the Commissioner, in conjunction with its treasury advisor Arlingclose Ltd, will continue to monitor market conditions and interest rate prospects on an on-going basis, in the context of the Commissioner's capital expenditure plans, with a view to minimising borrowing costs over the medium to long term.

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4.5.2. Short Term Borrowing

Short term loans will only be used in exceptional cases to manage day to day movements in cash balances, or over a short term period to enable aggregation of existing deposits into longer and more sustainable investment sums.

4.6. Investment Strategy

4.6.1. The Local Government Act 2003, Section 15(1)(a) requires the Commissioner to approve an investment strategy. Supplementary guidance produced by the Department for Communities and Local Government (CLG) requires, as a minimum, that the following areas are addressed: -

General policy

The guiding principle is that Authorities should invest prudently the temporary funds held on behalf of local communities. This has always been the cornerstone of our investment strategy. It is also consistent with the CIPFA guidance which has been re-iterated in the latest revision of the Treasury Management code, which sets out that the effective containment of risk should be a primary objective of the Treasury Management strategy and that achieving optimum performance is a proper but secondary objective.

The updated investment guidance emphasises “Security, Liquidity, Yield in order of importance at all times”.

In the past the investment strategy has operated criteria based on credit ratings to determine the size and duration of investments it is willing to place with particular counterparties. The credit worthiness of counterparties is reviewed on an ongoing basis in conjunction with the Commissioner’s treasury advisors (Arlingclose Ltd).

The Commissioner holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2015/16, the Commissioner’s investment balance has ranged between £13.2m and £34.2m. The larger sum is due to the receipt in July 2015 of £15.6m pension top up grant from the Home Office which is drawn down steadily over the remainder of the year. Balances in 2016/17 are forecast to be similar to those of 2015/16. It is anticipated that some grant funding may be received in advance of the capital spend and at the peak, when the pensions grant is received in July, balances for investment could approach £40m.

Credit Rating - Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. In addition to credit ratings, the Commissioner and its advisors, Arlingclose Ltd, select countries and financial institutions after analysis and ongoing monitoring of:

- Economic fundamentals (e.g., net debt as a % of GDP)
- Sovereign support mechanisms
- Share prices
- Corporate developments, news, articles, market sentiment and momentum
- Subjective overlay – or, put more simply, common sense.

The investment strategy for 2015/16 was opened up slightly to include some additional classes of investment to allow more flexibility and diversification. The strategy for 2016/17 remains the same. The decision to enter into a new class of investment is delegated to the Commissioner's Chief Finance Officer. A full explanation of each class of asset is provided in Appendix A together with a schedule of the limits that will be applied.

4.6.2. Specified and non-specified investments

The DCLG guidance categorises investments as 'specified' and 'non-specified'.

Specified investments are sterling denominated instruments with a maximum maturity of 364 days. They also meet the "high credit quality" criteria as determined by the Commissioner and are not deemed capital expenditure investments under statute.

High credit quality specified investments are defined by the Commissioner as those that meet its counterparty selection criteria as outlined in **Appendix A**.

Non specified investments are, effectively, everything else and, so far as an investment strategy is concerned, need to be set out in more detail, with appropriate limits set so as to minimise any exposure to risk. The strategy should also set out the basis upon which any non-specified investments are made, including how financial advice is sought.

So far as the Commissioner is concerned, investment strategies have always been limited to counterparties with high credit ratings. The current policy permits 'Non- Specified' investments (principally to facilitate lending for periods beyond 364 days) subject to:

- a maximum of three years duration.
- Counterparties with a minimum credit rating of A- (or equivalent).
- an overall limit of £5m.

There is currently one investment that at the time of transacting were for a period of greater than 364 days and as such would have been classified as 'Non-Specified' investments. At this point in time, the investment does not have a maturity greater than 364 days. There are no changes proposed to the criteria for making "Non-specified investments" as set out above. The option remains to make such investments with very highly rated counterparties up to the limit of £5m should suitable opportunities arise. All such investments would require prior approval by the Commissioner's Chief Finance Officer.

The Treasury Management Strategy is designed to be a dynamic framework which is responsive to prevailing conditions with the aim of safeguarding the Commissioner's resources. Accordingly, the Commissioner and its advisors Arlingclose Ltd will continuously monitor corporate developments and market sentiment with regards to counterparties and will amend the approved counterparty list and lending criteria where necessary. Whilst credit ratings are central to the counterparty risk evaluation process, other factors such as the prevailing economic climate are taken into consideration when determining investment strategy. It is proposed to continue the policy, adopted last year that the Commissioner's Chief Finance Officer, subject to consultation with the Commissioner, be granted delegated authority to amend or extend the list of approved counterparties should market conditions allow. The Joint Audit and Standards Committee will be updated on any changes to policy. The performance of the Commissioner's treasury advisors and quality of advice provided is evaluated prior to the annual renewal of the contract. Meetings with the advisors to discuss treasury management issues are held on a regular basis.

4.6.3. The use of Financial Instruments for the Management of Risks

Currently, Local Authorities (including PCC's) legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Act is not sufficiently explicit. The Commissioner has no plans to use derivatives during 2016/17. Should this position change, the

Commissioner may seek to develop a detailed and robust risk management framework governing the use of derivatives, but this change in strategy will require explicit approval.

4.6.4. Liquidity of investments

The investment strategy must lay down:

- The principles which are to be used in determining the amount of funds which can prudently be committed for more than one year i.e. what DCLG defines as a long term investment.

For the Commissioner, the total of investments over 364 days in duration are limited to £5m with a maximum duration of three years. This policy balances the desire to maximise investment returns, with the need to maintain the liquidity of funds.

Under current market conditions there is still little opportunity to generate significant additional investment income by investing in longer time periods over 364 days. However, as always, investment plans should be flexible enough to respond to changing market conditions during the year. The estimate of investment income for 2016/17 amounts to £100k (£117k 2015/16) and actual investment performance will be reported regularly to the Commissioner and will be provided to members of the Joint Audit and Standards Committee as background information to provide guidance and support when undertaking scrutiny of Treasury Management procedures.

4.7. Treasury Management and Risk

4.7.1. The Commissioner's approach to risk is to seek optimum returns on invested sums, taking into account at all times the paramount security of the investment. The CIPFA Code of Practice and Treasury Management Practices (as set out below in para. 4.8) sets out in some detail defined treasury risks and how those risks are managed on a day to day basis.

4.8. Treasury Management Practices

4.8.1. The CIPFA Code of Practice on Treasury Management recommends the adoption of detailed Treasury Management Practices (TMPs). CIPFA recommends that TMPs should cover the following areas:

- Risk Management
- Best Value and Performance Management

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- Decision Making and Analysis
- Approved Instruments
- Organisation, Segregation of duties and dealing arrangements
- Reporting and Management Information requirements
- Budgeting, Accounting and Audit
- Cash and cashflow management
- Avoidance of money laundering
- Training
- Use of external service providers
- Corporate Governance

Treasury Management is a specialised and potentially risky activity which is currently managed on a day to day basis by the Financial Services Team under authorisation from the Commissioner's Chief Finance Officer as part of a shared service arrangement for the provision of financial services. The training needs of treasury management staff to ensure that they have appropriate skills and expertise to effectively undertake treasury management responsibilities is addressed on an ongoing basis.

Specific guidance on the content of TMPs is contained within CIPFA's revised code of Practice for Treasury Management. Accordingly, the TMPs have been reviewed in detail and where necessary minor amendments have been made to bring the TMPs into line with The Code.

5. Prudential Indicators 2016/17

5.1. Background

5.1.1. The Local Government Act 2003 provides the framework for capital finance, based on statutory compliance with a 'Prudential Code', most recently updated in 2011. Local Authorities including PCC's are now free to borrow, so long as the ensuing costs falling on the revenue account are deemed to be Affordable, Prudent and Sustainable. In this context, affordable is deemed to mean in relation to the Commissioner's overall spending plans.

5.2. Objectives of the Prudential Code

5.2.1. The key objectives of The Code are to ensure, within a clear framework, that Capital investment plans are affordable, prudent and sustainable (or to highlight, in exceptional cases, that there is a danger this will not be achieved so that the Commissioner can take remedial action). To demonstrate that Authorities have fulfilled these objectives, the Prudential Code sets out the Indicators that must be used. The indicators required by The Code are designed purely to support local decision making and are specifically not designed to represent comparative performance indicators. Use of them in this way would be misleading and counterproductive, not least as Authorities have very different levels of debt, capital plans etc.

Separate groups of indicators are required in the following three specified areas:

- Affordability
- Prudence
- Capital Expenditure / External Debt / Treasury Management

The overriding objective in the consideration of the affordability of the Commissioner's capital plans is to ensure that the planned capital investment of the Commissioner remains within sustainable limits, and, in particular, to consider the impact on the overall cost to the Commissioner as expressed by the effect on the Council Tax.

5.3. Prudential Indicators 2016/17

5.3.1. The Prudential Indicators required by The Code of Practice are attached at **Appendix B**, together with a brief explanation of the purpose of each indicator and the assumptions which have been used in preparing the indicators.

5.4. Setting, Revising, Monitoring and Reporting

5.4.1. Prudential Indicators, other than those using actual expenditure taken from audited statements of accounts must be set prior to the commencement of the financial year to which they relate. Indicators may be revised at any time, and must, in any case, be revised for the year of account when preparing indicators for the following year. The Commissioner's Chief Financial Officer has a prescribed responsibility under The Code to ensure that relevant procedures exist for monitoring and reporting of performance against the indicators. The Prudential Indicators when initially set and whenever revised, must be approved by the body which approves the budget, i.e. The Commissioner.

6. Annual MRP Statement for 2016/17

- 6.1. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on authorities to make a prudent provision for debt redemption, this is known as the **Minimum Revenue Provision** (MRP). Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to “have regard” to such guidance under section 21(1A) of the Local Government Act 2003. This sum known as the MRP is intended to cover the principal repayments of any loan over the expected life of a capital asset.
- 6.2. The DCLG Guidance recommends that before the start of the financial year, a statement of MRP policy for the forthcoming financial year is approved by The Commissioner. This is now by agreement encompassed within the TMSS.
- 6.3. The broad aim of the policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure, which gave rise to the debt, provides benefits.

The four options available for calculating MRP are set out below:

- Option 1 – Regulatory Method based on 4% of the CFR after technical adjustments.
 - Option 2 – CFR Method, based on 4% of the CFR with no technical adjustments.
 - Option 3 – Asset Life Method, spread over the life of the asset being financed.
 - Option 4 – Depreciation Method, based on the period over which the asset being financed is depreciated.
- 6.4. It is proposed that The Commissioner’s MRP policy for 2016/17 is unchanged from that of 2015/16 and that The Commissioner utilises option 1 for all borrowing incurred prior to the 1st April 2008 and option 3 for all borrowing undertaken from 2008/09 onwards, irrespective of whether this is against supported or unsupported expenditure. This policy establishes a link between the period over which the MRP is charged and the life of the asset for which borrowing has been undertaken. It is proposed that a fixed instalment method is used to align to the Commissioner’s straight line depreciation policy.

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- 6.5. MRP in respect of PFI and leases brought on to the balance sheet under the 2009 SORP and IFRS will match the annual principal repayment for the associated deferred liability. This will not result in an additional charge to the Commissioner's revenue budget as this is part of the capital repayment element of the PFI unitary charge.

7. Balanced Budget Requirement

- 7.1. The Commissioner complies with the provisions of section 32 of the Local Government Finance Act 1992 to set a balanced budget.

8. Reporting on Treasury Activities

- 8.1. In accordance with The Code of Practice for Treasury Management, the Commissioner will approve the Annual TMSS, receive, a quarterly summary of treasury activity, a mid-year update on the strategy and an annual report after the close of the financial year.
- 8.2. The Joint Audit and Standards Committee will be responsible for the scrutiny of treasury management policy and processes. The Joint and Standards Committee terms of reference in relation to treasury management are:
- Review the Treasury Management policy and procedures to be satisfied that controls are satisfactory.
 - Receive regular reports on activities, issues and trends to support the Committee's understanding of Treasury Management activities; the Committee is not responsible for the regular monitoring of activity.
 - Review the treasury risk profile and adequacy of treasury risk management processes.
 - Review assurances on Treasury Management (for example, an internal audit report, external or other reports).
- 8.3. The DCLG Guidance on investments states that publication of strategies is now formally recommended, the full suite of strategy documents will be published on the Commissioner's website once approved.

Appendix A

Counterparty Selection Criteria and Approved Counterparties

1. Background

- 1.1. The lending criteria set out below are designed to ensure that, in accordance with The Code of Practice, the security of the funds invested is more important than maximising the return on investments. Following consultation with the Commissioner's treasury advisors Arlingclose Ltd there are no amendments to the criteria used in determining approved investment counterparties for 2016/17 compared to those in operation for 2015/16.

2. Counterparty Selection Criteria

- 2.1. The agreed changes to the selection criteria for investment counterparties for 2015/16 included changes to the investment categories, a reduction in the maximum amount and duration lengths for investments. This was to encourage diversification and to increase the security of those funds invested. The investment limits and duration are linked to the credit rating and type of counterparty at the time the investment is made.
- 2.2. The credit worthiness of counterparties is monitored on an ongoing basis in conjunction with the Commissioner's treasury management advisors Arlingclose Ltd who provide timely updates and advice on the standing of counterparties. Whilst credit ratings are central to the counterparty risk evaluation process, other factors such as the prevailing economic climate are taken into consideration when determining investment strategy. In the event that this ongoing monitoring results in a significant change to counterparty selection during the year, the Commissioner and the Joint Audit and Standards Committee will be advised through the quarterly activities report.

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- 2.3. The approved investment counterparties for the 2016/17 investment strategy are summarised as follows:

Category	Description	Comments
Category 1	Banks Unsecured	Includes building societies
Category 2	Banks Secured	Includes building societies
Category 3	Government	Includes other Local Authorities
Category 4	Registered Providers	Includes providers of social housing e.g. Housing Associations
Category 5	Pooled Funds	Includes Money Market Funds and property funds

- 2.4. A more detailed explanation of each of these counter party groupings is provided in Schedule B (page 20).

3. Counterparty Groupings

- 3.1. The criteria for approving investment counterparties have been devised, grouped and graded as detailed in **Schedule A** (page 19).

4. Description of Credit Ratings

- 4.1. As outlined in paragraph 2.2 above the credit worthiness of counterparties is monitored on an ongoing basis in conjunction with the Commissioner's treasury management advisors Arlingclose Ltd. A description of each of the credit rating is provided at **Schedule C** (page 21-23).

5. Counterparty Limits

- 5.1. The limitations on the amounts to be invested in the various categories of counterparty are set out in **Schedule A** (page 19). The limits are based on a percentage of the potential maximum sums available for investment during the year which have been forecast as up to £40m.

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Schedule A – Counterparty Groupings and Associated Limits

Investment Limits						
Credit Rating	Maximum	1	2	3	4	5
		Banks	Banks	Government	Registered	Pooled
		Unsecured	Secured		Providers	Funds
<u>Category Limit 2016/17</u>	<i>Amount</i>	£20m	£20m	Unlimited	£10m	£15m
	<i>Duration</i>					
<u>Individual Institution/Group Limits</u>						
UK Government	Amount	N/A	N/A	£ unlimited	N/A	N/A
	Duration			50 Years		
AAA	Amount	£2m	£4m	£4m	£2m	£4m per fund
	Duration	5 years	20 years	50 years	20 years	
AA+	Amount	£2m	£4m	£4m	£2m	
	Duration	5 years	10 years	25 years	10 years	
AA	Amount	£2m	£4m	£4m	£2m	
	Duration	4 years	5 years	15 years	10 years	
AA-	Amount	£2m	£4m	£4m	£2m	
	Duration	3 years	4 years	10 years	10 years	
A+	Amount	£2m	£4m	£2m	£2m	
	Duration	2 years	3 years	5 years	5 years	
A	Amount	£2m	£4m	£2m	£2m	
	Duration	13 months	2 years	5 Years	5 years	
A-	Amount	£2m	£4m	£2m	£2m	
	Duration	6 months	13 months	5 years	5 years	
None	Amount	N/A	N/A	£2m	£2m	
	Duration			25 years	5 years	

Note, individual, group and category limits for 2016/17 are based on the potential maximum available for investment during the year which has been estimated at up to £40m.

The maximum of all investments with outstanding maturities greater than 364 days will be £5m.

The only approved exception to the above limits is in relation to NatWest Bank (currently rated BBB+), the Commissioner's day to day banking service provider. Advice will be sought from Arlingclose with regards to acceptable levels of cash balances held in "on demand" accounts for cash flow purposes.

Schedule B – Explanation of Counterparty Groupings

Class of Investment
<p>Category 1 - Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a <i>bail-in</i> should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB are restricted to overnight deposits at the Commissioner’s current account bank Nat West plc.</p>
<p>Category 2 - Banks Secured: Covered bonds, reverse repurchase agreements and other secured arrangements with banks and building societies. These investments are secured on the bank’s assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.</p>
<p>Category 3 - Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to <i>bail-in</i>, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.</p>
<p>Category 4 - Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.</p>
<p>Category 5 - Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value (NAV) will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.</p> <p>Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Commissioner to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Commissioner’s investment objectives will be monitored regularly.</p>

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Schedule C – Description of Credit Ratings – Long Term Rating

Rating Agency	Fitch	Moody's	Standard & Poor's
Long Term Rating	<p>This category of ratings applies to investments over 12 months. The grading is in the range AAA, AA, A, etc, down to DDD.</p> <ul style="list-style-type: none"> • AAA Highest credit quality 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be affected by foreseeable events. • AA Very high credit quality 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. • A High credit quality 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings. <p>The Commissioner will confine investments to those institutions with a minimum rating of A-.</p>	<p>This category of ratings applies to investments over 12 months. The grading is in the range Aaa, Aa, A, etc, down to C.</p> <p>Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa to Caa.</p> <p>The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.</p> <ul style="list-style-type: none"> • Aaa Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk. • Aa Obligations rated Aa are judged to be of high quality and are subject to very low credit risk. • A Obligations rated A are considered upper-medium grade and are subject to low credit risk. <p>The Commissioner will confine investments to those institutions with a minimum rating of A1.</p>	<p>This category of ratings applies to investments over 12 months. The grading is in the range AAA, AA, A, etc, down to D.</p> <p>The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.</p> <ul style="list-style-type: none"> • AAA: An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. • AA: An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong. • A: An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong. <p>The Commissioner will confine investments to those institutions with a minimum rating of A-.</p>

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Schedule C – Description of Credit Ratings – Short Term Rating

Rating Agency	Fitch	Moody's	Standard & Poor's
Short Term Rating	<p>This category of ratings generally applies to investments of up to 12 months. The grading is in the range F1, F2, F3, B, C, D.</p> <ul style="list-style-type: none"> F1 Highest credit quality Indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote an exceptionally strong credit feature. <p>The Commissioner will confine investments to those institutions with a minimum rating of F1.</p>	<p>This category of ratings generally applies to investments of up to 12 months. The grading is in the range P1, P2, P3, NP (not prime).</p> <ul style="list-style-type: none"> P1 Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations. <p>The Commissioner will confine investments to those institutions with a minimum rating of P1.</p>	<p>This category of ratings generally applies to investments of up to 12 months. The grading is in the range A1,A2, A3, B1, B2, B3, C, D.</p> <ul style="list-style-type: none"> A1 A short-term obligation rated 'A-1' is rated in the highest category by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong. <p>The Commissioner will confine investments to those institutions with a minimum rating of A1.</p>

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Schedule C – Description of Credit Ratings – Support Rating

Rating Agency	Fitch	Moody's	Standard & Poor's
Support Rating (Fitch)	<p>This category of assessment does not rate the quality of the banking institution, but represents the analyst's view of whether the bank would receive State or other support should this be necessary. The gradings are in the range 1 – 5, although as set out above, the strategy is to restrict such investments to grades 1 - 3:</p> <ul style="list-style-type: none">• 1) A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question.• 2) A bank for which, in the Analyst's opinion, there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to support the bank in question.• 3) A bank for which, in the Analyst's opinion, there is a moderate probability of external support, because of uncertainties about the ability or propensity of the potential provider of support to do so.	Not applicable	Not applicable

Appendix B

Prudential Indicators 2016/17 to 2018/19

Introduction

The Prudential Code for Capital Finance in Local Authorities (Prudential Code) has been developed by the Chartered Institute of Public Finance and Accountancy to provide a code of practice to underpin the system of capital finance embodied in Part 1 of the Local Government Act 2003, the Prudential Code was revised in November 2011. Local Authorities (which includes Police and Crime Commissioner's) are free to determine their own level of capital investment controlled by self-regulation. The exercise of these new freedoms is subject to compliance with the requirements of the CIPFA Prudential Code, which is made a statutory requirement under the provisions of the Local Government Act 2003. The key objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable.

The Prudential Code supports a system of self-regulation that is achieved by the setting and monitoring of a suite of Prudential Indicators that directly relate to each other. The indicators establish parameters within which the Commissioner should operate to ensure that the objectives of the Prudential Code are met.

Prudential Indicators

The Prudential Indicators for which the Commissioner is required to set limits are as follows:

1. Net Borrowing and the Capital Financing Requirement

This is a key indicator of Prudence. This Prudential Indicator provides an overarching requirement that all the indicators operate within and is described in the Prudential Code as follows:

'In order to ensure that over the medium term net borrowing will only be for a capital purpose, the authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years'.

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The Commissioner's Chief Financial Officer reports that the Commissioner had no difficulty meeting this requirement for 2014/15, nor are any difficulties envisaged for the current or future years. This view takes into account all plans and commitments included in the 2016/17 budget. The table below provides a comparison of net borrowing and the Capital Financing Requirement.

Comparison of Net Borrowing and the Capital Financing Requirement					
	2014/15 Actual	2015/16 Revised Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
	£m	£m	£m	£m	£m
Net Debt (section 9 below provides analysis)	(14.143)	(8.016)	(8.492)	(6.219)	(5.150)
Capital Financing Requirement as at 31 March	17.037	18.714	18.400	17.977	17.546

2. Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on council tax.

The actual amount of capital expenditure that was incurred during 2014/15, and the estimates of capital expenditure to be incurred for the current and future years that are proposed in the 2016/17 budget plus known requirements in both 2017/18 and 2018/19 are set out in the table below.

Capital Expenditure	2014/15 Actual	2015/16 Revised Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
	£m	£m	£m	£m	£m
Capital Expenditure	9.459	10.646	6.883	9.836	6.684

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Capital expenditure will be financed or funded as follows:

Capital Financing	2014/15 Actual £m	2015/16 Revised Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Capital Receipts	1.067	0.000	0.000	0.000	0.898
Government Grants	0.521	0.576	1.945	6.336	2.303
Revenue Contributions	7.829	8.025	4.838	3.500	3.483
Total Financing	9.417	8.601	6.783	9.836	6.684
Borrowing *	0.042	2.045	0.100	0.000	0.000
Total Funding	0.042	2.045	0.100	0.000	0.000
Total Financing and Funding	9.459	10.646	6.883	9.836	6.684

* In the current financial climate the decision has been taken to borrow internally rather than from the PWLB which will be reflected in the capital financing requirement indicator.

3. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.

Financing Costs include the amount of interest payable in respect of borrowing or other long term liabilities and the amount the Commissioner is required to set aside to repay debt, less interest and investments income. The Commissioner's financing costs can be both positive and negative dependent on the relative level of interest receipts and payments.

The actual Net Revenue Stream is the 'amount to be met from government grants and local taxation' taken from the annual Statement of Accounts, budget, budget proposal and medium term financial forecast. These figures are purely indicative and are, in particular, in no way meant to indicate planned increases in funding from Council Tax.

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Council Tax Increase of 1.9% from 2016/17

Ratio of Financing Costs to Net Revenue Stream					
	2014/15 Actual £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Financing Costs	0.207	0.242	0.314	0.288	0.262
Net Revenue Stream	96,714	94,871	95,222	96,171	97,149
Ratio	0.21%	0.26%	0.33%	0.30%	0.27%

4. Capital Financing Requirement

The capital financing requirement (CFR) is a measure of the extent to which the Commissioner needs to borrow to support capital expenditure. It does not necessarily relate to the actual amount of borrowing at any one point in time. The Commissioner has an integrated treasury management strategy where there is no distinction between revenue and capital cash flows, and the day to day position of external borrowing and investments can change constantly.

The CFR concerns only those borrowing transactions arising from capital spending, whereas the total amount of external borrowing is a consequence of all revenue and capital cash transactions combined together following recommended treasury management practice.

The CFR as presented below now includes a figure in respect of the PFI contract as required by changes to proper accounting practices introduced in The Code of Practice on Local Authority Accounting 2009.

Capital Financing Requirement	2014/15 Actual £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Capital Financing Requirement as at 31 March.	17.037	18.714	18.400	17.977	17.546

5. The Authorised Limit

The Authorised Limit represents an upper limit of external borrowing that could be afforded in the short term but may not be sustainable. This limit includes a risk assessment of exceptional events taking into account the demands of revenue and capital cash flows. The Authorised Limit gauges events that may occur over and above those transactions which have been included in the Operational Boundary. The Authorised Limit must not be breached.

The Commissioner should note that the Authorised Limit represents the limit specified in section 3 (1) of the Local Government Act 2003 (Duty to determine affordable borrowing limit).

The following Authorised Limits for external debt, excluding temporary investments are recommended:

Authorised Limit for External Debt			
	2016/17 £m	2017/18 £m	2018/19 £m
External Borrowing	19.888	19.591	19.301
Other Long Term Liabilities	5.012	4.887	4.745
Total Authorised Limit	24.900	24.477	24.046

6. Operational Boundary

The Operational Boundary represents an estimate of the most likely, prudent, but not worst case scenario and provides a parameter against which day to day treasury management activity can be monitored.

Occasionally, the Operational Boundary may be exceeded (but still not breach the Authorised Limit) following variations in cash flow. Such an occurrence would follow controlled treasury management action and may not have a significant impact on the prudential indicators when viewed all together.

Consistent with the Authorised Limit, the Commissioner's Chief Financial Officer has delegated authority, within the total Operational Boundary, to effect movement between the separately identified and agreed figures for External Borrowing and Other Long Term Liabilities. Any such changes will be reported to the

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Commissioner and the Joint Audit and Standards Committee meeting following the change. The following limits for each year's Operational Boundary, excluding temporary investments are recommended:

Operational Boundary for External Debt			
	2016/17 £m	2017/18 £m	2018/19 £m
External Borrowing	18.388	18.091	17.801
Other Long Term Liabilities	5.012	4.887	4.745
Total Operational Boundary	23.400	22.977	22.546

7. Actual External Debt

The Commissioner's actual external debt as at 31 March 2016 will be £5.122m, comprising other long term liabilities of £5.122m in relation to the PFI. It is unlikely that the Commissioner will actually exercise external borrowing until there is a change in the present structure of investments rates compared to the costs of borrowing. It should be noted that all external borrowing with the PWLB (Public Works Loans Board) was repaid during 2012/13.

8. The Incremental Impact of Capital Investment Decisions on the Council Tax

This is an indicator of affordability that shows the impact of capital investment decision on Council Tax. This indicator identifies specifically the additional cost to the taxpayer of the **new capital investment** proposed in the 2016/17 to 2018/19 Capital Programme.

The impact identifies the revenue expenditure that will arise as a result of approval of the 2016/17 capital programme. The revenue effects of previously approved capital schemes are not included in this indicator.

The impact has been calculated using forward estimates of funding consistent with expectations in the latest medium term forecast.

The impact on the revenue budget, and therefore the Council Tax, is felt by a combination of the following: debt costs of the new borrowing, the amount set aside from revenue to repay the principal element of

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external borrowing (Minimum Revenue Provision), the revenue impact of a capital project (e.g. running costs or savings of a new asset) and Direct Revenue Contributions.

It should be noted that borrowing itself does not fund capital expenditure since the loans have to be repaid eventually. The actual funding comes from the Minimum Revenue Provision, which is statutorily charged to revenue each year.

The estimate of the impact of the capital investment approved in the 2016/17 Budget on the Council Tax is set out in the table below. The figures are not cumulative and show the actual impact in each year.

Impact of capital investment decisions on the Council Tax			
	2016/17	2017/18	2018/19
	£	£	£
Capital Expenditure funded from revenue	1.534m	1.573m	1.555m
Financing and direct revenue costs	0.000m	0.000m	0.000m
Total Incremental Revenue Effect of Capital Investment	1.534m	1.573m	1.555m
Incremental Impact on Band D Council Tax	9.146	9.481	9.302

9. Gross and Net Debt

The purpose of this treasury indicator is to highlight a situation where The Commissioner is planning to borrow in advance of need.

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Gross and Net Debt			
	2016/17 £m	2017/18 £m	2018/19 £m
Outstanding Borrowing (at notional value)	-	-	-
Other Long Term Liabilities (PFI & Finance Lease at notional value)	5.012	4.887	4.745
Gross Debt	5.012	4.887	4.745
Less Investments	13.504	11.106	9.895
Net Debt	(8.492)	(6.219)	(5.150)

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10. Fixed Interest Rate Exposures

It is recommended that The Commissioner sets an upper limit on its fixed interest rate exposures as follows.

Upper limits for net principal sums outstanding at fixed rates			
	2016/17	2017/18	2018/19
	£m	£m	£m
Net Principal sums Outstanding at Fixed Rates	24.90	24.48	24.05

This represents the position that all of the Commissioner's authorised external borrowing may be at a fixed rate at any one time.

11. Variable Interest Rate Exposures

It is recommended that the Commissioner sets an upper limit on its variable interest rate exposures as follows.

Upper limits for net principal sums outstanding at variable rates			
	2016/17	2017/18	2018/19
	£m	£m	£m
Net Principal sums Outstanding at Variable Rates	1.50	1.50	1.50

This is the maximum external borrowing judged prudent by the Commissioner's Chief Finance Officer that the Commissioner should expose to variable rates.

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12. Maturity Structure of Borrowing

It is recommended that the upper and lower limits for the maturity structure of borrowings are as follows:

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

This indicator is primarily applicable to authorities which have undertaken significant levels of borrowing to finance their capital programmes in which case it is prudent to spread the profile of repayments to safeguard against fluctuations of interest payments arising from having to refinance a large proportion of the debt portfolio at any point in time. During 2012/13 the Commissioner repaid all outstanding external borrowing and as a result there is currently no requirement to apply stringent limits to the maturity profile of existing debt.

Period of Maturity	Upper Limit	Lower Limit
	%	%
Under 12 months	100.00	0
12 months and within 24 months	100.00	0
24 months and within 5 years	100.00	0
5 years and within 10years	100.00	0
10 years and above	100.00	0

13. Investments for longer than 364 days

The Treasury Management Strategy allows “non-specified” investments for periods of up to 5 years. The maximum of all investments with outstanding maturities greater than 364 days will be £5m.



Office of the Police & Crime Commissioner

REQUEST FOR POLICE & CRIME COMMISSIONER DECISION - (N° 007 / 2016)

TITLE: Cumbria Constabulary Estate and Fleet Strategy

Executive Summary:

The Estate and Fleet Strategies have been developed by Cumbria Constabulary and are attached for consideration by the Police and Crime Commissioner.

Both strategies set the plans and strategic direction for estate and fleet activities across both the Office of the Police and Crime Commissioner and the Constabulary.

This covering paper provides the annual update to both the 2013 – 2017 Estate and Fleet Strategies. Both strategies are live documents which are updated annually to capture the changing operational requirements of the Commissioner and the Constabulary. The strategies set out the current and emerging issues together with the strategic priorities for the year.

Recommendation:

The Commissioner is asked to approve the annual update to the 2013 – 2017 Estate and Fleet strategies.

Police & Crime Commissioner

I confirm that I have considered whether or not I have any personal or prejudicial in this matter and take the proposed decision in compliance with the Code of Conduct for Cumbria Police & Crime Commissioner. Any such interests are recorded below.

I hereby approve/do not approve the recommendation(s) above

Police & Crime Commissioner / Chief Executive (delete as appropriate)

Signature: Date:

PART 1 – NON CONFIDENTIAL FACTS AND ADVICE TO THE PCC

1. Introduction & Background

- 1.1. The annual updates of the Estate and Fleet Strategy were presented to and approved by the Chief Officer Group (COG) on 02 February 2016 and are now submitted for consideration by the Police & Crime Commissioner for Cumbria.
- 1.2. Both the Estate and Fleet strategies are for the period 2013 – 2017 and updated annually.
- 1.3. The Estate Strategy aims to provide a link between the strategic objectives of the organisation and our priorities for the estate. It outlines the current and future requirements of the estate and documents the changes that are required to meet these.
- 1.4. The Fleet Strategy will allow the fleet to meet the current needs of policing and to support the implementation of new and changing Constabulary strategies. It is an enabler to provide effective and efficient policing services.

2. Issues for Consideration

- 2.1. Both the strategies outline the current and future direction of travel for Estates and Fleet. They set out what is required to enable both the estate and fleet to achieve the aims of the Police and Crime Plan and the Chief Constables operational policing plans in order to meet the needs of the citizens of Cumbria.
- 2.2. They are developed to actively enable the Constabulary to ***Keep Cumbria Safe*** and to support the priorities set out in the ***Police & Crime Commissioner's Police and Crime Plan 2013 – 2017***. They also recognise dependencies with the Internal Change Programme, ICT and procurement and the requirement to delivery services within challenging budgetary constraints.
- 2.3. The Estate Strategy outlines ***nine key objectives***;
 - Delivery of a Strategic Command Centre and improved North Cumbria estate resilience at Police HQ.
 - Undertake programme of flood recovery, refurbishment and post flood review to impacted sites.
 - Improvements to power infrastructure to HQ site.
 - Complete the disposal programme of the previously agreed station closures including the sites at Barrow, Maryport and Ulverston.
 - Land purchase for new police station in West Cumbria.
 - Procurement of new Cleaning and Catering contracts.
 - Disposal of NTU site and provision of new vehicle workshop for North Cumbria.
 - Review and update Estate and Facilities approved contractor list.
 - Review the requirements for the discrete operational premise in Cumbria.

- 2.4. The strategy aligns to best practice and builds on the work already undertaken by the Constabulary's Estates and Fleet Department, notably on the delivery of new fit for purpose police stations in the North and South of the county.
- 2.5. The Fleet Strategy outlines **three key objectives**;
- Undertake a review of Fleet Assets to determine if the size and type meets operational requirements, with the aim of reducing the demand on the capital programme by 10% in the year 2016/17.
 - Review and make recommendations for improving adverse weather capability within the fleet.
 - Explore options for new garage facility for North Cumbria (link to Estates strategy).
- 2.6. The Estates and Fleet Department is fully supportive of collaborative working with other Blue Light forces / agencies in order to achieve best value. In fleet the team are now part of the North West buying group which is delivering excellent value for money in vehicle procurement. The majority of fleet contracts are collaborative frameworks. In Estates the team are actively engaged with regional forces on sharing best practice and exploring options for collaborative procurement. The team have retained the contract to provide professional estate services for North West Ambulance Service.
- 2.7. Both teams are critical enablers to operational policing. The success of previous estate strategies is evident in the asset portfolio. There has been significant investment which has delivered a fit for purpose estate with two of the main operating bases being class leading in both their design and operating costs. This investment has been underpinned by disposals of surplus non fit for purpose property which has brought notable levels of capital receipt. This sustainable investment strategy has underpinned the success of the Estate Strategy.
- 2.8. The widespread flooding which hit the county in December 2015 served a timely reminder that some of the police estate is within flood risk areas. An objective of this annual update is to reinstate these damaged properties and begin to explore a long term strategy to reduce this risk.
- 2.9. The inclement weather also highlighted a weakness in the all-weather capability of the vehicle fleet. An objective of the fleet strategy is to put forward a financially sustainable all weather vehicle capability.

3. Financial Comments

- 3.1. The strategy has been produced in consultation with the Constabulary's Chief Finance Officer.

4. Legal Comments

- 4.1. There are no specific legal implications although to progress some of the objectives there will be a requirement for the Legal Services department to be consulted and offer professional support. Both Estates and Fleet works very closely with the Senior Legal Advisor on a number of matters, the dependency is fully understood and shared programmes of work are reviewed monthly.

5. Risk Implications

- 5.1. Specific risks are documented within the Estates and Fleet risk register. Project risks are recorded within the project documentation of each project / initiative as required.
- 5.2. There are a number of challenges faced by the by department specifically regarding the volume and complexity of current works programmes. These are recorded and regularly reviewed.

6. HR / Equality Comments

- 6.1. None identified with the endorsement and approval of the Strategies.

7. ICT Comments

- 7.1. The teams work closely with the ICT Department when undertaking projects and the dependencies between the teams are understood.

8. Procurement Comments

- 8.1. The teams work closely with the Procurement Department and a procurement business lead is actively engaged in procuring and supporting purchasing for both estates and fleet. Larger projects are undertaken in conjunction with the Head of Procurement.

9. Backgrounds / supporting papers

(List any relevant business case, EIA, PID, Media Strategy and append to this form; list persons consulted during the preparation of the report)

- Fleet Strategy 2013 – 2017 Annual Update – **Part 1.**
- Estate Strategy 2013 – 2017 Annual Update – **Part 1.**
- Estate Review 2016 – 2017 – **Part 2.**

Persons Consulted:

- The Extended Chief Officer Group
- Ruth Hunter, OPCC Chief Finance Officer
- Stephen Kirkpatrick, Director of Corporate Support
- Members of Corporate Support SMT
- Michelle Bellis, Deputy Chief Finance Officer

Public Access to Information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the PCC website within 3 working days of approval. 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. Deferment is only applicable where release before that date would not compromise the implementation of the decision being approved.

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

If yes, for what reason:

Until what date (if known):

Is there a **Part 2** form - **YES**

Appendix – The Estate Review 2015-2017 contains commercially & operationally sensitive information regarding the OPCC and Constabulary business affairs and the prevention and detection of crime.

ORIGINATING OFFICER DECLARATION:

I confirm that this report has been considered by the Chief Officer Group and that relevant financial, legal and equalities advice has been taken into account in the preparation of this report.

Signed: S. Kirkpatrick

Date: 15th February 2016

OPCC OFFICER APPROVAL

~~Chief Executive~~ / **Deputy Chief Executive (delete as appropriate)**

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. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner / Chief Executive (delete as appropriate).

Signature: R. Hunter

Date: 15th February 2016

Media Strategy

The decision taken by the Police & Crime Commissioner may require a press announcement or media strategy.

Will a press release be required following the decision being considered? **NO**

If yes, has a media strategy been formulated? **N/A**

Is the media strategy attached? **N/A**

What is the proposed date of the press release:



ESTATE STRATEGY (2013 – 2017)

2016 ANNUAL UPDATE

Version:	V0.01
Author:	Philip Robinson MSc BSc (Hons) MCIOB Chartered Construction Manager CBIFM Head of Estates and Fleet
Reporting to:	Director of Corporate Support
Date:	January 2016



Version Control

Version	Date	Author	Comment
V0.01	21/01/2016	PJR	First draft
V.02	22/01/2016	PJR	Second draft with SK comments
V0.03	11/02/2016	PJR	Third version with RH comments
V1.3	11/02/2016	PJR	Detailed Estate Review (Restricted) compiled as separate document.

Acknowledgements

Mrs M Skeer, Temporary Chief Constable
Stephen Kirkpatrick, Director of Corporate Support
Ruth Hunter - Chief Finance Officer/Deputy Chief Executive
Estates and Fleet Staff



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1. Executive Summary

Keeping Cumbria Safe

The Estate Strategy aims to provide a link between the strategic objectives of the organisation and our priorities for the estate. It outlines the current and future requirements of the estate and documents the changes that are required to meet these. Our vision is that,

“The Constabulary and OPCC will work in collaboration to invest in and reorganise the Estate so as to meet the aims of the PCC Police and Crime Plan and Chief Constables operational policing plans, and maintain an estate which is fit for purpose whilst reducing overhead expenditure and maximising and exploiting existing assets”.

Throughout the document reference is made to the Constabulary’s estate, it is acknowledged that the legal ownership of the estate rests with the Police and Crime Commissioner. The contents of this document should be viewed in this context.

This strategy is linked to an Estate Plan that outlines in detail the requirements, needs and expectations of each individual building. The strategy will balance the operational and organisational needs of the Constabulary against the restrictions and challenges of the current budget. This document provides an update to the current strategy and captures current and emerging operational issues and their impact upon the estate.

We need our properties to fit our service delivery model. Those that represent poor value and do not fit the business and service delivery model, or which are surplus to requirement will be reviewed with a view to improvement or disposal. The receipt and on-going financial savings made through the sale of property will be used to invest in facilities that are more efficient and better located.

2. Introduction

2.1 Background

The 2013-17 Estate Strategy was developed, as part of the wider Constabulary Business Plan, to actively enable the Constabulary to *Keep Cumbria Safe* and the priorities set out in the Police & Crime Commissioner’s *Police and Crime Plan 2013 – 2017*. It specifically focuses on supporting the delivery of an effective policing strategy within the challenging budgetary constraints.

This document sets out an annual update to the four year Estate Strategy which is aligned to the wider strategic objectives of the organisation and to longer term financial plans. The strategy is divided into two parts with Part 1 containing the Estates Strategy and Part 2 containing the restricted ‘The Estate Review 2016 – 2017’. By updating the strategy annually the Estates Team can highlight and monitor estate performance and also incorporate current emerging issues.

The following strategic principles underpin our estates strategy:-

- To deliver accommodation that is fit for purpose.
- To provide accommodation that matches the profile and image of the Constabulary.
- To provide facilities which are fully compliant with health and safety legislation and, where practicable, accessible to all in line with disability and equality legislation.
- To ensure that the location of accommodation is acceptable to the communities we serve.
- To ensure estates provision is affordable and sustainable in the long term and achieves value for money.

- To rationalise the existing estate and optimise future operational efficiency through the cost effective use of accommodation.
- To have an estate that provides flexibility to cope with future changing demands (expansion or contraction).
- To have an estate that will act as an enabler in the use of information technology.
- To manage and organise the estate in a manner which understands its impact and dependencies upon the vehicle fleet.
- To incorporate and promote, where practicable, sustainable and low carbon technology.

2.2 Role of the Estate Strategy

The strategy aims to provide:-

- The link between the strategic objectives of the organisation and priorities for the estate.
- The current and future requirements of the estate, and the changes required to implement those.
- The strategic problems that exist within the estate.
- A performance assessment of the estate.
- A link to the Medium Term Financial Forecast - recognising the current limited financial resources available.

2.3 Ownership of the Assets

The Cumbria Office of the Police and Crime Commissioner (COPCC) is the legal owner of the estate and the statutory organisation responsible for ensuring an efficient and effective police service in Cumbria.

3. Asset Overview and Summary of Work Delivered During the Last Strategy

3.1 Size of the Estate

At the time of publication of the 2016 Estates Strategy the Office of the Police and Crime Commissioner for Cumbria freehold estate consists of 15 operational and specialist buildings. Five buildings are surplus to operational requirements. One is rented out for income generation whilst a second has been made available to a charity for long term hostel use. The other three are currently on the market for disposal. There are 3 police houses held on freehold with these being occupied by serving officers. A further 15 properties / bases are held under leasehold and / or licence.

The strategy set out to provide accommodation for target staffing levels of 1120 Police Officers, 571 Police Staff and 95 Police Community Support Officer's. Figures confirmed in the recent Change Programme Update 2016/17.

3.2 Work Delivered During 2015-16

Work has continued to complete the estate rationalisation programme which supports the core principles of the strategy to ensure that all assets are managed effectively and efficiently.

Specifically and in the timeframe of this annual update the following work has been performed:-

- A new fit for purpose police station incorporating an 18 cell complex and vehicle workshop has been delivered in Barrow and is now the Area HQ for South Cumbria.
- Police stations at Ulverston and Barrow have been decommissioned and work has been undertaken to market these properties with Barrow being sold subject to contract. Marketing is still ongoing for Ulverston.

- The leasehold property at Welsh Road Carlisle which was surplus to operational requirements has been surrendered.
- Work was undertaken to develop proposals for the delivery of a Strategic Command Centre and Deployment Centre utilising land currently occupied at The Green, HQ. This links into the objective of replacing the Hunter Lane facility with new fit for purpose accommodation. Consultants were appointed and a Pre-Qualification exercise was undertaken. The scheme, which was put on hold in the Autumn of 2015, is currently in the process of being restarted following recent major incidents.
- A Sexual Assault and Referral Centre (SARC) in Penrith has been delivered on behalf of the OPCC, giving Cumbria its own SARC Centre thus alleviating victims having to travel out of the county.
- A scheme to improve flood defence at HQ was undertaken.
- A scheme to upgrade the power infrastructure to the HQ site was designed and the work was tendered in December 2015. In January 2016 a contractor was appointed and work is due to start in the near future. This will reduce the risk of power outages to this critical site and provide greater resilience.
- In partnership with Cumbria County Council the former Wigton Police Station and Magistrates Court was disposed of.
- A review and re-structure of the roles of the Station Assistants was undertaken in conjunction with the Central Services Department with a recommendation made that line management of these be transferred to Estates and Fleet. To support this a new reduced staffing model is being introduced together with new role profiles.
- A land transfer between the OPCC and Eden District Council at Hunter Lane was undertaken to provide increased car parking capacity and also strategically improve the land holding and future value.

3.3 Value of the Assets

The estate has a Gross Book Value as at 31/03/15 of £49,936K (£5,024K land & £47,346K Buildings). This is a reduction of £3,554K from the same time last year, however the accounts do not take into account the addition of the new Barrow Police Station which was completed out-with of this accounting period.

The assets are regularly re-valued in conjunction with the Financial Services Team and to CIPFA guidelines.

This information supports the production of the annual statutory financial accounts.

The method of valuation includes both specialist depreciated replacement price (DRP) and existing use value, standard methodology as set out in the RICS Red Book (valuation standards).

The assets which adopt the DRP valuation method are all subject to componentisation as set out in the componentisation policy.

4. The Role of Estates

4.1 Introduction and Core Business

The estates and fleet team combined in 2014 and have undertaken a full year as a merged department. The management and admin function of both teams are co-located within the Estates Office at Police HQ. Whilst both functions are professionally discrete there is significant synergy between the disciplines and during the course of the year there has been considerable success in the merger. Both disciplines provide ongoing reactive and planned maintenance, servicing, capital investment and are focused on maximising the use of the asset over their life. The merger of the two teams has followed a wider change nationally in which many estate and facility professionals are seeing their role widen to encompass the wider assets. For the purpose of this strategy this remains focused purely on professional Estates and Facilities activities.

The core business of the estate portfolio is diverse. It includes:-

- Providing a fit for purpose estate and continuing to develop this to meet the requirements of operational policing.
- Producing and updating the Estate Strategy and delivering the objectives of this.
- Maintaining the estate to ensure properties are in a condition suitable for occupation, safe and comfortable.
- Providing a service for the prompt rectification of building faults.
- Producing and managing a professional annual maintenance programme to ensure integrity of the estate.
- Delivering a minor works programme to carry out improvements & alterations required to our estate to meet the requirements of operational policing.
- Strategic and day to day management of the Workington PFI contract.
- Carrying out all servicing, surveying, testing & inspections to meet legislation.
- Implementing legislation & regulations covering the estate.
- Providing professional advice to individuals and project teams on estates issues.
- Making recommendations for expenditure on the estate.
- Managing the delivery of capital projects specific to the estates function and to specific corporate projects.
- Making recommendations for optimum property use and dispose of surplus properties.
- Providing full facilities management support to our customers including cleaning, catering and ground garden services.
- Promoting better use of our natural resources specific to the estate and exploring and implementing energy and sustainable work practices.
- Identifying potential for efficiency, making best use of the physical assets, improving space occupancy levels and driving down overall estates costs per occupant.

5. Estates and Facilities Strategies

5.1 Programmes to Maintain Existing Buildings

We aim to maintain, and where possible, improve the fabric of existing buildings to provide improved and more modern facilities. Maintenance will continue to meet the requirements of health and safety and statutory legislation. Maintenance will be aligned to areas of greatest need and risk. The changing shape of the estate has allowed maintenance to be focused on the strategically important stations – such stations often contain the most complex and high risk components. Due to on-going budget pressures it remains important to adopt maintenance programmes which fully consider need and risk. Service intervals for plant and equipment have been extended to their maximum permitted lengths to make greatest efficiencies on budgets. There continues to be a move towards more technical and complex building systems and components which brings challenges to the team. Recent re-structuring within the team has taken account of this to ensure it has the appropriate skills and resources in place.

Work to our buildings is undertaken via a combination of in-house and external trade staff. External contractors are appointed from an approved contractor list which places a strong emphasis on having local services delivered close to our buildings. This delivers a prompt response and cost effective solution to managing building maintenance. This service delivery method also ensures there is a wide spread of contractors available throughout the county and contributes towards the strong estates business continuity model. It is of note that during the floods in December 2015 the team were able to mobilise contractors quickly and to the areas required with the minimum of disruption. An objective for 2016 is to review this

approved contractor list and update it appropriately to ensure the spread of suppliers meets our current and emerging needs.

5.2 Investment in New Build / Redevelopment

This delivery strand of our estates strategy is concerned with taking forward significant investment in our estate.

During 2015 work began on developing proposals for the delivery of a Strategic Command Centre and new Eden Deployment Centre at HQ. Longer term work has begun on scoping out proposals for estates requirements in the west of the county.

5.3 Estate Management

This area of work aims to manage our properties effectively and ensure the asset base can demonstrate value for money. Included in this is the management of the leasehold estate which is an area of growth for the department and includes negotiation of lease terms and rent reviews. We will also manage the disposal of surplus sites and maximise the return on them. Innovative solutions will be found to generate estate management solutions, particularly around the use of assets.

This is an area of estates which has seen growth over recent years through the estate rationalisation programme and the increase in management of the leasehold estate. There remains a requirement for the estate and all the assets to be managed strategically, often with invisible work being performed to allow the properties to be enhanced and strategically positioned for optimum use and disposal as business needs change. Specific examples around this include exploiting change of use options, challenge of local development plans and active engagement with third party developers to maximise opportunities.

5.4 Facilities Management

Many support and ancillary services are provided within the buildings we operate and often these are hidden or taken for granted. We strive for improvements in how these services are delivered and continue to explore opportunities for providing high quality services at the lowest possible cost. This area of work includes catering, cleaning, grounds maintenance and utility procurement. During the life of the last strategy a nil cost catering and vending service has been provided. The cleaning contract has also been re-tendered with a significant cost saving generated through the procurement exercise.

5.5 Asset Management

The estates information management system (3i) allows a full inventory, maintenance and costing of the asset to be available and the system can also assist in providing a scheduled replacement programme, based upon the Constabulary's replacement cycle / strategy/ parameters and available capital and revenue resources. This system is 13 years old and no longer fit for purpose. An objective longer term is to explore options for its replacement.

6. Organisation & Deployment

6.1 Accommodation Groups

The estate provides accommodation for the following user groups (as from January 2016):

TERRITORIAL POLICING COMMAND

- North Cumbria Territorial Policing Area
- West Cumbria Territorial Policing Area
- South Cumbria Territorial Policing Area
- Operations HQ

CRIME COMMAND

- Intelligence
- Forensics
- Operations

CORPORATE SUPPORT

- Financial Services
- Estate & Fleet
- Central Services
- Human Resources
- Learning and Development
- Information and Communication Technologies
- Occupational Health
- Procurement

CORPORATE DEVELOPMENT

- Change Programme
- Diversity
- Management Information
- Marketing and Comms
- Strategic Development

LEGAL SERVICES

PROFESSIONAL STANDARDS

OFFICE OF THE POLICE AND CRIME COMMISSIONER

6.2 Building Types

For the purpose of asset management all buildings have a number of classifications. These are Police HQ, Deployment Centre with Custody, Deployment Centre and Community Base. The general 'fit' of these is that HQ, Deployment Centres with Custody and Deployment Centres are freehold – this recognises their somewhat specialist accommodation requirements and the need for long term security of the asset. All these sites are also located in the greatest areas of population and therefore there is no requirement for these to adapt to changes in the community or population changes.

The Community Bases can be either freehold or leasehold depending on their specific needs. Freehold options will be utilised if their size and fit is correct. A leasehold approach provides greater options for flexibility and the ability to work closely with partners in rural locations. Such accommodation solutions can develop and adapt to support changes both in the community and the role of operational policing. Larger rural stations are no longer required and as new flexible ICT solutions emerge the need for the traditional police station changes. This strategy is flexible enough to work in tandem with the ICT strategy and support a more flexible use of our buildings and accommodation.

7. Key Strategic Priorities

7.1 Introduction

The priorities identified within this Estate Strategy supports the Constabulary Business plan in order to deliver the priorities that are set out in the *Police and Crime Plan 2013 – 2017*. It is underpinned by the principle that we must put the operational officer at the centre of all effort to ensure that they have the; right leadership, the right skills, the right processes, the right policies, the right tools (technology, systems, vehicles, buildings etc.), and above all the right organisational culture and ethos, to provide the best, visible and cost effective service possible to our community.



7.2 Strategic Aim

The aim of this Estate Update is to continue to provide an asset base that is fit for purpose, flexible and agile enough to support the evolving needs of operational policing. There has been a commitment to make capital investment in the estate with significant developments having been undertaken in both Carlisle and Barrow. In conjunction with this there has been a drive to dispose of under-utilised and inefficient Police Stations, disposal of these redundant sites can be complicated due to some shared ownership issues, location, change of use, condition and current market demand in the locations. During the year significant work has been undertaken on understanding the cost base of all sites, both short and long term, recognising the challenging financial position has faced.

There remains a requirement for policing to remain visible but the future of police accommodation within the community is not clear. The strategy has shown that it is not necessary to provide a 'traditional' police station in all locations to support operational policing. The new accommodation models used are a simple and cost effective solution in many locations. These have significantly smaller footprints and reduced running costs.

There remains a need for large police stations in or close to our towns and cities. These have to provide high quality fit for purpose and cost effective accommodation. They must provide modern facilities of a high standard and be fully serviced with the necessary ICT equipment. They should be flexible enough to allow for business change and promote close collaboration between all the teams who work and operate within them. They should embrace new technology and have annual running costs which are at class leading levels. We should invest to save in these facilities if there is a clear business benefit. They should portray an image of professionalism for the Constabulary.

As business needs change and new working methods are introduced the estate must act as an enabler in this. All new Deployment Centres adopt a model of accommodation which promotes flexible working within the office environment. This recognises that the business is moving towards a mobile workforce model and the traditional approach of providing a desk with fixed computer is not always needed. The estate will react to this and in time it should be able to deliver efficiencies in ICT, furniture and equipment and accommodation requirements.

7.3 Estates Objectives & Recommendations

Key Strategic Objective 1 (both a short and medium term objective)
Strategic Command Centre and North Resilience at Police HQ
Benefits: <ul style="list-style-type: none"> • Fit for purpose Strategic Command Centre for multi-agency use during a major county emergency • Improved estate at the headquarters complex • Improved working conditions for officers and staff • Closer working collaboration between teams at headquarters • Reduction in backlog maintenance • Reduction in annual running costs for the existing deployment centre and efficiencies generated in the long term through improved asset management
Expected cost: <ul style="list-style-type: none"> • Subject to approval of final business case and also level of partnership funding available. Current indications show a capital outlay for the full scheme of £6.9 million. • Revenue costs have been calculated to be cost neutral for the NPT element of the project with a growth of circa £100K for the SCC element. Confirmation of partnership contribution towards annual running costs has yet to be confirmed.

Key Strategic Objective 2
Improvements to power infrastructure to HQ site.
Benefits:

- Improved estate and infrastructure
- Diverse power routing
- Greater resilience to full HQ site
- Link to ICT business continuity

Expected cost:

- Costs of £600K.

Key Strategic Objective 3

Complete the disposal programme of the previously agreed station closures in including the sites at Barrow, Maryport and Ulverston.

Benefits:

- Fit for purpose estate for Cumbria
- Reduction in backlog maintenance
- Reduction in annual running costs
- Risk reduction
- Capital receipt

Expected cost:

- Level of capital receipts dependent upon market conditions.

Key Strategic Objective 4

Review the requirements for the discrete operational premise in Cumbria.

Benefits:

- Clarity over long term estate requirements
- Medium to long term view will be in place which avoids the requirement to renew the current lease annually
- Operational and staff stability for their place of work
- Provides an ability to make long term strategic estate maintenance planning
- It will potentially make better use of the current estate

Expected cost:

- The current facility has an annual rent of £26.5K.

Key Strategic Objective 5

Land purchase for new police station in West Cumbria and business case development.

Benefits:

- Improved resilience to the estate
- Remove the risk of flooding to the West TPA
- Increase custody capacity
- The key properties to the Constabulary would be freehold and free of PFI liabilities
- Potential reduction in estates revenue cost
- Improved estate and infrastructure
- Prudent planning linked to medium term financial plan
- Strategic link to potential growth in nuclear development in West Cumbria

Expected cost:

- Allocated budget of £400K for the land purchase

Key Strategic Objective 6

Procurement of new Cleaning and Catering contracts.

Benefits:

- Delivery of core soft FM services force wide
- Greater resilience
- Supports business continuity
- Wellbeing of officers and staff

Expected cost:

- Target for nil cost contract for catering
- £350K per annum for cleaning

Key Strategic Objective 7

Undertake programme of flood recovery, refurbishment and post flood review to impacted sites.

Benefits:

- Reinstate operational police stations for use
- Reduce flood risk and impact in the future
- Enabler to operational policing
- Maintains the value of the assets

Expected cost:

- TBC

Key Strategic Objective 8

Review and update Estate and Facilities approved contractor list

Benefits:

- Provide a robust framework for procurement of goods and services
- May deliver financial efficiencies
- Potential to deliver improved service delivery
- Compliance with procurement and financial regulations

Expected cost:

- Nil – link to procurement activity

Key Strategic Objective 9

Disposal of NTU site and provision of new vehicle workshop for North Cumbria

Benefits:

- Provide a level of capital receipt to pump prime the replacement of the existing garage facilities on an alternative site
- Improved estate
- Lower running costs
- Enabler in improving fleet service delivery
- Enabler to make improvements to operational policing

Expected cost:

- Scheme would be sustainable and cost neutral subject to final brief and income generated through the sale.

8. Estates and Facilities Budget and Contribution to Change Programme Efficiency Savings Target

The Estates element of the Estates and Fleet department has an annual revenue budget of approximately £4.3 million for 2015/16. For 2015 – 2016. A number of budget lines have been reduced and a risk based approach has been taken to manage fluctuations in these, making use of a wider contingency sum if expenditure exceeds the budget. Specifically this includes utilities budgets.

The team also operate a large capital replacement and improvement programme. This currently includes:-

- Development of a strategic command centre and North flood resilience £6.9 million
- Power infrastructure works to HQ £600,000
- Purchase of land in West Cumbria

9. Health & Safety & Risk Management

Health and Safety is an integral component in estate management and much of the maintenance activity is driven by the need for the assets to provide safe accommodation for its occupants and visitors. To

undertake work on the estate and minimise risk the team maintain and operate a list of approved contractors who are security vetted and meet the necessary Health and Safety requirements. All work of any significant nature is undertaken to Construction Design Management (CDM) regulations.

The team are represented at Force Health and Safety committees.

The estate function manages a team risk register. Estates risks are present at all levels of the risk management hierarchy and managed accordingly. Details of the risks can also be found on the following risk registers:-

- COPCC risk register
- Constabulary strategic risk register
- Corporate Support risk Register

All risks are regularly reviewed and are allocated a place in the most appropriate register to be monitored and reviewed on a regular basis.

10. Financial Prudence and Best Value

It is recognised by the team that the asset base and the team delivering the estate and facilities function must be financially efficient and effective to support policing within the County. All UK Estate Managers are members of the National Estate Managers Group and this organisation meets twice a year to exchange ideas and best practice. Information is exchanged regularly on costs and various levels of benchmarking are undertaken. In tandem with this the Head of Estates and Fleet maintains strong links with local partners to promote collaboration and information exchange.

The team adopt a whole life cost strategy to all its work. This recognises that the full cost of a building or component is not only its capital cost – the true cost is its capital cost plus the full life maintenance and repair liability over the life of the component.

The team work closely with the Procurement team to seek best value in the procurement of good and services. Notable successes have included the provision of nil cost catering contracts to the stations at HQ, Carlisle and Workington. Tenders prices for goods and services are at class leading levels and below national averages. The procurement of larger capital schemes continues to deliver construction costs which are better than national averages. This was highlighted by the Home Office property unit when they reviewed the Barrow project, noting that the scheme is delivering a building of significant merit at remarkable low levels of expenditure. They added its cost model is as low, and mostly likely better, than any in the country.

In December 2015 the team secured a project resource to support the emerging SCC capital programme. The resource has previously worked on other capital projects including most notably the Barrow project. This post is secured for three years. In addition a police constable has joined the team to provide further resource to the above project. In November the new Fleet Services Manager joined the department and in January 2016 the Station Assistants became part of the Estates and Fleet team.

The reliance on external input remains small, due in part to the skill mix within the team being fully aligned to the work profile, as a result professional costs remain highly competitive.

The team recognise the need to continually develop and proactively undertake continuous professional development. Recent staff performance reviews have tailored objectives to areas of business need and linked these into learning and training that is available via the British Institute of Facility Managers, a professional body at the forefront of promoting best practice in both the public and private sector.

Other notable areas of work include:-

- Operating plant and equipment with the best whole-life costs.
- Reviewing and streamlining servicing procedures throughout the estate – adopting a risk managed approach to servicing using an assessment based on operational impact / cost.
- Increasing the utilisation of buildings.
- Concentrating on tasks which add the most value to the business.
- Participating in the National Benchmarking Scheme.

The estates capital programme for 10 years to 2025/26 is detailed at Appendix A.

11. Benchmarking

We participate in the National Estate Managers Benchmarking Scheme which sets a standard way of defining and measuring costs, performance, operational efficiency and use of data to suggest improvements to the way each Constabulary runs its asset base.

By continually comparing against each other, and freely sharing data in a secure environment, the best practices from across the country can be shared and implemented, thereby generating an ethos of continual improvement.

12. Environmental Issues

The on-going strategy is to strive for a 'greener' more efficient estate. Specifically this will see a reduction in the use of fossil fuels and CO2 emissions which could assist in reducing Constabulary energy costs. It also mitigates against future fuel price increases.

The strategy recognises the role of sustainability in estate management. We will;

- Seek, where practicable, to work with the Carbon Trust to adopt a 'whole lifecycle' approach to sustainable development when making investment decisions about the estate.
- Explore the use of low carbon technologies.
- Apply good practice in all estates activities.
- Explore ways of reducing carbon emissions and energy consumption.
- Undertake recycling where practicable.

13. OVERVIEW OF CURRENT AND EMERGING ISSUES/REQUIREMENTS

Over the weekend of the 5th and 6th of December 2015, the county experienced an extreme weather event. Unprecedented levels of rainfall fell over a short period of time on ground which was already saturated due to heavy rainfall earlier in the month. The constabulary estate has a number of properties which are at risk of flooding and much of the work of previous estates strategies has focused on reducing this, either through, undertaking flood defence work or disposing of high risk property.

Flooding occurred to the stations at Ambleside, Appleby, HQ, Kendal and Workington. It is of note that flood levels were greater than those previously experienced and it is the first time the Kendal site has flooded albeit to minimum levels in isolated low levels of the building. Flooding to Ambleside was minimal and damage was restricted to floor coverings, again this is the first time Ambleside has flooded. The Workington site is an ongoing area of concern as this is the second time it has flooded in 6 years. Water levels in this site were comparable with the previous flood event and whilst the work undertaken during the last refurbishment to improve resilience have in part been successful the station has lost all its ground floor accommodation, including business critical custody suite.

An emerging priority of this strategy is to consider a replacement of this station, reflecting on both the flood risk and its operational suitability. The Appleby site has a history of flooding but it is of note water levels in here exceeded previous flood events. Whilst disruption has been relatively minor, officers are working from the first floor, the disruption and cost of re-instatement is significant and time critical due to the need for the station to be operational for the annual horse fair in June. Work is currently being undertaken to explore options for making this building more flood resilient. At Headquarters flooding occurred to both the firearms and occupational health buildings, both have a history of flooding and sit at the lowest point within the complex. Flood defences have been provided in this area but these were overtopped. Encouragingly, the resilient measures invested into the firearms unit after the last flood event have meant that disruption and damage to this building was minimal and the team remained operational throughout the flooding. The ground floor range is now fully operational. The occupational health unit suffered greater damage than any previous flooding. Work is currently being undertaken to determine if this building can be made more flood resilient and used for less business critical occupants. It is of note that the flood relief channel that provides protection to the critical areas of the site performed to its design parameters. The post flood review identified that the electrical infrastructure is an area of risk and an approved capital programme is in place to address this risk.

At Headquarters the demand for accommodation changes frequently and space remains at a premium. Little if any spare accommodation is available to meet any emerging immediate business needs. It is considered the active management of accommodation has decreased the demand. The Strategic Command Centre and North Resilience project may afford opportunity to review the wider accommodation needs at HQ and an emerging dependency is the occupational health unit who have been displaced from their flood damaged accommodation.

A decision was made to renew the lease for the offsite covert facility. This was a short term decision and for the long term a decision on the operational need and specifically the accommodation requirements needs to be made. Insufficient accommodation is currently available at the HQ complex to accommodate this function. To locate it elsewhere would require a disjointed accommodation model.

14. SUMMARY

To summarise, the OPCC has an estate which provides good accommodation and that is generally located in the correct areas. The freehold estate continues to see investment and improvement. The new police station in Barrow provides excellent accommodation for officers and staff. Custody provision is provided in state of the art facilities. With this building complete, two of the three top tier of police stations will be fit for purpose for many years to come. With work now gaining momentum on scoping out the future of the West Cumbria estate the key strategic assets are in an excellent position, with little backlog maintenance, competitive running costs and manageable projected maintenance demands. This assumes the level of annual investment in maintaining and servicing the estate is maintained at current levels (2015 figures).

Some of the freehold buildings performance remains too low and the age and type of the property stock dictates that flexibility of use and running costs will be a constant challenge to manage. However, the strategy has targeted disposal and replacement of these buildings and the SCC project will address one of these sites. A scheme in West Cumbria would further address this issue. Pockets of spare accommodation are present at police stations in Appleby, Brampton, Kendal and Workington.

In the North, the property stock is headed up by the Durranhill station which provides flexible accommodation that is both energy and space efficient. This building is operating at near capacity and is now the force secondary resilience centre.

At Barrow the new facility has address the former estates issues in South Cumbria. When Barrow and Ulverston police stations are disposed of work will be complete.

The HQ site performs well and maintenance costs at the site are competitive. Space utilisation is good but the age of the buildings dictates on-going investment.

The garage facility at NTU performs well but there is little flexibility with the building structure and the accommodation has reached the end of its life. Backlog maintenance exists to this site and a strategic decision has been made to undertake essential works only. This will meet health and safety and statutory requirements. The fleet strategy sets out an objective to review the provision of garage services throughout the constabulary and this will influence this element of the estate strategy.

There remains a commitment from the OPCC and Constabulary to take an active interest and invest in the estate and the commitment to the SCC project testament to this. Targeted investment into the high priority areas of service will remain the key theme of the strategy as this will provide functional, well maintained and flexible properties. The physical assets are a key enabling component in organisational change and continual service improvement.

Finally, the condition of the property portfolio is sound and the portfolio provides a good presence and identity in key localities of population. An affordable level of investment is in place to develop the estate and high quality Deployment Centres are present in two of the three key areas of population. The smaller properties, which has seen a move to a portfolio of both leasehold and freehold assets, continues to provide the Constabulary with a level of flexibility to meet the current and emerging policing needs.



15. Estates Capital Programme 10 years to 2025/26

Estates Schemes	Ref	Status	Yr 0 2015/16 £	Yr 1 2016/17 £	Yr 2 2017/18 £	Yr 3 2018/19 £	Yr 4 2019/20 £	Yr 5 2020/21 £	Yr 6 2021/22 £	Yr 7 2022/23 £	Yr 8 2023/24 £	Yr 9 2024/25 £	Yr 10 2025/26 £	Yr 1-10 Total £
Existing Schemes														
South Estate - Kendal Custody	a	Firm	45,000	99,941	0	0	0	0	0	0	0	0	0	99,941
South Estate - Barrow & Ulverston	b	Firm	4,221,570	0	0	0	0	0	0	0	0	0	0	0
Roof Repairs - Various														
- Whitehaven Police Station	c	Firm	0	0	0	37,625	0	0	0	0	0	0	100,000	137,625
- Kendal Police Station	d	Firm	0	0	0	0	55,000	0	0	0	0	0	120,000	175,000
HQ Flood Defence Works	e	Firm	(1,155)	0	0	0	0	0	0	0	0	0	0	0
Heating, Ventilation & Cooling Plant - Various														
- Police Headquarters	f	Firm	0	0	0	0	0	0	0	0	0	0	300,000	300,000
HQ Electrical Infrastructure	g	Firm	191,333	446,444	0	0	0	0	0	0	0	0	0	446,444
Durranhill Car Park	h	Firm	34,000	0	0	0	0	0	0	0	0	0	0	0
UPS Durranhill	i	Firm	0	0	0	0	0	0	0	0	0	150,000	0	150,000
UPS HQ	j	Firm	0	0	0	0	100,000	0	0	0	0	0	0	100,000
North Resilience Flood Management	k	Delegated	0	494,225	2,833,974	3,619,037	0	0	0	0	0	0	0	6,947,236
Workington - Land Purchase	l	Firm	500,000	0	0	0	0	0	0	0	0	0	0	0
Sub Total Existing Estates Schemes			4,990,749	1,040,610	2,833,974	3,656,662	155,000	0	0	0	0	150,000	520,000	8,356,246
New Estates Schemes 2016/17														
HQ Minor Works/Improvements	m	Firm		50,000	50,000	50,000	50,000	0	0	0	0	0	0	200,000
Garage Provision	n	Indicative	0	500,000	0	0	0	0	0	0	0	0	0	500,000
Durranhill - Replacement CCTV system and cell call	o	Firm	0	0	0	0	0	0	0	0	0	0	100,000	100,000
West Resilience Flood Management	p	Indicative	0	0	750,000	1,050,000	6,600,000	6,600,000						15,000,000
Sub Total New Estates Schemes			0	550,000	800,000	1,100,000	6,650,000	6,600,000	0	0	0	0	100,000	15,800,000
Total Estates Schemes			4,990,748.61	1,590,610	3,633,974	4,756,662	6,805,000	6,600,000	0	0	0	150,000	620,000	24,156,246



End



COMMUNITY POLICING
is our priority

FLEET STRATEGY 2013 – 2017

Version: PCC. V1.2 - Final

Author: **Mal Saunders**, M.S.O.E., M.I.R.T.E., L.A.E., M.I.M.I.,
Head of Fleet Services

Reporting to: **Director of Corporate Support**

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Version Control

Version	Date	Author	Comment
PCC. V0.01	03/12/13	MS	Initial structure drafted.
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Michelle Bellis, Deputy Chief Finance Officer

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1. Executive Summary

Community Policing is Our Priority

The Constabulary's vehicle fleet is a major support function which consumes significant financial and Human Resources.

Throughout this document reference is made to the Constabulary's fleet, it is acknowledged that the legal ownership of the vehicle fleet rests with the Police and Crime Commissioner (PCC). The contents of this document should be viewed in this context.

Cumbria Constabulary currently operates a diverse fleet of approximately 330 operational vehicles based at distributed locations throughout the county. The vehicles operate and cover approximately 6.5 million miles per annum and as at 31/03/13 a gross book value of £8.2m (including all adaptations, conversions and technological aspects, MDT, ANPR, Airwave etc.).

As the vehicle fleet provides a platform upon which effective policing takes place, the overarching aim of the Fleet Services Department is to satisfy the Constabulary's requirements for vehicles within a Best Value culture. This effectively means that The Fleet Services Department is responsible for ensuring that the transport activities under its control meet the lowest overall cost solution while maintaining the quality and high standards required by the Constabulary, consistent with supporting the Constabulary's corporate objectives and, the Departmental/Territorial Policing and Crime Command objectives.

Its activities need to be contained within a formal strategic setting to allow, amongst other things, Senior and Chief Officers to endorse the general direction of travel. It needs, in addition, to demonstrate to its major stakeholders that significant decisions about the vehicle Fleet are made within a framework which is consistent with the wider objectives of the Constabulary and the Police and Crime Commissioner's *Police and Crime Plan 2013 – 2017*.

This Fleet Strategy has been developed, as part of the wider Constabulary Business Plan, to actively enable the Constabulary to deliver the vision that *Community Policing is Our Priority* and the priorities set out in the Police & Crime Commissioner's *Police and Crime Plan 2013 – 2017*, specifically focusing on supporting the delivery of an effective policing strategy within budgetary constraints.

2. Recommendation

The Fleet Strategy has been presented and approved by Extended COG on the 02nd December 2013. A further recommendation is that the Police and Crime Commissioner approves the Constabulary Fleet Strategy and associated amendments to the Capital Programme.

3. Introduction

The Fleet Strategy is intended to provide an overview of the support supplied by the Fleet Services Department and the **Key Strategic Objectives** for the next 4 financial years.

The development and implementation of a Fleet Strategy will allow the reshaping of the Fleet to meet the needs of policing in the future, providing flexibility to support the implementation of new and changing Constabulary strategies. To be an enabler rather than a barrier to success driven by operational strategies, whilst remaining transparent to, and operating with, other business support strategies.

This document is designed to be a live document that is continually updated as part of the implementation of the Fleet Strategy. As the business requirements of the Constabulary change, the strategy will be updated to reflect this.

The document does not provide infinite detail on each of the highlighted strategies and services, but is expected to act as a road map indicating how we will support operational policing within the County.

3.1 Background

The Fleet Services Department consist of the Head of Fleet Services who manages the in-house Fleet operation, supported by a Fleet Service Manager, Fleet Management Information Officer, Vehicle Insurance Administration Officer and 9 x Motor Vehicle Technicians (5 Carlisle, 2 Ulverston, 2 Workington).

The Department also ensures that the servicing, repair and maintenance of police vehicles are to the standards laid down by the Constabulary, Department of Transport, current Vehicle Road Transport Legislation and the Vehicle Manufacturer.

The Department encompasses a 'one-stop shop' for all vehicle-related matters from purchase to disposal as follows:

- Provide an annual vehicle replacement schedule according to the replacement criteria agreed by the Police & Crime Commissioner (PCC).
- Procurement of vehicles including special build.
- Carry out specialist vehicle design and arrange construction.
- Carry out preventive maintenance, through a planned servicing programme.
- Police vehicle collision damage repair.
- Electronic component installation (Comms, Airwaves, MDT's, ANPR etc.).
- Vehicle commissioning and decommissioning.
- Stock vehicle parts according to the most common usage.
- Procurement of non-stock items.
- Provide administration assistance in accordance with the vehicle replacement schedule.
- Process sale of vehicles at auction and disposal of total loss vehicles.
- Administration of vehicle damage in conjunction with insurance claims.
- Provide statements of vehicle damage for court purposes.
- Registering and re-licensing of vehicles.
- Administration of fuel via fuel agency cards.
- Update and maintenance of the computerised fleet management system (TRANMAN).

Allied to this are activities such as professional fleet advice and the production of management information to advise customers of their impact on fleet costs.

The fleet information management system (TRANMAN) allows full inventory, maintenance and costing of the Constabulary vehicles to be available and the system also assists in providing a scheduled replacement programme, based upon the Constabulary's vehicle replacement parameters and capital/revenue

3.2 Organisation & Deployment

The Constabulary's vehicle fleet is distributed to 3 main vehicle user groups (as from April 2013):

TERRITORIAL POLICING COMMAND (mainly liveried vehicles)

- North Cumbria Territorial Policing Area
- West Cumbria Territorial Policing Area
- South Cumbria Territorial Policing Area
- Uniformed Operational Support

CRIME COMMAND (mainly covert and unmarked vehicles)

- Crime Operations
- Intelligence
- Criminal Justice Unit

CORPORATE SUPPORT (unmarked vehicles, predominantly based at Headquarters)

- Fleet Services
- Central Services
- Estates and Facilities
- Learning and Development
- Information and Communication Technologies

The fleet profiles differ across these groups to reflect the functions carried out by the Departments within them and also the geography of the areas. All Territorial Policing Area vehicles are a mix of high-density urban (e.g. Carlisle City, Workington, Kendal and Barrow in Furness) and low density rural within fairly large areas and a diverse number of vehicles are currently used.

Uniformed Operational Support and CID include specialised departments such as the Roads Policing Unit, Firearms and the Serious and Organised Crime Unit which have specific requirements for high-specification vehicles, which are used throughout the Constabulary area.

The remaining groups are predominantly based at Headquarters (including the PCC and Chief Officers vehicles registered under Corporate Support).

Summary of the current vehicle deployment as from 01/04/13:

Area	Establishment	Safety Camera Partnership	Pre-Funded	TOTAL
Territorial Policing Command	177		7	184
Crime Command	86	5	4	95
Corporate Support	37		15	52
TOTAL	300	5	26	331

Key:

Establishment Represents the core vehicle fleet allocated to each Command/Dept.

Safety Camera Represents vehicles operated in partnership with the County Council.

Pre Funded Vehicles purchased through an approved business case and funded by the Command/Dept. for the vehicles term. This also includes sale vehicles which are utilised short term, to provide support for the CSD pool and Station Assistants.

4. Key Strategic Priorities

These priorities identified within this Fleet Strategy support the Constabulary Business Plan in order to deliver the priorities set out in the *Police and Crime Plan 2013 – 2017*; and are underpinned by the principle that we must put the operational officer at the centre of all effort to ensure that he/she has the right leadership, the right skills, the right processes, the right policies, the right tools (technology, systems, **vehicles**, buildings etc.), and above all, the right organisational culture and ethos to provide the best visible and cost effective service possible to our community.

A key strategic principle for this Fleet Strategy is the recognition that the vehicle is intended, wherever possible and appropriate to act as a mobile office, enabling the operational user to operate away from the station and remain visible within the community.



Six key strategic fleet priorities have been identified as follows:

- To build closer working relationships with operational colleagues.
- To improve Territorial Policing Area (TPA) vehicle utilisation through the introduction of a Single Vehicle Platform (SVP).
- To provide a cost effective vehicle solution for the PCSOs and to reduce the vehicle abstractions from the TPA front line marked fleet.
- To provide resilience for the protection of front line officers and support for Mutual Aid.
- To provide additional vehicles for the CSD pool fleet to reduce external vehicle hire costs.
- To provide an enhanced cost effective 4 x 4 vehicle solution for the County's adverse weather conditions (Snow).

In addition to the proposed 6 Key Strategic Priorities, the Fleet Strategy will focus on driving down costs by incorporating the following within the strategy:

- Assessment of the efficiency and effectiveness of the Roads Policing Unit motorcycles by the Territorial Policing Commander.

- Review the most cost effective and operationally suitable future replacements for all Operational Support vehicles.
- The utilisation of all non-covert unmarked vehicles e.g. CID, PPU, pool cars etc.
- Ensure the optimum use of the Constabulary assets extending the vehicles life were possible and appropriate.
- The safety of a Constabulary vehicle user by demonstrating a safety-conscious approach to police vehicle maintenance, ensuring the fleet is maintained in accordance with manufacturer's recommendations, including additional safety checks where vehicles are used to their limits.
- Opportunities to outsource and collaborate with other emergency services and local authorities, but only when it is efficient, effective and economically to do so and benefits the Constabulary's policing model.
- Promoting health and Safety to all Department staff.
- Environmentally, strive for a 'greener' more efficient fleet.

4.1 Improved support for operational needs

By the introduction of a Strategic Vehicle Group chaired by the C/Supt. Territorial Policing Command. (The Terms of Reference can be found at [Appendix 1](#)).

Through this group, close collaboration will be maintained by Fleet Services with its customers and the group will deal with fleet and vehicle related issues.

Key Strategic Objective 1 – Approved by Extended COG on 02/12/2013
Build closer working relationships with Operational colleagues.
Action required to implement the Strategic Objective: <ul style="list-style-type: none"> • Formation of the Strategic Vehicle Group chaired by the C /Supt. Territorial Policing Command now formed. • First meeting held on the 25th September 2013 and Terms of Reference agreed.
Benefits: <ul style="list-style-type: none"> • Considering the vehicle types to be used in particular roles within the Constabulary's transport fleet to ensure that they are fit for purpose and match the demands of operational policing in Cumbria. • Ensuring that the overall size and apportionment of the fleet is appropriate in order to maximise transport arrangements within the boundaries of reasonable cost. • Determining a corporate view with regards to the technical makeup of the fleet. This will include the topics of vehicle markings, emergency role equipment, specialist vehicle conversions or builds and technological aspects (e.g. MDT's, ANPR, Airwave etc.). • Creating standardisation within the fleet wherever possible in order to simplify the usage of core vehicles whilst working to benefit from volume related discounts and advantages. • Considering the changes necessary to follow manufacturer-led innovation by capitalising on savings and efficiencies where appropriate. • Considering the risks associated with all standard and non-standard fleet operations, determined through vehicle type or the usage in particular roles. • Reviewing all aspects of the vehicle fleet use to identify areas for cost savings, increasing standards or efficiency gains including fuel usage, mileage covered, collisions and costs, maintenance costs, car cleaning, daily and weekly checks, carbon emissions information and all associated reports.

Expected cost:

- Nil to set up, but the group will assist in determining any future strategy for vehicle savings.

4.2 Single Platform Vehicle (SVP)

A vehicle utilisation study of the Territorial Policing Area (TPA) vehicles has been carried out by the Head of Fleet Services and reviewed their user requirements against the current vehicle utilisation profile. It has been found that:

- The TPA's make better use of marked cell vans than marked cars.
- The vans allow the officer's greater flexibility over the cars as detained persons can be more easily transported and this improves officer safety.
- As fleet operate 4 differing types of vehicles this creates an imbalance of vehicle use and certain 'favoured' vehicles are operating above their allocated annual mileage. Using a single vehicle type (i.e. cell van), fleet can more effectively "mileage manage" the vehicles.
- The equipment and occupants carried in cars could overload the vehicle creating a potential risk to the occupants and the Constabulary.
- Cars are too compact within the driver passenger area to operate the MDT.

The re-development of the Fleet Vehicle Replacement Programme by replacing the TPA marked vehicles from the Focus estates, dog vehicles and Transit vans to a single platform vehicle (one size and model fits all) will provide a vehicle to meet the majority of 'fit for purpose' requirements. This will also result in the efficient utilisation of the vehicles and provide a cost effective solution to ensure territorial police officer safety when on patrol.



Key Strategic Objective 2 – Approved by Extended COG on 02/12/2013

Improve TPA vehicle utilisation through the introduction of a Single Platform Vehicle

Action required to implement the Strategic Objective:

- Initial funding is approved over the next 2 years to replace the end of life marked Territorial

Key Strategic Objective 2 – Approved by Extended COG on 02/12/2013

Policing Area cars, vans and dog vehicles, with single platform vehicles.

- Strategy supported by the C/Supt. Territorial Policing Command and the Strategic Vehicle Group.
- The correct 'fit for purpose' vehicle has been determined and final costing/savings produced.

Benefits:

- A single type vehicle would meet the majority of territorial policing requirements with a secure detained person (DP) cell in the vehicle.
- "Enhanced Officer Safety" as all vehicles will have a secure detained person capability (i.e. cell), negating the need to place a detained person in the back of non-cell vehicle risking officer 'attacks'.
- Negate the need for patrolling officers in cars, requesting and waiting for a cell van when arresting persons.
- Will reduce capital costs by equalising mileages and eliminating 'vehicle choice' where certain vehicles (i.e. Focus Estates and Landrover Freelander's) are favoured and currently used instead of a cell vehicle.
- Will contribute towards producing Capital savings of £1,419k over the next 10 years.
- Enhance 'High Visibility' policing due to their high profile.
- Suitable office type facilities within the vehicle, such as room, ample seating area and a mobile working solution, will negate the need for the officers (and vehicle) to return to the deployment centre, therefore reducing mileage/running costs/fuel etc.
- Supports the Constabulary's Strategy to provide a mobile working solution for the officers.
- Ensuring the vehicle is suitable for initial phase pursuit will enhance the officer's capability as the current Ford Transits (which they will replace) are not compliant.
- The 'fit for purpose' vehicle incorporates an all season traction facility which enables the vehicle to be operated in adverse weather conditions.

Expected cost:

- As the Single Vehicle Platform is more expensive than the current estate car and have additional cost of prisoner cages etc. there will be an initial impact on capital expenditure of £279k for the next 2 years.
- The introduction of the single platform vehicle incorporated within a revised vehicle replacement programme could contribute towards future capital savings of £1,419k over the next 10 years.
- It is envisaged that both fuel and maintenance costs will not increase as the single platform vehicle incorporating the mobile working solution and cell facility, will reduce the requirement for unnecessary travelling for office and cell van support.
- There will be no increase in fleet size so there will be no increase in vehicle insurance premium costs.

4.3 PCSO operational needs

Currently, the PCSOs do not have any dedicated transport and have to rely upon 'lifts', public transport and seconding operational vehicles. This practice is now becoming impractical and is causing an operational inconvenience as vehicles are becoming unavailable for the PCSO's.

In order to provide a cost effective vehicle solution for the PCSO's, fleet will retain a number of the 'end of life' Transit Connect marked vehicles (approx. 12.) and re-issue to the PCSOs for low usage (e.g. sub 10,000 miles a year and restrict their performance). This would greatly reduce the abstractions from the front line marked fleet, enhance PCSO high visibility policing and increase their resilience.

This strategy would only be incorporated for a 2 year period. The operational and cost benefit will be reviewed by the Head of Fleet Services within this timeline and assessed for any continuing or future operational need.

Key Strategic Objective 3 – Approved by Extended COG on 02/12/2013

To provide a cost effective vehicle solution for the PCSOs.

Action required to implement the Strategic Objective:

- When they become available, retain 12 Transit Connect vehicles from disposal and prepare for the PCSOs.

Benefit:

- This would greatly reduce the abstractions from the front line marked fleet, enhance PCSO high visibility policing and increase their resilience.
- Reduction in PCSO downtime travelling to their 'patch' if deployed out of town.
- Negates the need for officers to 'Taxi service' the PCSOs to their beat area.
- Transit Connects currently have a single person cell, this will be removed and the vehicle can then be used to carry PCSO equipment (pedal cycles, display boards etc.)

Expected cost:

- Reduction in travelling costs (e.g. bus fares) and time to their beat, allowing a longer patrolling of the PCSOs 'patch'.
- Maintenance costs can be absorbed into the current maintenance budget if the vehicles are used appropriately (e.g. specifically for PCSO transport duties and NOT as front line vehicles) and mileage is kept below 10k per annum.
- Vehicles would still retain a comparative disposal value after the extended 2 year period.
- Vehicle mileages will be monitored to ensure compliance and ensure that the vehicles are used appropriately by the PCSOs only.
- Fuel costs will be offset by savings in time and reduced abstractions of front line vehicles and officers providing a 'PCSO taxi' service.
- Increased insurance costs would be incurred as a result of increasing the total number of vehicles included in the fleet of insured vehicles. Total cost of approx. £6k per annum if 12 vehicles retained.

4.4 Mutual Aid resilience

Within the last 2 reviews of Fleet Services, in order to make capital savings, the Constabulary's Protected Personnel Carrier establishment has been reduced from 13 vehicles to 6 vehicles. The Constabulary's National Mutual Aid commitment is 3 PSU's equating to a total of 9 vehicles so currently, the Constabulary cannot meet its Mutual Aid commitment and retain a front line protective capability in Cumbria if Mutual Aid was deployed. An additional 6 Protected Personnel Carriers into the Territorial Policing fleet. This would provide 12 carriers in total (including current carriers) ensuring 4 PSU's available within the Constabulary's resources. Operationally, this would provide the Constabulary's Mutual Aid commitment and in the case of a required deployment, a single PSU (3 Carriers) will still be available to support the Constabulary's front line officer protection.

However, due to the cost of these vehicles, the purchase of only 3 additional protected personnel carriers will increase the Constabulary establishment to 9 vehicles (3 PSU's), enabling the Constabulary to meet its Mutual Aid commitment. It is recommended that the Mutual Aid requests be assessed over the next 12

months and review if there is a further need to increase the Protected Carrier establishment to more than 9 vehicles, if so, the costs for an additional 3 Protected Carriers (to take the total to 12) should be off-set against other vehicles within TPA's.

Key Strategic Objective 4 – Approved by Extended COG on 02/12/2013

To provide resilience for the protection of front line officers and support for Mutual Aid.

Action required to implement the Strategic Objective:

- Requires additional capital funding and procurement of 3 vehicles.
- Requires additional revenue funding for the maintenance of the additional vehicles.
- Review the need for a further additional 3 protected carriers after 12 months.

Benefit:

- Enable the Constabulary to provide mutual aid as per their commitment.
- Would provide additional resilience for front line officer protection.
- Note: it is understood that Sellafield would offer their protected carrier for in County support to the Constabulary.

Expected cost:

- 3 x protected carriers would cost £159k in 2014/15 with subsequent replacement in 2022/23 estimated at £184k. Although there is a large initial cost for these specialised vehicles, their operational life can extend to 8 years so this makes them a valuable long term asset with a small whole life cost.
- Additional annual maintenance costs of £6k (£2k per vehicle) for the additional vehicles would be required.
- Increased insurance costs of £611 per vehicle (£1.8k in total).
- Note: While COG have approved the growth and funding for the additional 3 vehicles, a steer from the Chief Officers to enable future savings, is to look at any future replacement of these vehicles being funded from within existing capital (i.e. savings elsewhere in the fleet).

4.5 Pool fleet utilisation

A pool car utilisation study has been carried out by the Head of the CSD and the departments Financial Services Officer to compare the benefit of additional pool cars, in place of using hire cars for the Constabulary's in and out of county travel requirements.

The 2011 Fleet Review pooled 7 of the HQ Departmental vehicles to be managed and operated by CSD to ensure their maximum utilisation (as these vehicles were being under used in their respective departments). In addition, 5 vehicles due to be reduced as part of the 2007 Fleet Review savings were retained for the remainder of their life and used to temporarily supplement the number of CSD HQ pool cars to 12 (to establish any benefit in hire car cost reduction).

The Constabulary currently spends in the region of £130k per year on hire cars (ignoring under cover contract vehicles). This includes the benefits (£20k savings) of having the current pool car establishment at the higher level of 12 vehicles instead of the 7 pooled vehicles (see option 1). Without these 5 vehicles the spend would have been £150K.

The study showed that pool cars are currently well used. 81% of available time the pool cars are booked out for use, and in order for purchasing a vehicle to be more cost effective than hiring, the pool car only needs to be used 51% of the time (this is the break-even point in cost effectiveness).

Option 1 – Retain the existing 5 (currently above establishment) vehicles

These 5 supplementary vehicles are now being withdrawn from service and not being replaced as agreed within the Fleet Review. However it can be shown that in doing so this will result in significant costs to the Constabulary in terms of replacing these journeys with hire cars.

The pool car study demonstrated the benefit of using pool cars as opposed to booking short term hire cars. However, it also showed that pool cars are being utilised well and effectively managed by CSD. It was apparent that in order to further reduce the reliance on hire cars, increasing CSD's pool car establishment would assist in realising further hire car savings, leading to the proposal of option 2.

Option 2 – Purchase an Additional 5 Pool Cars

It is proposed under option 2 that the Constabulary invests in a further 5 vehicles, increasing the establishment to 17. There is a demand for pool cars, as hires remain high as demonstrated by the current £130k spend. These additional 5 vehicles will be sited in TPA's to reduce the need to book hire cars for officer travel, particularly in South where area based hire car demand is high.

This option is proposed as a trial for a year. If it is demonstrated that the vehicles have delivered savings and there is a demand for them, the proposal will be to make this a permanent decision to retain the additional 5 pool cars to the end of the term (7 years to 2021/22). If however the pool car use / demand is not high, and savings have not been realised in reducing hire car costs, the exit strategy for these 5 purchased vehicles under option 2, will be to redeploy to other departments within the normal Fleet Services Replacement Programme – there will be no additional cost to the Constabulary as a result of this decision, whatever the outcome.

Key Strategic Objective 5 – Both Option 1 & 2 Approved by Extended COG on 02/12/2013
To provide additional vehicles for the CSD pool fleet to reduce external vehicle hire costs.
Action required to implement the Strategic Objective: <ul style="list-style-type: none"> Procurement of additional pool vehicles. Would require an additional capital and annual revenue costs.
Benefit: <ul style="list-style-type: none"> A net saving over the next 7 years (See Appendix 3). Reduce Grey fleet cost (reduction in using own vehicles).
Expected cost: <ul style="list-style-type: none"> Each option would require additional capital in 2014/15 plus annual maintenance costs per annum for the 7 year term of the vehicles (Cost/savings see Appendix 3).

4.6 To provide a cost effective 4 x 4 vehicle solution for adverse weather conditions (snow).

Over the past few years the County has been subjected to a number of adverse weather situations (floods and heavy snowfalls) where an additional resource of 4x4's have been required. Quite often, the hire

companies whom specialise in these types of vehicles, not only demand a high rate of hire (up to £1,000 per vehicle per week) but run out of stock due to the high demands by other customers.

These hire vehicles (when available) are not suitable for our policing requirements. They are not 'police models' fitted with the essential 'blues and twos' and identified with any livery or crest as a Constabulary vehicle. They are standard 'civilian specification' which do not offer the benefits and the high conspicuity protection of a police vehicle.

A proposed strategy is to retain a number of 'end of life' 4x4 Landrover Freelander's for a maximum period of 2 years until the roll out of the single platform vehicles, which will then provide an all season capability. The Freelanders will be kept as a central reserve at our NTU garage to be made available at short notice, in case of adverse weather conditions. These vehicles would also be made available and utilised for other applications such as Appleby Fair and any organised shows or events where there is a possibility of rough/sludge type areas (e.g. fields).

The usage of these vehicles would be restricted to authorised use only. They will be 'end of life' vehicles with high mileage and not suitable as routine patrol vehicles. Fleet will restrict their use and 'convert' them as suitable for adverse weather conditions, which will consist of fitting 'full off road tyres' and restricting their maximum speed to 45 mph. It is estimated that each vehicle (6 in total) will not exceed 3000 miles per year and as such will only require an annual check/service, therefore reducing the maintenance costs to a minimum and can be absorb into the current maintenance budget.

Fleet Services already operate the same system with the current Estates 4 x 4 used for gritting HQ, which has negated the need to procure a specialised vehicle.

Key Strategic Objective 6 – Approved by Extended COG on 02/12/2013

To provide a cost effective 4 x 4 vehicle solution for adverse weather conditions (Snow).

Action required to implement the Strategic Objective:

- Retain 6 'end of life' Landrover Freelander's for winter use.

Benefit:

- Provide a contingency for adverse weather (predominantly winter snow) and reduce the searching and the 'overpriced' hire of 4 x 4 vehicles.
- The vehicles would be fit for purpose and still retain the Constabulary identity.
- Would be available at very short notice.
- Would reduce the officer risk by trying to use unsuitable vehicles in adverse conditions.
- Can be used for specific operations (forestry type)
- Reduce/eliminate 4 x 4 hire costs.

Expected cost:

- Maintenance costs can be absorbed into the current maintenance budget if the vehicles are used appropriately (e.g. restricted to adverse weather conditions and specialised events such as Appleby Fair, County shows etc.).
- Vehicles will still retain a residual value when sold so there would be no loss of income.
- Increased insurance costs of £611 per vehicle per annum (£4k in total)

5. Financial Implications

The current approved capital programme for the 10 year period (2013/14 to 2022/23) amounted to £11.471m in respect of fleet replacements. As part of the annual budget and medium term financial planning process the fleet replacement programme has been re-modelled and includes an additional year to 2023/24 and also to reflect the changes to the fleet proposed within this strategy.

In summary, the cost of replacing the core fleet will reduce by £1,419k over the revised 10 year period to 2023/24 if the proposals to move to a single vehicle platform (SVP) are approved. Of this sum approximately £341k is arises as a result of changes to assumptions regarding inflation in future years, the remainder is primarily attributable to the introduction of the SVP. However the transition to the SVP has the effect of increasing capital expenditure in the short term with an additional capital requirement of approximately £279k for 2014/15. In relation to revenue expenditure the proposed changes to the core fleet can be managed within the existing revenue budget.

The profile of capital expenditure has also been subject to significant change and is now subject to greater fluctuation between years (ranging from £447k to £1,910k). This arises from a proposal to consolidate purchases of particular vehicle types in a year. This proposal conveys administrative efficiencies in the procurement process and operational benefits in the utilisation and management of the fleet. However there will be a need to consider the capital financing implications in relation to the amount of revenue budget set aside to support capital expenditure on an ongoing basis which can be managed through earmarked capital reserves and will be factored into the medium term financial forecasting process and overall capital strategy.

In addition to the core fleet strategy there are a number of growth proposals which are treated as individual decisions in this document. If all recommendations are accepted the effect would be to reduce the forecast capital savings from £1,419k to £883k over the 10 year period and would also in some instances have an ongoing impact of the revenue budget. The overall fleet replacement programme for the 10 year period to 2023/24 is provided at Appendix 2 which also shows how the above savings figures have been calculated and the financial impact of the growth proposals.

The table below summarises the financial impact of the strategy and each individual growth proposal on the capital programme. A more detailed analysis of these costs is provided in Appendix 2.

	Approved Capital Budget 10 Yrs £	Total Capital Cost 10 Yrs £	Net Capital Increase/ (Decrease) £
Core Fleet	12,419,078	10,999,714	(1,419,364)
Obj. 3 Retain 12 end of life vehicles for PCSO use	0	0	0
Obj. 4 Additional 3 Protected Personnel Carriers	0	343,440	343,440
Obj. 5 - Purchase of 5 Pool Cars	0	96,300	96,300
Obj. 5 - Purchase of 5 Additional Pool Cars	0	96,300	96,300
Obj. 6 Retain 6 * 4*4 vehicle	0	0	0
Total	12,419,078	11,535,754	(883,324)

Each of the growth proposals has both a revenue and capital budget implication. In order to provide a more meaningful analysis of the overall financial impact of each proposal, the capital and revenue costs have been converted to an annualised equivalent of each proposal and are shown in the table below.

A more detailed analysis of the costs over the 10 year strategy is provided at Appendix 3.

	Annual Equivalent Capital Cost £	Annual Equivalent Revenue Cost £	Annual Equivalent Combined Cost £
Obj. 3 Retain 12 end of life vehicles for PCSO use	0	7,332	7,332
Obj. 4 Additional 3 Protected Personnel Carriers	19,875	7,833	27,708
Obj. 5 Purchase of 5 Pool Cars	6,429	(13,678)	(7,249)
Obj. 5 Purchase of 5 Additional Pool Cars	6,429	(13,678)	(7,249)
Obj. 6 Retain 6 * 4*4 vehicle	0	3,666	3,666
Total	32,732	(8,525)	24,207

6. Vehicle Replacement

Motor vehicles have a limited lifespan dependent upon their use and application and police vehicles, due to their operational requirement and commitment, have higher than normal levels of wear and tear.

Police vehicles, contributing directly to front line policing (mainly marked vehicles of the Territorial Policing Command) can operate 24 hours a day, 7 days a week covering annual mileages of up to 50,000 per vehicle.

The Head of Fleet Services operates an on-going annual vehicle replacement and adaptation program based upon a combination of:

- The vehicles age,
- The vehicles mileage,
- The vehicles condition,

This will ensure the optimum use of the Constabulary assets. The provision of new vehicles will also keep the fleet up to date with new technology and vehicle safety (e.g. airbags, anti-lock brakes, improved NCAP ratings and more efficient fuel consumption) and is essential in providing the staff with the resources to safely carry out their role. It also demonstrates the investment by the Constabulary to front line policing.

The Head of Fleet Services (in conjunction with the Strategic Vehicle Group) will identify a range of replacement vehicles suitable to perform their role based upon:-

- An operational requirement.
- Whole life vehicle cost.
- The ability to maintain the vehicle effectively, efficiently and economically either in house, or by selected external contractors when required.
- Availability through the current Framework Arrangements.
- Approved Procurement Policy and Procedures, incorporating any regional collaboration requirements where appropriate.

Proposed vehicle replacement criteria (main groups):

Category	Time / Allocated Mileage
RPU/ARV Patrol Car	4 yrs./160,000
Transit 4x4 (will migrate to single platform vehicle)	5yrs/150,000
CSD Pool Cars	7yrs/84,000
Beat/Rural Arrest Van (single platform vehicle)	6yrs/180,000
Dog Vehicles (single platform vehicle)	6yrs/180,000
RPU Patrol Motorcycle	8yrs/80,000
Protected Personnel Carrier	8yrs/200,000
Covert/Unmarked Vehicles	3yrs to 8yrs (at the discretion of Head of Fleet Services.)

Vehicles are programmed to be replaced when they reach their time prescribed replacement criteria however, vehicle life spans are extended beyond this as and when it is economically effective to do so.

Note: The PCC provided vehicle would currently fall in line with the 3 year replacement strategy for the Chief Officers, however the standard term of a PCC would be 4 years. It is therefore recommended that the PCC's vehicle, when required, is retained for a period of 4 years to align with the PCC's term of office.

It is proposed to consolidate the replacement and purchases of particular vehicle types in the same year. This proposal within the replacement programme will provide administrative efficiencies in the procurement process and operational benefits in the utilisation and management of the fleet.

The proposed replacement programme and the strategy of a single platform vehicle will provide the added benefits of:

- Extended vehicle life resulting in longer replacement cycles, creating a reduction in the long term capital expenditure (£1,419k over 10 years)
- The most economic and balance of vehicles in terms of optimising vehicle whole life costs.
- Providing a workload in line with the vehicle maintenance garage capacity.
- Increase vehicle resilience.

7. Vehicle Maintenance Garages

The Constabulary operates its own internal vehicle maintenance garages and technicians to ensure the legal compliance and security of its vehicles and specialist equipment (Constabulary radios, MDT's, ANPR and Covert vehicles). This ensures the fleet is maintained in accordance with industry best practice and benchmarked against other fleets – both Police and externally, whilst taking account of the unique requirements of the Constabulary, such as:

- The round-the clock demand for vehicles.
- Maintaining the high standards of service and safety as required within an emergency service.
- Providing the conversion of vehicles to the Constabulary's operational requirements.
- The compliant installation of the range of after-market equipment fitted to the Constabulary's specialised vehicles (e.g. ANPR, ARV and RPU).
- A fleet that meets policing requirements of the 21st Century by the installation of the Mobile Working Solution for the marked vehicle fleet.
- Notifying departments when their obligatory weekly vehicle checks are not being carried out/recorded.

These garages are strategically based throughout the County (North at Carlisle, West at Workington and South at Ulverston soon to be Barrow). All vehicles are procured and managed by the Fleet Services Department with vehicle maintenance being carried out either internally at 3 Constabulary workshops or externally by authorised dealerships, when it is operationally and cost effective to do so. The Department is also focussed on the importance of keeping vehicle maintenance costs at a competitive level without sacrificing the high standards and quality of service.

A long-term strategy for the fleet department is to reduce its operating costs when it is operationally and cost effective to do so by reducing the number of Constabulary vehicle maintenance garages. During the last 10 years, the Fleet Department has reduced from 5 to 4, and then eventually to 3 garages. The latest review of fleet (2011) looked at a further reduction in the number of garages however; it was found that it would not be cost and operationally effective to further reduce the number of vehicle maintenance garages from 3 sites to two, or to a single site, at this time. The potential for further rationalisation of the garaged estate will continue to be considered jointly with the Estates & Facilities department over the longer term.

8. Repairs & Maintenance

Vehicle maintenance can be split into three distinct areas:-

- Scheduled i.e.: Servicing (pre-planned)
- Un-scheduled i.e.: Non-servicing (un-planned/breakdowns etc.)
- Impact damage i.e.: Police Vehicle Collisions

The Constabulary's ethos is to undertake preventive maintenance (i.e. parts are replaced just before they are expected to reach the end of their life rather than waiting for them to fail) as this avoids:-

- Costly repairs which can be caused by the knock-on effect of parts failing.
- Excessive vehicle downtimes as parts are replaced whilst a vehicle is in the workshop for scheduled servicing.
- Demonstrates a safety-conscious approach to vehicle maintenance. This is absolutely critical in a Police environment where vehicles are used at their limits in terms of payload, speed and availability, particularly in view of some accidents in other Police Forces which have received adverse high-profile media coverage.

Service Patterns:

All constabulary vehicles will be:-

- Serviced in accordance to the manufacturers recommended service intervals and schedules.
- Serviced by skilled and trained fleet staff.
- Serviced and repaired with manufacturers original equipment parts.
- Serviced with an additional fleet safety check to capture any areas not covered by the manufacturer's schedule and, to ensure the vehicle safely operates within the requirements of a policing service.

As it is not cost effective to repair internally, all the vehicle body repair work (with the exception of very minor repairs) is out-sourced. The Fleet Services Department will also:

- Manage and organise the repairs of all police vehicles involved in police vehicle collisions.
- Ensure all vehicle body damage is repaired by specialist vehicle repairers who have been suitably screened to complete this work.
- Ensure all accident damaged vehicles will be examined by us prior to release to the users, ensuring the overall safety of the repaired vehicle.
- Instruct the body repairers to only fit original manufacturer's parts to repair accident damaged vehicles.
- Monitor vehicle downtime for impact damage repairs.
- Collect vehicle accident reports and where necessary, maintaining a regular dialogue with our Insurers or Representatives.

9. In-House versus Outsourcing

Options for vehicle maintenance and the management of the fleet as a whole could vary from being carried out entirely in-house, to the whole process being outsourced, or suitable combinations in between. Historically, an in-house fleet management and vehicle maintenance system has been the preferred Constabulary option so the majority of servicing and repair work is carried out in-house, although franchised dealers occasionally carry out warranty work. During times of high workload, some work may also be out-sourced.

The Constabulary remains open minded regarding opportunities to outsource totally and/or collaborate with other Emergency Services and Local Authorities, but only when it is efficient, effective and economical to do so, and benefits the Constabulary's policing model.

These options were re-examined during the 2011 Review of fleet and in the short term, there were minimal cost savings to be made from closing any of the existing garage facilities. Workington and Ulverston garages are attached to the respective police stations and so cannot be sold separately. Only utilities costs would be saved by closing either or both of them. Both garages are fully utilised and work efficiently and are well placed geographically to service the South and West of the county.

- The outsourcing of vehicle servicing, maintenance and repair was also considered by the 2011 Review of Fleet, but the cheapest labour costs that the Fleet Service Manager could negotiate were £50.00 per hour. The Constabulary's internal labour costs are only £18.50 (+£10 on-cost) per hour. The estates considerations mentioned above also apply to this option and there was also a risk when outsourcing fleet services that security could be compromised. This option was discounted as the current in-house fleet management and vehicle maintenance system provides:- Priority customer service.
- Personal contact with the police officers
- Garage technicians that are multi-skilled and have the knowledge of all the Constabulary vehicles and equipment fitted, e.g. sirens, blue lights, video cameras, MDT's, ANPR's and radios.
- Security, as the fleet staff is vetted and ensures that no vehicle or equipment can be compromised.
- A rigorously controlled maintenance regime for Constabulary vehicles, many of which operate at the extreme limits of their capability and often virtually 24-hours per day.
- A continuing fleet strategy that ensures the majority of the vehicle maintenance remains in-house. Any out-sourcing of the fleet operation does not take place unless it is cost effective to do so.
- A dedicated Fleet Management to ensure that all Free of Charge warranty repairs will be charged to the Vehicle Manufacturer, ensuring best value for money.

Outsourcing would:

- Increase some risks as it can imply a lessening of control insofar as maintenance is concerned.
- Create a lack of personal contact with Police Officers.
- Compromise vehicles used by Specialist Crime Support and the Surveillance Team.
- Still require the retention of an in-house team that holds the contractor to account and ensures that the minimum requirements of the contract are satisfied.
- Give access to Constabulary vehicles which have significant covert technology that we would not want the wider population to know about, let alone have access to.
- Become just another customer of the 'service-provider' and conflict in priorities which could arise and would be felt at the sharp-end of Policing. (e.g. if a vehicle needed a new bulb in the light bar or headlamp, would a service-provider drop everything to fix it while the driver waited – as happens now – even though other paying customers, paying a higher rate, might be delayed?)
- Be most unlikely that a service-provider would have Technicians with this breadth of knowledge so some vehicles may need to visit more than one provider to receive a full vehicle/equipment service adding to turnaround, downtime and costs.
- Have security implications as Airwaves radios, MDT's and other sensitive equipment would need to be removed prior to any Constabulary vehicle being outsourced, so an amount of staff would still be required.

The Constabulary will continue to explore collaborative or outsourced approaches to the provision and management of the Fleet where appropriate, however for the foreseeable future this would be on an opportunistic rather than strategically planned basis.

10. Vehicle Branding (Livery & Logos)

Livery

In April 1998, Cumbria Constabulary carried out an extensive review regarding the new livery and in August 1998, the policy group's recommendation was that all Cumbria Constabulary marked vehicles will operate with the PSDB "Battenberg" livery specification (ref. The Home Office PSDB publication "High Conspicuity Livery for Police Vehicles" No. 14/04). Although a slight number of changes in design have been introduced since the introduction of this livery, all Constabulary marked vehicles still comply with PSDB specifications and is implemented by the Fleet Services Department.

Logos

Vehicle 'Logos' are a unique method of identifying the operating Constabulary and are usually in the form a Crest. Crests will be applied to all marked vehicles as part of the vehicle commissioning process.

11. Health & Safety

The Fleet Services Department and its staff at all times, where reasonable and practicable to do so, comply with the relevant Force and Departmental Health & Safety Policies and Procedures in place at that time.

As part of the on-going Fleet Strategy, the Fleet Services Department will ensure that:

- All new vehicles are supplied as fit for purpose in accordance with their operational requirement with reference to vehicle suitability, condition, safety equipment and ergonomic considerations.
- The commissioning process (both external and internal) of fitting emergency equipment and electrical devices to police vehicles are compliant to legally operate the vehicle on the public highway.
- Cumbria Constabulary vehicles operate within maximum payloads with tyre pressures set in accordance with vehicle/tyre manufacturer's recommendations by providing essential information within the vehicle logbook.

12. Value for Money

It is recognised by the Constabulary that Value for Money is a toolkit to help provide efficient, economic and effective policing within the County.

All UK Police Fleet Managers are members of the National Association of Police Fleet Managers (NAPFM) and this organisation meets regularly to exchange ideas and best practice. For many years the NAPFM has worked very closely with the Police Information Technology Organisation (now disbanded), Police Scientific Development Branch (PSDB), National Framework Arrangement (NFA) and the National Procurement Centre of Excellence to set up Framework Arrangements for use by all UK police forces, to simplify the purchase of fleet-related items and procure them at very competitive prices.

As well providing significant cost savings, the arrangements also preclude the need for individual police forces to tender for these goods and services thus saving an amount of management time, which can be re-directed more pro-actively elsewhere within the Fleet Services function.

Although the Fleet Services Department is achieving the best deals nationally on virtually all its expenditure, further savings in support of Value for Money can still be made by :-

- Investigating collaborative opportunities with our regional police forces such as the 'mini-tender' process for the procurement and standardisation of vehicles throughout the North West region where appropriate.
- Operating those vehicles with the best whole-life costs.
- Reviewing and streamlining procedures throughout the Fleet Services Department (e.g. the recent staffing reductions and re-structure within the vehicle maintenance garages).
- Increasing the utilisation of vehicles (e.g. Single Vehicle Platform Vehicle and Mobile Working Solutions).
- Concentrating on tasks which add the most value to the Constabulary (e.g. in house repairs and maintenance which provide a quick turnaround of vehicles in the garage thus reducing downtime).
- The National NAPFM Benchmarking Scheme.

13. Benchmarking

The NAPFM Benchmarking Scheme aims to agree standard ways of defining and measuring costs, performance, operational efficiency and use of data to suggest improvements to the way each police force runs its fleet operation.

By continually comparing against each other, and freely sharing data in a secure environment, the best practices from across the country can be shared and implemented, thereby generating an ethos of continual improvement.

The results of the 2012/13 benchmarking study indicates that the Constabulary Fleet costs compare well with other Forces and has identified some areas of possible improvement within fleet. The Head of Fleet Services has taken account of the information and, reflecting where the area of improvement lies, has produced an 'improvement action plan' to:

- Reduce the vehicle maintenance/repair turnaround time by upgrading the vehicle diagnostic equipment in the Constabulary vehicle maintenance workshops. This will reduce the reliance on external garages (dealers) to diagnose faults and will enable fleet to carry out this work in-house, reducing workshop abstractions.

14. Environmental Issues

An on-going Fleet Strategy is to strive for a 'greener' more efficient fleet in terms of fuel consumption/miles per gallon and CO2 emissions which could assist in reducing the high potential increase of the Constabulary fuel budget due to the on-going fuel price increases. Utilising the National Vehicle Framework Arrangements, has determined a more sustainable series of vehicles, which are more efficient in terms of fuel consumption, CO2 emissions and contribute towards a 'greener' fleet.

The environmental impact of businesses is gradually playing a more significant part in organisational strategy. Fleet and users can contribute to the reduction of CO2 by:

- Vehicle purchased from manufacturers whom have made major strides in reducing the emissions from their vehicle manufacturing plants (as well as their vehicles) and, re-cycle a large proportion of their waste products (as well as making many components on their vehicles recyclable).
- Using the cleanest fuels, cutting out unnecessary journeys and educating drivers in the most fuel-efficient ways of driving.
- Reducing CO2 (greenhouse gas) emissions by the strategy to switch the majority of the fleet to diesel.
- The National Vehicle Framework Arrangements have also determined a more sustainable series of vehicles which will be more efficient in terms of fuel consumption and CO2 emissions.

Vehicles operating other fuel sources such as liquid Petroleum Gas (LPG) and Electric have been reviewed but are unattractive on economic grounds:

- Limited range of vehicles available.
- Poor residual values.
- Expensive to maintain.
- More expensive than a traditional powered vehicle.

It is widely-believed that Hydrogen Cells (fuel cell) will be the motor fuel of the future - possibly as soon as 5 to 7 years hence, but currently, unavailable in the general market.

Although the current alternative fuel sources may not be suitable both on economic and operational grounds, future strategies will be to continue monitoring changes in technology and therefore the Constabulary/Fleet will keep an 'open mind' on any future developments in this area.

Appendices

1. Strategic Vehicle Group – Terms of Reference

The principle objectives of the Strategic Vehicle Group are as follows:

- To consider the vehicle types to be used in particular roles within the Constabulary's transport fleet to ensure that they are fit for purpose and match the demands of operational Policing in Cumbria.
- To ensure that the overall size and apportionment of the fleet is appropriate in order to maximise transport arrangements within the boundaries of reasonable cost.
- To determine a corporate view with regards to the technical make-up of the fleet. This will include the topics of vehicle markings, emergency role equipment and specialist vehicle conversions or builds.
- To create standardisation within the fleet wherever possible in order to simplify the usage of core vehicles whilst working to benefit from volume related discounts and advantages.
- To consider the changes necessary to follow manufacturer-lead innovation by capitalising on savings and efficiencies where appropriate.
- To consider the risks associated with all standard and non-standard fleet operations, determined through vehicle type or the usage in particular roles.
- To review all aspects of the vehicle fleet use to identify areas for cost savings, increasing standards or efficiency gains.

This to include fuel usage, mileage covered, collisions and costs, maintenance costs, car cleaning, daily and weekly checks, carbon emissions information and all associated reports.

General

The group will normally meet on a 3 monthly basis where strategic fleet issues will be discussed as per the drawn up agenda. This will lead to actions where necessary to re-align the vehicle fleet to core requirements and it will ensure that the senior management team are kept aware of the vehicle issues at ground level. Actions undertaken by Fleet Services will be reported back to the group. This will help to bring a greater understanding of fleet issues to all across the force and ensure that both local and corporate requirements are understood and met. Meetings may be called more frequently where issues demand this.

The meetings will be planned in terms of venue, dates and invitations by ACPO secretariat under the direction of the C/Supt. Territorial Policing Command. A person from this team will take and circulate minutes and actions to attendees following the meetings.

Inputs

- Constabulary Senior Command Team.
- Uniform Operations management team.
- All major vehicle usage area representatives.
- Fleet Services.
- IT Services
- Driving School
- HQ Finance.
- Procurement (NPIA recommendations/directives.)
- Health and Safety

Outputs

- Action plans to make direct fleet movements/adjustments and savings.
- Actions to user groups and teams as required.
- Information/reports to area and departmental command teams as necessary.

Membership

The group will consist of the following membership:

- C/Supt. Territorial Policing Command (Chair)
- Director of Corporate Support
- Head of Fleet Services
- Head of Financial Services
- Head of ICT
- Supt. Operations (HQ)
- Crime Command representative
- Strategic Development Manager
- Health and Safety / Risk Manager
- Member of ACPO secretariat as advised (minutes)

The above list may be subject to change in line with the particular matters being discussed and decided at each meeting. Other force personnel will be invited to raise or discuss particular issues as may be necessary at that time for their area of fleet affected.

2. Fleet Capital Programme 10 Years to 2023/24

	Yr 0 2013/14 (For Info)	Yr 1 2014/15 £	Yr 2 2015/16 £	Yr 3 2016/17 £	Yr 4 2017/18 £	Yr 5 2018/19 £	Yr 6 2019/20 £	Yr 7 2020/21 £	Yr 8 2021/22 £	Yr 9 2022/23 £	Yr 10 2023/24 £	Total Yr 1-10 £
Revised Fleet Strategy (Nov'13)	850,750	924,300	932,600	566,400	1,368,000	414,200	652,100	1,705,400	707,600	746,100	1,294,400	9,311,100
Slippage from 2013/14 into 2014/15	(531,461)	531,461	0	0	0	0	0	0	0	0	0	531,461
Slippage from 2012/13 into 2013/14	195,399	0	0	0	0	0	0	0	0	0	0	0
Move to Single Platform Vehicle (growth)	0	279,339	0	0	0	0	0	0	0	0	0	279,339
Sub Total	514,688	1,735,100	932,600	566,400	1,368,000	414,200	652,100	1,705,400	707,600	746,100	1,294,400	10,121,900
Inflation (2% pa from 2015/16)	0	0	18,652	22,656	82,080	33,136	65,210	204,648	99,064	119,376	232,992	877,814
Total Revised Strategy (Core Fleet)	514,688	1,735,100	951,252	589,056	1,450,080	447,336	717,310	1,910,048	806,664	865,476	1,527,392	10,999,714
Current Approved Strategy (includes inflation **)	850,750	751,800	1,210,665	1,382,860	1,126,800	989,690	1,095,297	1,099,835	1,307,075	1,656,500	1,267,095	11,887,617
Slippage from 2013/14 into 2014/15	(531,461)	531,461										531,461
Slippage from 2012/13 into 2013/14	195,399											0
Total Currently Approved	514,688	1,283,261	1,210,665	1,382,860	1,126,800	989,690	1,095,297	1,099,835	1,307,075	1,656,500	1,267,095	12,419,078
Increase/(Reduction) on Existing Strategy	0	451,839	(259,413)	(793,804)	323,280	(542,354)	(377,987)	810,213	(500,411)	(791,024)	260,297	(1,419,364)
** note original strategy included inflation of 2.5% per annum. The inflation assumption has now been reduced to 2% pa (approximate saving as a result of change in assumptions £341k)												
Growth Bids												
Obj. 4 - Purchase of 3 Additional Protected Personnel	0	159,000	0	0	0	0	0	0	0	159,000	0	318,000
Obj. 5 - Purchase of 5 Pool Cars	0	45,000	0	0	0	0	0	0	45,000	0	0	90,000
Obj. 5 - Purchase of 5 Additional Pool Cars	0	45,000	0	0	0	0	0	0	45,000	0	0	90,000
Total Growth	0	249,000	0	0	0	0	0	0	90,000	159,000	0	498,000
Inflation (2% pa from 2015/16)	0	0	0	0	0	0	0	0	12,600	25,440	0	38,040
Total Growth (Including Inflation)	0	249,000	0	0	0	0	0	0	102,600	184,440	0	536,040
Adjusted Increase/(Reduction) on Existing Strategy	0	700,839	(259,413)	(793,804)	323,280	(542,354)	(377,987)	810,213	(397,811)	(606,584)	260,297	(883,324)

3. Fleet Strategy 10 Year Impact of Growth Proposals

	Yr 1 2014/15 £	Yr 2 2015/16 £	Yr 3 2016/17 £	Yr 4 2017/18 £	Yr 5 2018/19 £	Yr 6 2019/20 £	Yr 7 2020/21 £	Yr 8 2021/22 £	Yr 9 2022/23 £	Yr 10 2023/24 £	Total
Obj. 3 - Retain 12 End of Life Vehicles for PCSO Use (assumed retained until 31/03/2016)											
Revenue - Insurance Costs	7,332	7,479	0	0	0	0	0	0	0	0	14,811
Obj. 3 - Net Impact Cost/(Saving) of Proposal	7,332	7,479	0	0	0	0	0	0	0	0	14,811
	Yr 1 2014/15 £	Yr 2 2015/16 £	Yr 3 2016/17 £	Yr 4 2017/18 £	Yr 5 2018/19 £	Yr 6 2019/20 £	Yr 7 2020/21 £	Yr 8 2021/22 £	Yr 9 2022/23 £	Yr 10 2023/24 £	Total
Obj. 4 - Option 1 - Purchase 3 Protected Personnel Carriers											
Capital Investment (3 * £53k)	159,000	0	0	0	0	0	0	0	184,440	0	343,440
Revenue - Maintenance Costs	6,000	6,120	6,242	6,367	6,495	6,624	6,757	6,892	7,030	7,171	65,698
Revenue - Insurance Costs	1,833	1,870	1,907	1,945	1,984	2,024	2,064	2,106	2,148	2,191	20,071
Obj. 4 - Option 1 - Net Impact Cost/(Saving) of Proposal	166,833	7,990	8,149	8,312	8,479	8,648	8,821	8,998	193,618	9,361	429,209
Note - tables assume 2% inflation (per annum) on all lines											

	Yr 1 2014/15 £	Yr 2 2015/16 £	Yr 3 2016/17 £	Yr 4 2017/18 £	Yr 5 2018/19 £	Yr 6 2019/20 £	Yr 7 2020/21 £	Yr 8 2021/22 £	Yr 9 2022/23 £	Yr 10 2023/24 £	Total
Obj. 5 - Option 1 - Purchase 5 Pool Cars											
Capital Investment (5 * £9k)	45,000	0	0	0	0	0	0	51,300	0	0	96,300
Revenue - Maintenance Costs	5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975	54,749
Revenue - Insurance Costs	3,055	3,116	3,178	3,242	3,307	3,373	3,440	3,509	3,579	3,651	33,451
Revenue - Saving in Hire Car Costs	(19,900)	(20,298)	(20,704)	(21,118)	(21,540)	(21,971)	(22,411)	(22,859)	(23,316)	(23,782)	(217,899)
Revenue - Saving in Hire Car Insurance	(1,833)	(1,870)	(1,907)	(1,945)	(1,984)	(2,024)	(2,064)	(2,106)	(2,148)	(2,191)	(20,071)
Revenue - Resale Value of Vehicles	0	0	0	0	0	0	0	(8,915)	0	0	(8,915)
Obj. 5 - Option 1 - Net Impact Cost/(Saving) of Proposal	31,322	(13,952)	(14,231)	(14,515)	(14,806)	(15,102)	(15,404)	26,673	(16,026)	(16,346)	(62,385)
	Yr 1 2014/15 £	Yr 2 2015/16 £	Yr 3 2016/17 £	Yr 4 2017/18 £	Yr 5 2018/19 £	Yr 6 2019/20 £	Yr 7 2020/21 £	Yr 8 2021/22 £	Yr 9 2022/23 £	Yr 10 2023/24 £	Total
Obj. 5 - Option 2 - Purchase Additional 5 Pool Cars											
Capital Investment (5 * £9k)	45,000	0	0	0	0	0	0	51,300	0	0	96,300
Revenue - Maintenance Costs	5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975	54,749
Revenue - Insurance Costs	3,055	3,116	3,178	3,242	3,307	3,373	3,440	3,509	3,579	3,651	33,451
Revenue - Saving in Hire Car Costs	(19,900)	(20,298)	(20,704)	(21,118)	(21,540)	(21,971)	(22,411)	(22,859)	(23,316)	(23,782)	(217,899)
Revenue - Saving in Hire Car Insurance	(1,833)	(1,870)	(1,907)	(1,945)	(1,984)	(2,024)	(2,064)	(2,106)	(2,148)	(2,191)	(20,071)
Revenue - Resale Value of Vehicles	0	0	0	0	0	0	0	(8,915)	0	0	(8,915)
Obj. 5 - Option 2 - Net Impact Cost/(Saving) of Proposal	31,322	(13,952)	(14,231)	(14,515)	(14,806)	(15,102)	(15,404)	26,673	(16,026)	(16,346)	(62,385)
	Yr 1 2014/15 £	Yr 2 2015/16 £	Yr 3 2016/17 £	Yr 4 2017/18 £	Yr 5 2018/19 £	Yr 6 2019/20 £	Yr 7 2020/21 £	Yr 8 2021/22 £	Yr 9 2022/23 £	Yr 10 2023/24 £	Total
Obj. 6 - Retain 6 End of Life 4*4 Vehicles (assumed retained until 31/03/2016)											
Revenue - Insurance Costs	3,666	3,739	0	0	0	0	0	0	0	0	7,405
Obj. 6 - Net Impact Cost/(Saving) of Proposal	3,666	3,739	0	0	0	0	0	0	0	0	7,405

END OF DOCUMENT



Office of the Police & Crime Commissioner

REQUEST FOR POLICE & CRIME COMMISSIONER DECISION - (N° 008/2016)

TITLE: Cumbria Constabulary ICT Strategy 2015 – 2019 (November 2015 Update).

Executive Summary:

The ICT Strategy 2015 – 2019 developed by Cumbria Constabulary was approved by the Police and Crime Commissioner on 13 February 2015.

This covering paper provides an overview of the revised November 2015 update of the strategy which is attached for consideration by the Police and Crime Commissioner in-line with the annual budget setting process.

The ICT Strategy is designed to be a live document that is continually updated as part of the implementation of the strategy. As the business requirements of the Constabulary change, the strategy will be updated to reflect this.

Recommendation:

The Commissioner is asked to approve the ICT Strategy 2015 – 2019 (November 2015 Update) to endorse the continuation of delivery against the Key Strategic Objectives detailed within the strategy.

Police & Crime Commissioner

I confirm that I have considered whether or not I have any personal or prejudicial in this matter and take the proposed decision in compliance with the Code of Conduct for Cumbria Police & Crime Commissioner. Any such interests are recorded below.

I hereby approve/do not approve the recommendation(s) above

Police & Crime Commissioner / Chief Executive (delete as appropriate)

Signature: **Date:**

PART 1 – NON CONFIDENTIAL FACTS AND ADVICE TO THE PCC

1. Introduction & Background

- 1.1. The ICT strategy was approved by Chief Officers and the Police & Crime Commissioner for Cumbria in February 2015 and will be refreshed every four years with annual updates as required.
- 1.2. This is the first such annual update which primarily takes account of progress that has been made during 2015. No significant changes are made to the overall ICT Strategy which remains robust. The ICT strategy will be refreshed at the end of 4 years or when there is a significant change to Police and Crime Plan Priorities whichever is the sooner.
- 1.3. The financial plans have been revised as the various initiatives progress and is in accordance with the future capital & revenue budget proposals.

2. Issues for Consideration

- 2.1. The 2015-19 ICT Strategy was developed, as part of the wider Constabulary Business Plan, to actively enable the Constabulary to *Keep Cumbria Safe* and to support the priorities set out in the Police & Crime Commissioner's *Police and Crime Plan 2013 – 2017*. It specifically focuses on supporting both the Change Programme and the delivery of an effective policing strategy within the challenging budgetary constraints.
- 2.2. The strategy details and builds on the work undertaken by ICT in relation to the core ICT infrastructure, solutions and applications delivery to all areas of the organisation. The report gives a summary of where and what has been delivered to date as well as an indication of challenges facing ICT delivery going forward.
- 2.3. The ICT Strategy aims to provide a link between the strategic objectives of the organisation and the priorities for the ICT Service. It outlines the current and future requirements for ICT and documents the measures and changes that are required to meet these.
- 2.4. The strategy outlines seven key priority areas of delivery as detailed below. A summary of progress made since the strategy was approved by the Commissioner is included against each strategic theme:
 - Maintaining the operability (***Business As Usual***) of existing applications and systems.
 - There has been no major unplanned loss of service incidents or security breach in 2015.
 - A major technical upgrade of SLEUTH was undertaken in 2015 to ensure continuity of service pending Red Sigma deployment.
 - ICT supported the successful move to the new Barrow HQ, taking the opportunity to upgrade local infrastructure to meet current business requirements. ICT will continue to support the Estates Strategy in 2016.
 - Ensuring that the replacement of ***Capital infrastructure***, in line with the agreed capital budget forecast, is undertaken to preserve operational service.

- In 2015 the Constabulary's secondary data centre was migrated from Workington to Durranshill, alongside an upgrade of components of the technical infrastructure.
- Procurement of replacement Data Centre infrastructure (Converged Infrastructure) and replacement WAN infrastructure is underway for implementation in 2016. Both of these initiatives will deliver savings/efficiencies.
- The development of a full multi-agency technical requirement for the Strategic Co-ordination Center.
- To significantly enhance the Constabulary's **Mobile Working** solution in support of operational officers and staff.
 - During 2015, 1400 Samsung Galaxy devices have been deployed to all Officers, PCSO's and selected police staff. The devices provide a mix of commercial and bespoke police "apps" and can provide services "offline" addressing coverage issues.
 - Constabulary Wi-Fi infrastructure has been significantly expanded during 2015.
 - In 2016, the Constabulary will be deploying tablet/laptop devices to "flex" workers and providing additional policing and commercial "apps" for both Samsung Galaxy & laptop/tablet devices.
- To enable **Digital Working** across a broad range of our processes, in particular to support the CJS Efficiency/Digital 1st Programmes and deliver Enterprise Content Management.
 - The deployment of Police Works Case & Custody system and policing "Apps" on the Samsung Galaxy devices has further digitised Criminal Justice processes.
 - A Digital Repository System (Apex) to hold evidence and other digital information is being piloted prior to deployment in 2016.
 - Work is progressing to deliver the ICT capability to support transition to the Command & Control way of operational working.
 - ICT supported the first stage of the strategy (NPT Restructure) in September, including deployment of approx.. 900 new radios to operational officers and the introduction of more efficient talk groups.
 - The Constabulary are preparing for the next stage of the strategy for deployment in April 2016.
- To implement, renew or replace **Core Systems & Applications** where they no longer meet Constabulary needs or where new capability is required. This includes both local and national systems.
 - The NSPIS Case & Custody system was replaced by Police Works in November 2015.
 - During 2015 Cumbria migrated to the Public Services Network (PSN) from CJX.
 - The Child Abuse Image Database (CAID) was also implemented in accordance with challenging national timescales.
 - During 2016, work will start to replace key national systems including Airwave (replaced by Emergency Services Network), ANPR and HOLMES.
 - Locally work will continue on Red Sigma (SLEUTH replacement) and to confirm business requirements for HR, Finance & Duties Management systems.

- In support of the Regional agenda, Cumbria is now hosting services. Firearms began to be brought on line in 2015 along with Public Order.
- To significantly **Reduce the Cost of ICT** provision by 2018.
 - ICT has now delivered savings of £3.1m (target £2.25m) which represents a 41% reduction against the 2010 the base cost of ICT provision.

2.5. It is clear that the reliance on technology within the Constabulary is now higher than at any other time and therefore the strategy focuses on building solutions that are portable, cost effective and deliver operational policing systems and applications to all users whilst controlling implementation and on-going revenue budgets accordingly.

2.6. During 2015 ICT Project Management methods have been benchmarked by Bluelight Consulting against other similar organisations and have come out well above average. The methods have also been subject to an internal audit which concluded *“there is substantial assurance and no recommendations (for actions)”*.

3. Financial Comments

3.1. The strategy has been produced in full consultation with the Financial Services department with all information included within the future capital and revenue programme.

4. Legal Comments

4.1. There are no specific implications although to progress some of the objectives there will be a requirement for the Legal Services department to be consulted and offer professional support. This will be formulated as specific work progresses and the ICT department works closely with the Senior Legal Advisor on ICT matters advising on current and emerging areas of work.

5. Risk Implications

5.1. Specific risks are documented within the ICT risk register and recorded within the project documentation of each project / objectives.

5.2. There are a number challenges faced by the ICT department in order to achieve successful delivery of the ICT strategy in support of Constabulary priorities. ICT workloads and priorities are being closely monitored, along with Change Programme activities and the Skills & Leadership programme, through a programme of weekly gold command meetings chaired by the Deputy Chief Constable throughout 2015/16.

6. HR / Equality Comments

6.1. None identified with the endorsement and approval of the Strategy. Each objective set out within the Strategy will be assessed individually as these proceed to become individual projects.

7. ICT Comments

7.1. None, strategy produced by the ICT department.

8. Procurement Comments

8.1. The ICT department work closely with the Procurement Team when procuring goods and services. Larger projects are undertaken in conjunction with the Head of Procurement who is fully involved with the process and forms part of the Tender and Contracts Evaluating Panel.

9. Backgrounds / supporting papers

(List any relevant business case, EIA, PID, Media Strategy and append to this form; list persons consulted during the preparation of the report)

- Cumbria ICT Strategy 2015 – 2019 – Nov 2015 Update – V1.1 – **Part 2**.

Persons Consulted:

- The Extended Chief Officer Group
- Stephen Kirkpatrick, Director of Corporate Support
- Members of Corporate Support SMT
- Financial Services

Public Access to Information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the PCC website within 3 working days of approval. 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. Deferment is only applicable where release before that date would not compromise the implementation of the decision being approved.

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

If yes, for what reason:

Until what date (if known):

Is there a **Part 2** form - **YES**

Appendix – The ICT Strategy contains commercially & operationally sensitive information regarding the OPCC and Constabulary business affairs and the prevention and detection of crime.

ORIGINATING OFFICER DECLARATION:

I confirm that this report has been considered by the Chief Officer Group and that relevant financial, legal and equalities advice has been taken into account in the preparation of this report.

Signed: S. Kirkpatrick

Date: 15th February 2016

OPCC OFFICER APPROVAL

~~Chief Executive~~ / Deputy Chief Executive (delete as appropriate)

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. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner / Chief Executive (delete as appropriate).

Signature: R. Hunter

Date: 15th February 2016

Media Strategy

The decision taken by the Police & Crime Commissioner may require a press announcement or media strategy.

Will a press release be required following the decision being considered? **NO**

If yes, has a media strategy been formulated? **N/A**

Is the media strategy attached? **N/A**

What is the proposed date of the press release:



Office of the Police and Crime Commissioner Report

REQUEST FOR POLICE & CRIME COMMISSIONER DECISION - (N° 009 / 2016)

TITLE: Approval of the Capital Strategy 2016/17 and Beyond

Executive Summary:

The purpose of this report is to provide information on the proposed capital programme for 2016/17 and beyond, both in terms of capital expenditure projections and the financing available to fund such expenditure. The capital programme is developed in consultation with the Constabulary who are the primary user of the capital assets under the ownership of the Commissioner.

Local Authorities (including Police and Crime Commissioners) determine their own programmes for capital investment in non-current (fixed) assets that are essential to the delivery of quality public services. The Commissioner is required by regulation to have regard to The Prudential Code when carrying out his duties in England and Wales under part 1 of the Local Government Act 2003. The Prudential Code establishes a framework to support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure: “within a clear framework, that the capital investment plans of local authorities are **affordable, prudent and sustainable**”. To meet these requirements, all schemes within the 4 year medium term capital programme are only approved on the basis that they are fully funded either through capital grants, capital reserves, capital receipts or revenue contributions.

Recommendation:

- 1.1. The Commissioner is asked to approve the capital strategy for 2016/17 and beyond as part of the overall budget process for 2016/17.
- 1.2. The Commissioner is asked to approve the status of capital projects as outlined in paragraph 3.12 and as detailed in the appendices 2 to 5.

Police & Crime Commissioner

I confirm that I have considered whether or not I have any personal or prejudicial in this matter and take the proposed decision in compliance with the Code of Conduct for Cumbria Police & Crime Commissioner. Any such interests are recorded below.

I hereby approve/do not approve the recommendation above

Police & Crime Commissioner / Chief Executive (delete as appropriate)

Signature:

Date:

NOT PROTECTIVELY MARKED

Item 12 - PCC 24-02-16 Capital Strategy 2016-17 and Beyond (agenda item 13)



Cumbria Office of the Police and Crime Commissioner

Title: Capital Strategy 2016/17 & Beyond

PCC Executive Board Meeting 24 February 2016

Report of the PCC Chief Finance Officer

Originating Officers: Michelle Bellis, Deputy Chief Finance Officer

Lorraine Holme, Principal Financial Services Officer

1. Purpose of the Report

- 1.1. The purpose of this report is to provide information on the proposed capital programme for 2016/17 and beyond, both in terms of capital expenditure projections and the financing available to fund such expenditure. The capital programme is developed in consultation with the Constabulary who are the primary user of the capital assets under the ownership of the Commissioner.

2. Recommendations

- 2.1. The Commissioner is asked to approve the capital strategy for 2016/17 and beyond as part of the overall budget process for 2016/17.
- 2.2. The Commissioner is asked to approve the status of capital projects as outlined in paragraph 3.12 and as detailed in the appendices 2 to 5.

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3. Capital Funding and Expenditure

- 3.1. Local Authorities (including Police and Crime Commissioners) determine their own programmes for capital investment in non-current (fixed) assets that are essential to the delivery of quality public services. The Commissioner is required by regulation to have regard to The Prudential Code when carrying out his duties in England and Wales under part 1 of the Local Government Act 2003. The Prudential Code establishes a framework to support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure: “within a clear framework, that the capital investment plans of local authorities are **affordable, prudent and sustainable**”. To meet these requirements, all schemes within the 4 year medium term capital programme are only approved on the basis that they are fully funded either through capital grants, capital reserves, capital receipts or revenue contributions.
- 3.2. There are three main recurring elements to the Commissioner’s capital programme namely: Fleet Schemes, Estates Schemes and ICT Schemes. In addition to these there are currently a small number of “other schemes” which do not fall into the broad headings above.
- 3.3. The table below provides a high level summary of the proposed capital programme and associated capital financing over the four year timeframe of the medium term financial forecast (2016/17 to 2019/20).

Capital Expenditure & Financing	2016/17	2017/18	2018/19	2019/20
	£000's	£000's	£000's	£000's
Capital Expenditure				
ICT Schemes	4,440	4,753	1,398	1,759
Fleet Schemes	799	1,449	529	637
Estates Schemes	1,591	3,634	4,757	6,805
Other Schemes	54	0	0	0
Total Capital Expenditure	6,883	9,836	6,684	9,201
Capital Financing				
Capital Receipts	0	0	898	0
Contributions from Revenue	1,534	1,573	1,555	1,534
Capital Grants	1,945	6,336	2,303	811
Capital Reserves	3,305	1,927	1,928	6,857
Borrowing	100	0	0	0
Total Capital Financing	6,883	9,836	6,684	9,201

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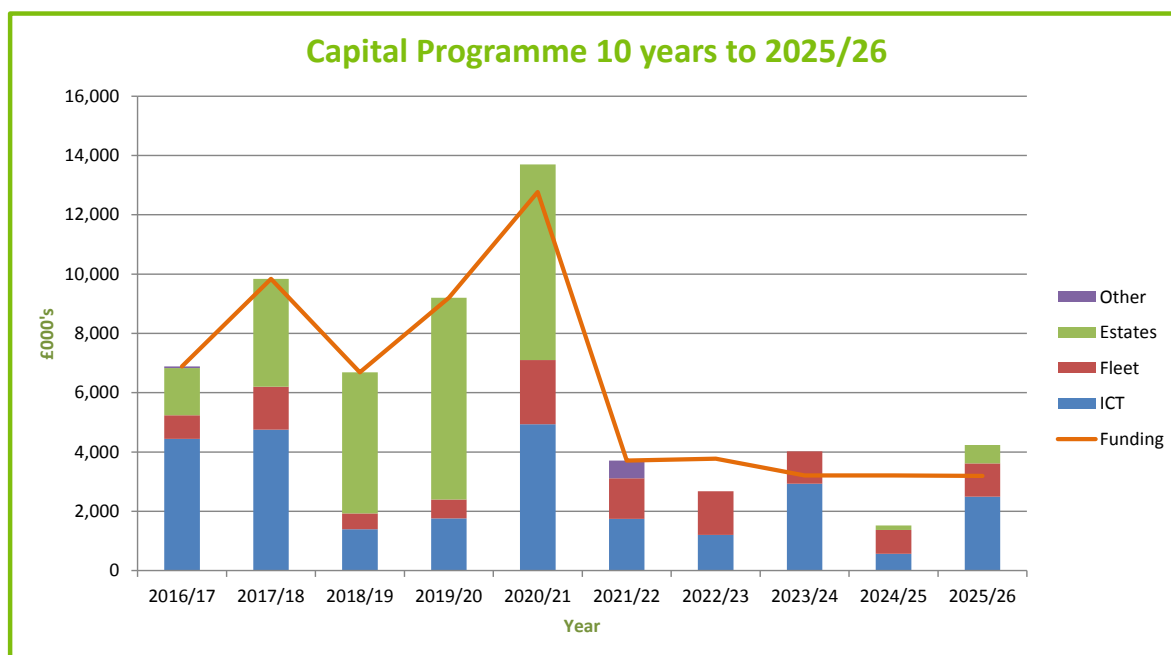
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- 3.4. The profile of capital expenditure fluctuates annually. Across the current four year programme, annual average expenditure typically comprises £0.9m to replace fleet vehicles, £4.2m on estate schemes and around £3.1m for replacement of ICT systems and equipment. ICT Expenditure reflects the Constabulary strategy to invest in technology to modernise the police service and support sustainability over the longer term as well as the heavy reliance on ICT to deliver operational policing.
- 3.5. Funding for the capital programme historically has been largely dependent on capital grants and capital reserves, supported by an annual contribution to capital from the revenue budget of £1.2m per annum. By the end of 2018/19 historic capital grant and general capital reserves will have been fully utilised. This means that the capital programme from 2019/20 is heavily reliant on revenue contributions to fund capital expenditure. Revenue contributions to capital have been increased by £2m in 2019/20, £1.7m in 2020/21 and £1.3m per annum thereafter to ensure the stability of the capital programme over the longer 10 year capital strategy. The provisional funding settlement figures announced on 17 December did not include detailed information regarding capital settlements (these are to be announced as part of the final settlement in February 2016), the funding analysis did suggest however that the capital grant figures would reduce by 40%. The forecast for capital grant from 2016/17 has therefore been reduced accordingly to an estimated £426k per annum from 2016/17.
- 3.6. A summary of the 10 year capital programme is provided for information at **Appendix 1**. The appendix shows that the capital programme is now fully funded over the ten year period to 2025/26. Over the later years of the programme this funding is heavily dependent on revenue contributions with capital grants supporting on average only 13% of the cost of the programme. The appendix shows that in years 5-10 of the programme there are some shortfalls and excesses which balance out over time. The detailed figures over the longer term will be subject to some refinement which will address these in year differences.
- 3.7. As a result of the majority of capital expenditure being in relation to relatively short lived assets (e.g. ICT and fleet of up to 10 years life), choices for financing the capital expenditure are fairly limited. Borrowing for short lived assets is not a viable consideration due to the requirement to set aside funds from revenue for the repayment of debt over the life of the asset.

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The chart below illustrates capital expenditure and funding over the ten year period:



3.8. ICT Schemes

The ICT Capital Programme primarily provides for the cyclical replacement and improvement of the full range of ICT equipment, hardware and application software to meet the strategic and operational needs of the Constabulary. However, over the period of the medium term financial forecast it also supports the Constabulary Strategy to invest in technology to modernise the police service that is delivered to our communities. Significant investment in modernisation now will support sustainability of the service over the longer term and also enables the Constabulary to play its part in delivering the national vision for digital criminal justice processes across all agencies, with the aim of improving outcomes for victims. The ICT capital programme in support of the modernisation strategy is set out in the detailed ICT strategy 2015-2019, an annual refresh of which will be presented for approval by the Commissioner at the Executive Board meeting in February 2016. The ICT strategy and the capital programme now presented includes all those aspects previously incorporated into the Constabulary Business Plan; investment in Mobile Working, Digital Working and the Change Programme as well as the renewal or replacement of core systems and applications such as the Crime and Intelligence system SLEUTH and Constabulary Finance, HR and Duties systems. The ICT Capital Programme must also make provision for national programmes, in particular the significant investment that will need to be made for the replacement of the police radio (Airwave) system under the national Emergency Services Network (ESN) programme. The ESN scheme is now included in the capital programme at the estimated cost of £2.7m over the four years of the MTFF and £6.0m over 10 years. Details are still emerging and it won't be clear as to the

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financial commitment needed locally until the Home Office have approved the full business case which is expected in Feb 2016.

A key strand of the ICT strategy is to significantly reduce the cost of ICT provision, including capital demand; for example in the coming year, ICT will be deploying a more cost effective packaged data centre solution (Converged Infrastructure) as part of its rolling replacement programme. As a result of this and similar initiatives, the additional provision for ESN (£6.0m over 10 yrs. & £2.7m over the MTFF) has largely been absorbed. Compared to the existing programme, the ICT capital programme now presented remains broadly flat over the 10 years and has only increased by £1.2m over the MTFF period.



The scope of the ICT schemes covers the cyclical replacement and improvement of the full range of ICT services: the networks, security and storage data centre capacity. This ensures information can be moved securely between the different systems and device end points through which it is entered, processed and stored; delivery of local and mandated national police systems such as the main crime &

intelligence system, command and control, forensics management, prisoner information systems, case and custody, including digital files for integration with the crown prosecution service and the police national data base that supports the sharing of information between forces. Telecommunications systems within the programme provide airwave/radio capacity for police officers on duty and a central communication system to manage 999, 101 calls as well as the core telephony systems used by the Constabulary and OPCC. There are also smaller bespoke systems that for example manage the issue of tickets and penalty notices, support fingerprint identification and the collection and storage of digital evidence, collision investigation systems, automatic number plate systems, etc. The Constabulary also maintain the usual range of ICT systems to manage back office functions including financial transactions, human resources, payroll, fleet management, estates management, ICT support systems and training and learning systems. Budgets for devices provide for the costs of the different technology used to access these systems, including traditional desk top computers, laptops, tablets and smartphones that use application technology (police apps) but importantly provide end user access to all systems and applications.

Appendix 2 provides a hi-level analysis of the ICT capital programme.

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3.9. Fleet Schemes

The constabulary fleet replacement programme consists of 289 vehicles. The capital programme provides for the replacement and adaptation of these vehicles on a periodic basis at the end of their useful life. The programme is based on the Fleet Strategy 2013 to 2017, an annual refresh of which will be presented for approval by the Commissioner at the Executive Board meeting in February 2016. The fleet strategy sets out the constabulary fleet requirements over the coming years. The main aim of the fleet strategy is to provide a cost effective fleet service to meet the needs of operational policing. All vehicles are procured through a national framework agreement which ensures value for money is achieved.

During 2015/16 changes to the NPT structure have been made and will continue into 2016/17, the resultant implication on the fleet strategy is still to be quantified. The fleet capital programme as part of this overall capital strategy includes a target for the reduction in fleet costs of 10% in 2016/17, 15% in 2017/18 rising to 20% from 2018/19. The Estates & Fleet Manager will work with



operational colleagues to deliver these savings through a combination of reducing vehicle numbers, extending vehicle lives or changing vehicle specifications. Progress against this target will be monitored through the Constabulary's Strategic Vehicle Group. The fleet strategy will also need to consider the impact of the ICT Strategy 2015-2019 and the updated Estates Strategy 2013-2017. The continued reduction in police buildings and the investment in mobile and digital

working will have implications for the demand/location for police vehicles and the arrangements for optimising their utilisation. These changes will impact on the way the fleet is used. This means that whilst the 2016/17 capital programme is recommended for approval on a firm basis, the programme for future years is currently indicative and subject to change as the fleet programme develops to meet the changing needs of the organisation.

Appendix 3 provides a hi-level analysis of the fleet capital programme.

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3.10. Estates Schemes

The Commissioner's estate currently consists of 39 premises (including police headquarters, larger police stations/Territorial Policing Area HQ which include custody suites, smaller police stations and a small number of residual police houses). The estates schemes are supported by the Estates Strategy 2013-2017, an annual refresh of which will be presented to the Commissioner for approval at the PCC Executive Board meeting in February 2016 as part of the overall budget process for 2016/17. The estates strategy aims to provide a link between the strategic objectives of the organisation and priorities for the estate. The strategy outlines the current and future requirements of the estate and documents the changes that are required to meet these.



During 2015/16 the construction of a new South TPA HQ in Barrow was completed with the building becoming operational from September 2015.

(Barrow TPA HQ, Opened September 2015)

The flooding in December identified a number of risks to resilience and business continuity arising at a number of sites across the Commissioner's estate. The impact of the flooding has been to expose a number of significant risks, in particular to communications and ICT infrastructure, but also in respect of wider issues concerning deployment and custody. These risks require investment to mitigate and provide assurance in respect of future operational capabilities during severe weather incidents. It is therefore recommended that:

The existing capital scheme for Estates North is enhanced to meet identified operational needs and improve resilience. The enhanced scheme will provide additional resilience in respect of provision of ICT and communications infrastructure and provide for the relocation of areas of the business that have been subject to flooding on the HQ site. It is recommended that the scheme enhancements are approved on a delegated basis to the Commissioner's Chief Finance Officer as final costs will be subject to procurement for the works.

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A new scheme for Estates West is included in the capital programme. The scheme aims to address the longer term resilience issues experienced during the December floods in respect of custody and deployment. It will also provide a long term solution to the arrangements regarding the PFI scheme at Workington. The scheme is in the early stages of development and it is therefore recommended to be approved on an indicative basis and subject to a full business case being developed for approval.

Appendix 4 provides a hi-level analysis of the estates capital programme.

3.11. Other Schemes

Other schemes include cross cutting programmes of work and include the provision of a county wide CCTV system, works to further develop the finance system and e-business suite and developments to the Constabulary Intranet and Internet sites.

3.12. The capital programme proposed is to be approved in three status categories:

- Firm – Where a firm scheme is approved, procurement can commence without delay.
- Delegated – Where a scheme is approved in principle but there are fine details with regards to procurement and cost that have been delegated to the Commissioner's CFO for final approval.
- Indicative – Where a scheme requires a full detailed business case to be submitted to the Commissioner for formal approval.

4. Supplementary information

Attachments

Appendix 1	Capital Expenditure and Financing 10 years 2016/17 to 2025/26
Appendix 2	ICT Schemes
Appendix 3	Fleet Schemes
Appendix 4	Estates Schemes
Appendix 5	Other Schemes
Appendix 6	Analysis of the change in Capital Strategy between February 2015 and February 2016

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Appendix 1

Capital Expenditure and Financing 10 years 2016/17 to 2025/26

Capital Expenditure	Yr 0 2015/16 £	Yr 1 2016/17 £	Yr 2 2017/18 £	Yr 3 2018/19 £	Yr 4 2019/20 £	Yr 5 2020/21 £	Yr 6 2021/22 £	Yr 7 2022/23 £	Yr 8 2023/24 £	Yr 9 2024/25 £	Yr 10 2025/26 £	Yr 1-10 Total £
ICT Schemes	4,191,291	4,439,655	4,753,122	1,398,030	1,758,726	4,940,185	1,749,259	1,201,914	2,934,451	568,733	2,494,273	26,238,348
Fleet Schemes	599,172	798,957	1,448,611	529,406	637,459	2,161,170	1,363,712	1,472,652	1,084,600	806,412	1,121,160	11,424,139
Estates Schemes	4,990,749	1,590,610	3,633,974	4,756,662	6,805,000	6,600,000	0	0	0	150,000	620,000	24,156,246
Other Schemes	864,452	53,890	0	0	0	0	600,000	0	0	0		653,890
Total Capital Expenditure	10,645,663	6,883,112	9,835,707	6,684,098	9,201,185	13,701,355	3,712,971	2,674,566	4,019,051	1,525,145	4,235,433	62,472,623

Capital Financing	Yr 0 2015/16 £	Yr 1 2016/17 £	Yr 2 2017/18 £	Yr 3 2018/19 £	Yr 4 2019/20 £	Yr 5 2020/21 £	Yr 6 2021/22 £	Yr 7 2022/23 £	Yr 8 2023/24 £	Yr 9 2024/25 £	Yr 10 2025/26 £	Yr 1-10 Total £
Capital Receipts	0	0	0	(898,000)	0	(1,707,000)	(461,094)	(538,906)	0	0	0	(3,605,000)
Contributions from Revenue	(1,869,242)	(1,533,727)	(1,573,247)	(1,554,927)	(1,533,727)	(3,293,686)	(2,826,287)	(2,806,527)	(2,783,727)	(2,783,727)	(2,864,127)	(23,553,709)
Capital Grants	(576,021)	(1,944,669)	(6,335,907)	(2,302,713)	(810,702)	(425,590)	(425,590)	(425,590)	(425,590)	(425,590)	(332,245)	(13,854,186)
Capital Reserves	(6,155,401)	(3,304,775)	(1,926,553)	(1,928,458)	(6,856,756)	(7,343,244)	0	0	0	0	0	(21,359,786)
Borrowing	(2,045,000)	(99,941)	0	0	0	0	0	0	0	0	0	(99,941)
Total Capital Financing	(10,645,663)	(6,883,112)	(9,835,707)	(6,684,098)	(9,201,185)	(12,769,520)	(3,712,971)	(3,771,023)	(3,209,317)	(3,209,317)	(3,196,372)	(62,472,622)

Capital Budget (Excess)/Shortfall	0	0	0	0	0	931,835	(0)	(1,096,457)	809,734	(1,684,172)	1,039,061	0
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A more detailed analysis of capital expenditure is provided at Appendices 2-5.

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Appendix 2

ICT Schemes

ICT Summary	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 1-10
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£	£	£	£	£	£	£	£	£	£		£
ICT End User Hardware Replacement (002x)	214,600	269,500	94,622	588,660	85,349	98,971	270,123	636,193	92,023	106,897	95,553	2,337,892
ICT Core Hardware Replacement (003/004x)	2,272,677	787,260	297,900	550,570	1,620,990	2,770,032	765,927	363,925	571,025	275,976	1,300,450	9,304,056
ICT Core Infrastructure Replacement (projects)	0	675,000	0	0	0	0	0	96,094	750,000	0	0	1,521,094
ICT Infrastructure Solution Replacement (Projects)	824,708	1,075,078	1,698,600	111,460	52,386	53,382	54,396	55,430	56,483	57,556	58,650	3,273,420
Mobility and Digital	879,305	1,382,817	202,000	147,340	0	745,800	334,813	50,272	116,600	128,304	689,700	3,797,646
ESN (Radio Replacement)	0	250,000	2,460,000	0	0	1,272,000	324,000	0	1,348,320	0	349,920	6,004,240
Total ICT Summary	4,191,291	4,439,655	4,753,122	1,398,030	1,758,726	4,940,185	1,749,259	1,201,914	2,934,451	568,733	2,494,273	26,238,348

Status - The ICT schemes within the capital programme above consolidate a significant number of complex and interrelated projects. The status of schemes is subject to agreement between the Commissioner and Constabulary. It is recommended that delegated approval is given to the Commissioner's Chief Finance Officer to agree the status of schemes on the basis of the following principles:

Firm Schemes

- Schemes that are either routine cyclical upgrade of existing systems/hardware/software
- Schemes which have been approved by the Commissioner following submission of a business case/decision report

Delegated Schemes

- Schemes agreed in principle by decision report, where the detail of the financial profile/procurement/implementation plans are still to be developed
- Schemes within the Chief Finance Officer's virement authorisation limits for which there is a clear business case
- Schemes above the Chief Finance Officer's virement authorisation limits, but which are nationally mandated and supported by a business case.

Schemes not meeting the principles for firm or delegated schemes will be classed as indicative and will require a business case or decision report to the Commissioner before approval is given to commence with the scheme. The status of schemes applies to the funding for the four years 2016/17 to 2019/20, covering the period for which the capital programme is fully funded.

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Appendix 3

Fleet Schemes

Fleet Summary	Status	Number of Vehicles in Category	Yr 0 2015/16 £	Yr 1 2016/17 £	Yr 2 2017/18 £	Yr 3 2018/19 £	Yr 4 2019/20 £	Yr 5 2020/21 £	Yr 6 2021/22 £	Yr 7 2022/23 £	Yr 8 2023/24 £	Yr 9 2024/25 £	Yr 10 2025/26 £	Yr 1-10 Total £
Covert vehicles	Firm	28	94,200	119,340	225,888	0	97,848	91,960	92,736	143,982	116,696	174,050	99,360	1,161,860
Neighbourhood Policing	Firm	113	210,800	342,720	567,528	384,780	0	1,594,450	376,320	586,074	214,136	263,140	0	4,329,148
Specialist Vehicles	Firm	21	104,600	67,524	236,600	80,878	27,648	49,060	60,928	168,036	78,300	90,034	0	859,008
Chief Officers	Firm	0	0	0	0	0	0	0	0	0	0	0	0	0
Dog Vehicles	Firm	11	84,000	0	0	0	0	277,200	30,240	0	26,216	0	302,400	636,056
Motor Cycles	Firm	10	0	137,088	30,160	0	0	0	32,480	0	0	158,592	34,800	393,120
Pool Cars	Firm	29	24,700	14,484	88,504	74,200	11,124	55,550	113,120	11,514	16,936	73,514	57,240	516,186
Protected personnel Carriers	Firm	9	0	0	116,064	0	0	0	188,160	254,790	0	0	133,920	692,934
Roads Policing Vehicles	Firm	23	133,422	0	336,960	0	561,600	0	390,544	0	603,200	0	388,800	2,281,104
Crime Command	Firm	23	90,400	10,302	42,016	0	98,604	0	0	103,056	11,716	47,082	0	312,776
Crime Scheme Investigators	Firm	11	0	0	0	0	0	0	14,000	182,400	0	0	0	196,400
Garage vehicles	Firm	3	0	2,040	0	84,800	0	0	0	0	0	0	0	86,840
Misc Adaptions /Mobile Data Terminals	Firm	0	30,200	0	0	0	0	0	0	0	0	0	0	0
VIP	Firm	2	0	0	21,008	15,900	0	0	22,624	0	17,400	0	24,240	101,172
Sellafield Policing Unit	Firm	5	0	0	39,520	21,200	0	92,950	42,560	22,800	0	0	80,400	299,430
Ballistically Protected Vehicle	Firm	1	0	60,000	0	0	0	0	0	0	0	0	0	60,000
Slippage	Firm		(126,565)	126,565	0	0	0	0	0	0	0	0	0	126,565
Savings to Identify	Firm		(46,585)	(81,106)	(255,637)	(132,352)	(159,365)	0	0	0	0	0	0	(628,460)
														0
Total Fleet Summary		289	599,172	798,957	1,448,611	529,406	637,459	2,161,170	1,363,712	1,472,652	1,084,600	806,412	1,121,160	11,424,139

Capital Programme Scheme Status* Recommendations: Fleet schemes

1. It is recommended that all fleet schemes are approved as firm for 2016/17 only. This provides authority to procure on the basis of the currently approved fleet strategy. The strategy will be reviewed during 2016/17 to inform the status of the capital programme in future years.

*scheme status applies to the financial profile between 2016/17 and 2019/20 only unless otherwise stated.

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Appendix 4

Estates Schemes

Estates Schemes	Ref	Status	Yr 0 2015/16 £	Yr 1 2016/17 £	Yr 2 2017/18 £	Yr 3 2018/19 £	Yr 4 2019/20 £	Yr 5 2020/21 £	Yr 6 2021/22 £	Yr 7 2022/23 £	Yr 8 2023/24 £	Yr 9 2024/25 £	Yr 10 2025/26 £	Yr 1-10 Total £
Existing Schemes														
South Estate - Kendal Custody	a	Firm	45,000	99,941	0	0	0	0	0	0	0	0	0	99,941
South Estate - Barrow & Ulverston	b	Firm	4,221,570	0	0	0	0	0	0	0	0	0	0	0
Roof Repairs - Various														
- Whitehaven Police Station	c	Firm	0	0	0	37,625	0	0	0	0	0	0	100,000	137,625
- Kendal Police Station	d	Firm	0	0	0	0	55,000	0	0	0	0	0	120,000	175,000
HQ Flood Defence Works	e	Firm	(1,155)	0	0	0	0	0	0	0	0	0	0	0
Heating, Ventilation & Cooling Plant - Various														
- Police Headquarters	f	Firm	0	0	0	0	0	0	0	0	0	0	300,000	300,000
HQ Electrical Infrastructure	g	Firm	191,333	446,444	0	0	0	0	0	0	0	0	0	446,444
Durranhill Car Park	h	Firm	34,000	0	0	0	0	0	0	0	0	0	0	0
UPS Durranhill	i	Firm	0	0	0	0	0	0	0	0	0	150,000	0	150,000
UPS HQ	j	Firm	0	0	0	0	100,000	0	0	0	0	0	0	100,000
North Resilience Flood Management	k	Delegated	0	494,225	2,833,974	3,619,037	0	0	0	0	0	0	0	6,947,236
Workington - Land Purchase	l	Firm	500,000	0	0	0	0	0	0	0	0	0	0	0
Sub Total Existing Estates Schemes			4,990,749	1,040,610	2,833,974	3,656,662	155,000	0	0	0	0	150,000	520,000	8,356,246
New Estates Schemes 2016/17														
HQ Minor Works/Improvements	m	Firm		50,000	50,000	50,000	50,000	0	0	0	0	0	0	200,000
Garage Provision	n	Indicative	0	500,000	0	0	0	0	0	0	0	0	0	500,000
Durranhill - Replacement CCTV system and cell call	o	Firm	0	0	0	0	0	0	0	0	0	0	100,000	100,000
West Resilience Flood Management	p	Indicative	0	0	750,000	1,050,000	6,600,000	6,600,000						15,000,000
Sub Total New Estates Schemes			0	550,000	800,000	1,100,000	6,650,000	6,600,000	0	0	0	0	100,000	15,800,000
Total Estates Schemes			4,990,748.61	1,590,610	3,633,974	4,756,662	6,805,000	6,600,000	0	0	0	150,000	620,000	24,156,246

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Capital Programme Scheme Status* Recommendations: Estates Schemes

1. It is recommended that schemes (c), (d), (f), (i), (j), (o) are approved as firm, these being routine cyclical replacement and upgrade of existing facilities.
2. It is recommended that schemes (a), (b), (e), (g), (h), (l), (m) are approved as firm, the scheme having been subject to an approved business case.
3. It is recommended that enhancements to scheme (k), previously approved by the Commissioner on a firm basis, now be delegated to the PCC Chief Finance Officer for final approval.as a result of enhancements to the scheme to manage HQ estate flood resilience issues.
4. It is recommended that schemes (n), (p) are agreed in principle as indicative schemes and subject to a business case being approved by the Commissioner

*scheme status applies to the financial profile between 2016/17 and 2019/20 only unless otherwise stated.

NOT PROTECTIVELY MARKED

Item 12 - PCC 24-02-16 Capital Strategy 2016-17 and Beyond (agenda item 13)

Appendix 5

Other Schemes

Other Schemes	Status	Yr 0 2015/16 £	Yr 1 2016/17 £	Yr 2 2017/18 £	Yr 3 2018/19 £	Yr 4 2019/20 £	Yr 5 2020/21 £	Yr 6 2021/22 £	Yr 7 2022/23 £	Yr 8 2023/24 £	Yr 9 2024/25 £	Yr 10 2025/26 £	Yr 1-10 Total £
ANPR - Motorway equipment Replacement	Firm	9,100.00	0	0	0	0	0	0	0	0	0	0	0
Finance & Business Systems Upgrade	Firm	10,057.86	0	0	0	0	0	0	0	0	0	0	0
Firearms Replacement	Firm	6,546.68	0	0	0	0	0	0	0	0	0	0	0
CCTV	Firm	502,022.63	23,890	0	0	0	0	600,000	0	0	0	0	623,890
Intranet	Firm	50,000.00	0	0	0	0	0	0	0	0	0	0	0
Internet	Firm	50,000.00	0	0	0	0	0	0	0	0	0	0	0
Leadership & Skills - Blended learning	Firm	79,000.00	0	0	0	0	0	0	0	0	0	0	0
Veterans Hostel	Firm	86,020.81	0	0	0	0	0	0	0	0	0	0	0
Body Worn Cameras	Firm	45,500.00	0	0	0	0	0	0	0	0	0	0	0
Topcon GPS positioning Equipment	Indicative	0.00	30,000	0	0	0	0	0	0	0	0	0	30,000
Digital Interview Suites	Firm	26,204.00	0	0	0	0	0	0	0	0	0	0	0
Total Other Schemes		864,451.98	53,890	0	0	0	0	600,000	0	0	0	0	653,890

Capital Programme Scheme Status* Recommendations: Other Schemes

1. It is recommended that the majority of schemes are approved as firm, these being schemes having been subject to an approved business case
2. It is recommended that the Topcon GPS scheme be approved on an indicative basis subject to a business case being presented to the Commissioner for approval.

*scheme status applies to the financial profile between 2016/17 and 2019/20 only unless otherwise stated.

NOT PROTECTIVELY MARKED

Item 12 - PCC 24-02-16 Capital Strategy 2016-17 and Beyond (agenda item 13)

Appendix 6

Analysis of the change in Capital Strategy between February 2015 and February 2016

	Yr 1 2016/17 £	Yr 2 2017/18 £	Yr 3 2018/19 £	Yr 4 2019/20 £	MTFF TOTAL £
Capital Strategy - Feb-15	9,395,799	6,071,452	1,721,367	3,468,241	20,656,859
Capital Strategy - Proposed (February 2016)	6,883,112	9,835,707	6,684,098	9,201,185	32,604,102
Difference (decrease)/Increase	(2,512,687)	3,764,255	4,962,731	5,732,944	11,947,243
<u>Difference by Type</u>					
- ICT Schemes	(1,443,015)	3,056,495	397,928	(710,485)	1,300,924
- Fleet Schemes	169,445	(42,597)	(154,234)	(206,571)	(233,957)
- Estates Schemes	(1,293,008)	750,357	4,719,037	6,650,000	10,826,386
- Other Schemes	53,890	0	0	0	53,890
Difference (decrease)/Increase	(2,512,688)	3,764,255	4,962,731	5,732,944	11,947,243
<u>Explanation of the Difference by Type</u>					
- <u>ICT Schemes</u>					
Re- profile of expenditure from 2015/16 & Slippage between years	(163,000)	513,000	60,000	(69,000)	341,000
Converged Infrastructure	(1,519,571)	(238,750)	10,500	(142,875)	(1,890,696)
Growth for Finance & HR Futures	(330,000)	1,075,000	0	0	745,000
Growth for Emergency Services Network (ESN) (Revised estimate)	250,000	2,460,000	0	0	2,710,000
Growth for Hi Tech Crime	236,600	0	0	0	236,600
Tablets, PC's and Monitors - re-use and reduce numbers	(237,571)	(291,343)	(76,934)	(229,736)	(835,585)
Voice Recording - extend the life	0	(281,250)	0	0	(281,250)
Bodycams - re-profiled with a 5 year life	0	(5,500)	(5,625)	(120,750)	(131,875)
Other Changes	320,528	(174,662)	409,987	(148,123)	407,730
- <u>Fleet Schemes</u>					
Re- profile of expenditure from 2015/16	126,565	0	0	0	126,565
Ballistically Protected Vehicle & VIP vehicle added in	60,000	20,200	0	0	80,200
Re-Profiling with a change in Life or a change in Price	(48,400)	106,100	(30,200)	(29,500)	(2,000)
Price Change or Type change	11,000	105,600	21,500	0	138,100
One in one out	112,000	0	0	0	112,000
Inflation Changes	(10,614)	(18,860)	(13,182)	(17,706)	(60,362)
Savings to identify	(81,106)	(255,637)	(132,352)	(159,365)	(628,460)
- <u>Estates Schemes</u>					
Re- profile of expenditure from 2015/16	546,385	0	0	0	546,385
Re-profile North Flood Management	(2,389,393)	(49,644)	3,619,037	0	1,180,001
HQ Minor Works/Improvements	50,000	50,000	50,000	50,000	200,000
Garage Provision	500,000	0	0	0	500,000
West Estates Flood Management	0	750,000	1,050,000	6,600,000	8,400,000
- <u>Other Schemes</u>					
Re- profile of expenditure from 2015/16	23,890	0	0	0	23,890
New Scheme added in	30,000	0	0	0	30,000
Difference (decrease)/Increase	(2,512,688)	3,764,255	4,962,731	5,732,944	11,947,243



Office of the Police & Crime Commissioner

REQUEST FOR POLICE & CRIME COMMISSIONER DECISION - (N° 010 / 2015)

TITLE: 2016-17 Budget and Medium Term Financial Strategy

Executive Summary:

The Commissioner is asked to approve the revenue and capital budgets for 2016/17 and the level of council tax to support the budget, having taken into account the advice of the Chief Finance Officer in her report on the robustness of the proposed budgets. The papers provide provisional financial information for the years 2017/18 to 2019/20 and for 10 years in respect of the capital programme. The Commissioner is asked to approve the medium term financial strategy that consolidates the budgets presented for approval and sets out the arrangements for financial governance to support the management of approved resources.

Recommendation:

The Commissioner is asked to note the attached Chief Financial Officer's report on the robustness of the budget 'the Local Government Act 2003 Requirements' report, taking into account her advice in respect of his decisions on the proposed budgets.

Appendix of C the attached report 'Budget 2016/17 and Financial Forecasts 2018/19 to 2019/20' sets out the budget resolution for decision by the Commissioner in order to formally approve the level of council tax precept. In the context of the budget resolution, it is recommended that:

- a) The revenue budgets outlined in the report and appendices be approved, having regard to the Local Government Act 2003 Requirements report
- b) That the policy on reserves at appendix B be approved
- c) That the budget requirement for 2016/17 be set on the basis of the amount within the budget resolution at appendix C
- d) The council tax for Band D properties be approved at £216.63 for 2016/17, an increase of £4.05 or 1.91%, being the amount within the budget resolution
- e) The Commissioner approves the attached Medium Term Financial Strategy 2016-2020

Police & Crime Commissioner

I confirm that I have considered whether or not I have any personal or prejudicial in this matter and take the proposed decision in compliance with the Code of Conduct for Cumbria Police & Crime Commissioner. Any such interests are recorded below.

I hereby approve/do not approve the recommendation(s) above

Police & Crime Commissioner / Chief Executive (delete as appropriate)

Signature: **Date:**

PART 1 – NON CONFIDENTIAL FACTS AND ADVICE TO THE PCC**1. Introduction & Background**

It is a legal requirement for the Police and Crime Commissioner to annually set a balanced budget and to allocate funds to the Chief Constable to secure the maintenance of the Police Force for Cumbria. The attached reports set out the proposed budgets and the advice of the Commissioner's Chief Finance Officer regarding their approval.

2. Issues for Consideration

Please see attached reports. The Local Government Act 2003 report sets out the primary issues for consideration in approving the proposed budgets.

3. Implications

(List and include views of all those consulted, whether they agree or disagree and why)

- 3.1. Financial: As set out in the attached reports
- 3.2. Legal: It is a legal requirement to annually set a balanced budget and determine the police precept.
- 3.3. Risk: The attached medium term financial strategy sets out the financial strategic and operational risks and how they are being managed. The Local Government Act 2003 report documents the risks to the financial forecasts. The medium term financial strategy sets out a sensitivity analysis that quantifies the values of forecasting risks. Specific operational reserves and contingencies and general balances have been set at a level that in the view of the Chief Finance Officer is reasonable

in the context of those risks that it is possible to provide for. The budgets place reliance on the Home Office transition funding in respect of formula funding risks.

- 3.4. HR / Equality: The proposed budget provide resources used by the Constabulary. The Commissioner has arrangements in place to hold the Chief Constable to account in respect of the Public Sector Equality Duty. The Commissioner's Commissioning plan contains a number of themes and resources to support taking action on Hate Crime. Domestic and Sexual Violence initiatives are priority areas for funding and are crimes that disproportionately impact on gender. The 2016-17 budgets for the Constabulary provide resources to maintain establishment numbers at the levels supported in 2015-16.
- 3.5. I.T.: The budgets and capital programme are supported by a comprehensive ICT strategy. There are significant implications for ICT following from the investment proposed for both capital and revenue to support the delivery of the strategy.
- 3.6. Procurement: Accompanying the papers on this agenda is the Procurement Strategy. There are significant procurement implications arising from the budgets in respect of both revenue supplies and services expenditure and procurement of large capital estate and ICT schemes. Procurement regulations require procurement business partners to lead and/or support business managers in any significant or complex procurement activity.
- 3.7. Victims: The budgets provide resources for commissioning victims services in addition to the resources for the continued provision of sexual assault referral services.

4. Backgrounds / supporting papers

The Local Government Act 2003 Requirements Report

Budget 2016/17 and Financial Forecasts 2018/19 to 2019/20

Police and Crime Commissioner for Cumbria Medium Term Financial Strategy 2016-2020

Public Access to Information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the PCC website within 3 working days of approval. 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. Deferment is only applicable where release before that date would not compromise the implementation of the decision being approved.

Is the publication of this form to be deferred? NO

If yes, for what reason:

Until what date (if known):

Is there a **Part 2** form - NO

(If Yes, please ensure Part 2 form is completed prior to submission)

ORIGINATING OFFICER DECLARATION:

I confirm that this report has been considered by the Chief Officer Group and that relevant financial, legal and equalities advice has been taken into account in the preparation of this report.

Signed: n/a

OFFICER APPROVAL

~~Chief Executive~~ / Deputy Chief Executive (delete as appropriate)

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. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner / Chief Executive (delete as appropriate).

Signature: R. Hunter

Date: 15th February 2016

Media Strategy

The decision taken by the Police & Crime Commissioner may require a press announcement or media strategy.

Will a press release be required following the decision being considered? YES

If yes, has a media strategy been formulated? YES

Is the media strategy attached? NO

What is the proposed date of the press release: 24th February 2016



Cumbria Office of the Police and Crime Commissioner

Item 13 (A)
Executive Board February 24th 2016

Local Government Act 2003 Requirements Report

Report of the Chief Finance Officer

1. Introduction

1.1 The Local Government Act 2003 requires the Chief Financial Officer to report formally on the robustness of the budget for consideration immediately prior to setting the Budget and Council Tax. The report aims to ensure that the Commissioner is aware of the opinion of the Chief Financial Officer regarding the robustness of the budget as proposed, including the longer term revenue and capital plans, the affordability of the capital programme when determining prudential indicators and the adequacy of general balances and reserves. The Commissioner is required to take account of this report when determining the budget.

2. Robustness of the Estimates, Medium Term Plans and Tax Setting Calculations

2.1 Preparation for the budget, including decisions on key budget assumptions, takes place between November and February, with the budget being set 14 months ahead of the end of financial year to which it relates. Whilst the final recommended budget will always take account of the latest forecasts, the nature of the budget cycle means that there will always be some level of variation between the budget and actual expenditure. This risk is managed by ensuring that the budget process and estimates are robust and that balances and reserves are set at a level that takes account of financial and operational uncertainty. In giving a positive opinion on the robustness of the estimates and tax setting calculations reliance is placed on the Commissioner's overall arrangements for financial management.

2.2 The process for preparing the estimates involves a budget proposal from the Constabulary. The proposal is supported by detailed financial estimates prepared in accordance with guidance

issued by the Constabulary's Chief Finance Officer. Estimates are prepared under the professional supervision of the Deputy Chief Finance Officer and with the support of financial services officers. Estimates are subject to scrutiny by finance services staff and the Constabulary's Chief Officer Group prior to submission to the Commissioner's Chief Finance Officer for further review.

2.3 Working papers for review include a full reconciliation between the base budget for the previous financial year and the proposed budget for the new financial year for each section of the budget. This is accompanied by the detail of the management accounts. The working papers support an analytical review of the reasonableness of variations between financial years against budget assumptions. The overall budget consolidates the Constabulary's budget proposal with detailed estimates of the Commissioner's direct expenditure; budget's commissioned with other third parties and estimates of income. The most significant areas of income are in respect of government grant and council tax. The budget is calculated using actual information from the settlement and district notification of the tax base.

2.4 In addition to detailed estimates for the immediate financial year, a Medium Term Financial Forecast (MTFF) is prepared covering four financial years. Key financial risks identified within the forecast are included within the Commissioner's strategic risk register and are subject to review based on the likelihood and severity of the risk. This ensures that the medium term profile of income and expenditure is based on a sound review of risk and uncertainty that informs budget assumptions and the level of provisions and reserves.

2.5 Internal audit undertake cyclical reviews of the main financial systems and processes. Both internal and external audit provide an annual opinion on governance and internal controls. In addition, the external auditor undertakes a review of financial resilience as part of the value for money conclusion within the audit findings report. Collectively this work provides assurance with regard to the accuracy and reliability of the financial information used in the budget setting process.

2.6 On the basis of the overall arrangements for financial management, and audit of those arrangements, I can confirm that in my view the Commissioner has robust procedures in place for determining estimates, medium term plans and the Council Tax requirements.

3. Determination of the level of resources available

3.1 The resources available to the Commissioner to support expenditure primarily derive from Home Office Police Grant (£59.5m). The next most significant funding source is Council Tax (£36.1m). The balance of expenditure is funded from specific grants, reserves and fees and charges. The 2016/17 budget is based on actual government grant settlement figures and district notifications of the Council Tax base. As such, a high degree of assurance can be provided in respect of the level of certainty for 2016/17 in respect of funding. This level of assurance cannot be given to resources beyond 2016/17. Whilst Council Tax income forecasts are reasonably assured, there is a high degree of uncertainty with regard to government formula and specific grants funding in future years. This means that there are a number of risks and issues that currently make the calculation of revenue funding forecasts challenging beyond the 2016/17 financial year.

3.2 Each of the key issues with regard to the availability of resources, and the approach taken to managing the associated financial risk, is set out below. It is my opinion that the approach taken, alongside the Commissioner's position with respect to reserves and balances, is both prudent and robust in view of the level of risk.

Police and Crime Panel Veto

3.3 The arrangements for budget setting provide the Police and Crime Panel with a veto over the level of precept increase. The panel may determine that the precept increase is too high or too low. In these cases, the Commissioner is required to either reduce or increase the precept. It is for the Commissioner to determine the extent to which the precept is revised, having taken into account the views of the panel. For the 2016/17 budget the panel determined not to exercise its powers of veto and the budget is presented on the basis of the precept proposal supported by the panel of 1.91%. The position of the panel in respect of future year precept increases will not be known until January of the relevant financial year, presenting a risk in respect of the precept increase assumptions in the medium term budget.

Legacy Council Tax Grants

3.4 Council tax discounts are available to support low income households with the cost of their council tax liabilities. They are administered locally on the basis of schemes developed by district councils. Because these benefits were previously administered nationally, and the impact of the

change reduces the local tax base and council tax income, a national government grant compensates precept and billing authorities for the funding loss. Further compensation is provided for financial years where decisions have been taken to freeze the council tax precept. Collectively these grants are known as Legacy Council Tax Grants. The amount of grant for Cumbria is £4.85m from a national fund of £507.39m.

3.5 There is a level of uncertainty in respect of longer term methodologies for distributing this funding and the mechanism through which the total amount of grant funding will be determined nationally. In addition, the calculation of the total national funding and its distribution is based on a number of assumptions. Where local circumstances vary from these assumptions, there will be a financial implication.

3.6 The level of government grant is set at the time of the financial settlement. The main risk in respect of the level of national funding is therefore in respect of future years grant allocations and the extent to which this funding is impacted by overall reductions in government department expenditure allocations. It is also unclear whether the national review of police funding will result in this and other specific grants being rolled into formula grant. This would result in a complete change in the distribution methodology with potential impacts from the 2017/18 settlement. The Commissioner's current share of the national total funding for Legacy Council Tax Grants is 0.96%. Cumbria's proposed share of the total pot for formula funding is between 0.71% and 0.63% depending on which methodology is used. This means that a consolidation of the grant into the formula funding distribution, even assuming no reduction in the amount of funding at a national level, would result on a funding loss of between £1.2m and £1.6m for Cumbria.

3.7 A further risk is the potential for an increase in local claims for council tax discount. Experience of the last three years suggests that this risk is low as the move to local schemes has not resulted in any significant changes between former benefit and current discount applicants. It is however known that there are gaps between the proportion of households eligible for discounts and the proportion that actually claim. Should this risk materialise there will be an implication for the collection fund managed by districts that will be shared with all precepting bodies. A high level estimate of the impact of this risk suggests that a 10% increase in claims would have a financial implication of around £400k for the Commissioner's budget.

Council Tax Base & Collection Fund Surplus and Deficits

3.8 The amount of council tax income is dependent on the level of council tax and the council tax base – the number of households in Cumbria, within property bands A to G, with a liability to pay their council tax bill. The council tax base is known for 2016/17 but may go up or down compared to the forecasts for the three final years of the medium term financial forecast. The forecast assumes that from 2017/18 the annual increase in tax base is 0.75%. This presents a cumulative risk to the budget of £870k by 2019/20. Estimates have however been prepared based on a rolling average for the previous forecast period and are considered to be robust. They will be revisited on an annual basis.

3.9 In any single year the actual council tax income collected from households by district councils can be higher or lower than the amount forecast at the time of setting the budget. Any variation is shared with precepting authorities and will impact on the total amount of council tax income in future years. The factors influencing the council tax base and actual income collected are complex and difficult to forecast. There is therefore always a risk that income does not meet budgeted amounts. This is however considered to be a small risk as more recent trends, following council tax localisation, has been for actual income to exceed the forecast. The budget currently assumes the surplus will be £200k per annum from 2017/18.

Council Tax/Council Tax Grant Risk

3.10 Collectively, the factors above mean that the ability to accurately forecast council tax income and the local council tax grant, in the medium term, is becoming complex, reducing the amount of assurance that can be provided from income forecasts beyond 2016/17. However a high degree of assurance can be provided with regard to the combined income from council tax and council tax grants for 2016/17. Whilst future income will be less certain, the most significant risks are in respect of formula funding. Variations to risks outside the funding formula are likely to be capable of being managed without having a material impact on the robustness of the budget or financial resilience.

National Funding Settlements

3.11 The budget for 2016/17 is presented based on notifications of the actual financial settlements. Beyond 2016/17 financial forecasts are based on estimates. The current medium term forecast

assumes a flat rate of Government funding for the next four years, based on the total police grant for 2016/17, but applies an estimated reduction of £9.9m due to formula funding changes. The full range of potential formula funding impacts has been estimated to be between £9.9m and £15.8m for core Police Grant. Whilst the budget does not take account of this level of financial risk in full, the Change Programme that is tasked with delivering financial savings is developing options for cost reduction to cover the full range of estimated formula funding reductions. Application to the Home Office will need to be made for transition funding to support the budget pending the implementation of the Change Programme.

3.12 This strategy carries some level of risk, making the assumption that any changes to formula funding will be supported by sufficient transitional funding to allow time to implement material changes in operational services. It is however considered to be a balanced approach given the high level of uncertainty regarding the timing and impact of changes to national funding formula.

Capital Grants and Capital Receipts

3.17 The capital budget has been developed as a 10 year programme. Government capital allocations are only given on an annual basis and the resources from 2016/17 have therefore been prudently based. Overall funding within the programme is reliant on capital receipts and this presents some risk to funding given the economic climate and market conditions. Capital reserves are however managed at a level to ensure that the programme is balanced for four years. This provides a high degree of resilience in respect of available funding over the life of the medium term financial forecast.

4. The affordability of Spending Plans

4.1 Revenue and Capital budget plans are subject to annual review to ensure that forecasts of resources remain robust and can support planned levels of expenditure. Whilst the process for developing budget estimates is comprehensive, there will always be a degree of risk and operational uncertainty in respect of expenditure forecasts. The affordability of the budget has to take account of financial risks and the actions that can be taken to mitigate that risk. In my view the Commissioner's expenditure plans are affordable, taking account of the risks set out below and the plans for how they will be managed.

Capital Expenditure

4.2 The capital programme incorporates the delivery of two significant estates capital schemes. These comprise a Estates North Resilience/Flood Management scheme at the Penrith HQ site including the delivery of a Strategic Co-ordination Centre, planned for delivery by 2018/19 and a longer term scheme Estates West scheme to manage estates resilience issues within the west of the county. Both schemes are reliant on achieving capital receipts from the disposal of vacated sites. Within the current market this will entail some risk that income is either delayed or less than the amount assumed the within the budget. The North Resilience Scheme funding is dependent only on small levels of capital receipt income but the funding envelope for this scheme will be challenging and there will be financial and reputational risks inherent in delivering to time and budget. These may be more challenging as key stages of the project will require partnership sign off. The risks to this project will be maintained within the estates risk register and will be subject to regular review.

4.3 The capital programme 2016/17 and 2017/18 includes £9m in ICT capital schemes. The experience of past financial years is that ICT capital schemes can experience slippage against the budget. The reasons for the slippage is varied and includes national schemes that have not progressed, local schemes that have been subject to changes in decision making and issues around capacity to deliver within the team. Whilst slippage in capital schemes does not create a financial pressure the consequent level of reserves can be subject to challenge in the context of budget cuts. There are also reputational implications for the quality of financial forecasting and management. To protect against these risks it will be important to understand the risks and issues inherent in the ICT programme and ensure that delivery is effectively supported.

4.4 The capital programme is currently only sustainable on the basis of general capital reserves. In addition, any significant level of capital investment is reliant on one off revenue contributions and capital receipts. The programme is however forecast over 10 years to ensure advanced financial planning can be managed and peaks in expenditure are identified at an early stage. The revenue budget implications of the programme have been built into the medium term forecast.

Treasury Management

4.5 Treasury management has the potential to be an area of high budget risk that could have implications for the robustness of the budget should those risks materialise. The treasury management strategy statement provides assurance around the approach to investment and

borrowing activity and the way the function is managed that mitigates against this risk. The Commissioner should however be aware that the level of risk against any investment activity is higher in the current financial climate than would typically be the case.

Capital Financing

4.6 The capital programme is financed through direct revenue contributions, capital grants, reserves and notional borrowing. Notional borrowing reflects an underlying need to borrow to finance capital schemes but where actual borrowing has not been undertaken because internal cash flow balances are sufficient to fund schemes. Many of the internal balances are available as a result of the level of short term reserves. As reserves are spent there will become a need to actually borrow.

4.7 The exact timing of borrowing will depend on the extent to which capital schemes deliver to budget or are subject to slippage and the overall position on reserves. Borrowing will create a revenue implication in the form of interest charges. These charges are provided for on a recurrent basis from 2019/20. Should the requirement to borrow arise earlier than this date, this will create a budget pressure. This is however a low risk given that the significant reserves are held pending the delivery of capital schemes that will operate to a known and managed project plan.

Inflation/Pay Awards

4.8 Pay costs are provided for within the budget on the basis of a 1% pay increase for the duration of the medium term forecast. Pay costs account for the most significant element of the budget and are therefore highly sensitive to variations against the budget assumption. This risk is however mitigated as a result of public sector pay constraints announced nationally. Whilst pay is still be the subject of trade union negotiation with potential for concessions, this is not considered to be a material risk to the budget.

Staffing Costs and Profiling

4.9 Within the budget employment costs are an area of budget that is highly sensitive to changes in the profile of staffing and difficult to forecast as a result of the complexities of and changes to terms and conditions that influence actual pay. Maintaining officer numbers at a planned level can be operationally difficult as a result of the timing of staff turnover and lead in time to recruit.

Estimates of the costs of early retirement (ER) and redundancy have to be based on averages until the point in which individual staff are identified as part of the change management programme. These factors can cumulatively give rise to significant variations between budgeted costs for pay and ER/redundancy. Historically there has been under spending against these budget heads. Under spend against a budget that incorporates significant savings requirements presents a risk that services have been reduced at a greater level or faster than is needed.

Savings Requirements and Budget Gap

4.10 The overall savings requirement over 4 years to balance the budget is £11.6m. The change programme savings for the 2016/17 budget are £2.5m and have been subject to planning and decision making with the required budget reductions being fully incorporated within the proposed budgets. They therefore present a low risk to the budget although there will be some risk that implementation does not achieve the level of savings in the plan. The net position, assuming the delivery of 2016/17 savings is a requirement for over £9m of further reductions. From 2017/18 savings have been planned but in some areas those plans are at a high level and subject to further detailed work and decisions. There are £4m of savings requirements by 2019/20 for which plans have still to be developed. This means that there is a higher risk of delivery in respect of the savings programme in later years of the medium term forecast. A key mitigating factor to this risk is that the Constabulary has a good track record of delivering savings. In addition the revenue and capital budgets provide for a significant amount of investment in ICT mobile and digital working to facilitate the necessary reductions in staff numbers.

4.11 Any underachievement in the level of required savings presents a risk of budget deficit. Should this materialise, the risk could to some degree be mitigated by a freeze on recruitment. In an average year, staff/officer turnover typically delivers a full year saving of between £2m and £3m across a 12 month period. This measure, whilst providing budget assurance, is however unlikely to support the strategic objectives and priorities within the police and crime plan. It will therefore be critical to both financial and operational performance that the change programme continues to bring forward and implement carefully considered proposals to balance the budget on a timely basis.

5 General Balances and Reserves

5.1 General balances are held as a contingency against risks not provided for in the Commissioner's financial plans or other reserves and provisions. The level of balances, reserves and provisions are assessed annually to ensure they are adequate and take account of known financial risks. This is not a precise science and local circumstances, the strength of financial reporting arrangements and the Constabulary's track record in financial management is also a key influence on the actual potential of any risk materialising.

5.2 This report sets out the key risks that have been taken into account in presenting the budget, including any provision made for that risk. Some risks are currently unfunded whilst others have a level of provision that may be less than the full requirement. General balances should be at an appropriate level to provide cover for those risks. The Commissioner's Chief Finance Officer has set balances at £3m for 2016/17. This is around 3% of net expenditure and reasonable in the context of the budget risks set out in this report. These general balances are supported by £1m of operational reserves and contingencies. These can be used to manage budget pressures in year that are unable to be contained within the set budget, being replenished as part of the following year's budget process.

5.3 Further cover is provided through the position on specific reserves. Whilst these are earmarked, a number of the reserves, particularly those for capital, are not planned to be used for a number of years. This provides an additional level of resilience in the short term, although the use of these reserves for other purposes will need to be repaid.

5.4 Based on the risk assessment, the Commissioner's general balances are sufficient to meet potential risks and earmarked reserves are set at an appropriate level for the purposes intended. More information on reserves and the purpose for which they are held is included within the Commissioner's policy on reserves, appended to the revenue budget report on this agenda.

6 The Affordability of the Capital Programme in determining Prudential Indicators

6.1 The Prudential Code requires the Chief Financial Officer to ensure that all matters required by the Code to be taken into account in determining the budget are reported to the Commissioner. The treasury management strategy statement provides assurance in respect of this requirement. In particular the strategy sets out the prudential indicators and limits calculated under the Code including those that support assurances in respect of the affordability of capital expenditure plans. The Code of practice gives no suggestions as to their appropriate level. These have to be set by the Commissioner based on individual circumstances.

6.2 The conclusions from the strategy following the setting and calculation of indicators is that capital expenditure plans are resourced and levels of borrowing are prudent in relation to income and assets. The strategy is subject to review by the Joint Audit and Standards Committee and independent advisors to provide further assurance that the principles of the code and best professional practice is being applied in relation to operational processes and procedures.

7 Conclusion

7.1 Based on the assessment included in this report I have concluded that the budgets as proposed and the associated systems and processes are sound and the level of general balances/reserves is adequate. This is subject to no amendments being made to the budget proposals which would impact on this assessment. It is my view that the estimates proposed and the tax setting calculations are robust and the provisional capital programme is affordable.

Ruth Hunter

Chief Finance Officer/Deputy Chief Executive

24th February 2016



Cumbria Office of the Police and Crime Commissioner

Item 13
Executive Board February 24th 2016

Budget 2016/17 and Financial Forecasts 2017/18 to 2019/20

Report of the Chief Finance Officer

1 Purpose of the Report

1.1 The purpose of this report is to recommend to the Commissioner for approval the revenue and capital budget for 2016/17 and the level of council tax to support the budget. The report also provides provisional estimates for the three years to 2019/20, ensuring budget decisions are taken in the context of the medium term financial forecast.

2 Introduction

2.1 It is a legal requirement for the Police and Crime Commissioner to annually set a balanced budget and to allocate funds to the Chief Constable to secure the maintenance of the Police Force for Cumbria. In doing this the budget takes into account forecasts of the income anticipated to be available to the Cumbria police area, and expenditure that is expected to be incurred in delivering the functions of the Commissioner and the priorities of the Police and Crime Plan. This report presents the Commissioner's revenue budget plans to meet these requirements.

2.2 This budget report is the final report in a series of papers that provide financial and other information to support the budget setting process. In October and January more detailed financial and contextual information has been provided to the Police and Crime Panel. Accompanying the budget report on this agenda is a report covering the capital strategy and programme, treasury management strategy, Prudential Indicators and the policy on Minimum Revenue Provision (MRP). These reports support the due diligence in respect of the affordability of the capital programme and the revenue implications of that expenditure. The agenda includes the Chief Finance Officer's statutory report on the robustness of the budget. The full suite of financial reports is available on the Commissioner's website.

3 Summary Budget and Precept

3.1 The table below sets out a summary of the consolidated budget setting out the plans for income and expenditure based on the 2016/17 government financial settlement for policing bodies. Appendix A sets out the budget for the Commissioner and the budget for the Chief Constable.

Table one: summary budget	2015/16	2016/17	2017/18	2018/19	2019/20
	£000s	£000s	£000s	£000s	£000s
Expenditure					
Police Pay	76,347	75,326	80,328	81,809	83,058
PCSO Pay	2,811	2,814	3,031	3,023	3,120
Staff Pay	19,162	19,600	18,983	19,153	19,324
Other Employee Costs	809	677	539	550	560
Premises Costs	3,720	3,532	3,613	3,697	3,783
Transport Costs	2,480	2,142	2,201	2,262	2,326
Supplies & Services	10,039	9,804	9,194	9,448	9,579
Third Party Expenditure	1,621	1,630	1,660	1,692	1,724
LGPS Past Service Costs	799	799	1,199	1,199	1,199
Insurances/Management of Change	2,533	767	795	803	833
Commissioned Services	2,699	2,583	2,083	2,083	2,083
Accounting & Financing	5,755	6,311	4,967	4,943	9,843
Contributions To Revenue Reserves	1,890	50	50	50	50
Contributions To Capital Reserves	0	3,473	0	0	2,000
Total Expenditure	130,665	129,507	128,643	130,711	139,483
Funded by					
Home Office Pension Grant	(18,006)	(18,134)	(21,577)	(22,095)	(24,010)
Other Grants & Contributions	(7,448)	(6,958)	(6,961)	(6,963)	(6,966)
Sales, Fees Charges & Rents	(3,967)	(4,639)	(4,565)	(3,952)	(4,004)
Interest/Investment Income	(125)	(100)	(135)	(170)	(170)
Revenue Reserves	(4,127)	(697)	(337)	(100)	0
Capital Reserves	(2,121)	(3,305)	(1,927)	(1,928)	(6,857)
Formula Grant	(59,884)	(59,543)	(49,643)	(49,643)	(49,643)
Council Tax Income	(34,987)	(36,132)	(36,830)	(37,812)	(38,821)
Total Income/Funding	(130,665)	(129,507)	(121,974)	(122,663)	(130,470)
Net Savings Requirement	0	(0)	6,669	8,048	9,013

3.2 The table shows estimated expenditure based on the budget proposed by and agreed with Cumbria Constabulary. It also includes expenditure for services that will be commissioned with wider partners and the Constabulary in support of the priorities within the Police and Crime Plan. The budget plan provides estimated funding of £129.5m in 2016/17 to support an equivalent level of expenditure. Between 2017/18 and 2019/20 the gap between income and expenditure is expected to increase to £9m. This is the net impact of inflationary pressures on expenditure and estimated reductions in Police Grant offset by increases in Council Tax Income and Pensions Grant, the later funding growth in the cost of police pensions. The Constabulary, as the main recipient of funding from the Commissioner, will provide annual plans for a reciprocal reduction in costs, ensuring an overall balance of resources through the delivery of a savings programme. At the time of writing this report, plans for delivering saving have been developed but are subject to implementation. Section 6 within this report sets out more information on the impact of implementing the change programme to achieve the required reductions in expenditure.

4 2016/17 Policing Bodies Grant Settlement

4.1 On the 17th December 2015 the provisional funding allocations for policing bodies in England and Wales were announced. The funding allocations were based on a 0.6% cash reduction that consolidated the previously announced national funding with a number of top-slicing reductions to fund national policing initiatives. The final settlement was announced on 4th February and confirmed that there would be no changes to the provisional settlement. The outcome of the settlement is a formula funding amount of £59.543m for the Cumbria police area for 2016/17. The equivalent figure for 2014/15 was £59.884m. There are no indicative figures for future years.

4.2 The settlement confirmed that the current arrangements for formula funding and damping would continue for 2016/17. This means all policing bodies received the same percentage reduction in core Government funding. The financial position is expected to become significantly more difficult after 2016/17 with a significant risk of a worsening financial outlook as a result of changes to the Home Office police funding formula. More information on potential formula funding changes is set out in the Commissioner's Medium Term Financial Strategy. The budget currently assumes that the impact will be a reduction of £9.9m in Police Grant from 2017/18 but there is a high level of risk regarding this budget assumption.

4.3 In addition to the formula grant the Commissioner receives a number of specific grants for policing and crime. The key grants against which most funding is received are the Police Pensions

Top-Up Grant (£18m) and Home Office legacy Council Tax Grants of £4.85m. The Commissioner will also receive income of £0.59m to support responsibilities for commissioning support for victims and restorative justice.

4.4 In summary, the formula grant settlement has seen a small reductions in funding for local policing and crime reduction in Cumbria with a loss of £0.341m of recurrent formula income in 2016/17. The medium term forecast currently anticipates a further reduction in Police Grant from 2017/18 of £9.9m. On this basis, budgeted expenditure exceeds income by £11.6m. Savings of £2.5m are planned for 2016-17 resulting in a balanced budget with a residual balance of £9m in further savings to be delivered between 2017/18 and 2019/20.

5 Council Tax Income & Other Income

5.1 The net budget for the Cumbria Police area is funded by a combination of formula grant and Council Tax income. Income from Council Tax is dependent on a precept levied on each District Council in Cumbria. Total tax income is dependent upon the amount at which the precept is set, the number of properties charged (tax base) and the Police Area's share of any surplus or deficit on District Collection Funds. The Council Tax Base takes account of expected collection levels and discounts. The surplus or deficit position on each District Collection Fund reflects the extent to which actual collection and discounts have varied from the budget. Each precepting authority takes a share of the deficit or surplus pro-rata to their share of the precepts.

5.2 The amount of the council tax precept is a decision for the Commissioner, who will take account of the views of the Police and Crime Panel and other consultations in making that decision. This is providing the proposal on the precept is within the Government's Council Tax increase limits. The limits are set by Government each year and inform the percentage increase in Council Tax income allowed before the Commissioner would need to hold a public referendum. The Government has formally announced the Council Tax increase limits as part of the formula grant settlement. The limit for Policing Bodies is set at 2%. **The Commissioner's budget is based on a precept increase of 1.91%. The financial implications for residents are that the Band D Council Tax amount would increase to £216.63 for 2016/17, an increase of £4.05.**

5.3 Council tax income is forecast using the tax base estimates provided by district councils. Calculations of the tax base have taken into account billing authorities' responsibilities to support low income households with their council tax liabilities. This support is delivered by way of local

schemes that provide discounts. The discounts reduce the tax base and therefore also impact precepting bodies. Schemes are subject to review and the Police and Crime Commissioner is required to be consulted with regard to scheme changes. Districts have not proposed any changes to these schemes for the 2016/17 financial year.

5.4 The table below sets out the tax base for each district for 2016/17 and the tax base for the prior year. The table shows that the total tax base is estimated to increase by 2538 band D equivalent properties. Budgets from 2017/18 are based on an assumed annual increase in the tax base of 0.75%. The actual updated tax base will be incorporated into future budgets in the year it is notified by districts. If the tax base increases above our estimates this will deliver a small budget benefit whilst a decrease from our estimates will have a negative impact on funding.

District	tax base 2015/16	tax base 2016/17	Increase (decrease)	% change
Allerdale Borough	28,905.29	29,470.67	565.38	2.0%
Barrow Borough	18,061.47	18,555.44	493.97	2.7%
Carlisle City	31,585.89	32,138.68	552.79	1.8%
Copeland Borough	19,846.36	20,121.06	274.70	1.4%
Eden District	19,543.10	19,886.14	343.04	1.8%
South Lakeland District	44,202.64	44,510.88	308.24	0.7%
Total	162,144.75	164,682.86	2,538.12	1.6%

5.5 In addition to the recurrent grant and tax base income, the 2016/17 budget benefits from the net impact of a forecast surplus on the 2015/16 district collection funds. The table below shows the council tax attributable to each district for 2016/17 and the position on each district collection fund for 2015/16.

Council Tax Income 2016/17	tax base 2016/17	precept (Band D)	Council Tax Income	Declared Surplus/ (Deficit)	Total 2016/17
Allerdale Borough	29,470.67	216.63	6,384,231.24	147,012	6,531,243.24
Barrow Borough	18,555.44	216.63	4,019,664.97	77,963	4,097,627.97
Carlisle City	32,138.68	216.63	6,962,201.92	95,157	7,057,358.92
Copeland Borough	20,121.06	216.63	4,358,824.40	52,173	4,410,997.40
Eden District	19,886.14	216.63	4,307,934.51	52,696	4,360,630.51
South Lakeland District	44,510.88	216.63	9,642,391.93	31,739	9,674,130.93
Total	164,682.86		35,675,248.98	456,740	36,131,988.98

5.6 In addition to formula funding and Council Tax income, the budget includes an amount of one off income to support one off expenditure achieved through a contribution from reserves. The funding available to support the budget is determined annually and takes account of the funding settlement, the need to provide for budget risks and any estimated under spend from prior years. In total the 2016/17 budget is supported by the use of £4m earmarked revenue and capital reserves. The most significant element of this contribution is £3.3m from capital reserves that has been planned to support the capital programme.

5.7 Fees and charges income is estimated to provide £4.6m in 2016/17 in support of expenditure. This income is primarily derived from reimbursements for services and officers provided to support national and regional policing requirements in addition to income from driver awareness training and licensing. This income is generated on behalf of the Commissioner by the Constabulary and is netted off the overall funding provided to the Chief Constable. The general income target has been increased by £400k in 2016/17 to reflect prior year experience of actual income received and to support balancing the medium term budget.

6 Expenditure Budget & Savings

6.1 Gross expenditure of £129.5m can be supported by budgeted income in 2016/17. The same level of funding is not expected to be available in 2019/20 meaning that £9m savings will be needed to offset rising costs from 2017/18. The key driver in the level of savings requirements is cost pressures increasing whilst the total level of external financing reduces. Inflation on pay costs has been held at between 1% for the life of the medium term forecast. Inflation on supplies has been set at 1% in 201/17 followed by 1.9% for the remainder of the medium term forecast in line with Bank of England estimates. A zero based approach to setting the budget removed £1.8m of recurrent expenditure from these budgets by taking a more risk based approach to likely levels of expenditure. Low levels of inflation and a robust approach to keeping supplies and services costs low is helping to keep expenditure pressures low in the medium term.

6.2 Whilst upward pressures on expenditure are low and being well managed, budgeted income is forecast to fall, creating the requirement for savings to deliver a balanced budget. The savings programme introduces schemes for cost reduction over the life of the medium term budget. The savings that need to be made over the life of this medium term financial forecast are in addition to savings of over £20m that have already been delivered since 2010. Historic savings have largely

been delivered through efficiency savings in back office and support costs with the visible front line services being largely protected. The savings programme for the next four years will reduce front line services. Police officer numbers are forecast to reduce from the current establishment of 1123 to 997, a reduction of 123 posts. Police staff posts are forecast to reduce from 582 currently to 595, a loss of 67 posts. Fully balancing the current deficit by 2019/20 will require further consideration of the number of police officers, PCSO's and police staff that can be supported by the budget.

7 Capital Funding & Expenditure

7.1 In addition to revenue grants the Commissioner also receives a small amount of annual capital funding that supports a capital programme. The programme is developed in consultation with the Constabulary who are the primary user of the capital assets under the ownership of the Commissioner. The budget benefits from £0.43m in capital grant to support capital expenditure from the 2016/17 settlement. This compares to £0.71m in 2015/16. The reduction is as a result of a 40% national top-slicing from capital allocations. The decreasing level of capital grant provides a widening gap between the requirement for capital expenditure and capital funding. This has to be met by revenue contributions to capital and capital receipts from the disposal of property. The revenue budget currently contributes £1.2m recurrently per annum to fund capital. Over the four years of the medium term financial forecast, major capital schemes for ICT and estates are primarily funded through one off reserves and capital receipts. In future years beyond 2019/20 revenue contributions will be the primary source of capital funding.

8 Reserves and Balances

8.1 Over the life of the financial forecast total reserves are planned to reduce from £22m at the start of 2016/17 to £12.5m by end of March 2020. This is because only £3m of the total are general balances held for managing financial risks and resilience. All other funds are earmarked reserves, the substantial majority of which are planned to be used over the course of the next four years. Of the £12.5m reserves in 2020, £7.3m comprise capital reserves planned to fund the capital programme in 2021.

8.2 This report does not recommend any further movement in reserves as a result of the inherent risk in the funding settlement. The policy on reserves, setting out the purposes for which

they are held and planned movements over the life of the medium term budget are set out in appendix B.

9 Consultation & Value for Money

9.1 The Commissioner has undertaken consultation on the budget and the Police and Crime Plan in line with regulatory requirements. A public consultation on the police precept was carried out during the twelve week period 1st August to 31 October 2014 to determine public opinion on a precept increase for 2015/16 and 2016/17. The consultation comprised an independent statistically significant telephone survey undertaken by a nationally recognised company. The survey was supported by a number of county wide engagement events and an online survey. The outcome of the public consultation indicated that the majority of those surveyed would support a rise in the police precept of at least 1.9% for the next two financial years. Further public consultation has taken place through the Police and Crime Panel and with reports on the Commissioner's website during the budget setting process for 2016/17. The Panel voted to support the Commissioner's proposal at its meeting 25th January 2016 and made no further recommendations.

9.2 The Police and Crime Plan is underpinned by a performance framework that supports the Commissioner in holding the Chief Constable to account for delivering priorities and securing value for money. In developing the framework consideration is given to past performance, benchmarking against most similar forces, the level of officer and staffing resources that can be supported by the budget and the impact of the continuing implementation of the savings programme.

10 Summary

10.1 This report presents and explains the budget plans for the period from 2016/17 to 2019/20. The budget is balanced based on a precept increase of 1.91% and the delivery of £2.5m of change programme savings during 2016/17. Future year savings requirements are based on estimated figures for funding settlements beyond the next financial year. The estimates present a high degree of risk arising from a fundamental review of formula funding that will inform future grant allocations. The precept proposal will increase the annual Council Tax attributable to the Commissioner by £4.05 for a Band D property resulting in a Band D Council Tax charge of £216.63.

11 Recommendations

Appendix C sets out the budget resolution for decision by the Commissioner in order to formally approve the level of council tax precept. In the context of the budget resolution, it is recommended that:

- a) The revenue budgets outlined in this report and appendices be approved, having regard to the Local Government Act 2003 report
- b) That the policy on reserves at appendix B be approved
- c) That the budget requirement for 2016/17 be set on the basis of the amount within the budget resolution at appendix C
- d) The council tax for Band D properties be approved at £216.63 for 2016/17, an increase of £4.05 or 1.91%, being the amount within the budget resolution

12 Acknowledgements

12.1 The budget is recommended to the Commissioner with recognition for the hard work and support of the finance team who provide detailed income and expenditure forecasts and for the work of the Police and Crime Panel in providing challenge and scrutiny to the budget proposal.

Ruth Hunter

Chief Finance Officer/Deputy Chief Executive

24 February 2016

Human Rights Implications

None identified

Race Equality / Diversity Implications

Budget savings proposals are supported by the Change Programme Equality Impact Assessment (EIA) that is subject to regular review and update. Individual proposals where appropriate are identified for a specific EIA review.

Risk Management Implications

There is a legal requirement to set a balanced budget. The Commissioner's strategic risk register recognises the importance of sound financial planning.

Financial Implications

The main financial impacts are described in the paper

Personnel Implications

As identified in the report

Contact points for additional information

Ruth Hunter – Chief Finance Officer/Deputy Chief Executive
Tel 01768 217734, email: ruth.hunter@cumbria-pcc.police.uk

Appendix A

the budget for the Commissioner and the budget for the Chief constable

	Budget 2015/16 £000s	Budget 2016/17 £000s	Budget 2017/18 £000s	Budget 2018/19 £000s	Budget 2019/20 £000s
Constabulary Funding					
Police Officers - Pay	57,452	56,303	57,851	58,799	58,117
Police Officers - Contribution to Police Pension	18,006	18,134	21,577	22,095	24,010
Police Officers - Ill Health & Injury Pensions	889	889	900	915	931
Police Community Support Officers	2,811	2,814	3,031	3,023	3,120
Police Staff	18,556	18,993	18,369	18,533	18,698
Other Employee Budgets	803	672	534	544	555
Transport Related Expenditure	2,470	2,134	2,193	2,255	2,318
Supplies & Services	9,878	9,675	9,062	9,314	9,442
Third Party Related Expenditure	1,616	1,630	1,660	1,692	1,724
Constabulary Expenditure	112,480	111,244	115,178	117,170	118,916
Earned Income	(3,967)	(4,639)	(4,565)	(3,952)	(4,004)
Total Constabulary Funding	108,513	106,605	110,612	113,218	114,912
Commissioners Budgets					
Office of the Police & Crime Commissioner	799	759	768	777	786
Commissioned Services Budget	2,699	2,250	1,850	2,000	2,000
Sexual Assault Support Service	0	333	233	83	83
Premises Related Costs	3,717	3,529	3,610	3,694	3,780
LGPS Past Service Costs	799	799	1,199	1,199	1,199
Insurances and Management of Change	2,533	767	795	803	833
Technical Accounting and Capital Financing	5,748	6,304	4,960	4,936	9,836
Contributions to Revenue Reserves	1,890	50	50	50	50
Contributions to Capital Reserves	0	3,473	0	0	2,000
Grants & Contributions - Home Office Pension	(18,006)	(18,134)	(21,577)	(22,095)	(24,010)
Grants & Contributions - Other	(7,448)	(6,958)	(6,961)	(6,963)	(6,966)
Interest/Investment Income	(125)	(100)	(135)	(170)	(170)
Total Commissioners Budget	(7,394)	(6,928)	(15,207)	(15,687)	(10,579)
Use of Reserves					
Revenue Reserve Drawdown	(4,127)	(697)	(337)	(100)	0
Capital Reserve Drawdown	(2,121)	(3,305)	(1,927)	(1,928)	(6,857)
Total Use of Reserves	(6,248)	(4,002)	(2,264)	(2,028)	(6,857)
Budget Requirement	94,871	95,675	93,142	95,503	97,477
Formula Grant & Council Tax Income					
General Police Grant	(59,884)	(59,543)	(49,643)	(49,643)	(49,643)
Council Tax Precepts	(34,987)	(36,132)	(36,830)	(37,812)	(38,821)
Total Formula Grant & Council Tax Income	(94,871)	(95,675)	(86,473)	(87,454)	(88,464)
Net Deficit/Savings Requirement	0	(0)	6,669	8,048	9,013
Council Tax per Band D Property	£208.62	£212.58	£216.64	£220.78	£225.02
Increase over previous year	£3.96	£3.96	£4.06	£4.14	£4.24
Percentage Increase	1.93%	1.90%	1.91%	1.91%	1.92%

Policy on Reserves 2016/17

Our policy on reserves meets the statutory requirement to consider annually the level of reserves that should be held to meet future expenditure requirements when setting the budget. It sets out the purpose for which reserves are held and the planned movement in reserves over the life of this strategy. Our reserves are held for three main purposes. These are:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing
- a contingency to cushion the impact of unexpected events or emergencies
- a means of building up funds, often referred to as earmarked reserves, to meet known or predicted pressures or liabilities

The level of reserves should take into account the medium term financial plan and not be based solely on short term considerations. Set out below is a description of the reserves held by the Commissioner, the purpose for which they are held and a table setting out the planned movement in reserves over the life of this medium term financial strategy.

General Reserves: The general reserve is the main contingency for unexpected events, and the management of cash flow. The level of general reserve is £3m in 2016-17. The amount represents approximately 3% of the net

recurrent budget (after specific grants & fees and charges). The level of the general reserve takes account of the risks within the budget as set out in the Chief Finance Officer's report on the robustness of the budget and the level of provision for those risks within specific earmarked reserves and contingencies.

Capital Reserves: Capital reserves are a combination of general and earmarked revenue contributions that have been set aside to meet the costs of approved capital schemes to be delivered over multiple financial years. Capital schemes are only included within the capital programme on the basis of setting aside funding to meet the expenditure. The policy is that general capital reserves will be maintained at a level to ensure a balanced capital budget for the duration of the medium term financial forecast.

Earmarked Reserves: Earmarked reserves are held for a number of specific purposes. Future liability reserves provide for areas within the budget where there is a liability but the amount or timing is uncertain. Budget stabilisation reserves are established to smooth the impact of intermittent costs across financial years. Project reserves primarily fund the one off revenue implications of approved capital schemes.

Planned Movement in Reserves 2016/17 to 2019/20

Reserves	01 April 2016	2016/17 Receipt	2016/17 Payment	01 April 2017	2017/18 Receipt	2017/18 Payment	01 April 2018	2018/19 Receipt	2018/19 Payment	01 April 2019	2019/20 Receipt	2019/20 Payment	01 April 2020
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
General Reserve/Police Fund	3,000	0	0	3,000	0	0	3,000	0	0	3,000	0	0	3,000
General Reserve/Police Fund	3,000	0	0	3,000	0	0	3,000	0	0	3,000	0	0	3,000
General Capital reserve	2,810	1	(2,811)	0	0	0	0	0	0	0	2,000	(257)	1,743
North Resilience Flood Management	0	2,549	(494)	2,055	0	(1,177)	878	0	(878)	0	0	0	0
West Resilience Flood Management	13,077	923	0	14,000	0	(750)	13,250	0	(1,050)	12,200	0	(6,600)	5,600
Total Capital Reserves	15,887	3,473	(3,305)	16,055	0	(1,927)	14,128	0	(1,928)	12,200	2,000	(6,857)	7,343
Future Liability Reserves													
Insurance	523	0	0	523	0	0	523	0	0	523	0	0	523
PFI Lifecycle	303	0	0	303	0	0	303	0	0	303	0	0	303
Budget Stabilisation Reserves													
PCC Operational	250	0	0	250	0	0	250	0	0	250	0	0	250
Constabulary Operational	250	0	0	250	0	0	250	0	0	250	0	0	250
Constabulary Contingency	500	0	0	500	0	0	500	0	0	500	0	0	500
Body Armour	41	50	0	91	50	0	141	50		191	50	0	241
Short Term Project Reserves													
ICT Business Plan (Revenue)	868	0	(578)	290	0	(290)	0	0	0	0	0	0	0
Short Term Projects	345	0	(119)	226	0	(47)	179	0	(100)	79	0	0	79
Total Earmarked Revenue Reserves	3,080	50	(697)	2,433	50	(337)	2,146	50	(100)	2,096	50	0	2,146
Total All Reserves	21,967	3,523	(4,002)	21,488	50	(2,264)	19,274	50	(2,028)	17,296	2,050	(6,857)	12,489

Appendix C

Budget Resolution

Local Government Act 2003 Requirements: That the comments of the Chief Finance Officer on the robustness of the estimates and adequacy of balances and reserves be noted and reflected in the decisions made by the Commissioner in making the following budget determination for 2016/17.

Revenue Estimates 2016/17: That the Commissioner's net **Budget Requirement** of £95,674,784 be approved.

Council Tax Base 2016/17: That it is noted that the Council Tax based has been calculated at the amount of 164,682.86 for 2016/17. This is the total of the tax bases calculated by the District Councils as required by regulation.

Budget Requirement: That the following amounts are calculated by the Commissioner for the 2016/17 financial year:

(a)	£129,507,378	being the total of gross expenditure
(b)	£33,832,594	being the total of income from specific grants, fees and charges and transfers from reserves
(c)	£95,674,784	being the Budget Requirement for the year to be met from Council Tax and External Finance
(d)	£59,542,795	being the total the Commissioner estimates will be received from external financing, being the Police Grant
(e)	£456,740	being the net surplus on district collection funds
(f)	£35,675,249	being the council tax requirement (the budget requirement less the collection fund surplus and external finance)
(g)	£216.63	being the basic amount of Council Tax for the year (the council tax requirement divided by the tax base)

Valuation Bands and Calculation of the amount of Precept payable by each billing authority

Valuation Band	Amount £.pp	Proportion
	£	
Band A	144.42	6/9
Band B	168.49	7/9
Band C	192.56	8/9
Band D	216.63	9/9
Band E	264.77	11/9
Band F	312.91	13/9
Band G	361.05	15/9
Band H	433.26	18/9

Billing Authority	tax base 2016-17	precept (Band D)	Amount payable
Allerdale Borough	29,470.67	216.63	6,384,231.24
Barrow Borough	18,555.44	216.63	4,019,664.97
Carlisle City	32,138.68	216.63	6,962,201.92
Copeland Borough	20,121.06	216.63	4,358,824.40
Eden District	19,886.14	216.63	4,307,934.51
South Lakeland District	44,510.88	216.63	9,642,391.93
Total	164,682.86		35,675,248.98

658.24	-0.22	11.32%	4.22	-0.22	10.00%
21.23	+0.22	11.32%	835.34	-8.22	11.32%
20.34	+0.32	10.32%	21.23	+9.32	11.56%
72.20	-0.21	11.10%	20.34	+0.32	10.32%
21.522.90	+3.12	10.94%	72.20	-0.21	13.10%
3.00	-9.33	10.64%	51.322.00	+3.12	10.04%
21.23	-3.36	10.29%	3.00	-9.33	10.66%
238.27	-7.93	18.16%	23.03	-3.35	15.29%
925.10	-3.03	10.92%	238.27	-7.93	18.12%
58.23	+0.34	10.93%	925.10	+3.03	10.92%
4.25	+0.00	11.93%	58.23	+0.34	10.93%
46.32	-3.23	11.32%	4.25	+0.00	11.93%
47.38	+3.96	10.32%	46.02	-3.23	11.32%
74.32	-3.21	10.99%	47.38	+3.96	10.32%
21.494.57	-0.32	15.32%	74.32	-3.21	10.99%
2.48	+0.73	10.02%	21.494.57	-0.32	15.32%
332.45	+2.09	11.87%	2.48	+0.73	10.02%
86.39	-3.94	10.89%	332.45	+2.09	11.87%
4.21	+0.34	10.93%	86.39	-3.94	10.89%
132.09	+0.00	11.93%	4.21	+0.34	10.93%
33.33	+2.23	13.78%	132.09	+0.00	11.93%
57.92	-2.23	11.32%	33.33	+2.23	13.78%
21.23	-2.21	10.74%	57.92	-2.23	11.32%
832.96	+3.96	10.32%	21.23	-2.21	10.74%
74.32	+1.32	12.12%	832.96	+3.96	10.32%
653.22	-3.21	10.99%	74.32	+1.32	12.12%
51.2126.80	-0.32	15.32%	653.22	-3.21	10.99%
3.00	+9.73	10.02%	51.2126.80	-0.32	15.32%
83.12	+2.09	11.87%	3.00	+9.73	10.02%
63.96	+0.32	11.56%	83.12	+2.09	11.87%
234.22	+0.32	10.32%	63.96	+0.32	11.56%
12.32	-0.21	13.10%	234.22	+0.32	10.32%
24.13	+3.33	10.32%	12.32	-0.21	13.10%
74.75	+0.32	12.21%	24.13	+3.33	10.32%
89.43	+4.10	11.93%	74.75	+0.32	12.21%
92.42	-0.43	19.83%	89.43	+4.10	11.93%
9329.12	+3.03	10.92%	92.42	-0.43	19.83%
23.32	+0.34	10.93%	9329.12	+3.03	10.92%
925.10	+0.00	11.93%	23.32	+0.34	10.93%
98.23	+3.23	13.78%	925.10	+0.00	11.93%
4.25	+2.23	11.32%	98.23	+3.23	13.78%
46.32	+9.21	10.74%	4.25	+2.23	11.32%
47.38	+3.96	10.32%	46.32	+9.21	10.74%
74.32	+1.32	12.12%	47.38	+3.96	10.32%
21.494.57	+9.21	10.99%	74.32	+1.32	12.12%
74.75	+0.32	12.21%	21.494.57	+9.21	10.99%
			74.75	+0.32	12.21%



Police and Crime Commissioner for Cumbria

Medium Term Financial Strategy 2016-2020

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Welcome to the Police and Crime Commissioner for Cumbria's Medium Term Financial Strategy. The purpose of this document is to inform our stakeholders of our financial plans and policies for 2016-2020. It includes information on our approach to balancing our annual budgets, taking into account the 2015 Comprehensive Spending Review (CSR), changes to the police funding formula and the aspirations of the Police and Crime Plan. It also sets out our approach to financial management and governance and includes our capital programme setting out our expenditure plans for the estate, our vehicle fleet and investment in ICT.

This strategy has been developed in the context of the 2015 CSR that sets out the Government's plans for public spending. Those plans protect police spending in real terms and provide for continuity in the levels of real cash funding to police forces, when taking into account the capacity of Police and Crime Commissioners to raise council tax by up to 2%. During the CSR period the government aims to implement changes to the way police forces are funded. This review of formula funding is currently planned for implementation from April 2017. The CSR commitments make a significant contribution to the medium term financial outlook however the review of formula funding presents some specific challenges for policing in Cumbria.

This medium term financial strategy presents a balanced budget for 2016-17 following which a net deficit results in the requirement for significant savings. The four year forecast is presented on the assumption that funding changes will reduce formula grant resources for Cumbria by £9.9m. There are risks that this assumption proves optimistic when actual formula allocations are calculated because there is potential for a greater funding loss. On the basis of all available information it is a realistic planning assumption that ensures a level of preparedness for future funding settlements. Underlying savings plans are scalable and will be refined as soon as more information is known.

On the basis of these financial plans we will resource an establishment of 1123 police officers, 95 PCSO's and 571 police staff in 2016-17. By 2019-20 we expect police officer numbers to reduce to 997. This is a significant reduction from the position prior to the first CSR in 2010. The Police and Crime Commissioner and the Chief Constable are however satisfied that the financial plans within this strategy can sustain an independent policing model for Cumbria that delivers the aspirations within the Police and Crime Plan.

Medium Term Financial Strategy

Purpose

This strategy presents the medium term financial forecasts for revenue and capital expenditure. It supports the priorities of the Police and Crime Plan and ensures a strategic approach to setting the annual budget, including decisions on the level of council tax. Revenue budgets are forecast forward over 4 years. Capital budgets are presented over a ten year timeframe to reflect the greater degree of annual volatility in capital expenditure. The strategy sets out the key assumptions and financial policies that underpin the forecasts. This supports decisions on the level of risk within budgets and the level of provision within reserves to manage those risks.

The Police and Crime Plan Thematic Areas of Priority

Domestic abuse,
sexual violence
and hate crime

Restorative
Justice

An effective
policing strategy

Supporting
victims

Public
engagement

Key Financial Objectives

- To deliver a robust and balanced medium term financial plan and annual budget supported by an in-year reporting framework that monitors its delivery.
- To ensure arrangements for funding between the Commissioner and Constabulary deliver value for money and support the priorities of the Police and Crime Plan
- To ensure capital expenditure plans are robustly scrutinised, fully funded for a minimum of four years and are supported by capital strategies that meet the needs of the business
- To maintain a risk assessed level of reserves to meet unplanned expenditure and to provide revenue budget smoothing for intermittent costs.
- To ensure treasury management activities provide for the security of the Commissioner's funds whilst meeting the cash management needs of the Commissioner and Constabulary
- To provide a framework for financial governance that ensures the proper administration of the Commissioner's financial affairs

Spending Review & Formula Funding

This section of our strategy sets out the national financial plans that influence our funding locally and on which our medium term financial forecasts are based.

Spending Review 2015

2015-16, the starting point for the development of this strategy, has marked a significant year for police funding. On 25 November 2015 the Chancellor of the Exchequer, George Osborne MP, announced the outcome of the Comprehensive Spending Review (CSR) 2015, detailing spending settlements for each government department over the next four years (2016-17 to 2019-20). It has also

**Home Office total
funding: £11.2bn, of
which Police Grant
funding is £7.4bn
2016-17**

been the year in which the Home Office commenced a long awaited consultation on police formula funding, the mechanism through which national funding for police is distributed to policing areas locally.

Despite expectations that police funding would see significant reductions as part of the CSR 2015, in his speech, the Chancellor addressed police funding and said: "now is not the time for further police cuts, now is the time to back our police and give them the tools to do the job." The Spending Review document added that police force budgets will be maintained at current cash levels. Home Office funding under the CSR increases from £10.7bn in 2015-16 to £11.2bn in 2016-17, reducing down to £11bn by 2019-20. The CSR also announced £1bn investment in the emergency services mobile network and an additional £500m for counter-terrorism.

A letter from the Home Office to Police and Crime Commissioner's on 25th November confirmed that this meant a flat real settlement for policing as a whole when taking into account the capacity to raise council tax. The letter also advised that Commissioners should plan on the basis that the overall referendum limit for the police precept will be maintained at 2% over the spending review period. This is the first time that discretions over police precept have been announced on a multi-year basis.

The Home Office letter announced a number of planned changes to policing to be set out in the Police and Criminal Justice Bill. This included proposals to extend the role of PCC's to police complaints, fire and rescue and other services, to support better co-ordination and improve accountability.

Whilst the CSR set out total year on year funding for the Home Office, there has been no separate announcements on local police area funding over the CSR period. The Police Grant Settlement setting out funding for each Police and Crime Commissioner covers 2016-17 only. The table below shows the national totals and the share for Cumbria.

2016-17 Funding Settlement	Police Grant Funding	Legacy Council Tax Grants	Overall Total Funding
National Total England & Wales	6,914,200,241	507,388,388	7,421,588,629
Police and Crime Commissioner for Cumbria	59,542,795	4,849,759	64,392,554
Cumbria % of National Funding	0.86%	0.96%	0.87%

Police Grant Funding is the amount received from the Home Office in respect of historic grants from government departments. Legacy council tax grants are funding that compensates policing areas for the loss of council tax income. It is allocated as a result of decisions to freezing council tax and the introduction of local schemes to support low income households with their council tax bills. Cumbria receives less than 1% of the overall funding total for 2016-17.

Police Formula Funding

In the summer of 2015 the Home Office issued a consultation on a set of principles and proposals for a new formula to distribute the £7.4bn national funding to local policing areas. There has been broad consensus on the need for changes to the current mechanism for local funding. The underlying data on which police grant is currently distributed is no longer capable of being updated. There has also been a failure to implement the outcome of previous formula review. As a result of these issues, a simple damping mechanism has been applied which has resulted in an annual equal percentage change to the funding currently allocated to each Police and Crime Commissioner.

Whilst the initial intention of the Home Office was to implement the new formula from 2016-17, an error in the process means that the review has been delayed and it is now expected to be introduced from 2017-18. Forecasts of the potential financial implications for resources within Cumbria as a result of current proposals are significant. The error acknowledged by the Home Office mean that there is uncertainty in respect of which statistical measures will be used in the final formula. It is expected that the final model will be strongly based on deprivation indicators supported to a lesser extent by population. The latest proposed formula model is set out below:

Formula Funding Proposed Indicators and Weight	Weighting
Population volume	30%
Households with no adults employed and dependent children	31%
Hard Pressed or Urban adversity/Acorn 5	31%
Volume and bar density	8%

Of significance in the proposal is the inclusion of the highlighted indicator, Acorn 5 Urban Adversity. This indicator replaced Acorn 5 Hard Pressed, a deprivation measure that was included in the initial summer consultation. Changes to the formula using the Urban Adversity measure results in a significant funding loss for Cumbria compared to if the Hard Pressed measure is adopted. There are further financial implications dependent on decisions regarding the inclusion or exclusion of legacy council tax grants within the final formula.

Formula Funding Review: Potential Financial Implications	Formula Grant	Legacy C T	Overall Total
Cumbria Formula Grant 2016-17	59,542,795	4,849,759	64,392,554
Percentage	0.86%	0.96%	0.87%
Formula Funding (Hard Pressed) 0.7178%	49,630,129	3,642,034	53,272,163
Formula Funding (Urban Adversity) 0.6319%	43,690,831	3,206,187	46,897,019
Loss of Formula Funding (Hard Pressed)	9,912,666	1,207,725	11,120,391
Loss of Formula Funding (Urban Adversity)	15,851,964	1,643,572	17,495,535

The table shows that the formula funding review presents a financial risk estimated at between £9.91m and £17.49m, dependent on the specific indicators adopted and on whether legacy council tax grants are also distributed within the formula. Pending the receipt of firm information on the final formula, the medium term financial strategy currently incorporates the funding loss for the Hard Pressed indicator and excludes legacy council tax grants. The full range of financial risk arising from the funding review is being planned for in the change programme. Further information on the implications of the funding loss is set out in the strategy section on our finances.

£9.9m to £17.5m:
The estimated
financial risk from
formula funding
review

This section of our strategy sets out our main areas of income and expenditure, with detailed budgets for 2016-17 and a high level forecast for the four years to 2019-20.

Our Income

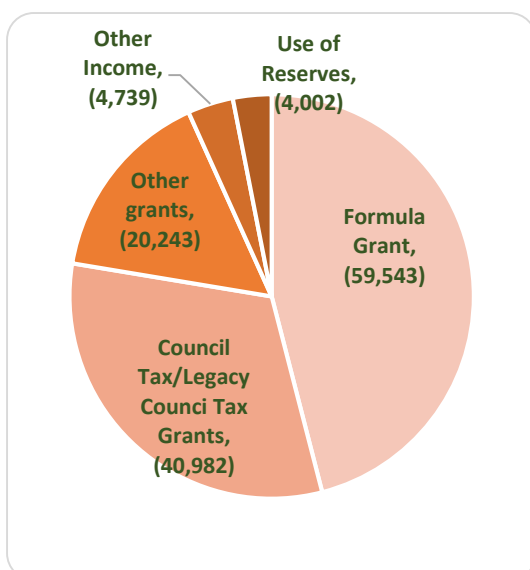
The main income for our budget comes from three sources, Police Grant from the Home Office, Council Tax income from levying a precept and specific grants from government departments. We also have smaller amounts of income from fees and charges and some of our expenditure is funded from reserves we have set aside to meet specific one off costs. The charts below compare our main sources of income for 2016-17 and 2019-20 and show how we expect income to change over the four years to 2019-20. Our forecasts of income change significantly in 2017-18 as a result of proposed changes to the funding formula that distributes total Home Office funding for the police to individual policing areas. Whilst formula funding goes down in 2017-18, by 2019-20 our other grant and council tax income goes up. We also make use of our reserves. This means our total gross income increases to £130.0m in 2019-20, but with a much smaller proportion of that funding coming from Police Grant.

£129.5m: total gross income for 2016-17
£122.m: total gross income for 2017-18

Graph one: Where the Money Comes From

Our Income budget 2016-17

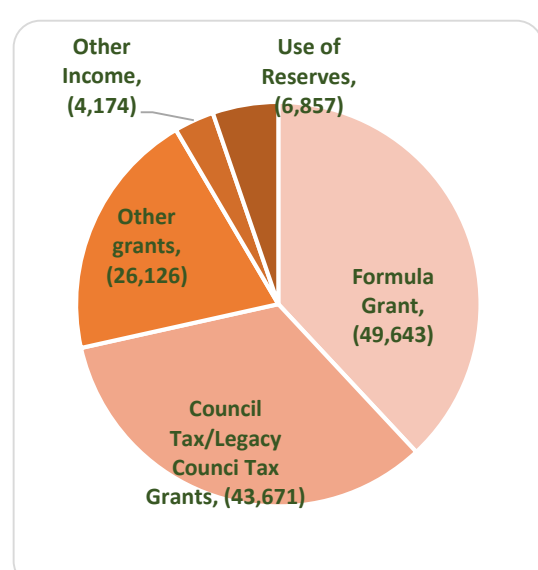
£000

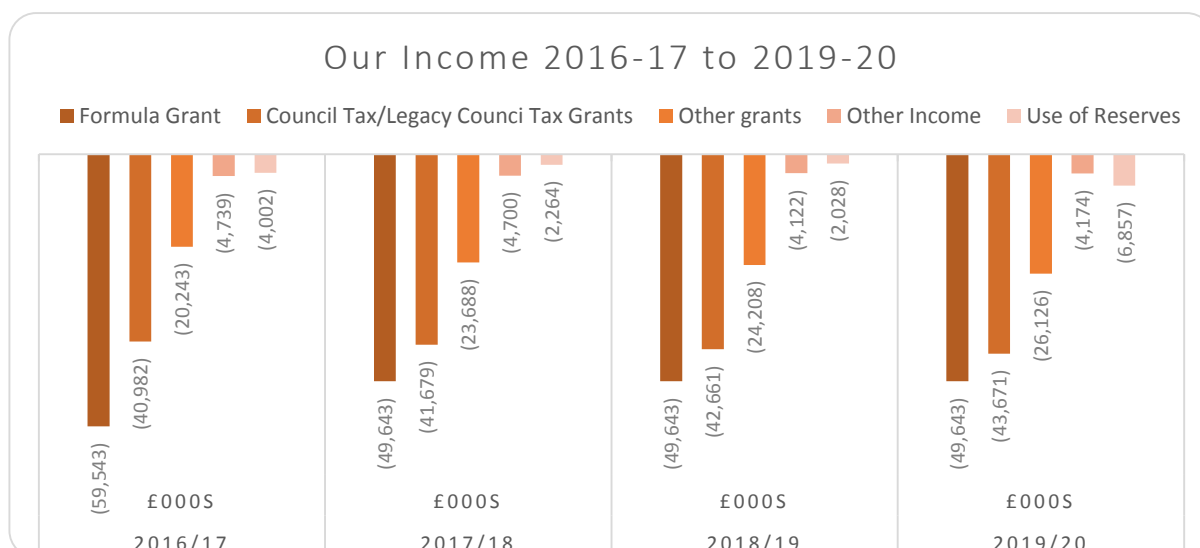


Graph two: Income Forecast

Our forecast Income Budget 2019-20

£000





Changes in our Income

Formula Grant Income

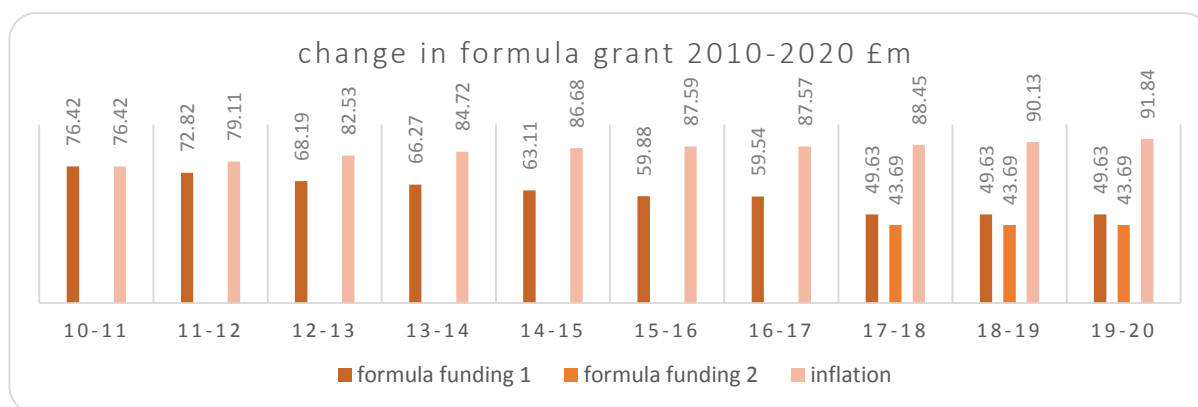
Over the next four years, the most significant change in our income is expected from formula funding. The Home Office plans to introduce a new formula, from 2017-18, that will change how the total amount of funding for police areas is distributed. It is expected that this change will result in a

loss of core formula funding of at least £9.9m for Cumbria, with potential for this loss to be as much as £15.8m. There is a further potential impact on legacy council tax grant funding. This loss of funding follows a significant reduction in formula grant between 2010 and 2016 as a result of the 2010 CSR.

£26.8m to £32.7m
The forecast loss for
formula grant
between 2010 and
2017

The chart below sets out the implications for our levels of core formula grant income since 2010¹ and expected levels for the next four years. This is compared to the level of income that could have been expected had formula grant been subject to annual inflationary increases. From 2017-18 formula grant would be £49.6m assuming a £9.9m loss in core formula funding (formula funding 1) or £43.6m assuming a loss of £15.8m (formula funding 2). This compares to £76.4m in 2010-11, a reduction of between £26.8m (35%) and £32.7m (42%). Inflationary increases in grant by comparison would have increased core formula funding income by 20.2% to £91.8m.

¹ formula grant between 2010 and 2016 has been adjusted to reflect specific grants rolling into formula grant



Council Tax Income

Changes to our council tax income arise from changes to the council tax precept and changes to the tax base (the number of properties on which council tax is charged). These factors are set annually. For 2016-17 the precept has been increased by 1.91% and the tax base has increased by 1.6% compared to 2015-16. The medium term financial strategy makes a number of assumptions on how these factors will change for the three years beyond 2016-17. These assumptions are that the council tax precept will increase by 1.91% or 1.92% annually and that the tax base will increase by 0.75% per annum. This represents a change to the financial strategy that has in previous years assumed no tax base increase or surplus, with any in year variation being taken to reserves. This represents a risk in respect of income levels but this is considered to be an acceptable risk based on past experience. The tables below set out our assumptions and their impact on budgeted income.

Tax base & Precept	15-16	16-17	17-18	18-19	19-20
Tax base increase	1.37%	1.57%	0.75%	0.75%	0.75%
Tax base	162,145	164,683	165,918	167,162	168,416
Precept amount	212.58	216.63	220.77	225.00	229.32
Precept increase		4.05	4.14	4.23	4.32

Council tax	15-16	16-17	17-18	18-19	19-20
Precept income	34,468,731	35,675,249	36,629,714	37,611,533	38,621,177
Cumulative Increase		1,206,518	2,160,983	3,142,802	4,152,446

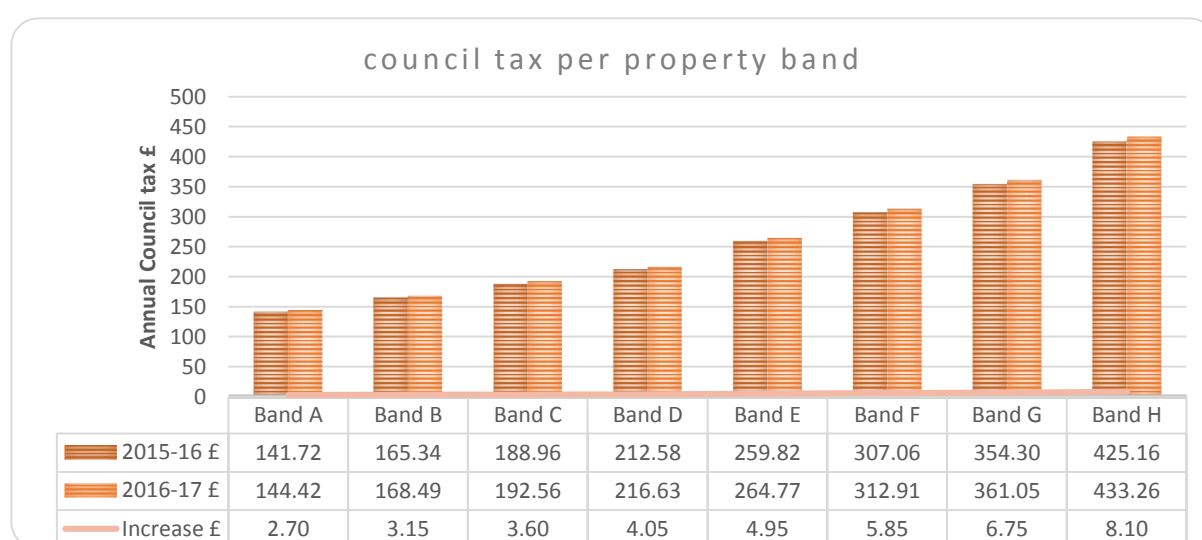
The tables show that Band D council tax charges increase each year by between £4.05 and £4.32 taking the precept amount from £216.63 in 2016-17 to £229.32 in 2019-20. The increase in tax base combined with annually inflated precept charges delivers a cumulative growth in income by 2019-20 of £4.15m. Of this total increase, £2.7m is attributable to the increase in precept and £1.3m to the increase in the tax base, with the balance due to the impact of gearing (the inflationary benefit from the increased tax base or precept amount being applied to prior year income.)

Total income from council tax also includes the Commissioner's share of any surplus or deficit from district council's tax collection in the previous financial year. In 2016-17 the Commissioner has benefitted from a tax collection surplus of £457k and we are assuming that we will receive an annual tax collection surplus of £200k in future years. The level of budgeted tax surplus is based on averages for the three years prior to 2016-17.

Council Tax	15-16	16-17	17-18	18-19	19-20
Precept income	34,468,731	35,675,249	36,629,714	37,611,533	38,621,177
Collection surplus	518,023	456,740	200,000	200,000	200,000
Total council tax income	34,986,754	36,131,989	36,829,714	37,811,533	38,821,177

Our income will change across the life of this strategy if the actual tax base, precept or surplus varies from budget assumptions for the final three years of our forecasts. The tax base has a sensitivity to our assumptions of £575k for every 0.5% change. This means a decrease in our income of £575k by 2019-20 if the tax base only grows by 0.25% per annum or an increase of the same amount if it grows by 1% per annum. The sensitivity of the precept is £1m for every 1% change over three years.

Whilst this medium term forecast assumes council tax increases for the life of the strategy, decisions on the increase in council tax are taken annually and following consultation with the public, the Police and Crime Panel and the Chief Constable. The 2016-17 police grant settlement confirmed that 2% will be the level above which any decision to increase council tax would trigger a requirement for a public referendum. This level applies to the full four years of this strategy. The impact of the increase for 2016-17 is that Band A council tax payers will receive an increase of £2.70. At Band H the increase is £8.10 for the year. The charge for the policing element of council tax ranges £144.42 to £433.26.



Changes in Council Tax Income & Legacy Council Tax Grants

Legacy council tax grants are paid to local policing areas as a result of decisions to forgo council tax income. They support decisions to freeze council tax and schemes that help low income households with their council tax bills. The government uses national data to estimate the financial impact of local decisions on council tax. Legacy

council tax grants are distributed in lieu of the council tax income they estimate policing areas would otherwise have received. Cumbria has been in receipt of £4.85m in legacy council tax grant since 2013-14. Because legacy grants compensate for loss of council tax income, any analysis of historic income from council tax needs to take account of these grants.

£9.5m: the forecast increase in council tax precept and legacy grants 2010 to 2020

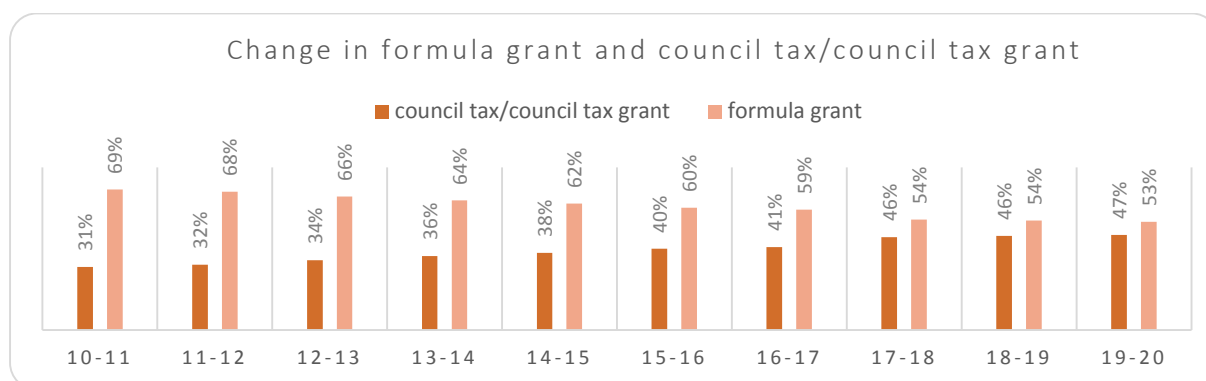
From 2017-18 future levels of legacy council tax grant funding present a risk to the budget as the national formula funding review is considering the inclusion of these grants within formula grant. Grant income reduces by between £1.21m and £1.64m contingent on the indicators selected for the formula, should this funding be included within the final funding model for police. Our budget currently assumes no change. The table below shows our actual income and forecasts for council tax income and government funded legacy council tax grants between 2010 and 2020, based on our budget.

10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
34,209	34,391	35,590	32,941	33,605	34,987	36,132	36,830	37,812	38,821
			4,850	4,850	4,850	4,850	4,850	4,850	4,850
34,209	34,391	35,590	37,791	38,455	39,837	40,982	41,680	42,662	43,671

In 2019-20, income is forecast to be £43.7m, compared to £34.2m in 2010-11, an increase of £9.5m or 28%. Over the same period actual and forecast inflation is 20%. This means that, when allowing for the growth in the tax base/collection surplus and increases in the amount of the precept, implemented and planned levels of income achieve growth above the rate of inflation. This helps to support the budget from changes in our Police Grant Income.

The implemented and expected reductions in formula funding alongside the increase in council tax income over time significantly changes the balance of income with a much stronger dependency on local funding. Whilst this provides more resilience to future funding settlements, the difference between the additional income generated through council tax and the loss of formula funding, combined with the impact of cost inflation, has resulted in a significant loss of total resources. The

chart below shows the actual and expected change in the balance between formula funding and council tax/legacy grant income on the basis of the minimum estimated loss of Police Grant of £9.9m.



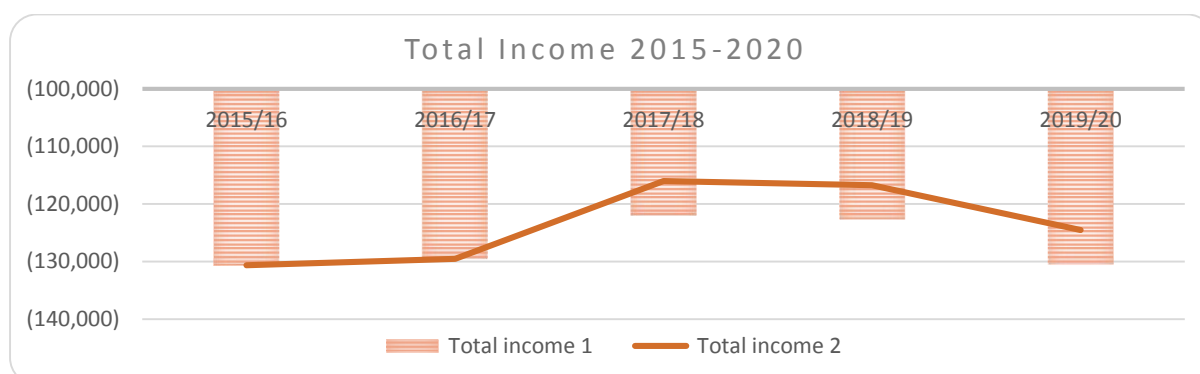
Total Forecast Income 2015-2020

The table and chart below set out our forecast total income for the life of the medium term financial strategy. Formula funding and total income 1 show the forecast using a £9.9m reduction in formula funding. Formula funding and total income 2 show the impact of a £15.8m loss. The chart sets out the trends for each income stream.

Total Forecast Income	2015/16	2016/17	2017/18	2018/19	2019/20
	£000s	£000s	£000s	£000s	£000s
Use of Reserves	(6,248)	(4,002)	(2,264)	(2,028)	(6,857)
Fees, charges, other income	(4,092)	(4,739)	(4,700)	(4,122)	(4,174)
Home Office Pension Grant	(18,006)	(18,134)	(21,577)	(22,095)	(24,010)
Other grants	(2,599)	(2,109)	(2,111)	(2,113)	(2,116)
Legacy Council Tax Grant	(4,850)	(4,850)	(4,850)	(4,850)	(4,850)
Council Tax	(34,987)	(36,132)	(36,830)	(37,812)	(38,821)
Formula Grant 1	(59,884)	(59,543)	(49,643)	(49,643)	(49,643)
Total income 1	(130,665)	(129,507)	(121,974)	(122,663)	(130,470)
Formula grant 2	(59,884)	(59,543)	(43,691)	(43,691)	(43,691)
Total income 2	(130,665)	(129,507)	(116,022)	(116,711)	(124,518)

The table shows income falling significantly in 2017-18 as a result of the changes in formula grant, following which increases in council tax income and police pension grant provide annual increases in total income. Police pensions grant is offset by an equivalent increase in the overall cost of police pensions. It funds the deficit between benefits paid and employer and employee contributions recieved. Being matched with growth in expenditure, it has a net neutral impact on the overall budget and does not represent real growth in income. The medium term financial forecast between 2015 and 2019-20 utilises £20.4m in reserves. This provides a measure of the extent to which total recurrent

revenue costs and one off investment costs exceed recurrent income. Earmarked revenue reserves will be substantially depleted by 2019-20 with capital reserves depleted by 2020-21. Further information on reserves is set out later in the financial strategy.



How the money is spent

The charts below set out our expenditure budgets from 2015-16 to 2019-20 allocated between the Commissioner's budgets and the budgets provided by the Commissioner to the Chief Constable to provide for the costs of policing Cumbria. For 2016-17 budgets are shown both subjectively (what we spend the money on) and objectively (the services we provide by incurring this expenditure).

£111.2m: the funding provided to the Chief Constable for Policing in 2016-17

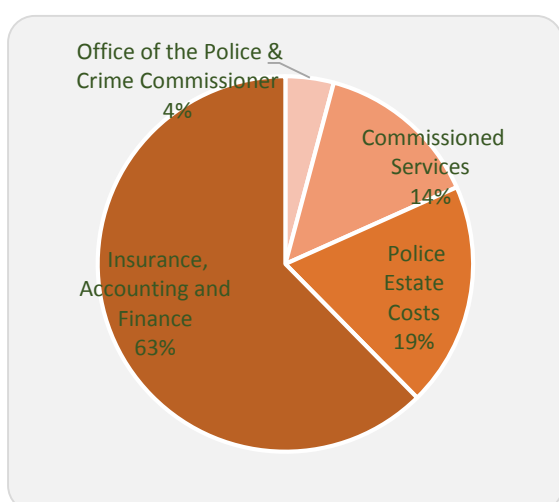
The total expenditure budget for 2016-17 is £129.5m from which the Commissioner provides funding of £111.2m for the Chief Constable to provide for the cost of policing Cumbria. This funding is agreed annually between the Commissioner and Chief Constable based on a proposal from the Constabulary.

Description	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's
Commissioner's Expenditure	18,186	18,264	13,466	13,541	20,567
Constabulary Expenditure	112,480	111,244	115,178	117,170	118,916
Total Expenditure	130,665	129,507	128,643	130,711	139,483

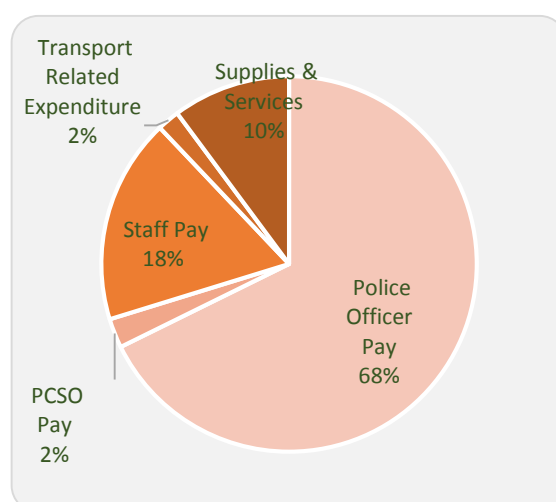
The Commissioner manages costs in relation to the police estate, insurances and the technical and accounting charges and reserves movements that reflect how the budget is financed. These costs reflect the Commissioner's statutory powers and financial responsibilities. These responsibilities are different to those of the Chief Constable and make up the most significant element of the total

expenditure managed by the Commissioner (£14.9m, 82% 2016-17). The Commissioner's budgets also provide for the delivery of the commissioning strategy that supports the priorities within the Police and Crime Plan and the Commissioner's wider statutory duties for community safety, enhancing criminal justice and supporting victims.

Commissioners Budgets	2015/16	2016/17	2017/18	2018/19	2019/20
	£000s	£000s	£000s	£000s	£000s
Office of the Police & Crime Commissioner	799	759	768	777	786
Commissioned Services	2,699	2,583	2,083	2,083	2,083
Police Estate Costs	3,717	3,529	3,610	3,694	3,780
Insurance, Accounting and Finance	10,971	11,393	7,004	6,988	13,918
Total expenditure	18,186	18,264	13,466	13,541	20,567



Commissioner's Budgets 2016-17

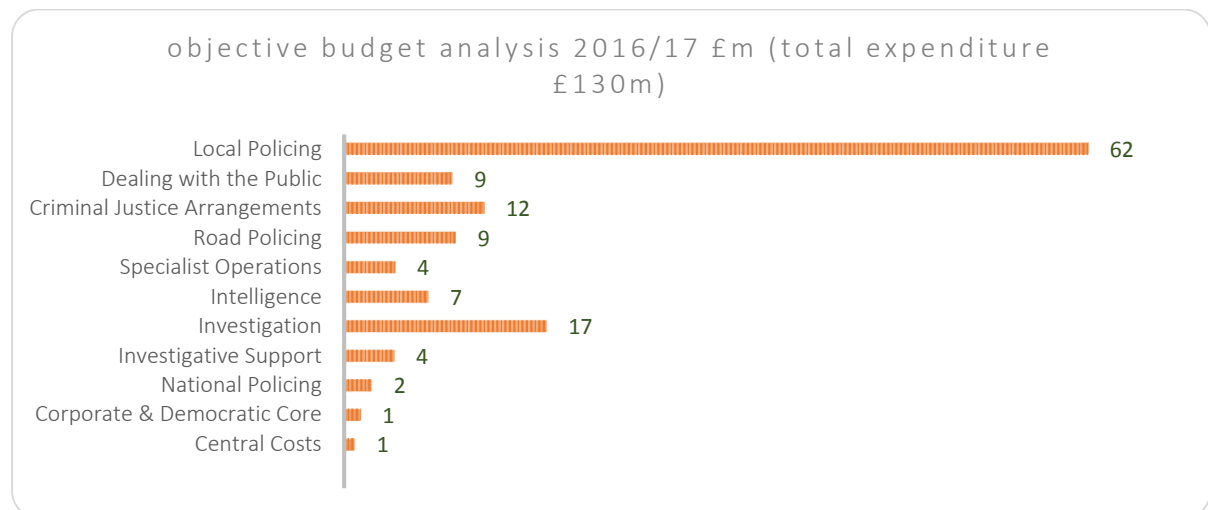


Constabulary Budgets 2016-17

Constabulary Budgets	2015/16	2016/17	2017/18	2018/19	2019/20
	£000s	£000s	£000s	£000s	£000s
Police Officer Pay	76,347	75,326	80,328	81,809	83,058
PCSO Pay	2,811	2,814	3,031	3,023	3,120
Staff Pay	19,359	19,665	18,903	19,077	19,253
Transport Related Expenditure	2,470	2,134	2,193	2,255	2,318
Supplies & Services	11,493	11,304	10,723	11,006	11,166
Total Expenditure	112,480	111,244	115,178	117,170	118,916

The Constabulary budgets for 2016-17 support an establishment 1123 police officers, 95 PCSO's and 582 police staff. 88% of total expenditure is on establishment costs with a further 10% on supplies and services and 2% on transport.

The graph below sets out our total combined expenditure of £130m for 2016-17 analysed objectively, showing that by far the most significant proportion of that expenditure (£62m) provides for the cost of local policing. This is the cost of neighbourhood policing, incident management, community liaison and command teams. Appendix A to this strategy sets out a brief description of each objective heading in the chart.



Total Forecast Expenditure 2016-2020

This section of the strategy sets out our forward forecasts for total expenditure for the four years to 2020. In doing this we make a number of assumptions about how we expect our costs to increase. Our assumptions for expenditure within this strategy and forecast are:

- Pay awards will be limited to 1% annually in line with the public sector pay ceiling
- Our pension contribution rates (24.2% police; 12.7% police staff) will remain unchanged for the life of the strategy
- The triennial actuarial review of the LGPS will increase past service pension costs from £0.8m to £1.2m from 2017-18
- Employers National Insurance costs are assumed to increase by 3.4% following the introduction of the single state pension, an additional cost of £1.6m from 2016-17
- Most non-pay budgets will receive an uplift of 1% in 2016-17 followed by 1.9% per annum in line with Bank of England Inflation forecasts
- Energy and fuel costs will receive an uplift of 5% to reflect the volatility of these costs and historically low prices.

Our budget assumptions are subject to sensitivity testing to ensure the risks of any assumptions are understood and to inform the level of earmarked operational reserves and contingencies. The tables below set out the sensitivity of our main budget assumptions to changes.

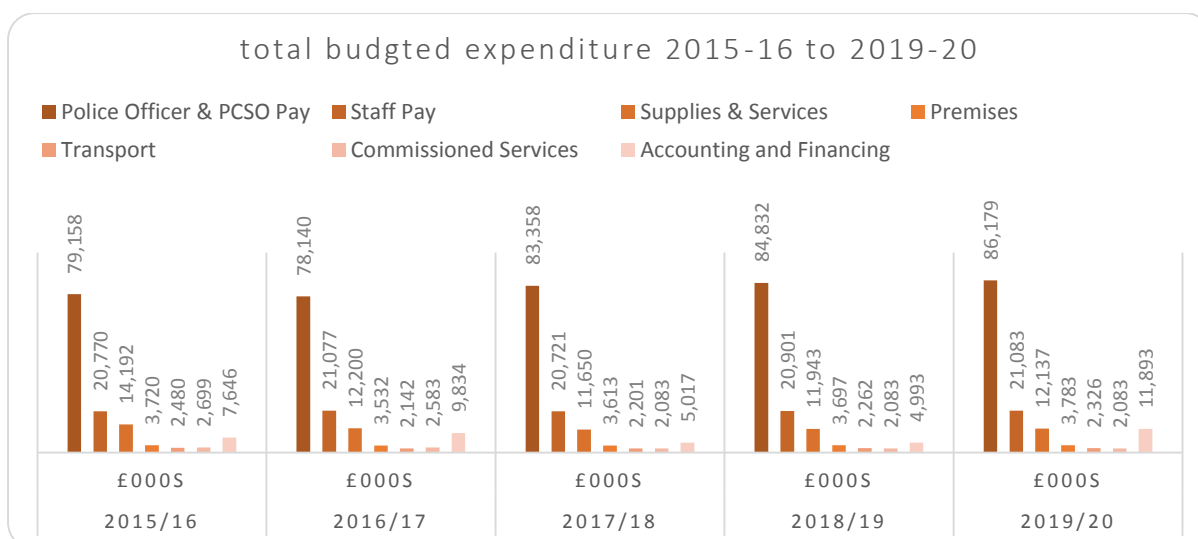
Cost per annum per 0.5% change in inflation/contribution factor.	Inflation/Contribution Factor 2016/17	Financial Impact +/- 0.50%	Inflation Factor Future Years
	%	£000s	%
Area of Budget			
Pay	1.00%	364	1.00%
Utilities (Gas, Electric, Oil)	5.00%	4	5.00%
Vehicle Fuel	5.00%	5	5.00%
Non Pay (General)	1.00%	75	1.90%
Police Officer Pensions	24.20%	198	0.00%
Staff and PCSO Pensions	12.70%	77	0.00%
National Insurance	13.80%	236	0.00%

In addition to sensitivity testing all budgets are annually reviewed through a Star Chamber process that re-assesses and challenges costs based on prior year experience and expectations for the next financial year. This process for 2016-17 has delivered a saving of £1.8m in expenditure.

Over the four years of this medium term strategy, and on the basis of the above assumptions, our forecasts are that total expenditure will increase from £129.5m in 2016-17 to £139.5m by 2019-20.

Total Expenditure	2015/16	2016/17	2017/18	2018/19	2019/20
	£000s	£000s	£000s	£000s	£000s
Total Expenditure	130,665	129,507	128,643	130,711	139,483

Whilst total expenditure is forecast to increase by £10m, the significant proportion of that increase is as a result of police pay which includes the cost of police pensions. Pension's costs grow by £5.9m but are matched by an equivalent growth in police pension grant. Police pay costs excluding pensions grow by £1.8m. The balance of growth in the budget is a result of accounting and financing costs primarily associated with the capital programme. More information on capital and financing for the programme is set out later in this strategy. All other areas of expenditure remain at relatively stable levels over four years as a result of anticipated low rates of pay and price inflation combined with one off reductions in cost as a result of the Star Chamber process for 2016-17.

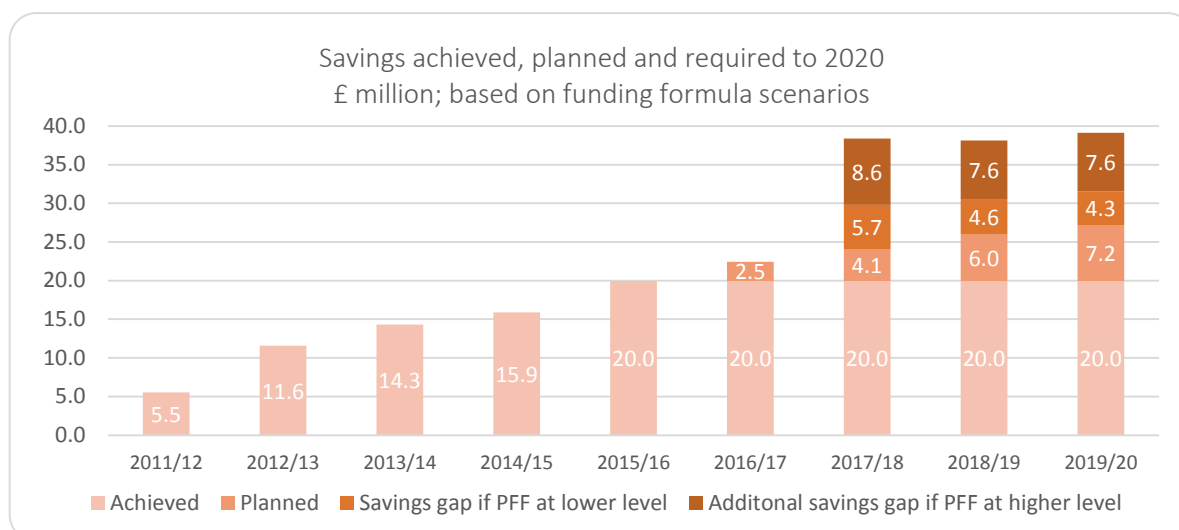


The Net Deficit & Plans for Saving

The table and chart below set out the overall financial impact of our forecasts for income and expenditure. The 2016-17 financial year shows a balanced budget as a result of work during 2015-16 to review expenditure and reduce costs. From 2017-18 our assumptions regarding the expected changes to our share of formula funding through Police Grant generate a deficit and savings requirement of between £9m to £16.6m. Net deficit FF1 in the table below shows the deficit based on our current budget and assumes a formula funding loss of £9.9m. The net deficit FF2 shows the deficit based on our estimate of maximum level of potential formula funding loss.

Medium Term Budget 2016-2020	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
Total Expenditure	130,665	129,507	128,643	130,711	139,483
Total Income/Funding	- 130,665	- 129,507	- 121,974	- 122,663	- 130,470
Net Deficit FF1			6,669	8,048	9,013
Net Deficit FF2			14,252	15,631	16,596

The forecast budget deficit will need to be addressed through the delivery of savings of at least £9m by 2019-20. This is in addition to £20m of savings that have been delivered between 2010-11 and 2015-16 and £2.5m that have been included within the 2016-17 budget. The chart below sets out the savings that have been delivered and are planned between 2011-12 and 2019-20. It also shows the additional savings that may be needed dependent upon the impact of formula funding on our income.



Plans for savings currently aim to deliver £7.2m in cost reduction between 2016-17 and 2019-20. These will reduce the workforce to 997 officers and 95 PCSO's supported by 500 Police Staff. Beyond these changes we estimate that a further £4.3m to £11.9m savings will need to be made by 2019-20. Savings proposals being developed by the Constabulary change team are based around a number of core themes that aim to deliver flexible and scalable options to respond the financial challenge supported by a core principle of 'keeping Cumbria safe'. Key themes within the change programme are:

Command and Control: Changing how we organise and respond to calls for service from the public to resolve issues at the earliest opportunity and managing out demand that is not appropriate for the police service to deal with.

Community and Response Policing: The Constabulary has changed the structure and number of its neighbourhood policing teams. The limitation for reducing officer numbers is the

geography of the county - a fixed number of officers is required to cover the large area, regardless of the number of incidents or crimes, because a minimum number is required to deliver a safe 24/7 emergency response service and meet national targets. For uniformed response officers, the reduction in officers is planned to achieve this minimum level.



Problem Solving and Proactive Capability:

NEW The Constabulary will design leading-edge flexible structures and processes to deliver the right level of prevention activity that proves its cost effectiveness by reducing calls for service.

Review of Sergeant Ranks: **NEW** The Constabulary will undertake a review of the sergeant ranks to ensure cost effective and appropriate supervisory levels across all of the operational portfolios

Operational Support: Reduction in supervisory ranks in the later years of the programme

Dog Capability: **NEW** The review will develop options for change in how this service could be provided, ensuring that tactical firearms options are maintained.

Custody and Criminal Justice: A review of custody in previous years rationalised how the Constabulary managed this critical function. There will be further work to provide options for change that will identify savings including the implantation of processes to streamline and digitise case file management.

Criminal Justice Administration: **NEW** The Constabulary will develop options for change to streamline peripheral administrative support to criminal justice, using technology and redesigning our processes.

Rationalisation of Front Counters: Plans are being developed to reduce front counters away from main stations and in respect of the

number of hours services are available. Public consultation will be undertaken as part of this process.

Crime Command Phase 2: **NEW** Using demand analysis to review service to achieve savings through redesigning processes, centralising suitable functions, stopping activities that can be removed with minimal risk to the public, maximising benefits from strategic and regional units.

Administration Services: streamline and remove activity to reduce transactional costs.

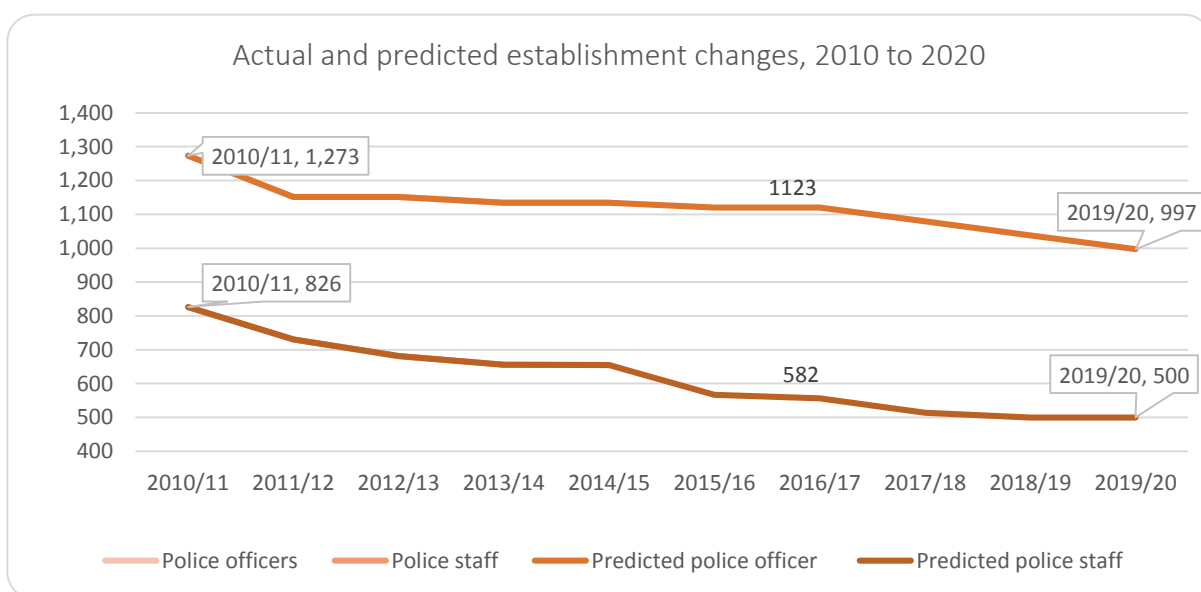
Duties Management: Following the changes to operational officers, the Constabulary is scheduled to centralise and streamline its duties management staff under the Strategic Resourcing Cell

Print Services: This project is looking at the most cost effective way to deliver print services to the Constabulary.

Corporate Support and Corporate Improvement Targeted Reductions: **NEW** This will include: an options' analysis and evaluation to determine the best approach for business services (transactional administration across HR, Procurement, Finance, Fleet, Estates and others); development of ICT Strategy to determine the level of resource required; options to stop large amounts of activity and reporting, supported by radically streamlined policy and processes.

Summary of Change Programme and Savings	Cumulative Savings (£ million)			
	2016/17	2017/18	2018/19	2019/20
Command & Control	0.610	0.624	0.630	0.636
Community & Response Policing	1.122	1.041	1.053	1.064
Operational Support	0.040	0.081	0.082	0.082
Custody & Criminal Justice	0.419	0.776	0.781	0.785
Crime Command	-	0.493	0.493	0.493
Officer Reductions to 977	-	0.670	1.818	2.966
Front Counter Services	-	0.110	0.441	0.441
Administration Services	0.272	0.275	0.500	0.500
Print Services	0.022	0.044	0.044	0.044
Duties Management	-	-	0.055	0.055
Inflation on Change Programme Figures	0.001	0.034	0.103	0.183
Total	2.486	4.148	5.998	7.249

The chart below shows how the establishment numbers have reduced since 2010 for police officers and police staff with current predictions for future numbers based on the existing change programme. Over the period, officer posts will have reduced by 22%, police staff by 39% and PCSOs by 17% (from 114 to 95). The chart shows the impact of delivering £7.2m of savings from 2016-17 resulting in a total establishment of 1592. Early estimates of the impact of the formula funding reductions have potential to reduce the establishment further to between 1466 and 1245 posts, although in practice some savings from supplies and services will mitigate the need for some reductions to the establishment.



Our finances are managed in the context of this medium term financial strategy. The strategy sets out the key financial objectives that support financial management and governance and underpin the development of annual, medium and longer term revenue and capital budgets. The strategy is supported by financial policies that set out how we will account for and manage our money including our approach to holding reserves.

Achieving Our Financial Objectives

Objective One

To deliver a robust and balanced medium term financial plan and annual budget supported by an in-year reporting framework that monitors its delivery.

How do we do this?

The Police and Crime Commissioner sets the strategic direction for policing. The Commissioner's Chief Finance Officer sets the financial assumptions and parameters that govern how future income and expenditure will be forecast. This provides a framework within which the Constabulary prepare annual and longer term budget proposals for revenue and capital expenditure. These proposals are considered by the Commissioner in February each year, supported by advice from the Chief Finance officer. The final approved budgets are set out in a funding arrangement between the Commissioner and Chief Constable. The funding arrangement provides for the Constabulary to produce quarterly monitoring reports that provide information in any variances between actual and budgeted expenditure and any action that will be taken to address this.

Objective Two

To ensure arrangements for funding between the Commissioner and Constabulary deliver value for money and support the priorities of the

How do we do this?

The annual budgets and funding arrangements are prepared alongside the development of the Police and Crime Plan and a review of value for money. The funding arrangement ring-fences Constabulary funding to specific Police and Crime Plan priorities and commitments, for example providing for a specific number of Police Officers and PCSO's. A report is prepared for the Commissioner by the Constabulary analysing annual HMIC² value for money profiles and the police effectiveness, efficiency and legitimacy programme. Where costs are identified as being higher than those of other similar forces, for reasons other than specific policy decisions or fixed costs, savings are built into the change management programme

² HMIC: Her Majesty's Inspectorate of Constabulary

Police and Crime Plan

and Constabulary budgets are reduced. The Commissioner monitors the implementation of significant HMIC recommendations.

Objective Three

To ensure Capital Expenditure Plans are robustly scrutinised, fully funded for a minimum of four years and are supported by capital strategies that meet the needs of the business

How do we do this?

The cost of the capital programme is forecast on the basis of a 10 year planning cycle, rolled forward annually. Estimates are made of the likely level of capital grant funding following government spending announcements. The estates strategy is used to profile the value and likely timing of capital receipts. Capital expenditure is profiled on the basis of medium term capital strategies for the fleet, estates and ICT. Constabulary working groups enable operational users to input into the strategy and specifications for the functionality of vehicles and ICT/other equipment. Direct revenue contributions are modelled on the basis of the gap between total costs and grant/capital receipt income across the first four years of the capital programme. This ensure the financial implications of the capital programme are fully funded for the period of the medium term financial strategy. All expenditure is robustly challenged by a '*Star Chamber*' of Constabulary and OPCC officers prior to being presented to the Commissioner for scrutiny as part of the budget process.

Objective Four

To maintain a risk assessed level of reserves to meet unplanned and approved earmarked expenditure and to provide revenue budget smoothing for intermittent costs.

How do we do this?

The Commissioner's Chief Finance Officer presents a policy on reserves annually as part of the budget setting process. The policy takes into account the risks identified in the officer's Section 151³ report on the robustness of the budget. Those risks inform the overall level of general reserves and any specific earmarked reserves necessary to provide mitigation. Further earmarked reserves are set aside for the financial management of large one off investments. The policy also provides for the establishment of specific operational contingencies within reserves to meet revenue pressure that arise cyclically but not annually, to smooth the impact on the revenue budget and manage down recurrent costs.

³ The section 151 report refers to the statutory report of the Chief Finance Officer that is a requirement under section 151 of the Local Government Finance Act 1972.

Objective Five

To ensure Treasury Management activities provide for the security of the Commissioner's funds whilst meeting the cash management needs of the Commissioner and Constabulary

How do we do this?

A treasury management strategy is approved annually by the Commissioner as part of the budget setting process. It sets out the rules that must be followed in investing surplus cash including institutions, financial instruments and the investment limits that must be complied with. The strategy is developed under guidance from external treasury management advisors and subject to scrutiny by the Joint Audit and Standards Committee. It is underpinned by a treasury management practices document in compliance with the CIPFA⁴ Code of Practice setting out more detailed rules and requirements for a treasury management function. Quarterly reports are produced during the year to report on activity and provide assurance regarding on-going compliance with the strategy.

Objective Six

To provide a framework for financial governance that ensures the proper administration of the Commissioner's financial affairs

How do we do this?

The Commissioners' Code of Corporate Governance is an annually approved framework that sets out key aspects of corporate governance including those relating to finance. This includes the requirement for financial regulations, financial rules, procurement regulations, policies governing reserves, prudential indicators for capital financing, the financial statements and treasury management practices. The financial governance framework is supported and challenged by the arrangements for internal and external audit and the Joint Audit and Standards Committee. Arrangements in respect of the budget and financial management are also subject to challenge and review externally by the Police and Crime Panel and HMIC.



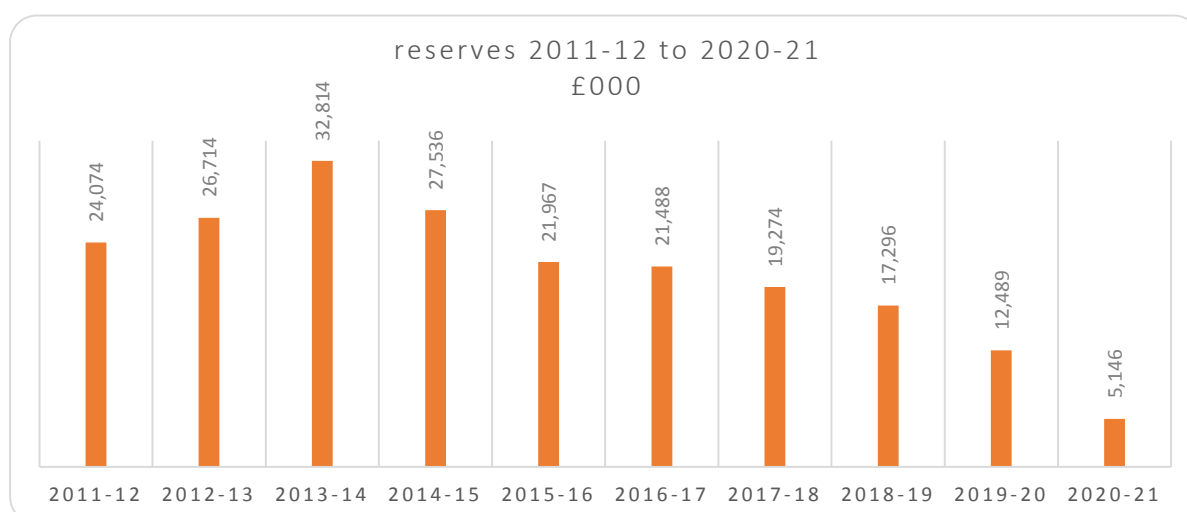
⁴ The Chartered Institute of Public Finance and Accountancy

Policy on Reserves

Our policy on reserves meets the statutory requirement to consider annually the level of reserves that should be held to meet future expenditure requirements when setting the budget. It sets out the purpose for which reserves are held and the planned movement in reserves over the life of this strategy. Our reserves are held for three main purposes. These are:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing
- a contingency to cushion the impact of unexpected events or emergencies
- a means of building up funds, often referred to as earmarked reserves, to meet known or anticipated liabilities

The level of reserves should take into account the medium term financial plan and not be based solely on short term considerations. The most significant factor influencing the level of reserves is the capital programme. Annual capital grant from the Home Office is £0.43m in 2016-17 and there is a risk that this funding is reduced further when formula grant is reviewed. Between 2016-17 and 2020-21 the capital programme will cost £46m as a result of significant investment in ICT and major estates projects. Resourcing capital expenditure requirements without recourse to borrowing and the associated interest costs requires forward financial planning – essentially saving up. Our reserves for the 10 years between 2011-12 and 2020-21 are set out below, and demonstrate this principle. The figures show actual or planned reserves at the end of each financial year.



£21.5m of funds are held in 2016-17 and this is forecast to reduce to £5.1m by 20-21 following the delivery of significant capital investment. Beyond 2021 our capital programme returns to a more steady

state with average expenditure of £3.2m funded by direct revenue contributions and the Home Office capital grant.

Set out below is a description of the reserves held by the Commissioner, the purpose for which they are held and a table setting out the planned movement in reserves over the life of this medium term financial strategy.

General Reserves: The general reserve is the main contingency for unexpected events, and the management of cash flow. The level of general reserve is £3m in 2016-17. The amount represents approximately 3% of the net recurrent budget. The level of general reserve takes account of the risks within the budget as set out in the Chief Finance Officer's report on the robustness of the budget and the level of provision for those risks within specific earmarked reserves and contingencies.

Capital Reserves: Capital reserves are a combination of general and earmarked revenue contributions that have been set aside to meet the costs of approved capital schemes to be delivered over multiple financial years. The policy is that general capital reserves will be maintained at a level to ensure a balanced capital budget for the duration of the medium term financial forecast. The reserves plan also provides for two specific earmarked capital schemes for the estate – North and West Resilience Flood Management. Further information on the capital programme is set out later in this strategy.

Earmarked Reserves: Earmarked reserves are held for a number of specific purposes. **Future liability reserves** provide for areas within the budget where there is a liability but the amount or timing is uncertain. They are currently held to manage our liabilities around insurance risk and in respect of future liabilities for the PFI contract at Workington. **Budget stabilisation reserves** are established to smooth the impact of intermittent costs across financial years. These have been instrumental in supporting year on year reductions in recurrent revenue budgets. They provide a pool of funds that can be used should a significant budgets risk materialise. In practice these risks occur intermittently and providing for them through reserves reduces the requirement within recurrent budgets. Examples include providing for a peak in energy costs during a severe winter or responding to a significant unplanned major incident. If these reserves are required in year they will be topped up as part of the following year's budget process. A general operational reserves is held for both the Police and Crime Commissioner and the Chief Constable as recommended by the Home Office Financial Management Code of Practice. **Project reserves** primarily fund the one off revenue implications of approved capital schemes, the main project reserve being for the ICT business plan.

£32.8m: our actual
reserves at year
end 2013-14
£5.1m: forecast
reserves at year
end 2020-21

Reserves Plan 2016-17 to 2019-20

	01 April	2016/17	01 April	2017/18	01 April	2018/19	01 April	2019/20	01 April
	2016	movement	2017	movement	2018	movement	2019	movement	2020
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
General Reserve/Police Fund	3,000		3,000		3,000		3,000		3,000
General Reserve/Police Fund	3,000		3,000		3,000		3,000		3,000
General Capital reserve	2,810	(2,810)						1,743	1,743
North Resilience Flood Management		2,055	2,055	(1,177)	878	(878)			
West Resilience Flood Management	13,077	923	14,000	(750)	13,250	(1,050)	12,200	(6,600)	5,600
Total Capital Reserves	15,887	168	16,055	(1,927)	14,128	(1,928)	12,200	(4,857)	7,343
Future Liability Reserves									
Insurance	523		523		523		523		523
PFI Lifecycle	303		303		303		303		303
Budget Stabilisation Reserves									
PCC Operational	250		250		250		250		250
Constabulary Operational	250		250		250		250		250
Constabulary Contingency	500		500		500		500		500
Body Armour	41	50	91	50	141	50	191	50	241
Short Term Project Reserves									
ICT Business Plan (Revenue)	868	(578)	290	(290)					
Short Term Projects	345	(119)	226	(47)	179	(100)	79		79
Total Earmarked Revenue Reserves	3,080	(647)	2,433	(287)	2,146	(50)	2,096	50	2,146
Total All Reserves	21,967	(479)	21,488	(2,214)	19,274	(1,978)	17,296	(4,807)	12,489

Other Key Financial Policies

The Commissioner is required to annually approve a Treasury Management Strategy Statement and Treasury Management Practices that sets out the policies for managing cash flow and investments and for giving priority to the security and liquidity of those investments. The investment policy contains limits for the amount and duration of specific categories of investment based on their credit rating.

General policy is that investments should be made prudently with primary importance given to security ahead of liquidity and finally the yield that an investment may bring. The Commissioner holds significant investment balances as a result of income being received in advance of expenditure. During 2015-16, the Commissioner's investment balance has ranged between £13.2m and £34.2m. The larger sum is due to the receipt in July 2015 of £15.6m pension top up grant from the Home Office which is drawn down steadily over the remainder of the year.

Balances in 2016-17 are forecast to be similar to those of 2015-16. It is anticipated that some grant funding may be received in advance of the capital spend and at the peak, when the pensions grant is received in July, balances for investment could approach £40m. All investment decisions are made with reference to credit ratings and with advice

**£40m: the
estimated treasury
management upper
investment balance
for 2016-17**

from professional external Treasury Management Specialists. Based on that advice, the strategy annually sets the rules within which investments can be made. Appendix B sets out for 2016-17 the approved categories of counterparty for investment and the authorised limits for each category and institution based on their credit rating. The policy is that, other than for day to day banking requirements, counterparties must achieve a minimum rating of A-, or be secure unrated institutions, for example UK Government or Local Authority.

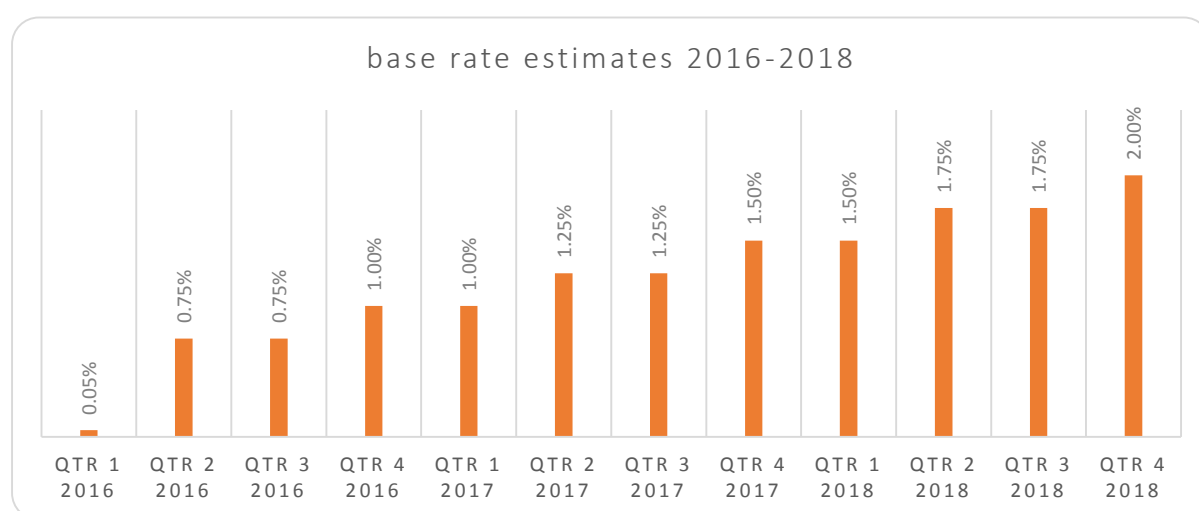
The Treasury Management Strategy is designed to be a dynamic framework which is responsive to prevailing conditions with the aim of safeguarding the Commissioner's resources. Accordingly, the Commissioner and its advisors continuously monitor corporate developments and market sentiment with regards to counterparties and amend the approved counterparty list and lending criteria where necessary.

The strategy takes into account the impact of treasury management activities on the Commissioner's revenue budget. Forecasts of cash balances, interest receipts and financing costs are regularly re-modelled. The revenue budget for 2016-17 and forecasts for future years are updated in light of the

latest available information as part of the financial planning process. Day to day fluctuations in cash-flows due to the timing of grant and council tax receipts and out-going payments to employees and suppliers have an impact on treasury activities and accordingly are modelled in detail. The Commissioner's level of debt and investments is linked to the above elements, but market conditions, interest rate expectations and credit risk considerations all influence the Commissioner's strategy in determining exact borrowing and lending activity. The estimated treasury position at 31st March 2016 and for the following financial years are summarised below:

Estimated Treasury Position	Estimate 2016/17 £m	Estimate 2017/18 £m	Estimate 2018/19 £m	Estimate 2019/20 £m
external borrowing at start of year	0.000	0.000	0.000	0.000
interest payments	0.000	0.000	0.000	0.000
investments (average)	13.504	11.106	9.895	8.667
interest receipts	0.100	0.135	0.170	0.170

The figures in the table above are based on the revenue budget and capital programme 2016-2020. The estimate for interest receipts in 2016-17 is £100k, which is comparable to recent years. The low level of receipts reflects the historically low level of investment returns currently available where the Bank of England base rate stands at 0.5%. Interest rate prospects for the life of the treasury remain low.



Whilst interest rates are forecast to continue at historically low levels, the expected steady growth to 2% by the final quarter of 2018 produces a small benefit to the budget of £70k compared to 2016-17 despite a reduction in average investment balances from £13.5m to £8.7m. The forecast reduction in

average investments is based on the expected reduction in reserves over the strategy period as significant capital schemes are delivered.

In relation to capital financing, there is a statutory requirement for the commissioner to set and arrange their affairs to remain within prudential limits for borrowing and capital investment. The Treasury Management Strategy includes prudential indicators that govern borrowing over the course of the year to ensure revenue costs are affordable, prudent and sustainable. Whilst the Commissioner sets prudential limits for borrowing annually, over the course of this medium term financial strategy there are currently no plans to borrow externally.

As part of our suite of prudential indicators, consideration is given to the affordability and revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. This indicator is termed the Ratio of Financing Costs to Net Revenue Stream. The table below shows the current and estimated value of the indicator based on the capital programme and borrowing requirements set out in this medium term financial strategy. The indicator ranges between 0.27% and 0.33% of the net revenue budget between 2016-17 and 2018-19, demonstrating that capital financing is affordable within the overall resources available to the Commissioner.

Ratio of Financing Costs to Net Revenue Stream					
	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Financing Costs	0.207	0.242	0.314	0.288	0.262
Net Revenue Stream	96,714	94,871	95,222	96,171	97,149
Ratio	0.21%	0.26%	0.33%	0.30%	0.27%

Prudential indicators also consider the Incremental Impact of capital investment decisions on the council tax. This is a further indicator of affordability that identifies specifically the additional cost to the taxpayer of the new capital investment proposed for the three years between 2016-17 and 2018-19. The estimate of the impact of the capital investment approved in the 2016-17 budget on the council tax is set out in the table below. The figures are not cumulative and show the actual impact in each year. The table shows that in each year, the cost to the tax payer is between £9.14 and £9.48 from a Band D precept of £216.63. In practice funding from the revenue budget for the capital programme is

not met exclusively from precept income but from the full range of income sources available to the commissioner.

Impact of capital investment decisions on the Council Tax			
	2016/17	2017/18	2018/19
	£	£	£
Capital Expenditure funded from revenue	1.534m	1.573m	1.555m
Financing and direct revenue costs	0.000m	0.000m	0.000m
Total Incremental Revenue Effect of Capital Investment	1.534m	1.573m	1.555m
Incremental Impact on Band D Council Tax	9.146	9.481	9.302

The Treasury Management Strategy includes the policy for minimum revenue provision (MRP). DCLG guidance recommends that this policy is approved before the start of the financial year to which it relates. This policy states how we will apply accounting charges to the revenue budget to make provision for the repayment of borrowing associated with capital assets. Whilst the Commissioner has not undertaken borrowing externally, some long life assets (buildings) within the capital programme are resourced from internal borrowing. This results in an underlying need to borrow externally, that will be implemented when internal cash flows are no longer sufficient manage this requirement. The underlying need to borrow is currently estimated at £13.6m, our capital financing requirement. At some time in the future it will be necessary to undertake external borrowing. Advice will be sought as to the most opportune time and interest rate to undertake such borrowing. Our MRP policy is that the revenue budget will be charged with the cost of the capital asset over the life of the asset being financed (Asset Life Method). The DCLG Guidance on investments states that publication of Treasury and associated strategies is formally recommended. The full suite of strategy documents is published on the Commissioner's website <http://www.cumbria-pcc.gov.uk/governance-transparency/budget-finance.aspx>.

The Commissioner and the Commissioner's Chief Finance Officer annually approve the statutory financial statements. The statements include a section on the financial policies that are used to determine how the financial transactions for the year have been accounted for and presented in the statement of accounts. The accounting policies set out how we record and value our income and expenditure and assets and liabilities. This includes how we allocate overheads and the techniques we use to estimate costs. The policies adhere to all regulatory and code of practice standards for proper accounting practices and are subject to external audit.

This section of our strategy sets out our arrangements for financial governance, our financial controls and how we manage financial risk.

Control Framework & Assurance

The Police Reform and Social Responsibility Act 2011 requires Police and Crime Commissioners' to have regard to any financial code of practice issued by the Secretary of State and to appoint a person to be responsible for the proper administration of the Commissioner's financial affairs. That person is referred to as the Commissioner's Chief Finance Officer. The Chief Finance Officer leads on the implementation and maintenance of a framework of financial controls and procedures for safeguarding public money and managing financial risk. This includes determining accounting processes and overseeing financial management procedures that enable the Commissioner to budget and manage within overall resources.



As part of these arrangements for financial stewardship the CFO is responsible for the development and implementation of governance structures that codify financial controls and assurance as well as defining a framework of financial accountabilities and reporting. This is set out in a set of Financial Regulations that are approved by the Commissioner and adopted by the Constabulary. They are supported by a funding arrangement that sets out the conditions and purpose of the budget provided annually to the Chief Constable. The regulations provide a framework for the development of more detailed financial rules and procedures that govern the administration of the Commissioner and Chief Constables financial affairs. As part of the annual budget process the Chief Finance Officer makes a statutory statement on the robustness of the Commissioner's budget and the adequacy of reserves and issues a number of financial reports annually including the statutory financial statements.

The Home Office Financial Management Code recommends that the Commissioner and Chief Constable have joint arrangements for Internal Audit including an Audit Committee. These arrangements are provided collaboratively through a shared internal audit service with County and District Council partners reporting to a Joint Independent Audit and Standards Committee (JASC). Internal audit and the JASC provide scrutiny and assurance on the arrangements for financial governance. The audit function is reviewed annually to ensure its on-going compliance with Public Sector Internal Audit

Standards (PSIAS) and provides a risk assessed annual audit plan within the framework of an Internal Audit Charter that defines the professionalism and standards that govern its delivery. The role and effectiveness of the JASC is assessed annually against a framework of best practice developed by the Chartered Institute of Public Finance and Accountancy. The table below sets out the draft audit plan for 2016-17.

Audit Review	Description	Days
Procurement <i>(Audit of Constabulary and OPCC)</i>	Internal Audit to provide assurance over managements arrangements for procurement	25
Information Security <i>(Audit of Constabulary)</i>	Review to provide assurance over management arrangements to secure data held by the Constabulary.	20
Mobile and Digital <i>(Audit of Constabulary)</i>	Internal Audit to provide assurance over management's arrangements to ensure value for money, effectiveness and efficiency from the initiative.	15
Command and Control <i>(Audit of Constabulary)</i>	Internal Audit to provide assurance over the Constabulary's arrangements for ensuring the new structure achieves its objectives and value for money.	20
Criminal Justice Unit <i>(Audit of Constabulary)</i>	Internal Audit to provide assurance that effective arrangements are in place within the Constabulary to ensure that case files are complete, robust and secure.	20
Use of Stop Sticks (Stingers) <i>(Audit of Constabulary)</i>	Audit review to provide assurance that the Constabulary has effective arrangements in place for complying with regulations and ensuring that effective training is provided and equipment is appropriately maintained.	15
Stop Search <i>(Audit of Constabulary)</i>	Audit review to provide assurance that the Constabulary has effective arrangements for ensuring compliance with the Best Use of Stop and Search Scheme.	15
Offender Management <i>(Audit of Constabulary)</i>	Audit review to provide assurance that the Constabulary has effective arrangements in place to ensure that offenders are progressed through the system efficiently.	15
Receipt, handling and disposal of drugs <i>(Audit of Constabulary)</i>	Internal Audit review to provide assurance that the Constabulary has effective arrangements in place to ensure that seized drugs are properly accounted for from receipt through to disposal.	12
Self-service – travel expenses / overtime <i>(Audit of Constabulary)</i>	Internal Audit review to provide assurance that the Constabulary has effective arrangements in place over the use of the system in relation to control and recording or travel expenses and overtime.	15
Subtotal for risk based audits		172

Other audit work to be included in the audit plan

Some audits are undertaken on a cyclical basis or because there are other requirements for the work to be done. This section outlines any additional non-risk assessed work.

Audit Review	Description	Days
Governance <i>(Audit of Constabulary and OPCC)</i>	Cyclical programme of governance themed reviews. The 16/17 review will focus on the arrangements in place to ensure the Code of Corporate Governance is compliant with the updated CIPFA / SOLACE governance framework.	15
Annual Governance Statement (two separate reviews)	Review to provide assurance that sufficient and suitable evidence is available to support the Annual Governance Statement.	6
Financial System Reviews: <ul style="list-style-type: none"> • Pensions • Payroll • Main Accounting (Cross Cutting Review)	A rolling programme of financial systems audits is undertaken. The frequency of each review has been considered by the OPCC and Chief Constable's Chief Finance Officers and a risk assessment prepared taking into account internal management assurance statements, transaction volume, value, system changes and assurance provided from Internal Audit work.	15 15 10
Follow up: <ul style="list-style-type: none"> • Business Continuity Planning (Constabulary) • Business Continuity Planning (OPCC) • Duty Management System 	Internal audit follow up methodology includes the follow up of all audits resulting in less than Reasonable assurance	5 5 5
Attendance at police audit training and development event	n/a	2
Internal Audit Management	Time is built into the audit plan for the management of the shared service in relation to the work undertaken for the constabulary and the Commissioner's Office. To include: Attendance at Audit & Standards Committee (5 meetings in year); Preparation of progress reports and annual reports and opinions; Audit planning; Management liaison; Effectiveness of Internal Audit – Compliance with PSIAS	24
	Subtotal for non-risk based audits	102
	Total for all proposed audit work for 2016/17	274

Management assurances are provided annually to the Chief Finance Officer on the controls for any financial system not included in the audit plan for the year.

The internal audit plan supports the basis on which the Chief Internal Auditor can provide an annual opinion to the Commissioner regarding the adequacy and effectiveness of the organisations' systems of risk management, governance and internal control.

Wider independent scrutiny and assurance is provided through Grant Thornton LLP, the Commissioner and Chief Constable's external auditors. The external auditors provide a number of reports to the Commissioner, Constabulary and JASC including an audit findings report expressing an audit opinion on the financial statements and a value for money conclusion. This work includes a review of financial resilience. The external auditors annual audit letter presented to the Commissioner and JASC in October 2015 concluded that the Commissioner continues to show strong financial resilience and good financial planning and management. The audit letter also noted that the Chief Constable is working closely with the Commissioner to ensure that its finances are effectively managed.

Managing Financial Risk

Strategic and operational financial risks are managed within the Commissioner's overall framework for risk management. Specific risks to the budget are managed through reserves and arrangements for insurance provide some mitigation for asset risks. Our principle financial risks are:

Lack of resources to deliver current levels of policing services (*strategic*):

This risk primarily arises as a consequence of the review of the police funding formula. A change in our funding settlement places a high degree of risk regarding the level of policing services that can be provided and will challenge the longer term sustainability of an independent Cumbria Constabulary if the worst case for funding materialises. Risk mitigation strategies currently focus on investment in existing services to reduce longer term costs alongside work with partner forces nationally to demonstrate the costs of delivering rural policing. Whilst the planned review of formula funding makes this a strategic risk, lesser operational impacts may also be experienced as a result of the risk that any of the wider budget assumptions prove to be materially incorrect. This includes assumptions about pay and supplies inflation, the cost of future pension's liabilities, the deliverability of assumed savings plans and growth in the tax base /council tax income. Whilst the impacts of these risks will be significantly smaller, should one or more be experienced in full, there will be a need to re-base budgets and plans to address the deficit.

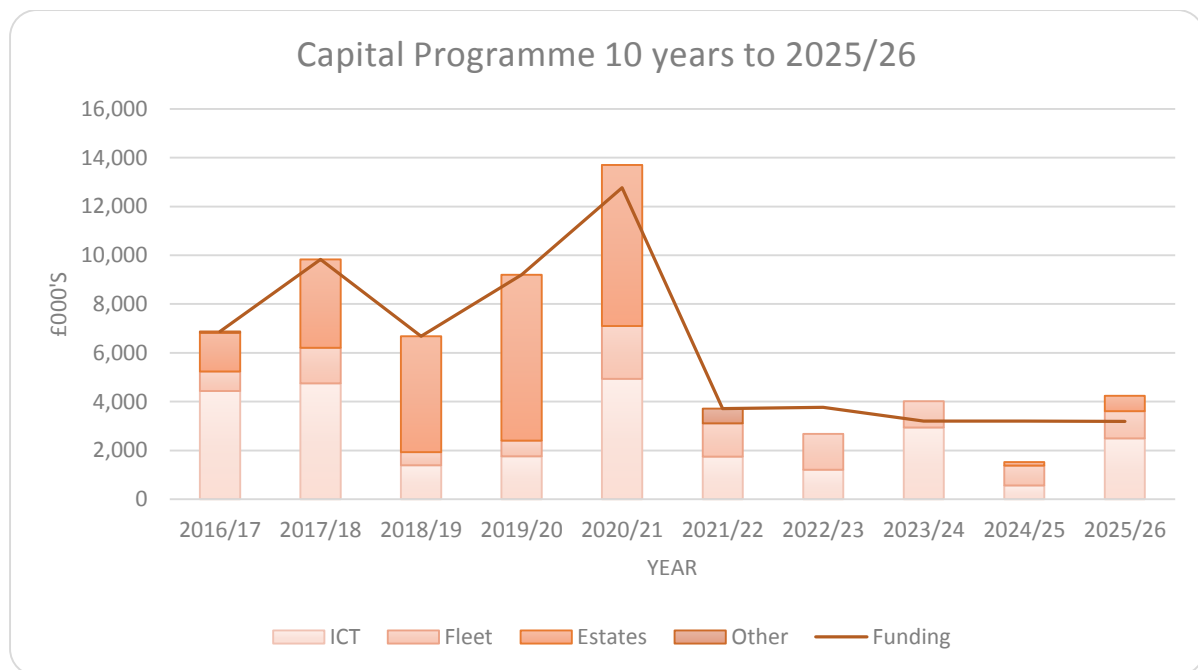
In addition to the strategic risk, the following financial risks are recorded on our operational risk register. The table shows each risk and the primary mitigations in place to manage them

Operational Risk	Mitigation and Assurance
Budget Management: Failure to effectively manage budgets in year resulting in either an under or overspend of actual expenditure	<ul style="list-style-type: none"> ■ Arrangements for budget monitoring and reporting/reserves ■ Financial Regulations ■ Assured by Joint Audit and Standards committee and internal audit
Investment Counterparty Risk: The risk that the counterparty we invest in fails or under banking regulations is required to restructure capital, resulting in the loss of our investment or a reduction in value	<ul style="list-style-type: none"> ■ Independent external advisors ■ Treasury Management Policies and Practices ■ Assured by Joint Audit and Standards Committee and internal audit
Financial Governance: The risk that financial governance fails either through failure to comply with arrangements or a lack of proper arrangements	<ul style="list-style-type: none"> ■ Arrangements set out in the Code of Corporate Governance ■ Annual review as part of the arrangements for the annual governance statement ■ Assured by Joint Audit and Standards Committee, external and internal audit
Asset Management: Failure to secure effective arrangements for managing the commissioner's assets resulting in breach of regulations and/or public/employee liability, loss or damage to the asset, failure to secure value for money from the use of assets	<ul style="list-style-type: none"> ■ Insurance & Independent Insurance advice services ■ Rules for safeguarding and use of assets within financial regulations and the terms of the Chief Constables funding arrangement ■ Assured by Joint Audit and Standards Committee and internal audit
Insurance Failure: The risk that the organisation is not insured against all of the risks that it faces and/or failure to procure sufficient insurance cover/failure of the insurance provider	<ul style="list-style-type: none"> ■ Insurance broker procured to deliver professional advice on amount of cover and excess ■ Annual reporting from director of legal services on current claims ■ Risk assessed insurance provision and reserve for uninsured levels of liability ■ Assured through Bi-annual actuarial review of liabilities and annual review by the broker

This section of our Medium Term Financial Strategy sets out our plans for capital expenditure to fund the purchase and enhancement of property, vehicles, ICT and other equipment assets used to deliver policing. Our forecasts of that expenditure and how it is planned to be financed are consolidated within a 10 year capital programme.

The Capital Programme

Capital expenditure funds the purchase and enhancement of property, vehicles, ICT and other equipment assets used to deliver policing. These assets have a balance sheet value of £64m at 31st March 2015 and over the next 10 years £62.5m will be spent replacing and enhancing those assets. The plans for resourcing and managing those costs are integral to the position within this strategy on the overall level of reserves, treasury management borrowing requirements and total revenue expenditure.



The capital programme estimates the financial resources needed to fund capital assets over 10 years. Expenditure within the programme is based on a proposal from the Constabulary that sets out the requirements to police Cumbria and is supported by detailed capital strategies for the estate, vehicles and ICT. Funding comes from capital grants, capital receipts and capital reserves with the balance provided for either through direct contributions from the revenue budget or revenue charges to fund

interest and repayment of borrowing. This strategy sets an objective that the capital programme will be fully funded for a minimum of four years, ensuring a fully balanced medium term revenue and capital budget. In addition, any major capital schemes requiring new investment over multiple years must be fully funded at the time of approval. The 10 year projection of costs ensures there is on-going review of future requirements facilitating financial planning to accommodate the peaks in expenditure that arise in the longer term.

Capital Expenditure

The significant proportion of total capital expenditure provides for investment and replacement of the ICT equipment, vehicles and property estate used to deliver operational policing. This expenditure will amount to £32.6m over the four years of this medium term financial strategy, an average of over £8m per annum. Capital expenditure is high in the first four years of the 10 year programme as a result of major strategic investment in ICT and the estate. This level of investment continues and increases to 2020-21, following which capital expenditure returns to a more typical average level of £3.2m per annum. The table below sets out the capital programme for four years of this medium term financial strategy. The full 10 year capital programme is set out in Annexe 1.

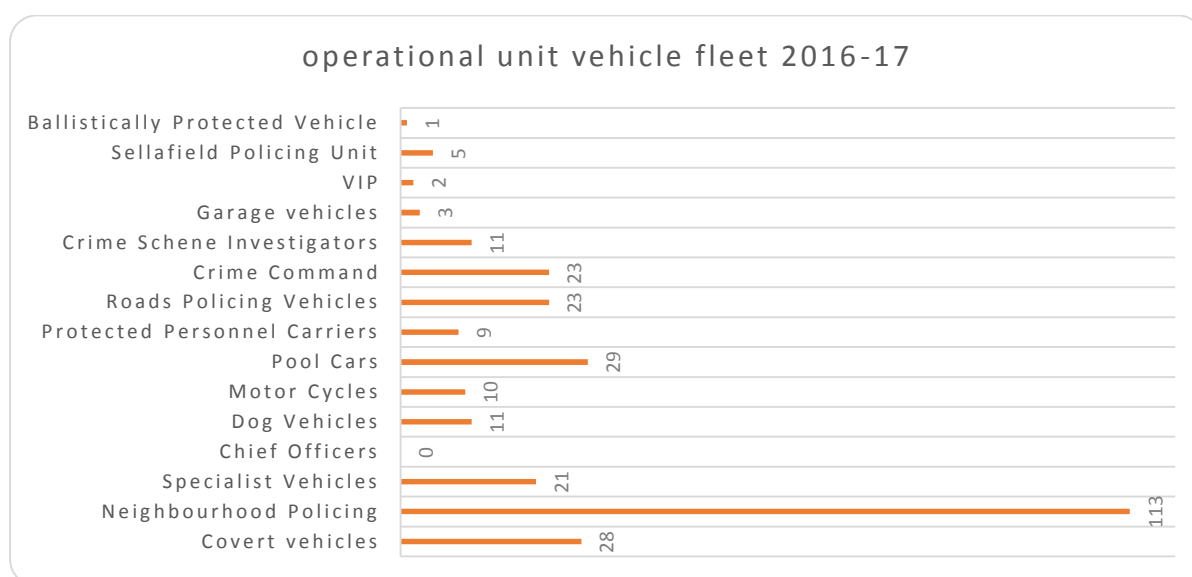
Capital Expenditure	Year 1	Year 2	Year 3	Year 4	Years 1-4
2016-17 to 2019-20	2016/17	2017/18	2018/19	2019/20	Total
	£000	£000	£000	£000	£000
ICT Schemes	4,440	4,753	1,398	1,759	12,350
Fleet Schemes	799	1,449	529	637	3,414
Estates Schemes	1,591	3,634	4,757	6,805	16,786
Other Schemes	54	-	-	-	54
Total Capital Expenditure	6,883	9,836	6,684	9,201	32,604

ICT capital expenditure provides for the cyclical replacement and improvement of the full range of ICT equipment, hardware and application software to meet the operational needs of the Constabulary. High levels of expenditure in 2016-17 and 2017-18 provide for strategic investment in mobile and digital working to support more efficient working and planned reductions in police office numbers. The ICT programme also provides for the renewal or replacement of core systems and applications such as the main crime and intelligence system SLEUTH, command and control, forensics management, prisoner information systems and case and custody. This includes digital files for integration with the crown prosecution service and the police national data base that supports the sharing of information between forces. From 2016-17 ICT capital expenditure also provides for the mandated replacement of the police radio (Airwave) system under the national Emergency Services Network (ESN) programme and

5.2 million miles: the distance travelled by fleet vehicles in 2015-16

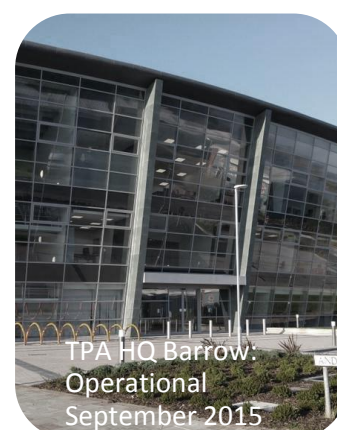
the cyclical replacement and improvement of networks, security and data storage capacity. Average ICT annual capital expenditure over the first 5 years of the programme is £3.5m, reflecting this investment. From years 6-10 expenditure returns to its typical annual average profile of £1.8m.

The Commissioner's fleet consists of 289 vehicles that are used and maintained by the Constabulary. The capital programme provides for the replacement and adaptation of these vehicles on a periodic basis at the end of their useful life. Expenditure fluctuates annually as procurement arrangements seek to procure categories of vehicle through framework agreements that achieve competitive levels of pricing. Over the 10 year programme expenditure averages £1.2m per annum. The programme includes targets for the reduction in fleet costs of 10% in 2016-17, 15% in 2017-18 rising to 20% from 2018-19. The Estates & Fleet Manager will work with operational colleagues to deliver these savings through a combination of reducing vehicle numbers, extending vehicle lives or changing vehicle specifications. Progress against this target will be monitored through the Constabulary's Strategic Vehicle Group



The Commissioner's estate currently consists of 39 premises (including police headquarters, larger police stations/territorial policing area HQ which include custody suites, smaller police stations and a small number of residual police houses). The capital programme sets out the expenditure and capital schemes to deliver the estates strategy. This is a programme of works to reduce the size of the estate to make savings and ensure estate assets are efficient in their running costs and meet operational requirements. The programme includes cyclical replacement of major estate components, for example

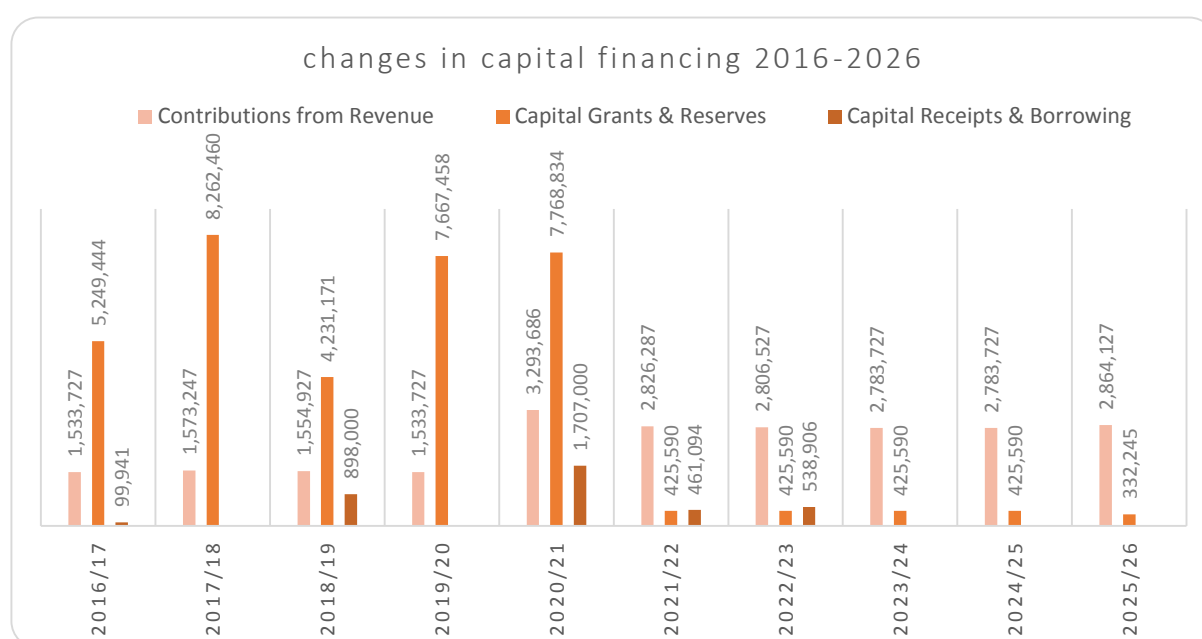
re-roofing, disposal of older property that is no longer fit for purpose and the build and/or lease of new buildings that meet modern performance and suitability standards. This includes ensuring custody facilities meet increasing regulatory requirements. Capital receipts from property disposals are recycled into the programme to fund new buildings.



The severe weather incidents in December 2015 identified a number of threats to resilience and business continuity arising at a number of sites across the Commissioner's estate. This has resulted in the development of capital schemes in the north and west of the county to manage the impact of a number of significant resilience risks, in particular to communications and ICT infrastructure, but also in respect of wider issues concerning deployment and custody. The scheme for the west of the county is still in the early stages of development and will be fully scoped during the 2016-17 financial year. The programme includes an indicative budget for likely costs estimated at around £15m. The scheme also aims to provide a long term solution to the arrangements regarding the PFI building at Workington.

Capital Financing

Our capital financing plans show how we intend to fund the capital programme over its 10 year life. It includes any capital receipts we expect to receive from the disposal of property and grant funding from the Home Office. The table below shows our plans for capital financing between 2016 and 2026.



Over the life of this medium term financial strategy funding for the capital programme is largely dependent on capital grants and capital reserves. This supports the revenue budget with direct revenue contributions being set at an annual amount of £1.2m. Beyond 2021 capital reserves and historic grants will be largely depleted. Over the same time the amount of annual capital funding from central government has been steadily eroded as a result of top-slicing to fund national projects. This has seen a 40% reduction in direct capital allocations to policing areas in 2016-17. This means that the capital programme going forward will be primarily funded from revenue after 2021 when historic capital grants and the reserves we have set aside for the programme have been fully utilised.

The chart below shows the expected movement in capital financing over the next 10 years. Significantly, in 2016-17 grants and reserves comprise 76% of funding for the capital programme with recurrent revenue contributions at 22%. During the last four years these respective contributions switch to 87% recurrent revenue funding and 13% from capital grant, rising to a 90%:10% ratio in 2025-26. This means that in the longer term capital expenditure will be in full competition with revenue expenditure for funding from formula grant and council tax income. From 2021 resource allocation mechanisms will need to manage these competing demands.

Capital financing %	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
	£	£	£	£	£	£	£	£	£	£
Revenue	-22%	-16%	-23%	-17%	-26%	-76%	-74%	-87%	-87%	-90%
Grants & Reserves	-76%	-84%	-63%	-83%	-61%	-11%	-11%	-13%	-13%	-10%
Receipts & Borrowing	-1%		-13%		-13%	-12%	-14%			

A summary of the full 10 year capital programme and financing is provided for information at **Annexe 1**. The annexe shows that the capital programme is in total fully funded over the ten year period to 2025/26. In individual financial years from years 5-10 of the programme there are some shortfalls and excesses which balance out over time. The detailed figures over the longer term will be subject to some refinement which will address these in year differences to ensure a fully balanced forecast for the relevant four year medium term financial strategy.

the budget for the Commissioner and the Chief constable	Budget 2015/16	Budget 2016/17	Budget 2017/18	Budget 2018/19	Budget 2019/20
	£000s	£000s	£000s	£000s	£000s
Constabulary Funding					
Police Officers - Pay	57,452	56,303	57,851	58,799	58,117
Police Officers - Police Pension	18,006	18,134	21,577	22,095	24,010
Police Officers - Ill Health & Injury Pensions	889	889	900	915	931
Police Community Support Officers	2,811	2,814	3,031	3,023	3,120
Police Staff	18,556	18,993	18,369	18,533	18,698
Other Employee Budgets	803	672	534	544	555
Transport Related Expenditure	2,470	2,134	2,193	2,255	2,318
Supplies & Services	9,878	9,675	9,062	9,314	9,442
Third Party Related Expenditure	1,616	1,630	1,660	1,692	1,724
Total Constabulary Expenditure	112,480	111,244	115,178	117,170	118,916
Earned Income	(3,967)	(4,639)	(4,565)	(3,952)	(4,004)
Total Constabulary Funding	108,513	106,605	110,612	113,218	114,912
Commissioners Budgets					
Office of the Commissioner	799	759	768	777	786
Commissioned Services Budget	2,699	2,250	1,850	2,000	2,000
Sexual Assault Support Service	0	333	233	83	83
Premises Related Costs	3,717	3,529	3,610	3,694	3,780
LGPS Past Service Costs	799	799	1,199	1,199	1,199
Insurances and Management of Change	2,533	767	795	803	833
Accounting and Capital Financing	5,748	6,304	4,960	4,936	9,836
Contributions to Revenue Reserves	1,890	50	50	50	50
Contributions to Capital Reserves	0	3,473	0	0	2,000
Grants: Home Office Pension	(18,006)	(18,134)	(21,577)	(22,095)	(24,010)
Grants & Contributions - Other	(7,448)	(6,958)	(6,961)	(6,963)	(6,966)
Interest/Investment Income	(125)	(100)	(135)	(170)	(170)
Total Commissioners Budget	(7,394)	(6,928)	(15,207)	(15,687)	(10,579)
Revenue Reserve Drawdown	(4,127)	(697)	(337)	(100)	0
Capital Reserve Drawdown	(2,121)	(3,305)	(1,927)	(1,928)	(6,857)
Total Use of Reserves	(6,248)	(4,002)	(2,264)	(2,028)	(6,857)
Budget Requirement	94,871	95,675	93,142	95,503	97,477
General Police Grant	(59,884)	(59,543)	(49,643)	(49,643)	(49,643)
Council Tax Precepts	(34,987)	(36,132)	(36,830)	(37,812)	(38,821)
Total Formula Grant & Council Tax Income	(94,871)	(95,675)	(86,473)	(87,454)	(88,464)
Net Deficit/Savings Requirement	0	(0)	6,669	8,048	9,013
Council Tax per Band D Property	£208.62	£212.58	£216.64	£220.78	£225.02
Increase over previous year	£3.96	£3.96	£4.06	£4.14	£4.24
Percentage Increase	1.93%	1.90%	1.91%	1.91%	1.92%

Capital Expenditure and Financing 10 years 2016-17 to 2025-26

Capital Programme	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 1-10
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Capital Expenditure											
ICT Schemes	4,440	4,753	1,398	1,759	4,940	1,749	1,202	2,934	569	2,494	26,238
Fleet Schemes	799	1,449	529	637	2,161	1,364	1,473	1,085	806	1,121	11,424
Estates Schemes	1,591	3,634	4,757	6,805	6,600	0	0	0	150	620	24,156
Other Schemes	54	0	0	0	0	600	0	0	0	0	654
Total Capital Expenditure	6,883	9,836	6,684	9,201	13,701	3,713	2,675	4,019	1,525	4,235	62,473
Capital Financing											
Capital Receipts	0	0	898	0	1,707	461	539	0	0	0	3,605
Revenue Contributions	1,534	1,573	1,555	1,534	3,294	2,826	2,807	2,784	2,784	2,864	23,554
Capital Grants	1,945	6,336	2,303	811	426	426	426	426	426	332	13,854
Capital Reserves	3,305	1,927	1,928	6,857	7,343	0	0	0	0	0	21,360
Borrowing	100	0	0	0	0	0	0	0	0	0	100
Total Capital Financing	6,883	9,836	6,684	9,201	12,770	3,713	3,771	3,209	3,209	3,196	62,473
Funding Gap	0	0	(0)	(0)	(932)	0	1,096	(810)	1,684	(1,039)	(0)

Objective Analysis Descriptions

- **Local Policing** – neighbourhood policing, incident management, community liaison, local command team and support overheads.
- **Dealing with the Public** – local call centre/front desk, central communications unit.
- **Criminal Justice Arrangements** – custody/prisoner handling, criminal justice arrangements, Police National Computer, civil disclosure/criminal records bureau, coroner assistance, fixed penalty scheme/central ticket office.
- **Road Policing** – traffic units, vehicle recovery, road safety partnership
- **Specialist Operations** – central operations command team and support overheads, underwater search/marine support, dogs sections, level 1 advanced public order, firearms unit, civil contingencies.
- **Intelligence** – central intelligence command team and support overheads, intelligence/threat assessments, covert policing.
- **Investigations** – crime support command team and support overheads, major investigations unit, economic crime, serious and organised crime unit, public protection, local investigation.
- **Investigative Support** – scenes of crime officers, external forensic costs, fingerprint/DNA bureau, photographic image recovery, other forensic services.
- **National Policing** – secondments (out of force), counter terrorism/special branch, ACPO projects/initiatives.
- **Corporate and Democratic Core Costs:** member expenses; officer time spent on appropriate advice activities; subscriptions to local authority associations etc.; costs of head of paid service; maintenance of statutory registers; statutory returns and statistics; external audit and inspections; treasury management; bank charges.
- **Central Costs:** Pension costs – past service costs, curtailments and settlements, depreciation costs and impairment losses in relation to assets under construction and surplus assets held for disposal.

Treasury Management Investment Counterparties: Credit Rating, Groups & Limits

Credit Rating	Maximum	1	2	3	4	5
		Banks	Banks	Government	Registered	Pooled
		Unsecured	Secured		Providers	Funds
Category Limit 2016/17	Amount	£20m	£20m	Unlimited	£10m	£15m
Individual Institution/Group Limits						
UK Government	Amount	N/A	N/A	£ unlimited	N/A	N/A
	Duration			50 Years		
AAA	Amount	£2m	£4m	£4m	£2m	£4m per fund
	Duration	5 years	20 years	50 years	20 years	
AA+	Amount	£2m	£4m	£4m	£2m	
	Duration	5 years	10 years	25 years	10 years	
AA	Amount	£2m	£4m	£4m	£2m	
	Duration	4 years	5 years	15 years	10 years	
AA-	Amount	£2m	£4m	£4m	£2m	
	Duration	3 years	4 years	10 years	10 years	
A+	Amount	£2m	£4m	£2m	£2m	
	Duration	2 years	3 years	5 years	5 years	
A	Amount	£2m	£4m	£2m	£2m	
	Duration	13 months	2 years	5 Years	5 years	
A-	Amount	£2m	£4m	£2m	£2m	
	Duration	6 months	13 months	5 years	5 years	
None	Amount	N/A	N/A	£2m	£2m	N/A
	Duration			25 years	5 years	N/A

Credit Rating Category Descriptions

Long Term Rating	The Commissioner will confine investments to those institutions with a minimum rating of A-.		
This category of ratings applies to investments over 12 months. The approved grading is in the range AAA, AA, A,	AAA Highest credit quality 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be affected by foreseeable events.	AA Very high credit quality 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.	A High credit quality 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

Explanation of Counterparty Groupings

Category 1 - Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a **bail-in** should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB are restricted to overnight deposits at the Commissioner's current account bank Nat West plc.

Category 2 - Banks Secured: Covered bonds, reverse repurchase agreements and other secured arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Category 3 - Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to **bail-in**, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Category 4 - Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are

tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.

Category 5 - Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value (NAV) will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods. Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Commissioner to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Commissioner's investment objectives will be monitored regularly.

Further Information

Further information on the arrangements for finance and financial governance can be found on the Commissioner's website under the tab headed Governance and Transparency. This includes the following webpages:

- Budget and Finance: budget reports, treasury management strategy, financial monitoring
- Joint Audit Committee: arrangements for the committee, annual report of the committee
- Statement of Accounts: financial statements, annual governance statements and code of local government
- Document Library: a facility to search for key documents and information e.g. financial regulations

We welcome your views on the Commissioner's medium term financial strategy. You can do this by using the contact information below:

Office of the Police & Crime Commissioner

Carleton Hall

Penrith

Cumbria CA10 2AU

Telephone: 01768 217734

E-mail: commissioner@cumbria-pcc.gov.uk



Office of the Police & Crime Commissioner

REQUEST FOR POLICE & CRIME COMMISSIONER DECISION - (N° 012 / 2016)

TITLE: Cumbria Constabulary Procurement Strategy 2016 – 2019.

Executive Summary:

The Procurement Strategy 2016 – 2019 has been developed by Cumbria Constabulary and is attached for consideration by the Police and Crime Commissioner.

This first Procurement Strategy represents a significant step forward in the plans and strategic direction for procurement activities across both the Office of the Police and Crime Commissioner and the Constabulary.

This covering paper provides an overview of the 2016 – 2019 Procurement Strategy. It includes high level details of the key themes and priorities. The Procurement Strategy is designed to be a live document that is regularly updated as part of the implementation of the strategy. As the business requirements of the Commissioner and the Constabulary change, the strategy will be updated to reflect this.

Recommendation:

The Commissioner is asked to approve the Procurement Strategy 2016 – 2019 which is submitted in support of both the Police & Crime Plan 2013 – 2017 and the Constabulary's operational policing plans.

Police & Crime Commissioner

I confirm that I have considered whether or not I have any personal or prejudicial in this matter and take the proposed decision in compliance with the Code of Conduct for Cumbria Police & Crime Commissioner. Any such interests are recorded below.

I hereby approve/do not approve the recommendation(s) above

Police & Crime Commissioner / Chief Executive (delete as appropriate)

Signature: **Date:**

PART 1 – NON CONFIDENTIAL FACTS AND ADVICE TO THE PCC

1. Introduction & Background

- 1.1. The Procurement Strategy was presented to and approved by the Chief Officer Group (COG) on 01 February 2016 and is now submitted for consideration by the Police & Crime Commissioner for Cumbria.
- 1.2. This is the first Procurement Strategy produced by the Constabulary. The strategy will be refreshed every four years or when there is a significant change to Police and Crime Plan or operational policing priorities.
- 1.3. Effective procurement is fundamental to securing the best possible value for goods, works and services used across both the Office of the Police and Crime Commissioner and the Constabulary.

2. Issues for Consideration

- 2.1. This Procurement Strategy outlines the current and future direction of travel for Procurement and documents the measures and changes that are required to meet these. Our vision for Procurement is “to provide a respected, affordable and innovative procurement service which actively enables the Constabulary and Commissioner to achieve the aims of the Police and Crime Plan and the Chief Constables operational policing plans in order to meet the needs of the citizens of Cumbria”.
- 2.2. The 2016-19 Procurement Strategy has been developed to actively enable the Constabulary to ***Keep Cumbria Safe*** and support the priorities set out in the ***Police & Crime Commissioner’s Police and Crime Plan 2013 – 2017***. The Procurement Strategy also supports both the Internal Change Programme and the delivery of an effective policing strategy within challenging budgetary constraints.
- 2.3. This strategy aims to provide a link between the strategic objectives of the organisation and our priorities for the procurement service taking into account current and potential future Social Economics and Political landscape from a Local/Regional and National Perspective. The strategy recognises the responsibility Procurement have in collaborating with internal and external partners, working in a fair and transparent manner underpinned by a non-discriminatory approach. This is a fundamental key to achieving the drive for obtaining best value for both the organisation and the supply chain.
- 2.4. The strategy outlines ***nine key priority areas*** of delivery;
 - Providing leadership and building capacity.
 - Partnering & collaboration.
 - Doing business electronically.
 - Stimulating markets & achieving market benefits (Market capacity building)
 - Commissioning.
 - Developing and maximising supplier relations – Savings & efficiency gains.
 - Promoting stakeholder internal / external working.

- Raising awareness of procurement.
 - Improving contract management.
- 2.5. The strategy includes an action plan for addressing these key priority areas over the next four years which will be subject to annual updates.
- 2.6. This strategy aligns to best practice and builds on the work already undertaken by the Constabulary's Procurement Department in delivering innovative procurement solutions, through the framework for Commissioning, Procurement and Contract Management in full compliance with the Joint Procurement regulations, the public Contract Regulations 2015 and the EU Treaty principles.
- 2.7. As a result of the 2014 Procurement Review the Constabulary has successfully introduced and embedded a centralised 'category management' model which aligns procurement expertise with different areas of the business. Procurement Business Partners are in place across each category area with responsibility to undertake all technical aspects of procurement from sourcing and tendering to contract management.
- 2.8. The three key category areas, including details of (2014/15) annual expenditure are as follows:
- ICT – £8.45m (total capital/revenue)
 - Operational (including Fleet & Estates) – £15.6m
 - Corporate – £3.36m.
- 2.9. The vast majority (approx. 80%) of procurement expenditure is undertaken against a range of over 136 nationally approved Framework Agreements & Contracts.
- 2.10. The Constabulary Procurement Service is fully supportive of collaborative working with other Blue Light forces / agencies in order to achieve best value.
- 2.11. The strategy also details the ongoing commitment to local procurement wherever possible with approximately 46% of (2014/15) expenditure being to organisations with a presence in Cumbria.
- 2.12. The Procurement Department owns and maintains the Joint Procurement Regulations used by both the Commissioner's Office and the Constabulary, ensuring that procurement activities are compliant with local and national / EU regulations as required whilst ensuring appropriate support for transparency requirements.
- 2.13. It is clear that the reliance on procurement within the Constabulary is now higher than at any other time and therefore the strategy focuses on collaborative solutions which will entail building capacity and developing key skills key within the Procurement function which will be coterminous with the drive to build capacity and partnerships of equals in the supply chain which will provide the organisation with sustainable benefits, cost effectively supporting operational policing needs and the Police and Crime Plan 2013 – 2017.

3. Financial Comments

- 3.1. The strategy has been produced in consultation with the Constabulary's Chief Finance Officer.

4. Legal Comments

- 4.1. There are no specific legal implications although to progress some of the objectives there will be a requirement for the Legal Services department to be consulted and offer professional support. This will be formulated as specific procurement activities or initiatives progress.
- 4.2. The Procurement department works very closely with the Senior Legal Advisor on Procurement matters.

5. Risk Implications

- 5.1. Specific risks are documented within the Procurement / Corporate Support risk register and are recorded within the project documentation of each project / initiative as required.
- 5.2. There are a number of challenges faced by the Procurement department specifically regarding the volume and complexity of procurement activities required to support operational and business needs across both organisations.

6. HR / Equality Comments

- 6.1. None identified with the endorsement and approval of the Strategy.

7. ICT Comments

- 7.1. The Procurement Team work closely with the ICT Department when procuring goods and services. Larger projects are undertaken in conjunction with the Head of Procurement who is fully involved with the process and forms part of the Tender and Contracts Evaluating Panel.

8. Procurement Comments

- 8.1. None, strategy produced by the Head of Procurement.

9. Backgrounds / supporting papers

(List any relevant business case, EIA, PID, Media Strategy and append to this form; list persons consulted during the preparation of the report)

- Cumbria Procurement Strategy 2016 – 2019

Persons Consulted:

- The Extended Chief Officer Group

- Stephen Kirkpatrick, Director of Corporate Support
- Members of Corporate Support SMT
- Ruth Hunter, OPCC Chief Finance Officer
- Roger Marshall, Constabulary Chief Finance Officer
- Michelle Bellis, Deputy Chief Finance Officer

Public Access to Information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the PCC website within 3 working days of approval. 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. Deferment is only applicable where release before that date would not compromise the implementation of the decision being approved.

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

If yes, for what reason:

Until what date (if known):

Is there a **Part 2** form - **NO**

ORIGINATING OFFICER DECLARATION:

I confirm that this report has been considered by the Chief Officer Group and that relevant financial, legal and equalities advice has been taken into account in the preparation of this report.

Signed: S. Kirkpatrick

Date: 15th February 2016

OPCC OFFICER APPROVAL

~~Chief Executive~~ / Deputy Chief Executive (delete as appropriate)

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. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner / Chief Executive (delete as appropriate).

Signature: R. Hunter

Date: 15th February 2016

Media Strategy

The decision taken by the Police & Crime Commissioner may require a press announcement or media strategy.

Will a press release be required following the decision being considered? **NO**

If yes, has a media strategy been formulated? **N/A**

Is the media strategy attached? **N/A**

What is the proposed date of the press release:



PROCUREMENT STRATEGY 2016 – 2019

Version: V1.2

Author: Les Hopcroft, Head of Procurement

Reporting to: Stephen Kirkpatrick
Director of Corporate Support

Date: January 2016



Version Control

Version	Date	Author	Comment
V0.1	13/01/16	LH	Submitted to SK for review
V0.4	15/01/16	SCG	Reviewed and added minor revisions.
V0.5	18/01/16	LH	Amendments completed
V0.7-V0.9	19-20/01/16	SCGK/LH	Final amends before submission to Informal COG.
V1.0 - DRAFT	20/01/16	SCGK	Circulated to C/S SMT before submission to Informal COG
V1.1 - DRAFT	22/01/16	SCGK	Updated to reflect comments from C/S SMT and submitted to Informal COG
V1.2	11/02/2016	SCGK	Updated protective marking as 'Not Protectively Marked.

Acknowledgements

Various officers and staff during consultation



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1. Executive Summary

Keeping Cumbria Safe

This Procurement Strategy outlines the current and future direction of travel for Procurement and documents the measures and changes that are required to meet these. Our vision for Procurement is,

“To provide a respected, affordable and innovative procurement service which actively enables the Constabulary and Commissioner to achieve the aims of the Police and Crime Plan and the Chief Constables operational policing plans in order to meet the needs of the citizens of Cumbria”.

The 2016-19 Procurement Strategy has been developed to actively enable the Constabulary to **Keep Cumbria Safe** and support the priorities set out in the Police & Crime Commissioner’s **Police and Crime Plan 2013 – 2017**. The Procurement Strategy also supports both the Internal Change Programme and the delivery of an effective policing strategy within challenging budgetary constraints.

This strategy aims to provide a link between the strategic objectives of the organisation and our priorities for the procurement service taking into account current and potential future Social Economics and Political landscape from a Local/Regional and National Perspective. The strategy recognises the responsibility Procurement have in collaborating with internal and external partners, working in a fair and transparent manner underpinned by a non-discriminatory approach. This is a fundamental key to achieving the drive for obtaining best value for both the organisation and the supply chain.

The strategy outlines **nine key priority areas** of delivery;

- Providing leadership and building capacity.
- Partnering & collaboration.
- Doing business electronically.
- Stimulating markets & achieving market benefits (Market capacity building)
- Commissioning.
- Developing and maximising supplier relations – Savings & efficiency gains
- Promoting stakeholder internal / external working
- Raising awareness of procurement
- Improving contract management

This strategy aligns to best practice and builds on the work already undertaken by the Constabulary’s Procurement Department in delivering innovative procurement solutions, through the framework for Commissioning, Procurement and Contract Management in full compliance with the Joint Procurement regulations, the public Contract Regulations 2015 and the EU Treaty principles.

The Procurement Strategy was approved by Chief Officers in January 2016 and will be submitted for consideration by the Police & Crime Commissioner in February 2016 and will be refreshed at regular intervals; a 4 year cycle with annual action plan updates or as required.

It is clear that the reliance on procurement within the Constabulary is now higher than at any other time and therefore the strategy focuses on collaborative solutions which will entail building capacity and developing key skills within the Procurement function which will be coterminous with the drive to build capacity and partnerships of equals in the supply chain which will provide the organisation with sustainable benefits, cost effectively supporting operational policing needs and the Police and Crime Plan 2013 – 2017.

Throughout this document where reference is made to the Constabulary, the principles and actions should generally be considered as being relevant to both the Constabulary and the Office of the Police and Crime Commissioner.



2. Introduction

2.1 Principles

We will provide a policing capacity and capability appropriate to the risks facing Cumbria. We will focus on the service quality, satisfaction and confidence of communities in Cumbria by putting the public at the heart of what we do. We will use Neighbourhood policing teams as the basis for visible policing in Cumbria. We will deliver in partnership. We will be innovative in our approach to service delivery. We will focus on continuous improvement. We will provide a workforce that is highly trained; citizen focused creating a vibrant organisation.

This Procurement Strategy sets out the ambitions for the Constabulary's use of procurement as a tool to positively impact on our economy and communities in recognising the budgetary pressures, social; economic and environmental benefits to be achieved from applying an intelligent approach to our procurement to achieve best value, efficient use of resources, use of technology, innovation and practices and procedures.

The strategy fully recognises the policy and financial challenges faced by Police forces and the wider public sector.

We will rigorously challenge all our procurement decisions, together with effective and efficient procurement procedures. Our approach will in turn generate meaningful cashable savings and in doing so will help to afford some protection of the front line services.

2.2 Background

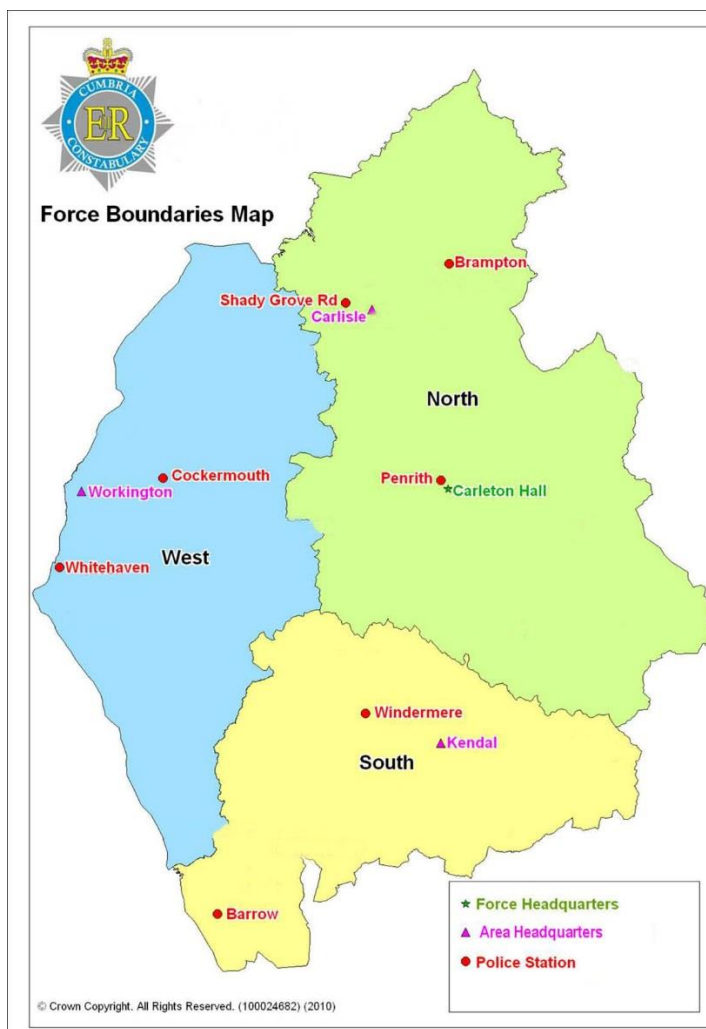
Cumbria Police serves a population of approximately 500,000 people and covers an area of more than 2,600 square miles in the North West of England, from the Scottish border down to Lancashire, and across to North Yorkshire, Northumberland and Durham. The police area covers the rural Lake District and the more industrial areas of Workington, Whitehaven, Carlisle and Barrow.

Kendal is the largest town in the Lake District and tourism its main source of income and jobs. Barrow at the extreme south of the county is industrial with the principle employer being BAE ship builders, this area is the most densely populated at 9.09 persons per hectare. The North and West of the county are more highly populated and the largest population are in Carlisle, Workington and Whitehaven. The population density for the whole of Cumbria is only 0.73 persons per hectare making it the lowest population density in the country. This contrasts sharply with the comparable figure for an all-England average of 398 (ONS, 2012).

Cumbria Constabulary has an annual budget in the region of £108 million for 2014-2015. This budget faces the potential for significant reductions over the next 4 years.

Staffing during the 2016/17 financial year will comprise 1120 Police Officers, 571 Police staff and 95 PCSO's. In common with all Police Forces, funding and staffing arrangements are under review in the light of the 2015 Comprehensive Spending Review and the Funding Formulary Review.

In common with normal policing practice Cumbria Constabulary is organised into Areas which have coterminous boundaries with the Local Authorities.

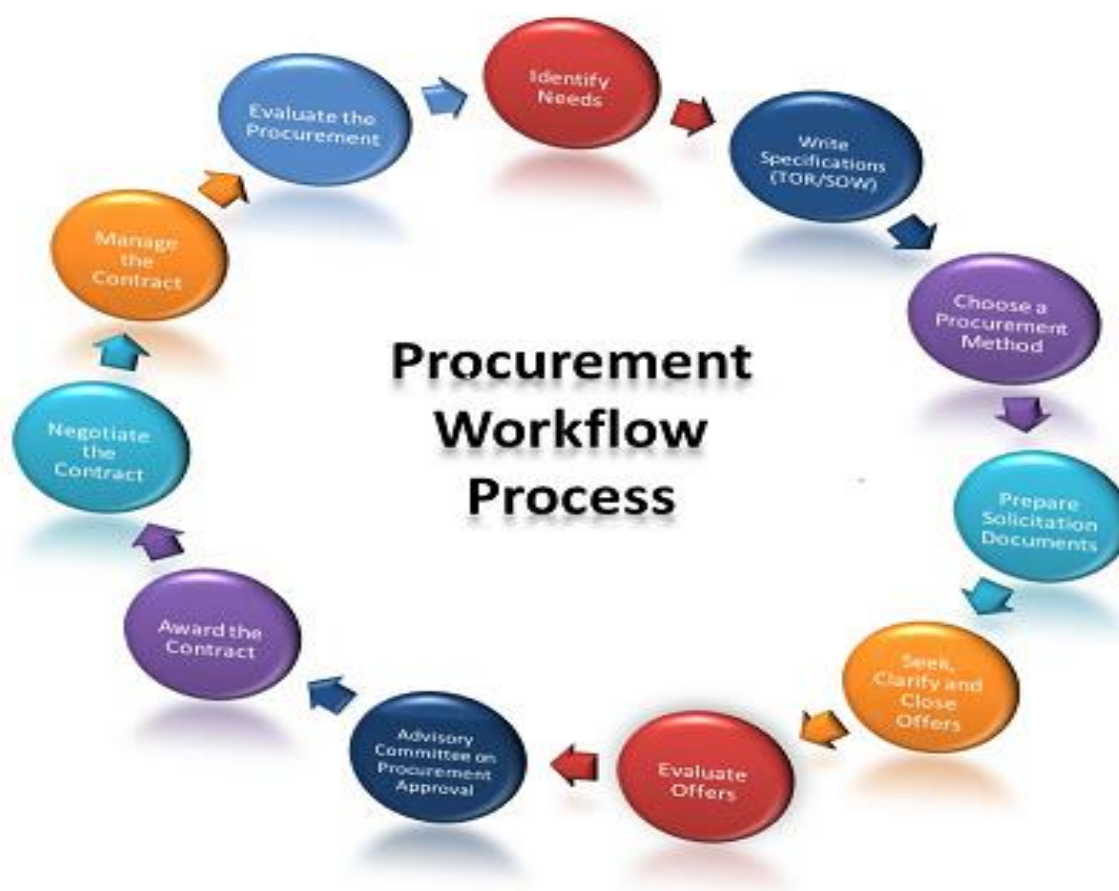


The Constabulary Procurement Strategy has been developed in partnership with internal/external Stakeholders. It provides the Constabulary with an Action Plan to support the Constabulary's key priorities and vision in an era of unprecedented budget cuts which present unique challenges. Specifically the Funding Formula Review may have significant impact on service delivery from a support function perspective.

Procurement has a key role to play in ensuring that we ensure that capital and revenue expenditure delivers maximum benefit both in terms of commercial and sustainable service delivery.

This strategy and associated Action Plan cover the four year period 2016 –2019, this is deemed to be a realistic timeframe given the pressures from central government, a similar time span for delivering efficiencies and the changing environment within which the Constabulary operates. We must adopt a flexible and positive approach to the challenges that lay before us. Without doubt procurement is one of the key tools the Constabulary has to help the organisation achieve its objectives.

Procurement does not just relate to "buying things" but covers the whole process from the initial identification of a need for a good or service, through selecting a supplier or partner, receiving the goods or service, managing a contract, achieving the benefits expected, to finally disposing of an asset or ending of a contract. This procurement process is described in the diagram below.



In summary in 2014/15 the Constabulary spent over £29 million on goods, works and services. We used approximately 1400 suppliers and received over 19,000 e-Invoices.

The Constabulary has strict internal governance through the joint procurement regulations to ensure robust probity, transparency of processes and compliance are embedded in all our procurement activities.

Therefore, delivering value for money from the Constabulary's spending is the collective responsibility of everyone involved with procurement. We rely heavily on Key Stakeholders that carry out purchasing on a daily basis, on Financial Services for budget control and creditor management and Legal Services for advice and guidance on contracts. A fuller description of the various roles and responsibilities in relation to procurement can be found in on the Constabulary's internet site.

The impact of procurement is far greater than a simple definition of a process. The principles set out in this strategy illustrate the positive contribution that effective procurement arrangements make to the communities the Constabulary serves considering socio-economic agendas such as equality and diversity, a successful economy, community benefit and reducing environmental impact. Purchasing of goods, services and/or works represents a significant interface with the economic community on a local, regional and national level via contractual relationships developed with suppliers.

Chief Officers Group (COG) and the Senior Management Team (SMT), particularly through Senior Management Team and Overview and Scrutiny (Internal), have an important role in questioning procurement decisions and ensuring sustainable benefits are achieved. The Procurement Cycle diagram, figure 1 above, identifies the processes/points of decision and review points where a review can take place.

The Constabulary has a track record of working in partnership with others such as the Crown Commercial Services, Yorkshire Purchasing Organisation), other consortia, and Regional/National Police Forces. The Constabulary will continue to strive to work in partnership on procurement.



This strategy aims to provide plans to help us strive for excellence in the procurement of goods, services and works and to articulate the Constabulary's positive commitment to partnering, equality and sustainability through procurement.

2.3 What is Procurement?

Procurement is the process of acquiring goods, works and services, covering both acquisitions from third parties and from in-house providers. The process spans the whole-life cycle from identification of needs, through to the end of a service contract or the end of the useful life of an asset including responsible disposal. It involves initial option appraisal and critical 'make or buy' decisions, which may result in the provision of in-house services in appropriate circumstances" (National Procurement Strategy).

We recognise the role of balancing local economic growth with national action (aggregation of demand), and the need to get value for money from all procurement activity.

A category management business model has been developed to enable the Constabulary to maximise the benefits from procurement collaboration for categories and sub-categories of works, goods and services. The key categories are;

- ICT
- Operational
- Corporate

Currently the Constabulary has in excess of 136 Framework agreements /contracts with a value in excess of £10,000 accounting for 80% of the Constabulary's procurement expenditures

These key categories head up numerous sub-categories and all budget holders have a Business Manager from within the category team.

This team manage a wide range contracts, and provide strategic and commercial support to other business areas that are responsible for managing business critical contracts, and lead in the important area of sustainable procurement.

Currently 80% of capital and revenue expenditure is with National/Regional Framework contracts. The Constabulary is fully supportive of collaborative working with other Blue light forces/Agencies to maximise Best Value.

Specifically in regards to the capital and revenue expenditure across the three categories the monetary breakdown of expenditure for 2014/15 was;

ICT

- Total Capital/Revenue Expenditure £8.45 million.

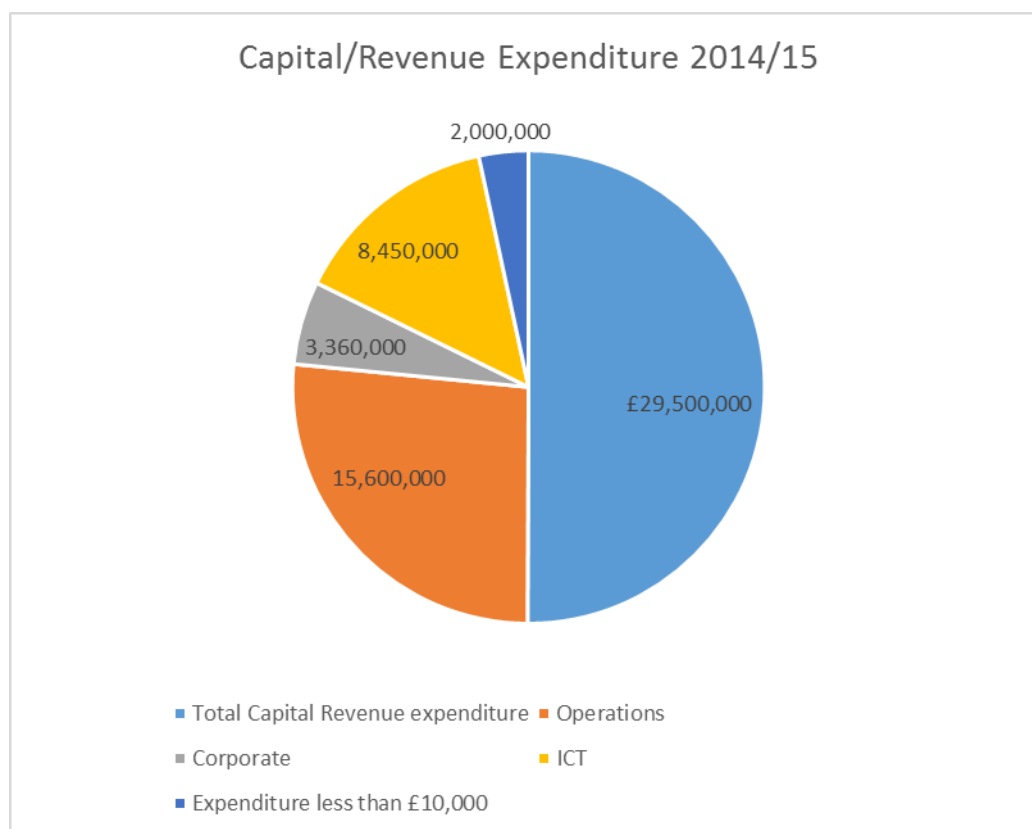
Operational

- Total Capital/Revenue Expenditure £15.6 Million.

Corporate

- Total Capital/Revenue Expenditure £3.36million.

In addition there is expenditure of approx. £2 million that accounts for 7% of the total expenditure across in excess of 1100 suppliers which for the purpose of the analysis will be investigated at a later date.



The top 50 suppliers accounted for approx. £20 million of total expenditure (70%).

Broadly speaking 46% of total expenditure for 2014/15 was to organisations with a presence in Cumbria. This data needs further interrogation to confirm accuracy and to better understand the dynamics behind that expenditure. A key theme will be to increase the expenditure in Cumbria for local SME/Micro Businesses where legally able to do so.

The ACPO National Procurement Strategy to 2011 identifies the following key principals:

- Operational,
- Increasing further police procurement capacity and capability,
- Securing further supplier competition and price leverage, shaping requirements and specifications,
- Developing techniques and practices to reduce costs and risks,
- Reducing procurement overheads and the costs of acquisition and promoting sustainability while at the same time supporting diversity in procurement.

Cumbria Constabulary's Procurement Department's strategy will ensure that these principals are consistently drawn out in its work plan and procurement processes.

For the compliance and transparency in accordance with Government requirements, all contracts over £100,000 will be advertised via the forces E-Procurement portal (Blue light). If the value of the contract exceeds the EU procurement regulation value threshold then that opportunity will be advertised in the Official Journal of the European Journal (OJEU) and the Governments Business portal Contract finder.

The exception being where there is a National/Regional framework already in place that meets the criteria for best value. A recognisable benefit of using a framework while being mindful of the local agenda is that we achieve best value through aggregation and agreed terms.

In addition using the same criteria we will in accordance with the EU Procurement Regulation 2015 ensuring the opportunity is advertised via the Governments Business Portal Contracts Finder.



3. Current Provision, Issues & External Drivers

3.1 Procurement Review - Phases 1 and 2

In May 2013 (Phase 1) and January 2014 (Phase 2) the organisation undertook a Procurement Review and as a direct result the current procurement team was disestablished with a new team forming in its place. This team consist of 1 Head of Procurement, 3 Procurement Business Partners and 3 Procurement Officers. The team provides advice and leadership on procurement in the organisation, and undertakes the majority of procurement activity, with true transactional procurement activity remaining within the Central Services Department and the business still having budgetary and decision making in relation to procurement decisions.

Cumbria Constabulary has successfully introduced and embedded a centralised 'category management' model which aligns procurement expertise with different areas of the business. The categories are: Corporate; Operations (including Estates & Fleet); and ICT. The Procurement Business Partner are expected to undertake all technical aspects of procurement from sourcing and tendering to contract management, whilst the Procurement Officer supports the non-technical procurement activities such as data and spend analysis, reporting, catalogue management and supplier enablement. The Procurement Officers also undertake critical tasks in the procurement system and complete financial reports and records on behalf of the business areas they support.

Procurement also has responsibility for the Constabulary's stores which has a primary function to provide a force wide uniform supply and fitting service to both Police Officers and Police Staff, along with the supply of general stock lines where it is more cost effective for central distribution rather than direct delivery.

To achieve this in the last fiscal year the Stores Department generated 1,136 orders for stock items covering 1175 separate stock lines of which 862 are uniform and the remaining 313 for general stock lines.

Requests into the department equated to the generation of 9,863 individual picking lists for stock items some of which may have one or more items upon them.

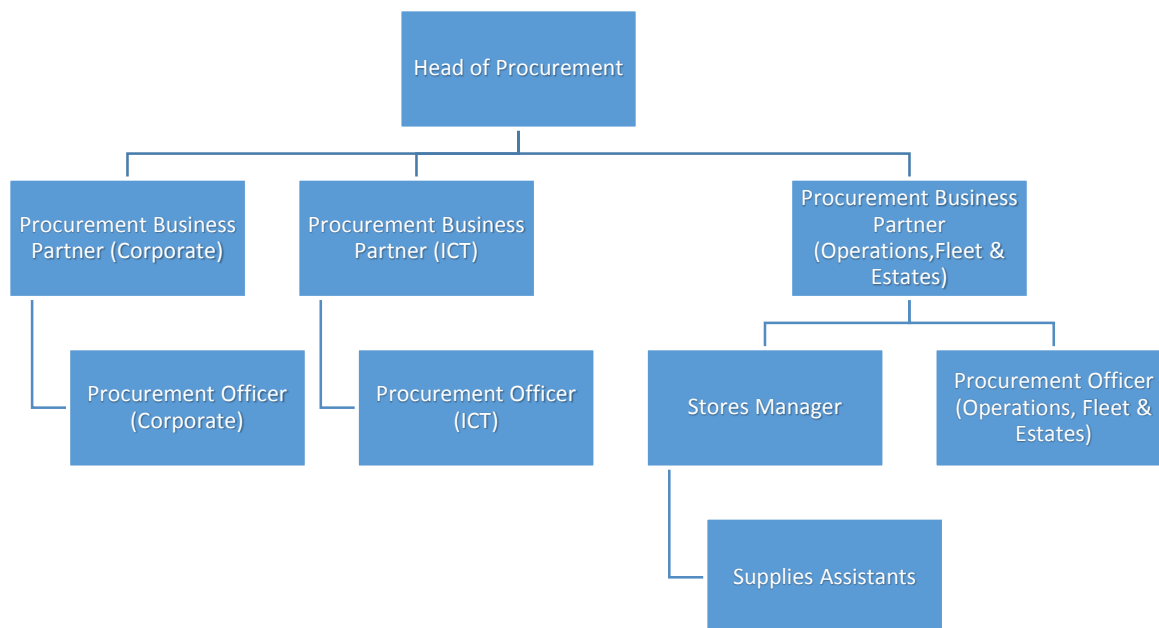
These picking lists covered the issue of 20,726 individual items of which 4717 were for uniform items covering 16,009 individual items at a value of £556,542.73 the remaining 5146 were for general stock lines at a cost of £112,765.95.

Out of the £556,542 spent on uniform items £505,854 was spent with companies where the force are utilising either local, regional or national contracts, the remaining £50,688 or approximately 9.1% was spent on stock lines where no contracts are available at present. Although these items are mainly for specialist units all are kept under review in relation to new contracts coming on line.

In relation to the general stock lines from the £112,765.95 spend £95,262.64 was spent with companies who are under contract the remaining £17,503 or approximately 15.52% was spent on stock lines where no contracts are yet available and again most of the products are for specialist use.

The present aim within the department is to bring the non-contract spend down on uniform items to approximately 5% per annum and down to 10% for general items.

3.2 Current Procurement Structure 2016



3.3 Constabulary & Police and Crime Commissioner Procurement Principles

Procurement supports the achievement of the majority of the Constabulary's & Police & Crime Commissioners priorities, as they all need goods, services, people or skills to be purchased to make them happen. If procurement is not effective there will be less capacity, fewer goods, financial uncertainty and inequality. Good procurement practices specifically support the following Constabulary Priorities in order to achieve both a **balanced budget** and **best value**.

We stated the procurement principles which we will champion to help deliver more effective and efficient procurement across both the Constabulary and Office of the Police and Crime Commissioner:

- **Procure strategically and compliantly** – Procurement will be carried out to support the delivery of the required priorities and in-line with this Strategy. All procurement processes and systems must comply with the Constabulary & Commissioner's Joint Procurement Regulations, Financial Regulations and relevant legislation or regulation.
- **Develop corporate procurement and contracts** – Where efficiencies are anticipated we will move towards the corporate procurement of goods and services. We will use standard documentation, approved suppliers, framework contracts or contracts for the supply of goods and services negotiated on behalf of the Constabulary and Commissioner through a central team.
- **Deliver choice and quality** – We will make purchasing decisions on the basis of quality criteria and price. Stakeholders or specialists will be involved in the selection process and in ongoing contract management to make sure we get the right things for the job.
- **Best Value procurement** – We will use procurement to realise efficiencies and help us work effectively. This will be achieved through partnership / joint working, lower cost, better quality, improved service, better processes and corporate contracts.
- **Build skills and capacity** – We will develop the skills and capacity needed to improve procurement and ensure it contributes to priorities and corporate governance initiatives such as CSR, value for money and use of resources assessments.

3.4 Legislation

The Constabulary & Office of the Police and Crime Commissioner have updated Joint Procurement Regulations to reflect and support recent legislative developments, including:

- **EU Procurement Directives 2015** – The main legislation, which guides how both organisations purchase, is driven by EU Directives that are then brought into UK law. The EU lays down processes for buying goods and services over certain values. Purchases above these thresholds have to be advertised in the Official Journal of the European Union (OJEU) via the Constabulary's EU Supply portal, the government's contract finder and reported to Home Office quarterly. Due to the threshold values the Constabulary carries out very few OJEU procurements each year. Guidance on the process is on the Intranet and assistance is available from the Procurement Team.
- **Data Protection Act 1998 and FOI** – Both the Data Protection Act (DPA) and the Freedom of Information Act (FOI) have implications for procurement. Under the DPA we are required to keep personal information private. Under FOI we are required to make non-personal information available to the public, guidance on how this relates to procurement, where contract information is involved, is available on the Constabulary's Internet/ Intranet.
- **Equality and Diversity Legislation** – Regulations under Equality Act 2010 make it illegal to discriminate in the procurement and provision of goods and services on the grounds of the following Protected Characteristics:
 1. Age
 2. Disability
 3. Gender reassignment
 4. Marriage and civil partnership
 5. Race
 6. Religion or belief
 7. Sex
 8. Sexual orientation

It is important that we take equalities duties into consideration in our procurement practices. This means advertising opportunities widely and openly, not using selection criteria to discriminate illegally and making every effort to ensure suppliers comply with equality in employment legislation

3.5 Government Initiatives

In addition to the impact of legislation a number of government initiatives will affect our procurement strategy and practices.

3.6 Sustainability

To be able to procure sustainably we must understand what sustainability is. It has been described as helping to deliver 'a better quality of life for everyone, now and for future generations. Recent government strategy "Securing the Future – delivering UK sustainable development strategy" approaches sustainability using five principles:

- Living within Environmental limits.
- Achieving a sustainable economy.
- Using sound science responsibly.
- Ensuring a strong, healthy & just society.
- Promoting good governance.

The Procurement Team can support and help achieve these principles in a number of ways. It is proposed that procurements, especially those over the tender limit (£100,000) and those which have specific environmental impacts (e.g. energy, fuel, water, paper, building materials), are reviewed. We will aim to purchase sustainable, renewable goods and services where feasible and effective.



The re-use, recovery, recycling and disposal of our goods and assets will become more of an issues as the EU Waste from Electronic and Electrical Equipment (WEEE) Directive (2003) and the Waste & Resources Action Programme (WRAP) begins to impact on what we can do with assets coming to the end of their life. It will also influence the disposal and recycling services we provide to our customers. The Constabulary will re-use and recycle where possible and ultimately dispose of assets safely and efficiently.

The Constabulary is a major local employer and purchaser. It is important that procurement is mindful of the impact purchasing decisions can have on local small businesses (SME's) and people. Currently approx. **67%** of the Constabulary's suppliers are SME's and **42%** of suppliers are based within Cumbria. We recognise the need to reach out to the local supply base, encouraging and supporting them to work with the Constabulary. Both organisations have a responsibility to its local communities and a strong commitment to promote economic development. The Constabulary will balance the priorities of business decisions and supporting the local economy, whilst complying with legislation and regulation governing public Procurement.

To offer the best in terms of delivering outcomes and reflect the complexity and maturity of markets and the associated supply base, a 'mixed economy' model is most the most appropriate approach.

In turn, these commitments will:

- Drive greater efficiency
- Support local growth
- Improve service delivery

The aforementioned three aims very much reflect the draft National Government Local Procurement Strategy (November 2012).

3.7 Transformation and Shared Services

Procurement has been identified as one potential area for shared services as suggested in the Transforming Government paper. It is also one of the ways the Constabulary can transform its services as it encompasses the need for the Constabulary to answer the "make or buy" questions when reviewing and deciding how to provide services. It also supports the introduction of new working practices through the use of e-procurement.

3.8 Efficiency

Procurement is seen to be one of the main drivers for achieving efficiencies to meet Government targets. It has been estimated that a third of public sector efficiencies can be achieved through procurement savings.

3.9 Partnerships and the Voluntary Sector

The Constabulary is committed to working in partnership to deliver improved services and procurement efficiencies.

The Constabulary actively promotes and collaborates with the Northwest Police Procurement (NWPP) whose members are:

- Cumbria
- Merseyside
- Cheshire
- Lancashire
- Greater Manchester



In addition, the Constabulary collaborates with the County & District Councils, NDA and NHS via the EPIC (Effective Procurement in Cumbria) which meets quarterly to share best practices, Supply chain/tendering opportunities and training.

The Constabulary largely procures from National and regional frameworks where appropriate which helps to ensure we achieve best value through aggregation of volumes. From time to time we also purchase via purchasing consortium such as Yorkshire Purchasing Organisation (YPO) when specialist skills are needed e.g. energy purchasing or as one of the potential supply routes in a tender/quote situation or where they provide a suitable framework agreement. Although the Constabulary uses purchasing consortium there is no formal requirement to do so and best value needs to be proven when using a purchasing consortium such as YPO or Crown Commercial Services.

The Constabulary will work with and learn from those Constabulary's who are deemed to be leaders "Delivering Quality Services through Procurement" and "Transforming the Delivery of Services through Partnership".

Initiate early and meaningful Supplier/Stakeholder engagement events, prior to undertaking any Procurement exercises (where appropriate, providing historical spend and performance trends and likely future spend/performance and specification needs; timetable; Procurement routes to market.

3.10 Aims and Proposed Actions

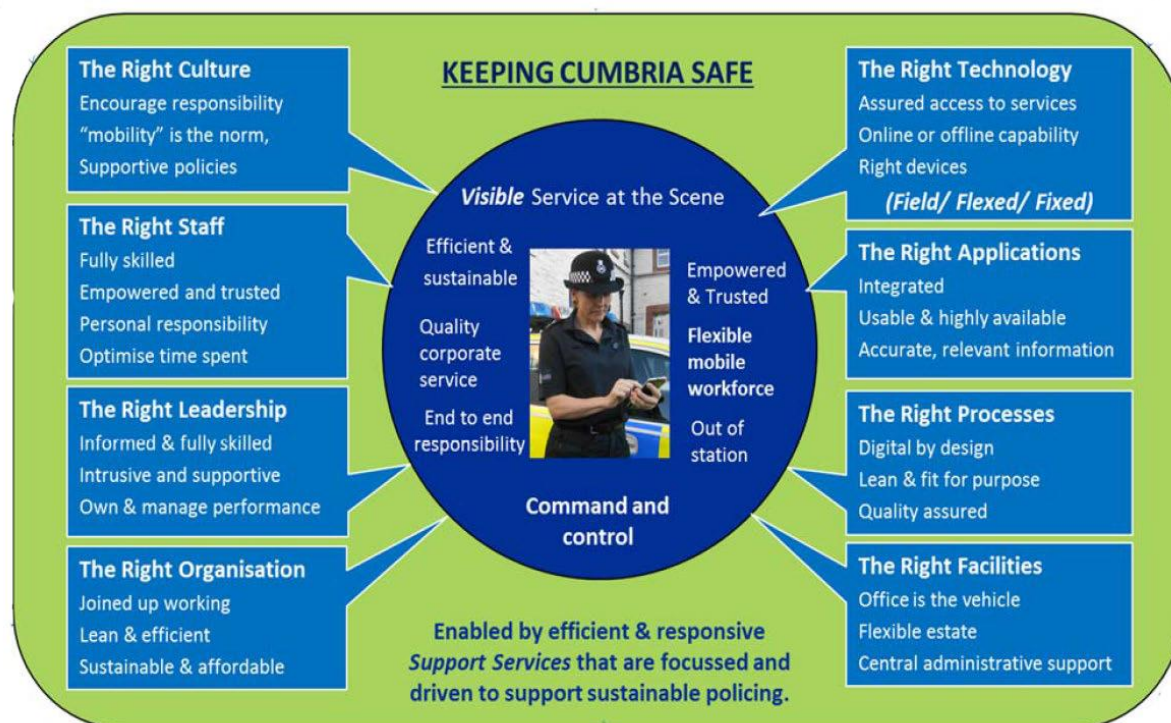
As a Constabulary we want to deliver best value procurement to support the delivery of excellent services by getting the quality of goods, services and people need at a low cost/fair price.

The Constabulary's Procurement Action Plan will be driven by:

- Delivering actions which address the Strategic issues identified in section 4.
- Developing procurement to meet Constabulary priorities and service needs.
- Realising the Constabulary's Procurement Principles.

4. Key Strategic Priorities

The priorities identified within this Procurement Strategy supports the Constabulary Business plan & Change Programme in order to deliver the priorities that are set out in the *Police and Crime Plan 2013 – 2017*. It is underpinned by the principle that we must put the operational officer at the centre of all effort to ensure that they have the; right leadership, the right skills, the right processes, the right policies, the right tools (technology, systems, vehicles, buildings etc.), and above all the right organisational culture and ethos, to provide the best, visible and cost effective service possible to our community.



This Strategy has been developed at a time when Police Forces are facing significant financial challenges (notably for Cumbria regarding the Police Funding Formula) and is therefore a clear drive to achieve savings across our procurement expenditure.

The aim will be to provide the most effective agreed application of those resources and processes involved in the delivery of procurement in Cumbria Constabulary and the Office of the Police and Crime Commissioner for Cumbria (OPCC).

This Strategy identifies a number of **key strategic priorities**. Each theme will be supported by actions and outcomes that support the Constabulary's key priorities and aspirations.

Partnership working remains at the heart of our approach to deliver effective procurement services.

4.1 Providing Leadership and Building Capacity

This objective covers the commitment of the Constabulary to procurement excellence by promoting and managing procurement strategically and resourcing and skilling it appropriately for the Constabulary. We will:

- **Roles and Responsibilities** – Continue to develop the role of Category Management within the Corporate Procurement Team.
- **Stakeholders** – Wherever possible, maximise end user and Stakeholder feedback regarding existing and future commissioning and procurement exercises.

- **Change** – Capitalise on the ability of the team working across other functions, thereby facilitating and supporting change where appropriate.
- **Contract Register** – Maintain the Constabulary's Contract Register and use it to plan and prioritise future tenders.
- **Project Management** – Implement a Project Management approach to Procurement exercises.
- **Networking** – Maintain involvement with the NWPP and the Local Authorities in relation to the joint procurement opportunities.
- **Efficiencies** – Introduce mechanisms for realising and recording savings
- **Standard Procurement Documentation** – Adopt or develop standard procurement documentation e.g. standard (model) Terms and Conditions and Pre-Qualification Questionnaire (PQQ) for below OJEU threshold procurement.
- **Skills** – Assess procurement skills levels and develop a training and awareness programme, using the procurement skills matrix from the Crown Commercial Services.
- **Performance Monitoring & Benchmarking** – Develop a range of performance indicators for Procurement based on Home Office /Audit Commission proposals and carry out benchmarking.
- **Expertise** – Recognise our limitations and source experts, brokers or agents where they are needed to provide specific procurement advice.
- **Supplier Monitoring** – Introduce more formal supplier monitoring and contract management processes for top 20 suppliers.
- **Risk Management** – Undertake appropriate risk management to ensure delivery.
- **Contract Standing Orders** – Ensure the requirements of contract standing orders are being met and monitored around issues such as aggregation, OJEU advertising and whole life costing.
- **Communication** – Communicate the Strategy to staff, members, partners and suppliers.

4.2 Partnering and Collaboration

Partnering - This objective covers the better delivery of services through creating and working in sustainable partnerships between the Constabulary and suppliers in the public, private and voluntary sector to provide services and carry out major projects (e.g. construction projects).

Collaboration - Aims to deliver better value by bringing Constabulary's (and other public bodies) together to combine buying power and identify opportunities for shared services.

We will:

- **Partnering** – Continue to investigate and enter into partnering arrangement where they provide capacity and deliver efficiencies and service benefits
- **Process Improvement** – Review procurement processes, documents and practices to ensure efficiency and to reduce the time for OJEU procurements to 120 calendar days.
- **Supplier Relationships** – New supply and partnering arrangements require us to develop new processes whereby we managed the relationships as well as the contract.
- **Joint Working** – Procure and commission jointly where possible and practical.
- **Consortia** – Make use of consortia such as CCS and Pro 5 where they deliver value.
- **Frameworks** – Use and develop framework agreements such as those negotiated by CCS/Pro 5. Develop our own frameworks where necessary and can demonstrate best value.
- Where ever possible without breaching regulations [have consideration for local businesses](#).
- **Constabulary Standards** – Ensure partners who provide services on the Constabulary's behalf adhere to our standards, aims and values as laid out in Constabulary strategy and policy.

4.3 Doing Business Electronically

This objective covers the use of technology to get improvements and efficiencies in the procurement cycle including reducing the time and cost of purchasing. This is generally known as e-procurement.

We will:

- **Ordering** – Enforce the use of Oracle for all orders not covered by an exemption identified by Financial Accounts. Reduce the number of orders and invoices produced to deliver process efficiencies.
- **Supplier Numbers** – Curtail the addition of suppliers for goods for which we already have suppliers.
- **E-Ordering** – Develop the electronic distribution of orders and electronic communication with suppliers.
- **Electronic Catalogue** – Maintain and develop the oracle e-catalogue and look to integrate with suppliers catalogues to make price and item maintenance easier.
- **Procurement Information** – Continue to develop information on the website and internal procurement advice on the Intranet.
- **E-tendering** – Tender all opportunities on the Constabulary's e- Tendering Portal E,U,supply for advertising opportunities in excess of a total value of £ 100K up to and including the OJEU threshold.
- **E-auctions** – Take advantage of opportunities to participate in e-auctions organised by larger Constabulary's and consortia. Look at e-auctions as a way of finalising price on some goods and services.
- **E-market Places** – Investigate and adopt if/when there is a business case.
- **Procurement Cards** – Review the use of Procurement cards for low value purchases.
- **E-payments** – Continue to develop easy, secure, user friendly, flexible solutions to cover all payments. Encourage people to use e-payment methods.
- **Business Process Review** – Review e-procurement/procurement processes to identify and implement improvements.

4.4 Stimulating Markets and Achieving Community Benefit

This objective covers working with suppliers and using procurement to help deliver the Constabulary's corporate priorities including the economic, social and environmental actions we will provide:

- Support to Cumbrian SME's, where legally able to do so,
- Support to local suppliers, where legally able to do so,
- Support to Third Sector, where legally able to do so.
- **Equality** – Review the Constabulary's procurement processes and documentation and build in diversity and equality duties and considerations. Use the CRE guidance on Race Equality and Procurement.
- **Climate Change** – Use procurement to support the Constabulary's stance on climate change and its commitment to the Nottingham Declaration through green energy, energy efficiency, fuel use etc.
- **Sustainability Accreditation** – Look for suppliers and goods with sustainability/"green" accreditations, compliance with standards and energy efficiency ratings etc. As a small Constabulary we are not resources to address sustainability at the supply chain and production process level.
- **Sustainability Principles** – Review major purchases, that is those in (£50,000 - £100,000) and (£100,001 – OJEU levels) against the 5 sustainability principles to establish the relevance of the environment and sustainability to the procurement as follows:
 1. Low Weight
 2. Few Components
 3. Good Materials
 4. Long Lifespan
 5. Cradle to cradle thinking
(Closed lifecycles)
- **Sustainability Criteria** – The Constabulary will include environmental and sustainability implications, where they are relevant, in the procurement process including in PQQ's Quotes and Tenders and in evaluation and selection criteria.
- **Re-use and Recycling** – Aim to re-use goods (e.g. donating old uniforms, mobile phones to charity) and recycle assets wherever possible.

- **Local Suppliers (SME's)** – The Constabulary will encourage a diverse and competitive supply market including small firms, local firms, social enterprises and the voluntary and community sector. We will do this by making procurement adverts inclusive and making those companies we support aware of opportunities through Local Agencies (Business Link) We will monitor the profile of our suppliers and identify actions to remedy any obvious imbalance.
- **National Concordat for Small Businesses** – Work towards signing the National Procurement Concordat for Small and Medium sized enterprises, which aims to encourage effective trade between local authorities and small businesses.
- **Whole life costing** – The Constabulary will work toward the identification of whole life costs and benefits for all purchases at or above £10k.
- **Community Benefits** – Where it would be possible and practical encourage procurement managers to invite costed proposals for the delivery of community benefits.
- **Customer Choice** – Assess the implications of the ongoing move towards customer choice and its impact on supplier and service selection.

4.5 Commissioning

This objective covers working with the commissioners/stakeholder at the projects inception Grant/Business case stage and using procurement to help deliver the required outcomes we will:

- Engage with supply chain to gain effective market intelligence and understand market dynamics
- Ensure compliance with legislation
- Build on internal relationships between commissioners/stakeholder/procurement and contract management
- Put the outcomes of the Commissioners /Stakeholders at the heart of the strategic planning Process
- Ensure that contracting Process are fair and transparent, facilitating the involvement of the broadest range of supplier
- Ensure long terms contracts and risk sharing wherever appropriate as ways of achieving best value
- Seek feedback from Commissioners/Stakeholders and suppliers in order to review the effectiveness of our approach

Review the alternative delivery models

4.6 Developing and Maximising Supplier Relations – Savings/Efficiency Gains

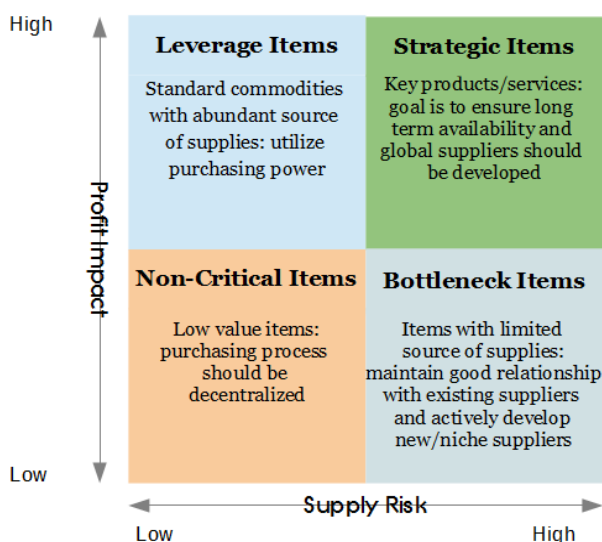
- Action - Develop spend information for goods, works and services.
 - Procurement will annually undertake a full capital/revenue spend analysis The information gained will intelligently enable us to review, understand and maximise the benefits from those suppliers from whom we purchase, what we purchase, how we purchase and the market/commodity profile of our supplier chain for example are the suppliers local, do they depend on us for work, are they used by other local Constabulary's are we unintentionally distorting the market place. This information will help set priorities for new procurement exercises help us better understand the market place and will be used to guide collaboration opportunities.
 - Increase the number of goods and services procured from local businesses where appropriate which will help to stimulate businesses in Cumbria.
 - Procurement will undertake a number of supplier engagement events/surgeries to help promote and better inform the supply chain as to the constabulary's procurement activities, opportunities and our expectations to better engage and understand the dynamics/pressures from both parties which will help lead to achieving best value.
 - Details of all contracts awarded will be published on the OPCC and constabulary website providing in accordance with the governments Local Transparency Guidance Agenda

- Contracts greater than £100,000 will be advertised via the government opportunities portal – Contract Finder and the Constabulary's e-Procurement Portal (EU Supply).
- Supply chain Management/processes.
- We will work in partnership with partner agencies both public and private sector organisations where appropriate in Cumbria to identify collaborative procurement opportunities.
- Challenge all revenue /capital expenditure using the Perato principles and kraljic risk model.
- We will share risk.

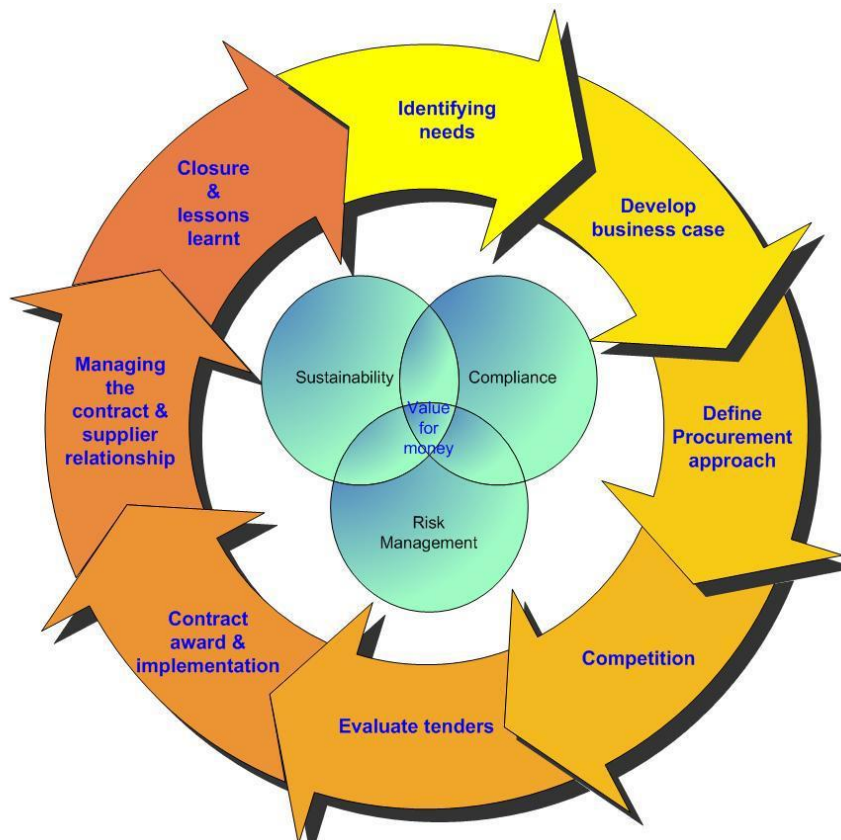
The **Pareto principle** (also known as the 80–20 rule, the law of the vital few, and the principle of factor sparsity) states that, for many events, roughly 80% of the effects come from 20% of the causes applied to the supply chain. The suggestion is that 80% of our Capital/Revenue expenditure is with 20% of the supplier and this is the main area of focus.



The purpose of the **Kraljic risk model** is to help purchasers maximize supply security and reduce costs, by making the most of their purchasing power. In doing so, procurement moves from being a transactional activity to a strategic activity.



Commissioning and Procurement activity within any organisation is widely perceived as forming part of a cycle, which encompasses activities beginning at 'identification of need' and ending with a 'lessons learnt' review, post the end of the contract provision. In order to further strengthen the rigour of the process, the Constabulary will undertake internal '**Gateway Reviews**' at various stages in the life of key projects or programmes of work (high risk, high value; complex and/or politically sensitive).



4.7 Promoting Stakeholder Internal/External Working

- Action - Increase the value of Stakeholder engagements/Interventions.
 - Continue working collaboratively and proactively with key stakeholders to support the commissioning and delivery of services to identify greater areas of opportunities.
 - Continue to provide commissioning procurement and contract management support and advice.
 - Embed procurement in Stakeholder team thinking.
 - Promote a customer based ethos with agreed SLA.
 - Deliver Procurement training to Stakeholders.
 - Encourage challenge from Stakeholders.
 - Ensure that all procurement is fully compliant in accordance with our Joint Procurement Regulation and EU Procurement Regulation.
 - Share Benefits.
 - Appropriate consultation will take place when making procurement decisions, ensuring that consideration is proportionate to the scale, complexity and value of the requirement. Different Stakeholders may be required at different stages of the procurement.
 - Stakeholders may include internal and external members, staff, service users, representative bodies and suppliers.

4.8 Raising Awareness of Procurement

- Action – Promote good practice
 - We will publish appropriate guidance and provide professional support to Stakeholders in procurement activities.

- Updated Financial Regulations and Contract Standing Orders to reflect legislation and best procurement practice.
- Brief staff on new the Standing Orders.
- Promote Best Practices.
- Report quarterly of savings achieved.
- Promote the procurement principles.
- Proportionality.
- Mutual recognition.
- Transparency.
- Non-discrimination.
- Equal treatment.
- Provide procurement effective procurement and deliver appropriate Procurement Training.
- Support the commissioning and contract management
- Engage with Business Stakeholders on a regular basis.
- Publish details of tender awards.

4.9 Improving Contract Management

- Action – Review current procurement processes and structures and skill match sets.
 - Through detailed spend analysis we have compiled a comprehensive understanding of existing expenditure and identified where spend with suppliers is of a level that a competitive tender leading to a contract could be required and by aggregating the volumes achieve a measure of cashable savings.
 - Undertake supply chain reviews to better understand market dynamics.
 - Rationalised the number of suppliers used as part of the supply chain review.
 - Work towards effective partnership approach with suppliers.
 - Provide Contract Management support to stakeholders.
 - Provide a Contract Management Guide.
 - Develop meaningful Supplier key performance indicator.
 - Raise internally the benefits and principles of good contract management.
 - Annually Publish contract performance against set values.

5. Risks

The main risks that may prevent us from achieving our objectives and getting the benefits from better procurement include:

- Using poor data as the basis for procurement decisions.
- Cash savings are not consistently recorded.
- Lack of support for corporate buying and non-adoption of standard documents and processes.
- Lack of Appropriate Procurement skills.
- Failure to engage effectively with Stakeholders.
- Failure to understand the Dynamics of Category Management.
- Senior Management buy in and support.
- New procurement processes, documents and standards are unworkable and non-compliant.
- Procurements have an adverse effect on local suppliers.

It is anticipated that the actions identified in this strategy will mitigate against the impacts of these main risks. Specific risks to individual procurements will be identified as part the Procurement Project.



6. Maintaining the Strategy

The Procurement Strategy (2016 – 2019) will be owned by and updated by the Head of Procurement.

The Action Plan will be updated annually to reflect changing priorities and developments in procurement legislation and best practice.



Appendix 1 – Procurement Strategy – Action Plan

Below are the actions that are required to implement the Procurement Strategy. Detailed deliverables and firm target dates are given for actions that are scheduled for 2016, actions beyond this will be identified in subsequent updates to the Action Plan. This Action Plan will be updated annually and progress against it monitored by the Head of Procurement and reported to Chief Officers Group.

Ref	Action	Deliverables	Target Date	Responsibility & Involvement.
8.1 Providing Leadership and Building Capacity				
8.1.1	Ensure the Constabulary's Contract Register is kept up to date and used to plan tender exercises.	Up to date Contract Register. Prioritized list of tender exercises.	April 2016 March 2019	Proc Team
8.1.2	Implement project management approach to procurement.	Training in project management for procurement staff.	November 2015	Head of Procurement
8.1.3	Introduce mechanisms and reporting format for realising and publishing procurement savings.	Savings realised.	April 2017	Proc. Team
8.1.4	Develop and implement standardised documentation.	Standard procurement documentation e.g. PQQs, Tenders, Terms & conditions.	June 2016	Proc team
8.1.5	Up Date Personnel Development Plans	To Address New technology and approach to procurement/Commissioning/Contract Management to meet Business needs	April 2016	Head of Procurement
8.1.6	Skill assessment and procurement training/awareness.	More skilled staff and capacity.	March 2017	Proc Team
8.1.7	Develop a range of Procurement Performance Indicators.	Performance Indicators identified. Benchmarking carried out.	March 2017	Proc Team,
8.1.8	Monitor compliance with Contract Standing Orders.	Compliance information gathered.	Ongoing	Head of Procurement



Procurement Strategy 2016 – 2019

Ref	Action	Deliverables	Target Date	Responsibility & Involvement.
8.2. Partnering and Collaboration				
8.2.1	Continue to investigate and enter into partnering arrangements where they provide capacity and efficiencies.	Effective partnerships.	Ongoing	Head of Procurement
8.2.2	Review and develop procurement processes.	Quicker procurement exercises	Dec 2007	Proc Team, CSD
8.2.3	Purchase goods & commission work jointly where practical	Joint procurements and contracts.	Ongoing	Proc Team,
8.2.4	Purchase through consortia where they deliver value.	Joint procurements and contracts.	Ongoing	Proc Team,
8.2.5	Use and develop framework contracts.	Framework contracts.	Ongoing	Proc Team,
8.3 Doing Business Electronically				
8.3.1	Reduce the number of invoices that we receive without a Purchase order	Orders processed through oracle	Ongoing	CSD/finance, Proc. Team
8.3.2	Manage the number of suppliers on Oracle	Optimum number of suppliers on Task	April 2007	Proc. Team
8.3.4	Continue to develop procurement information on the Web.	Comprehensive information on Website.	Ongoing	Proc. Team
8.3.5	Take advantage of opportunities to participate in e-auctions.	Purchases through e-auctions.	Dec 2016	Proc. Team
8.3.6	Review the use of procurement cards for low value purchases.	Procurement card review.	Sept 2016	Financial CSD Proc. Team
8.4. Stimulating Markets & Achieving Community Benefit				
8.4.1	Build equality duties and considerations into procurement practices and documents.	Equality impact assessed documentation.	April 2016	Proc Team



Procurement Strategy 2016 – 2019

Ref	Action	Deliverables	Target Date	Responsibility & Involvement.
8.4.2	Engage with local supply chain tendering classes and meet the buyer events	Increase local expenditure.	Dec 2017	Proc Team/Purchasers
8.4.3	Hold Supply Chain surgeries	Better understand the issues in managing business relationships with the Constabulary	July 2016	Proc Team/Purchasers
8.4.4	Look for “green”, sustainability accreditations as part of supplier and goods selection.	Use green and sustainability criteria in supplier and goods selection.	Ongoing	Proc Team/Purchasers
8.4.5	Work collaboratively with Local Authorities to raise Business opportunity awareness	Raise and maintain local awareness of Business opportunities	Ongoing	Proc Team/Purchasers
8.4.6	Review major purchases against the 5 sustainability criteria and include sustainability and environmental consideration in PQQ's, Quotes and Tenders where relevant.	Include sustainability criteria in the selection and evaluation of purchases.	Ongoing	Proc Team/Purchasers
8.4.7	Re-use or recycle goods and assets	Re-use & recycling arrangement in place.	Ongoing	Proc Team/Purchasers
8.4.8	Encourage a diverse & competitive market including SMEs, local firms, social enterprises and community organisations.	Widely advertised opportunities.	31 st March 2017	Proc. Team
8.4.9	Investigate signing the Nations Procurement Concordat for SMEs.	Advantages and disadvantages explored and decision on signing made.	June 2017	Proc Team
8.4.10	Encourage and enable local suppliers to bid for appropriate work	Supports the Local Agenda	March 2017	Proc Team/Purchasers
8.4.11	Encouraging suppliers to pay 'living wage' through our Procurement processes	Responsible procurement	March 2017	Proc Team/Purchasers



Procurement Strategy 2016 – 2019

Ref	Action	Deliverables	Target Date	Responsibility & Involvement.
8.5 Commissioning				
8.5.1	Engage with supply chain to gain effective market intelligence and understand market dynamics.	Supplier workshops/early engagement	Ongoing	Proc Team/ Commissioners
8.5.2	Ensure compliance with legislation	Review of procurement process	Ongoing	Proc Team
8.5.3	Build on internal relationships between commissioners/stakeholder/procurement and contract management	Regular stakeholder engagements	Ongoing	Proc Team/ Commissioners
8.5.4	Put the outcomes of the Commissioners / Stakeholders at the heart of the strategic planning Process	Ensure that the outcome is the key to the process	Ongoing	Proc Team/ Commissioners
8.5.5	Ensure that contracting Process are fair and transparent, facilitating the involvement of the broadest range of supplier	A non- discriminatory approach will be embedded	Ongoing	Proc Team
8.5.6	Ensure long terms contracts and risk sharing wherever appropriate as ways of achieving best value	Undertake and understand risk assessments	Ongoing	Proc Team
8.5.7	Seek feedback from Commissioners/Stakeholders and suppliers in order to review the effectiveness of our approach	Introduce a feedback form with tender documents	Ongoing	Proc Team
8.5.8	Review the alternative delivery models	Better understanding the market dynamics and maturity	Ongoing	Proc Team/ Commissioners
8.6 Developing and maximising supplier relations – Savings & efficiency gains				
8.6.1	Work with suppliers in an open and transparent manner	We will take a non- discriminatory approach to working with suppliers	On Going	Proc Team
8.6.2	Procurement will annually undertake a full capital/revenue spend analysis	The information gained will intelligently enable us to review, understand and maximise the benefits from those suppliers from whom we purchase, what we purchase, how we purchase and the	Annual	Proc Team



Procurement Strategy 2016 – 2019

Ref	Action	Deliverables	Target Date	Responsibility & Involvement.
		market/commodity profile of our supplier chain. This information will further help set priorities for new procurement exercises provide a more informed understanding of the market place and will be used to guide collaboration opportunities		
8.6.2	Share the risks and benefits where appropriate to do so	Identify risks and benefits through mutual dialogue	On Going	Proc Team
8.6.3	Work with on the basis of mutual respect Equality and cooperation for mutual benefit	Treat all suppliers with dignity and respect to create a partnership approach	On Going	Proc Team
8.6.4	Increase the number of goods and services procured from local businesses where appropriate and legal to do so	Stimulate businesses in Cumbria and support the local agenda.	Ongoing	Proc Team
8.6.7	Potential savings will be identified in the against each procurement activity. The procurement team will work with Stakeholders to deliver the identified saving and monitor further efficiencies through contract management	Publish achieved savings Quarterly	On going	Proc Team/ Commissioners
8.6.7	Facilitate performance review meetings with established strategic suppliers	Identify issues/Opportunities and best practices	On Going	Proc Team/ Commissioners
8.6.8	We will undertake a number of supplier engagement events/surgeries	to help promote and better inform the supply chain as to the constabulary's procurement activities, opportunities and our expectations to better engage and understand the dynamics/pressures from both parties which will help lead to achieving best value	When Appropriate	Proc Team/ Commissioners
8.6.9	Details of all contracts awarded will be published on the OPCC and constabulary website	In accordance with the governments Local Transparency Guidance Agenda		



Procurement Strategy 2016 – 2019

Ref	Action	Deliverables	Target Date	Responsibility & Involvement.
8.7 Promoting stakeholder internal / external working				
8.7.1	Proactively engage with Stakeholders and understand positioning/priorities	Provide advice and support through Commissioning ,Procurement and contract management	Ongoing	Proc Team
8.7.2	Share best practices and promote procurement as a tool to support and achieve outcomes	Informed procurement to maximise benefits and opportunities	Ongoing	Proc Team
8.7.3	provide a form of internal consultancy for Stakeholders –provide the technical know-how and advice on how Stakeholders can best secure their outcomes	Reduce the risk of not achieving the required outcomes	Ongoing	Proc Team
8.7.4	Appropriate consultation will take place with stakeholder/Commissioners when making procurement decisions	To Ensure that consideration is proportionate to the scale, complexity and value of the requirement. Different Stakeholders may be required at different stages of the procurement	Ongoing	Proc Team
8.8 Raising awareness of procurement				
8.8.1	Provide appropriate Procurement training to stakeholders	Provide stakeholders with a understanding of procurement which in turn may inform commissioning decisions	On Going	Proc Team
8.8.2	Ensure that procurement is seen as an enabler	Taking Positive approach to engagement	Ongoing	Proc Team
8.8.3	Engage with Business Stakeholders on a regular basis	Review of procurement current and future activities	Ongoing	Proc Team
8.8.4	Promote and embed the procurement principles.	That all procurement is undertaken in accordance with the E.U Treaty Principles	On Going	Proc Team



Ref	Action	Deliverables	Target Date	Responsibility & Involvement.
8.9 Improving contract management				
8.9.1	Understand and develop Learning of Contract Management	Apply Learning to maximise benefit realisation	On Going	Proc Team
8.9.2	Promote and embed contract life management cycle into the organisation	Increase benefit , reduce risk and maximise opportunities	On Going	Proc Team
8.9.3	We will embed project governance into high value/high risk contracts	Structured approach clear understanding of role and responsibilities	On Going	Proc Team
8.9.4	Where appropriate undertake risk life cycle processes	Identify risks in the different stages of the risk life cycle Assessment, Treatment ,Monitoring and reporting	On Going	Proc Team

END OF DOCUMENT



Agenda Item No 14B

Office of the Police & Crime Commissioner

REQUEST FOR POLICE & CRIME COMMISSIONER DECISION - (N° 011/ 2016)

TITLE: Governance Review 2015/16 Procurement Regulations

Executive Summary: (Précis not more than 100 words)

As part of the arrangements for ensuring the governance framework remains effective an annual cyclical review is undertaken of key governance instruments within the governance framework. For 2015/16 that review has been undertaken in respect of the procurement regulations. This report sets out the changes following the review process and seeks approval of the Police and Crime Commissioner in respect of the updated and revised procurement regulations, with a delegation to the Chief Finance Officer with regard to minor amendments recommended by the Joint Audit and Standards Committee.

Recommendation:

The Commissioner is asked to approve the updated and revised procurement regulations with a delegation to the Chief Finance Officer with regard to minor amendments recommended by the Joint Audit and Standards Committee.

Police & Crime Commissioner

I confirm that I have considered whether or not I have any personal or prejudicial in this matter and take the proposed decision in compliance with the Code of Conduct for Cumbria Police & Crime Commissioner. Any such interests are recorded below.

I hereby approve/do not approve the recommendation(s) above

Police & Crime Commissioner / Chief Executive (delete as appropriate)

Signature: Date:

PART 1 – NON CONFIDENTIAL FACTS AND ADVICE TO THE PCC

1. Introduction & Background

As part of the arrangements for ensuring the governance framework remains effective an annual cyclical review is undertaken of key governance instruments within the governance framework. For 2015/16 that review has been undertaken in respect of the procurement regulations. This report sets out the changes following the review process and seeks approval of the Police and Crime Commissioner in respect of the updated and revised financial regulations. The proposed changes set out within this report have been subject to pre-scrutiny by the Joint Audit and Standards Committee. As a result of the cancellation of the Committee's December meeting and reschedule to February, the comments of the Committee are still to be incorporated within the revised document. In addition the Committee will be further consulted on amended wording for the section in the regulations covering late tenders. This will take place at their meeting 9th March 2016. It is therefore further recommended that a delegation is made to the Chief Finance Officer to enact the minor recommendations of the Committee following their further meeting. Those recommendations are set out in this report.

2. Issues for Consideration

The procurement regulations were last subject to review and approval in March 2014. That review resulted in a number of changes to the document and ensured that the joint arrangements for procurement were fit for purpose in the context of stage 2 transfer of staff from the Commissioner to the Chief Constable. Staff within the procurement function are employed and managed by the Constabulary and provide services to the Commissioner. Whilst the Constabulary is the primary user in respect of procured goods and services, the Commissioner's Chief Executive retains responsibility for significant contracts and all buying is undertaken in the Commissioner's name.

The revisions to the Procurement Regulations recommended for approval following the scheduled 2016 review primarily concern changes to ways of working and legislation that have resulted in the need for some amendments to the rules within the document. In summary, the review has resulted in the following changes:

The Procurement Regulations have been updated to reflect the introduction of The Public Contract Regulations 2015. The contract regulations implement the new EU public procurement directive that provides modernised procurement rules for the procurement of goods, services and works above certain thresholds by public authorities. The Public Contract Regulations 2015 apply to procurements above these

thresholds made by the Office of the Police and Crime Commissioner. The requirements of the Public Contract Regulations 2015 are complex. The Joint Procurement Regulations incorporate the main elements of the Regulations, specifically the procurement route that must be followed by any procurement above the thresholds. All procurements subject to the Contract Regulations are supported and managed by a professional procurement business partner to ensure relevant experience and expertise is brought to these higher risk procurement processes. The new thresholds are £164,176 for goods and services and £4,104,394 for works.

The regulations have been updated to include a table providing a guide the duration of each stage of the procurement process. Under regulations the process should in total be a maximum of 120 days from publication of the OJEU notice but can in total take up to 6 months allowing lead team for preparation of tender documentation. The table aims to ensure business managers understand and allow sufficient time to undertake the process allowing for when the requirement for the goods, service or works falls due.

The regulations make changes to ways of working between the business and the procurement team. Significantly all procurement processes involving more than £100k in value over the life of the contract must be supported and managed by a procurement business partner. The regulations also move to the use of electronic methods of procurement, requiring all procurements over £100k to be tendered through the e-tendering portal, this being the primary process for procurement activity. The portal provides a high level of system based controls are applied automatically in respect of publication and receipt of tenders.

The Joint Audit and Standards Committee have recommended a number of minor changes to the format of the document to improve presentation and amend typographical errors within the regulations. They have also asked that the wording with regard to late tenders be extended to provide further clarification on whether a late tender should be accepted. As a result of the cancellation of the Committee's December meeting and reschedule to February, the recommendations of the Committee are still to be incorporated within the revised document. In addition the Committee will be further consulted on amended wording for the section in the regulations covering late tenders at their meeting 9th March 2016. It is therefore further recommended that a delegation is made to the Chief Finance Officer to enact the recommendations of the Committee following their further meeting. The Committee's recommendations do not change any of the key principles, rules or controls in respect of how procurement must be undertaken.

This concludes the changes recommended to be made as part of the 2015/16 review.

3. Implications

(List and include views of all those consulted, whether they agree or disagree and why)

- 3.1. Financial: There are no direct financial implications arising from this report.
- 3.2. Legal: The recommended changes update the regulations in line with changes to legislation.
- 3.3. Risk: The procurement regulations are part of the overall framework for governance. By setting out clear responsibilities and requirements in respect of the conduct of business they are an important way in which procurement risks are managed.
- 3.4. HR / Equality: N/A
- 3.5. I.T.: N/A
- 3.6. Procurement: As set out in the report
- 3.7. Victims: N/A

4. Backgrounds / supporting papers

(List any relevant business case, EIA, PID, Media Strategy and append to this form; list persons consulted during the preparation of the report)

The procurement regulations recommended for approval and publication on the Commissioner's website are appended to this report at Appendix 1.

Public Access to Information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the PCC website within 3 working days of approval. 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. Deferment is only applicable where release before that date would not compromise the implementation of the decision being approved.

Is the publication of this form to be deferred? NO

If yes, for what reason:

Until what date (if known):

Is there a **Part 2** form - NO

(If Yes, please ensure Part 2 form is completed prior to submission)

ORIGINATING OFFICER DECLARATION:

I confirm that this report has been considered by the Chief Officer Group and that relevant financial, legal and equalities advice has been taken into account in the preparation of this report.

Signed: n/a Date: n/a

OFFICER APPROVAL**~~Chief Executive~~ / Deputy Chief Executive (delete as appropriate)**

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. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner / Chief Executive (delete as appropriate).

R. Hunter

Signature:

Date: 15.02.2016

Media Strategy

The decision taken by the Police & Crime Commissioner may require a press announcement or media strategy.

Will a press release be required following the decision being considered? NO

If yes, has a media strategy been formulated? YES / NO

Is the media strategy attached? YES / NO

What is the proposed date of the press release:



Cumbria Office of the Police and Crime Commissioner

&

Cumbria Constabulary

Joint Procurement Regulations

V2 – January 2016

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Definitions

‘Authorised Officer’ – means any officer who by the nature of his or her job, or as directed by a manager, is authorised to place orders.

‘Award Criteria’ - means the criteria upon which the decision for the award of the contract is based.

‘Blue light’-means the Constabulary e-Tendering Portal

‘CCCFO’ – means the Chief Constable’s Chief Finance Officer.

‘Chief Constable’ – means the Chief Constable for Cumbria Constabulary.

‘Chief Executive’ – means the person appointed by the Commissioner to be head of the Commissioner’s staff as defined within the Police Reform and Social Responsibility Act 2011.

‘Code’ – means the Business Code of Conduct.

‘Commissioner’ – means the Police and Crime Commissioner for Cumbria.

‘Commissioners Monitoring Officer’ – means the Chief Executive.

‘Constabulary’ – means Cumbria Constabulary.

‘Consultancy Services’ – means the provision of expert or professional advice by a third party.

‘Contract Change Notice’ – means formal notice agreed by all parties recording a variation to the existing contract.

‘Contracting Authority’ – means the State, regional or local authorities, bodies governed by public law or associations formed by one or more such authorities or one or more such bodies governed by public law, and includes central government authorities, but does not include Her Majesty in her private capacity;

‘COPCC’ – means Cumbria Office of the Police & Crime Commissioner.

‘CSD’ – means Central Services Department.

‘Customer’ – means a person or organisation that buys goods, services, or works produced by another business.

‘DPA’ – means the Data Protection Act 1998 and 2003.

‘EU Procedure’ – means the set of established, detailed procedural rules which must be observed when awarding works, supplies, and services contracts which are intended to promote fair and open competition and a single European Market under The Public Contract Regulations 2015.

‘Existing Contract’ – means an existing agreement to purchase, goods, services or works from a supplier.

‘FOI’ – means The Freedom of Information Act 2000.

‘Framework Agreement’ – means an agreement between one or more contracting authorities and one or more economic operator(supplier), the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price and where appropriate, the quantity envisaged (Regulation 2 (1) The Public Contract Regulations 2015).

‘Funding Arrangement’ – means the arrangement made between the Commissioner and the Chief Constable for the provision of funding.

‘ITT’ – means the Invitation to Tender.

‘ITQ’ – means Invitation to Quote.

‘Letter of Intent’ – means a document outlining the general plans of an agreement between two or more parties before a legal agreement is finalised.

‘MEAT’ – means most economically advantageous tender.

‘Officer’ – means an employee of the COPCC or Constabulary.

‘Organisation’ – means the Cumbria Office of the Police & Crime Commissioner or Cumbria Constabulary.

‘Organisations’ – means both the Cumbria Office of the Police & Crime Commissioner and Cumbria Constabulary.

‘PCCCFO’ – means Police & Crime Commissioner’s Chief Finance Officer.

‘Relevant Contract’ – means a contract (not being a contract of employment) made by, or on behalf of, the Police and Crime Commissioner for Cumbria for the carrying out of works or for the supply of goods, materials or services.

‘SME’ – means Small and Medium sized Enterprises.

‘Specialist Procurers’ – means Authorised Officers that undertake procurement exercises that require specialist market knowledge.

‘Total Value’ – means the anticipated total spend over the lifetime of a requirement for goods, services or works. Depending on the nature of the contract, this may include implementation costs, ongoing operational costs, and end of life disposal.

‘Value for Money’ – means the optimum combination of whole life costs and quality (or fitness for purpose) to meet the user’s requirement.

Introduction

Welcome to the Joint Procurement Regulations for the Cumbria Office of the Police and Crime Commissioner (COPCC) and Cumbria Constabulary (Constabulary). This document sets out for our staff and suppliers the rules by which the COPCC / Constabulary spends money on the supplies, services and works needed in order to deliver our services. They apply to any contracts that result in a payment being made by the COPCC / Constabulary. These procedures ensure that those engaged in buying or providing goods and services can conduct business professionally in accordance with the procurement principles, which are:

- Equal treatment: that all processes of commissioning and procurement are fair, and non-discriminatory. A Breach of this for example would be if you discriminated against a supplier based on location, nationality or any other bias.
- Transparency: a duty to ensure all commissioning and procurement processes are transparent, so that all potential bidders can clearly see and understand the procurement process and the purpose and broad activity of the subsequent contract. As a part of this, public bodies must make available the criteria on which they will be evaluating bids/tenders in the tender documents -so that potential suppliers can respond accordingly.
- Proportionality: a duty to ensure procurement process, evaluative criteria for bids and contract terms are proportional to the size and technicality of the service and goods being purchased. For example, they cannot ask for financial standing well above the necessary level required to deliver the contract, or insist on qualifications and accreditations not necessary, or above national standards
- Free movement and non-discrimination: a duty not to discriminate between suppliers of member states. As a result of this, contracts cannot be awarded on the basis of a potential supplier being 'local'.

All contracts must be in the name of the “**The Police and Crime Commissioner for Cumbria**” (the Commissioner). Where appropriate the Commissioner may consent to the Chief Constable contracting and in those cases the contract must be in the name of “**the Chief Constable for Cumbria Constabulary**” (the Chief Constable). If there is any doubt, advice should be sought from the Procurement Department or Legal Services.

Public procurement is a complex process governed by rules and regulations. Procurement Regulations aim to ensure the freedom of opportunity to trade with the Organisations and to ensure that the Organisations are open and transparent in the way that business is undertaken. This helps to ensure that Value for Money is achieved and the right balance between quality, performance and price, when we purchase goods services and works and in doing so we ensure we make the best use of diminishing public resources.

The Procurement Regulations do not apply to the policy and procedures for issuing grants. For awards of grant agreements please refer to our Grant and Funding Agreement Regulations. The Constabulary must adopt the standards within this document for the conduct of Constabulary business as part of the terms of the Funding Arrangement that exists between the Commissioner and the Chief Constable. The Joint Procurement Regulations are a collective document comprising:

- **The business code of conduct:** This sets out the principles that we will abide by when conducting business and covers issues such as gifts and hospitality. It aims to ensure high standards of integrity in all our business relationships.
- **Procurement & contracting policy and procedures:** These set out the detail of the procurement and contracting rules and processes including the level of authorisation, delegations and responsibilities that exist. They specify the minimum standards we expect our staff to comply with when purchasing goods and services and provide a guide to the steps they must follow as part of each step in the process. They ensure we maximise the opportunities for competition and value for money whilst providing a balance between the amount of administration involved and the value of the items being procured. Procurement and contracting may only be carried out by Authorised Officers. Authorisations are set out in the COPCC [Scheme of Delegation](#).

The Business Code of Conduct

Purpose

This is the Business Code of Conduct for the COPCC / Constabulary. The purpose of this document is to advise the minimum standards required of staff in any commercial relationships and also to ensure fairness and consistency of approach in line with sound commercial practice.

Application

All staff employed by the Commissioner must abide by this Code in the conduct of the business of the office. In addition, staff and police officers of Cumbria Constabulary are expected to abide by the standards within this code as part of the funding arrangement that exists between the Commissioner and the Chief Constable (CC).

Staff should regard the Code as the basis of best conduct. Staff should raise any matter of concern of an ethical nature with their line manager, the PCC Chief Finance Officer (PCCCFO) or the Chief Executive, irrespective of whether it is addressed in this Code. Constabulary Officers and Staff should raise any concerns with their Line Manager, the Chief Constable's Chief Finance Officer (CCCFO) or the Chief Constable. Staff should also ensure that they comply with the relevant Organisations [Anti-Fraud and Corruption Arrangements/Policy](#) requirements in respect of gifts, gratuities and hospitality. Any matters arising which are outside the bounds of this Code should be referred immediately to line management.

Conduct

Staff shall always seek to uphold and enhance the reputation of the Organisation and always act professionally by:

- maintaining the highest possible standard of probity in all commercial relationships, inside and outside the Organisation;
- rejecting any business practice which might reasonably be deemed improper and never using authority for personal gain;
- enhancing the proficiency and stature of the Organisation by acquiring and maintaining current technical knowledge and the highest standards of ethical behaviour;

- ensuring the highest possible standards of professional competence, including technical and commercial knowledge
- optimising the use of appropriate resources to provide the maximum benefit to the Organisation

Complying both with the letter and the spirit of:

- all legislation governing the procurement activity and the Procurement and Financial Regulations;
- guidance and professional advice and contractual obligations

Prevention of Fraud and Corruption

Authorised Officers must comply with the COPCC / Constabulary Business Code of Conduct and [Anti-Fraud and Corruption Arrangements/Policy](#) and must not invite or accept any gift or reward in respect of the award or performance of any contract. It will be for the Authorised Officer to prove that anything received was not received corruptly. High standards of conduct are obligatory. Corrupt behaviour will lead to disciplinary proceedings.

The following clause should wherever possible be put in every written contract:

“The Commissioner may terminate this contract, under notice, and recover all its loss if the Contractor, its employees or anyone acting on the Contractor’s behalf commits any of the offences as stated in Regulation 57 (Mandatory Exclusion) of the public contract regulations 2015 ([click here](#))

[For example](#)

The offence of bribery, where the offence relates to active corruption;
 The offence of cheating the Revenue
 The offence of conspiracy to defraud

If in doubt please consult your procurement Business Manager

Any clause limiting the Contractor's liability shall not apply to this clause."

The Commissioner / Chief Constable could be liable where someone who performs services for example an employee or agent, accepts/pays a bribe specifically to get business, keep business, or gain a business advantage for the organisation.

Staff must never allow themselves to be deflected from this Code. Failure to do so may result in disciplinary action. In abiding by this code, the rules set out below must be followed:

Declaration of Interest

Any personal interest which may affect or be seen by others to affect your impartiality in any matter relevant to your duties must be declared. Declarations must be made in any or all of: the register of interests, secondary employment register, and annual related party transaction employee declaration.

Code of Conduct Declaration Form

This Form must be completed by all parties involved in a procurement exercise prior to the commencement of the procurement exercise and a completed and signed copy(s) retained with the tender documents

Confidentiality and Accuracy of Information

The confidentiality of information received in the course of duty must be respected

and must never be used for personal gain. Information given in the course of duty should be honest and clear.

Competition

The nature and length of contracts and business relationships with suppliers can vary according to circumstances. These should always be constructed to ensure deliverables and benefits. Arrangements which might in the long term prevent the effective operation of fair competition should be avoided.

Business gifts

Gifts other than items of small value (not exceeding £10 for COPCC staff) should not be accepted but should be declined courteously. Where it may cause offence to decline a gift, the Chief Executive or relevant Commander / Director must be consulted who may make a decision with regard to accepting the gift on behalf of the COPCC / Constabulary. All such

acceptances must be recorded in the Gifts and Hospitality Register with a record maintained of where the gift is held.

Hospitality

The recipient should not allow themselves to be influenced, or be perceived by others to have been influenced, in making a business decision as a consequence of hospitality. The frequency and scale of hospitality accepted should be managed openly and with care. It should not be greater than that which the Organisation would reciprocate and which would be acceptable to the public as a use of public funds (not exceeding £25 for COPCC staff). Business hospitality must be recorded in the Gifts and Hospitality Register.

Supplier Contact Form

When purchasing from a new supplier or amending supplier details a supplier contacts form must be completed [\(Link\)](#)

Procurement & Contracting Policy and Procedures

Introduction

Procurement and Contracting Policy and Procedures aim to ensure that the supply of goods, services and works are procured in accordance with relevant legislation and in the most cost effective manner. They also aim to ensure that procurement activity is undertaken in a fair, transparent and consistent manner, ensuring the highest standards of probity and accountability. These procedures define the minimum processes expected of staff engaged in the procurement of goods, services or works on behalf of the COPCC. The Constabulary must adopt the standards within this document for the conduct of Constabulary business as part of the terms of the [Funding Arrangement](#) that exists between the Commissioner and the Chief Constable.

Purpose

The regulations seek to ensure that we:

- achieve best value for money for public money spent and support the corporate aims and policies of the COPCC / Constabulary
- be consistent with the highest standards of integrity and ensure fairness in allocating public contracts
- have due regard to the EU Treaty based principles of non-discrimination, equal treatment, transparency, mutual and proportionality
- comply with all legal requirements, particularly in relation to the EU Public Procurement Rules
- secure robust and transparent governance in respect of decisions to enter into contracts

Scope of the Regulations

All staff employed by the Commissioner must abide by the Procurement Regulations in the conduct of the business of the office. In addition, staff and police officers of Cumbria Constabulary are required to abide by the standards within the Procurement Regulations. Failure to comply may result in disciplinary action.

Procurement Responsibilities

The PCCCFO is responsible for maintaining the Procurement Regulations. The day to day activity of procuring goods, services and works is delegated to Authorised Officers in accordance with the Commissioner's and Constabulary's Scheme of Delegation and must be conducted in accordance with the principles and rules of this document and the COPCC Financial Regulations.

The Chief Executive will be responsible for:

- Ensuring that staff of the COPCC comply with these regulations and that only Authorised Officers are engaged in procurement.
- Securing the safekeeping of registers of contracts under seal and completed by signature and that records are maintained of contract exemptions.

The Director of Legal Services will be responsible for:

- Provision of advice on contracts including provision of standard terms and conditions.

The Head of Procurement will be responsible for the following:

- Maintaining a Contracts Register.
- Securely storing all contracts (including those under seal).
- Maintaining records of all contract exemptions.
- Advising Authorised Officers with regards to all aspects of procurement.
- Producing and maintaining procurement guidance.
- Developing and implementing a procurement strategy.
- Monitoring the use of contracts.
- Producing reports on procurement activity.
- Authorising all approved lists.

All Authorised Officers engaged in procurement and contracting activity are responsible for ensuring they comply with the regulations and that any agents, consultants and contractual partners acting on their behalf also comply. Procurement activity can only be conducted by Authorised Officers.

The Procurement Team will provide advice and leadership on procurement across both Organisations, undertaking the majority of procurement activity, with catalogue and hotel/car

bookings services undertaken by the Central Services Department and the business maintaining budgetary and decision making responsibilities in relation to procurement decisions.

A centralised 'category management' model has successfully been introduced along with the roles of Business Partner and Procurement Officer with clearly defined areas of responsibility aligning specific procurement expertise with different areas of the business. The Procurement Business Partner would normally be expected to undertake all technical processes and commercial aspects of the procurement cycle

Business Partner Categories

- ICT
- Operational
- Corporate

Procurement Policy

The procurement policy of the COPCC is that:

- Procurement activity is undertaken with the primary objective of supporting the COPCC / Constabulary to achieve its priorities and objectives and operate efficiently and effectively.
- All procurement should achieve best Value for Money both for outcomes and the efficiency and effectiveness of the procurement process.
- Procurement activity will achieve an appropriate balance between procurement risk, competition and the risks and requirements of the business. Where there are conflicts between procurement risk and business risk, decision making will be taken at an appropriate level of seniority within the Organisation.
- All procurement activity will be undertaken in a transparent, fair and consistent manner, ensuring the highest standards of probity and accountability.
- All procurement will operate under robust principles and procedures to ensure best value.
- Procurement activity will only be undertaken by staff authorised to do so within the Commissioner's [Scheme of Delegation](#).
- All staff involved in procurement activities will familiarise themselves with the Business Code of Conduct and consideration will be given to circumstances where members of staff would need to be excluded where their position may be compromised. Consideration will be given to the register of supplier contact.
- All staff will adhere to the policy and procurement procedure information and seek to achieve acceptance and operation of it among colleagues and stakeholders.
- All procurement activity shall comply with statutory requirements including, but not limited to, UK legislation, Directives of the European Community and relevant Government guidance.

- All procurement activity will comply with the Procurement Regulations and Financial Regulations and Financial Rules.

Procurement and Contracting Procedures

PROCUREMENT AND CONTRACTING PROCEDURES

Introduction

Procurement and contracting procedures provide information on how to procure goods, services and works on behalf of the COPCC. They also define the minimum processes expected of staff engaged in a procurement process. Before undertaking any procurement, staff are required to read through the Procurement Regulations and ensure they have appropriate professional, procurement, legal and financial advice. Further advice on procurement procedures and contracts is available from the Constabulary Procurement Team as part of the shared services arrangements between the Constabulary and Commissioner.

The Procurement Team contacts are available on the internet and intranet.

All Relevant Contracts must comply with these procurement and contracting procedures. A Relevant Contract includes arrangements for:

- the supply or disposal of goods
- the hire, rental or lease of goods or equipment
- the execution of works
- the delivery of services, including (but not limited to) those related to the recruitment of specialist staff, land and property transactions and/or financial and Consultancy Services

Relevant Contracts do not include:

- Contracts of employment which make an individual a direct employee of the Commissioner;
- Instruction of counsel and external legal advisors; or
- Grants and funding agreements

PROCUREMENT AND CONTRACTING PROCEDURES

Procedures

These procedures provide a roadmap of procurement routes and set out the rules that apply and the staff that have to be involved in the procurement process. They also cover how to deal with exemptions. This is when the rules may not apply. Exemptions are available for some categories of expenditure and for a number of other specific reasons.

Once procurement has begun, these procedures will also set out rules on how to manage the process including developing specifications, how to evaluate tenders, variations to contracts and the documents and records that need to be maintained.

Should these procedures not appear to provide the appropriate mechanisms at any stage of the procurement process, advice must be sought from line management or the Procurement Team before proceeding further. Information contained within the procedures refers to both procurement activity involving a tender process and to COPCC contracts regardless of how they were entered into.

Please note that these procedures do not apply to the issuing of grants. For information on policy and procedures for awarding of grant agreements please see our [Grant and Funding Agreement Regulations](#).

PROCUREMENT AND CONTRACTING PROCEDURES

Steps Prior to Purchase

Before undertaking any purchase it is important to ensure that appropriate due diligence is carried out to assess the need for the goods or services and understand any other factors that might be relevant to a purchasing decision. The amount of work undertaken should be proportionate to the complexity and value of the planned purchase.

Some factors that might be considered to help make the right purchasing decision are:

- Whether there is business need for the expenditure and prioritised
- Estimated Total value of the procurement
- What are the outcomes to be achieved from undertaking the purchase
- Assessing the risks associated with the purchase and how to manage them

- Considering what procurement method is most appropriate to achieve the purchasing objectives; having a clear understanding of these procedures will help to inform the method / procurement route
- Consulting stakeholders/commissioners of the supply or services about the proposed procurement method, and the standards, performance criteria and user satisfaction monitoring proposed for the contract
- Determining appropriate terms and conditions; these would usually be the Commissioner's standard terms and conditions but for complex procurements, bespoke terms and conditions may be required. Legal and procurement advice should be taken to ensure appropriate terms and conditions are applied to the proposed contract.
- Where a Framework Agreement is utilised the standard terms and conditions applicable to that framework will be followed.
- Considering how these matters can all be set out in writing to invite quotations or tenders. Further guidance on what information should be provided is set out later in these procedures.
- Ensuring that there is sufficient and authorised funding for the expenditure and that the proposed purchase complies with Procurement Regulations and Financial Regulations.
- Ensuring that the Transfer of Undertaking (Protection of Employment) (TUPE) issues are considered and obtain legal advice before proceeding with inviting tenders when an employee of the Commissioner, the Chief Constable or of a service provider may be affected by any transfer arrangement .

PROCUREMENT AND CONTRACTING PROCEDURES

Competition Requirements

There are a number of routes through which goods, services and works can be procured. These include using existing contracts that have already been negotiated and running a new competitive procurement, for which the process is dependent on the total value of spend. Procurement can also be carried out through Approved Lists and Framework Agreements. Whilst a range of considerations will influence the decision with regard to the procurement route, minimum requirements for competition are based on the Total Value of the proposed procurement.

Calculation of the estimated value of a procurement shall be based on the total contract value over the life of the contract, net of VAT, for example if the contract is for a period of 4 years and the annual cost is £50,000 then the total contract value would be £200,000 You must not enter into separate contracts nor select a method of calculating the total contract value in order to circumvent the application of these contract procedure rules.

PROCUREMENT AND CONTRACTING PROCEDURES: PROCUREMENT ROUTES

Procurement Routes

Early engagement with your Procurement Business Partner is recommended to quickly establish the most appropriate procurement route.

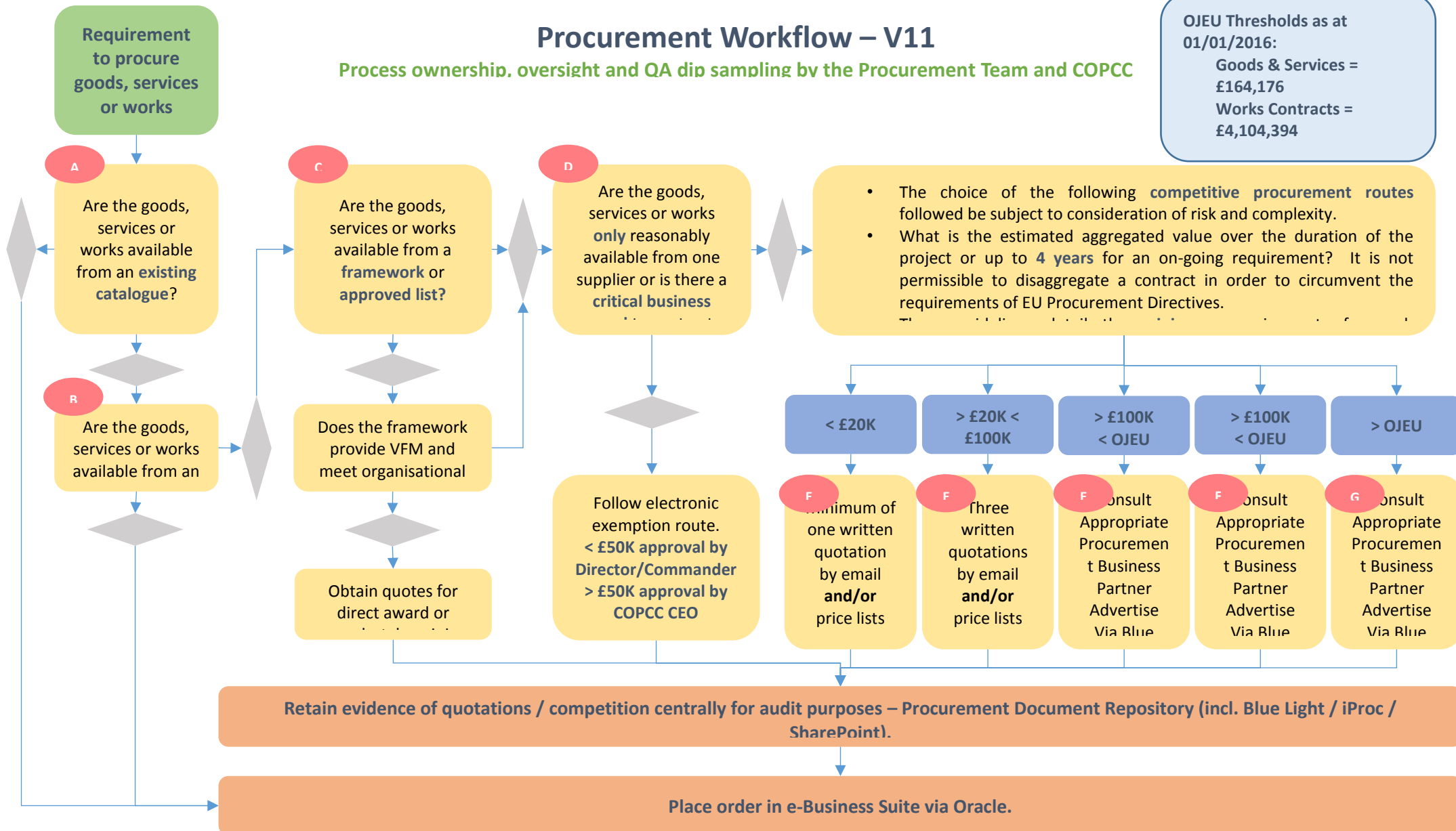
This section of the procedures will help to determine how you procure. There are a number of different routes through which procurement may take place. This section of the procedures provides instruction on which route you should take and what to do within each procurement route. A procurement procedure workflow chart is set out below. This has been developed to easily identify which procurement route should be followed. Once the procurement route has been identified, the relevant section of this document will explain the detailed procurement procedure.

Procurement Workflow – V11

Process ownership, oversight and QA dip sampling by the Procurement Team and COPCC

OJEU Thresholds as at
01/01/2016:

Goods & Services =
£164,176
Works Contracts =
£4,104,394



PROCUREMENT ROUTES

Under normal circumstances all procurement activity should be managed through the Procurement Team. Procurement requests for catalogue items will be processed through CSD.

All contracts with an estimated value of more than £100,000 should be advertised via the Constabularies E-Tendering portal (Bluelight) this will provide consistency of approach, transparency and full auditability. This will also serve to advertise the opportunity with the UK Government's tendering portal "Contracts Finder" in accordance with the Public Procurement Regulation 2015 ([click here](#)).

All procurements with an estimated value in excess of £100,000 will be supported and managed by the Procurement Team.

Utilising Existing Arrangements

A – Procuring from an Existing Catalogue

For goods which are required on a regular basis, a catalogue may be in place based on an existing contract. In these circumstances it may be appropriate to procure the goods by placing a requisition through CSD. The appropriate forms are available electronically on the CSD intranet site.

B – Procuring Goods through an Existing Contract

If an existing contract is in place then it may be possible to utilise the contract to meet the procurement requirement within the terms and conditions of that contract. A purchase order may be raised, however if the requirement falls outside the terms of the current contract then consideration should be given to the need for a Contract Change Notice. In order to identify the best route advice must be sought from Procurement and Legal Services.

A list of existing contracts is maintained by the Procurement Department and is available on the Procurement Intranet site ([click here](#))

C - Procuring Goods through Existing Framework Agreements or Approved Lists

Framework Arrangements

If a public sector organisation knows they are likely to require particular goods or services, but are unsure about exactly what they will need or when, they may decide to award a Framework Agreement that they can use when necessary on agreed terms relating to price, quality and quantity for a fixed period of time.

Framework Agreements can offer many benefits. The Framework Agreement will already be fully compliant with EU legislation and Procurement Regulations and there may be no requirement to run a further procurement process. Through the whole Organisation using the same contract we minimise the administrative costs associated with the use of multiple suppliers and achieve better value for money by being able to offer suppliers more business. In using Framework Agreements, we will usually also have assurance that the supplier has met expected standards including financial stability, health & safety, insurance, ethical and environmental standards etc. and that robust contract terms will be in place. Usually this assurance will be greater on higher value contracts. There are also some potential drawbacks to the use of Framework Agreements, in that they are relatively unresponsive to change and may not incorporate new developments or suppliers, that they tend to adopt a “one size fits all” approach which may make it difficult to meet specific requirements, and that because of the costs of getting included in the agreement they may exclude SME’s.

As noted in the section of this document relating to procurement routes A & B, many of our existing contracts are based on Framework Agreements. However in the circumstance that a required good or service is not available on an existing contract it may still be possible to participate in a Framework Agreement negotiated by another body, as such agreements can be open to multiple users. For this to be the case the Commissioner needs to be identified in the relevant OJEU notice and accordingly you must seek advice from your Procurement Business Partner to check whether we can participate. An example of Frameworks available to a wide variety of users are those procured by the Crown Commercial Service (formerly the Government Procurement Service). In addition there are collaborative purchasing groups in Local Authorities and other police forces which have established Framework Agreements, which could potentially be accessed.

- 1) If participation in a Framework Agreement which the COPCC / Constabulary have not previously used is proposed, the terms and conditions of the specific agreement need to be considered. If the Framework is awarded to one provider, then the COPCC/ Constabulary can simply call-off the requirement from the successful supplier as and when it is needed. Where the Framework is awarded to several suppliers, there are two ways in which call offs might be made:
 - a. Where the terms laid out in the framework are sufficiently detailed for the COPCC / Constabulary to be able to identify the best supplier for that particular requirement then the COPCC can award the contract without re-opening the competition (a “direct award”)
 - b. If the terms laid out in the Framework Agreement are not specific enough for the COPCC / Constabulary to be able to identify which supplier could offer them the best value for money for that particular requirement, a further mini competition (a “mini-tender” exercise) would be held between all the suppliers on the Framework Agreement who are capable of meeting the need.

Mini Competition Procedures

The use of **mini competition tenders** may be adopted, where pre-tendered arrangements exist, such as National or Regional Frameworks, Crown Commercial Services (CCS)) or other consortia frameworks e.g. Yorkshire Purchasing Consortium (YPO). This involves identifying companies that are able to meet the requirement from those who have been pre-tendered and pre-qualified. These companies will usually be invited to express an interest in our requirement prior to issuing tenders. The tender documents and the time allowed can, due to the pre-qualification and pre-tendering aspects generally, be respectively less detailed and shorter than would be usual. Sometimes prices will be predetermined. A mini competition should operate in accordance with the following procedure:

- The Authorised Officer and the procurement business partner must review the framework PQQ to ensure that the financial standing and technical capabilities of the suppliers meet the requirements for the procurement. Where the PQQ response is dated more than 2 years prior to the procurement, advice must be taken from the CCCFO/PCCCFO in respect of conducting a current assessment for financial standing where the procurement is for services or works.

- Procurement and legal advice should be sought on the terms and conditions of the contract under the framework
- All organisations within the Framework Agreement that are capable of executing the subject of the contract must be invited to submit written Tenders
- A time limit must be fixed which is sufficiently long to allow Tenders for each specific contract to be submitted, taking into account factors such as the complexity of the subject of the contract
- The contract must be awarded to the tenderer who has submitted the most economically advantageous offer (M.E.A.T) on the basis of the Award Criteria set out in the specifications of the Framework Agreement.

Under the Police Act 1996 (Equipment) Regulations 2010, the use of specific framework agreements is mandated. These are set out on the Procurement Intranet pages.

Approved Lists

For certain types of expenditure the COPCC / Constabulary maintains approved lists. If the goods and services required are available under approved lists, usually the list should be used to undertake the procurement. Lists are used where recurrent transactions of a similar type are likely but where such transactions need to be priced individually and cannot easily be aggregated and priced in a single tendering exercise, for example trades services where each job needs to be priced up separately but it would be impractical to conduct a procurement process each time a requirement for service arose. Approved lists can only be used where the Total Value falls below the EU threshold. In these cases, the Procurement Team, in consultation with the relevant Authorised Officer, may draw up:

- Approved lists of persons ready to perform contracts to supply goods or services on the basis of agreed contract terms on which legal advice has been taken
- Criteria for shortlisting from the lists where appropriate

The development of approved lists must be undertaken with support from the relevant procurement business partner. The process to develop an approved list must ensure there is an evaluation of the financial standing, performance and technical ability of candidates to deliver the contract. The rules and further guidance within these regulations applicable to conducting a procurement process therefore apply to the development of approved lists.

Approved lists and any criteria for shortlisting must be reviewed at least annually, jointly by an Authorised Officer and Procurement Business Partner. The review process should involve:

- The reassessment of the financial and technical ability and performance of those persons on the list, unless this is part of the criteria for shortlisting
- The deletion of those persons no longer qualified, with a written record kept justifying the deletion.

Approved lists must be re-advertised at least every three years openly to provide new suppliers with the opportunity to be listed. On re-advertisement, a copy of the advertisement must be sent to each person on the list, inviting them to reapply.

There are approved lists that are maintained on behalf of central government which include registers of pre-qualified contractors and consultants (e.g. Construction line, Exor Management Services). These lists can be used as approved lists by Authorised Officers without the requirement to carry out any further procedures. The relevant procurement business partner can provide more advice with regard to central government approved lists. Any approved lists must be held by the Procurement Team and published in accordance with the requirements of the Information Commissioner's publication scheme for policing bodies. Available approved lists are detailed on the Procurement Intranet site.

D - Procurement Exemptions

In certain limited cases it may be appropriate to apply for an exemption from the normal procurement procedures. All exemptions must be granted prior to the order being placed for the procurement of goods, services or works. Purchases made for reasons outlined below, but without prior approval of the Chief Executive (or Director/Commander subject to agreed thresholds) may be treated as breaches of Procurement Regulations, and subject to disciplinary action. Requests for exemptions to normal procedures will be considered under the following circumstances:

Single Tender exemption request

- where it can be evidenced that only one supplier is able to carry out the work or service or supply goods for technical reasons or because of exclusive rights or if it is demonstrated there is no real competition

- extensions to existing contracts where there is a genuinely justifiable case to use an existing contractor/supplier to maintain continuity of supply or site experience. Extensions will not be considered where to do so would breach EU Procurement legislation
- the contract has been classified as secret by the Chief Executive making the use of a particular contractor essential or a limited competition to a select list of contractors and the avoidance of advertising requirements in the public domain
- the contract is required so urgently that competition is impractical, for example a genuine unforeseeable operational need arises. NB. Failure to take action within appropriate timescales does not constitute grounds for an urgency exemption
- Professional Consultancy Services where continuity and quality of personnel/knowledge of the organisation is the most important consideration. This exemption will not be considered where to do so would breach EU Procurement legislation
- there are other circumstances which are genuinely exceptional and it is within the best interests of the organisation

The Single Tender Exemption Form ([click here](#)) must be completed by the Authorised Officer and submitted to the relevant procurement business partner for comments. The procurement business partner will provide advice to the Chief Executive (or Director/Commander subject to agreed thresholds) on the risks associated with the exemption application. A record of approval must be recorded on the Exemption Form and retained in the Procurement Document Repository. The Exemption Form is available from the Procurement Intranet site.

Supporting evidence is required to ensure the following:

- That best value is obtained at all times – cheapest is not always “best value”, it is a balance between cost and quality which needs to be affordable.
- That COPCC / Constabulary has been open and transparent and is not challenged because of unjustified supplier preference or avoidance of competition.
- That the terms and conditions of doing business with a supplier have been considered and are acceptable to the COPCC / Constabulary.

PROCUREMENT ROUTES

New Procurements

Where there is no existing contract, approved list or Framework Agreement available and procurement exemptions do not apply, it will be necessary to go through a new procurement process.

For a new procurement process there are two main choices and much will depend on the value of estimated expenditure.

Quotation (Procurement Route E)

This involves asking at least the minimum number of suppliers to provide a quotation. This route is usually most appropriate for lower value goods and services where a Framework is not already in existence and where it is possible to provide a very clear specification and make the purchase decision based on price. This quotation is available for purchasing services and works up to the value of £100,000 and for goods up to the value of the OJEU Threshold. This must be based on the estimated Total Value over the anticipated term of the contract. If you are procuring Good/Services and the total Contract value exceeds £164,176 for goods/services and £4,104,394 for works, you will need to apply the EU procurement directives.

If in doubt please contact your Category business manager for advice

It is still important that consideration is given to whether it may be more appropriate to undertake a procurement tender. This may be the case for goods, and particularly services, below the tender route value but where it may be possible for suppliers to respond with very different levels of quality and specification and this is important. If you are unsure which route would be most appropriate, you should seek further advice from the relevant Procurement Business Partner.

Tender (Procurement Route F and G)

This route is required for services and works above £100,000 and all contracts over the OJEU Threshold. Again, the rules to follow depend on the total contract value and take into consideration, where applicable, requirements of the EU procurement directive. You may also choose to conduct a tender process, including a mini tender, for lower value goods and services where this process is likely to deliver better outcomes. Tenders may also be used as part of Framework Arrangements where there is more than one supplier on the Framework who can provide the goods or services you need.

The following section sets out the different procurement routes and processes to be followed based on the value of estimated expenditure. For each level of expenditure, this section sets out the minimum requirement. You can choose to undertake a more robust process and may wish to seek advice from your Procurement Business Partner.

In all cases there will be a need to maintain records as there is a requirement to publish contract information as part of the Government's transparency agenda. For contracts over £10,000 the invitation to tender and contract must be published on the Commissioner's website.

PROCUREMENT ROUTES

E1 – Amounts under £20,000

If no suitable existing Framework exists, a minimum of one written quotation must be obtained either by e-mail or from a price list. A quotation may be initially requested by telephone but the supplier must then be asked to follow this up in writing by either of the above methods. Two Officers (normally this would be the Authorised Officer and a senior Manager) must undertake a procurement using this procedure. Should the minimum of one quotation be used particular care should be given to ensure Value for Money. The procurement must be recorded in accordance with the regulations for record keeping on the central register maintained by the Head of Procurement.

PROCUREMENT ROUTES

E2 – Purchasing procedure: amounts over £20,000 and under £100,000

If no suitable Framework exists, a minimum of three written quotations must be obtained either by e-mail or from a price list. A quotation may be initially requested by telephone but the supplier must then be asked to follow this up in writing by either of the above methods. The numbers of companies invited to submit quotes or otherwise offer to supply must be sufficient to ensure genuine competition to achieve Best Value for Money. A minimum of two Officers (normally this would be the Authorised Officer and a senior) must undertake a procurement using this procedure. The procurement must be recorded in accordance with the regulations for record keeping on the central register maintained by the Head of Procurement.

PROCUREMENT ROUTES-For Open Discussion

Contracts with a value in excess of £100,000 will require Category Business Manager Involvement who will manage and advise on the procurement

E3 – Procurement of Goods over £100,000 and under OJEU Threshold

If no suitable Framework exists, a minimum of three written quotations must be obtained either by e-mail or from a price list. The numbers of companies invited to submit quotes or otherwise offer to supply must be sufficient to demonstrate that there is genuine competition to achieve Best Value for Money. Should the minimum of three quotations be used particular care should be given to ensure Value for Money. A minimum of three Officers (one of which must be the Procurement Business Partner) must undertake a procurement using this procedure. The procurement must be recorded in accordance with the regulations for record keeping on the central register maintained by the Head of Procurement. The tender opportunity should be advertised via the Blue light portal.

In some instance it may be more appropriate to undertake a tender process for goods over £100,000 but below the OJEU Threshold in which case procurement route F should be followed below.

PROCUREMENT ROUTES

F – Tender Procedures: over £100,000 and under EU Threshold (Services & Works)

Contracts with a value in excess of £100,000 will require Category Business Manager Involvement who will manage and advise on the procurement

For services and works with an estimated value over £100,000 the procurement route must involve undertaking a tender process. A minimum of three Authorised Officers must be involved of which one must be the relevant Procurement Business Partner. There are different types of tender process that may be appropriate depending on the services and works you wish to procure. Tendering for services and works can be complex and there may be risk of legal challenge if the process is not conducted in accordance with our procedures and the requirements of the EU procurement directive. For this reason, where the value of the procurement is likely to exceed £100,000, the process must be overseen by the relevant Procurement Business Partner. This will ensure appropriate professional advice is provided and will help you to get the best outcomes. A tender process will involve developing a specification for your services and works, deciding how you are going to evaluate suppliers' bids in terms of cost and quality and the terms and conditions that will apply to your contract.

As detailed earlier, it may also be deemed most appropriate to follow a tender process for the procurement of goods over £100,000 and under the EU Threshold depending upon the complexity and risk of the requirement. The tender opportunity should be advertised via the Blue light portal.

A tender process can be undertaken in a number of ways including open, restricted, select and mini competition. Whichever process is used, the evaluation models, matrices and other tools used to assess and compare the tenders must be determined and provided to suppliers prior to receipt of bids.

An **open invitation to tender** places no limits on the number of suppliers who might respond. This route is therefore best used in situations where the supply market is limited and there is a lower risk of receiving more responses than are practically capable of being assessed. Where this process is being used an appropriate advertisement will be placed as agreed between the Procurement Business Partner and Authorised Officer. Expressions of interest are invited from companies who wish to receive tender documents. All companies expressing an interest are sent tender documents within the timescales set out. Such tenders shall include elements to assess the potential supplier's financial standing in addition to specific areas of technical ability which provide assurance as to the supplier's ability to fulfil the contract.

Restricted tenders require that **expressions of interest** are invited from the market through advertisement, jointly agreed between the Procurement Business Partner and Authorised Officer. On receipt of expressions of interest, a **pre-qualification questionnaire** ([click here](#)) will be forwarded to the interested companies and these, when completed, shall be assessed to determine which companies will be selected to be invited to tender. Tenders will be invited from those companies who match, or best match, the profile of a company suited to meet requirements. Selected companies will then be sent invitations to tender including instructions of how to participate in the tender exercise. Tender bids will be assessed against pre-determined award criteria.

Select tender lists may sometimes be drawn up where it can be satisfactorily demonstrated that the pool from which realistic or competitive bids could be received is limited. Such lists will be agreed between the Authorised Officer and the Procurement Business Partner. Having identified the companies from whom tenders would be considered, the companies shall be invited to express their desire to receive a tender by requiring them to respond to an appropriate brief. Companies invited

to respond should be rotated whenever possible. On receipt of a satisfactory number of expressions, tenders may be invited. Limited numbers or repeated use of favoured companies must be avoided wherever possible. However, the need to comply with EU legislation regarding open competition must be followed.

PROCUREMENT ROUTES

G – Procurement above EU Threshold

For procurement above EU thresholds, the EU Procurement Directive 2015 (The Regulations) should be followed. The Regulations provides for 5 award procedures. All EU procurement will be led by the relevant procurement business partner and will be undertaken based on either an open (Preferred Route) or restricted procedure. In addition it is open to undertake a **competitive negotiated procedure with negotiation or competitive dialogue**. This route may be used and is permitted under EU Legislation within strict guidelines. The competitive dialogue is suitable in exceptionally complex procurements, e.g. Private Finance Initiative (PFI).

Procurement Regulation 2015 procedures

- Open procedure
- Restricted procedure,
- Competitive dialogue procedure,
- Competitive procedure with negotiation
 - Innovation partnership procedure,

In all EU procurement the EU Directives require that consideration is given to “aggregation of demand” and that this is calculated as either the total annual expenditure multiplied by four or by the estimated value multiplied by the total number of years a contract would be in place for. If the value derived is over the EU threshold for the goods, service or works, then an EU Tender must be conducted. The Directives are clear that deliberate attempts to negate or circumvent the aggregation values are a breach of the E.U Directives.

The timescales for tendering under the EU Directives are prescriptive and may generally be longer than a non EU Tender. Failure to leave sufficient time to complete the tendering process is legislatively not an acceptable reason for avoidance of the regulations. All evaluation criteria must be agreed and signed off by both the Procurement Business Partner and the Authorised Officer and included in the ITT document.

A minimum of three Officers will be involved in the procurement process of which one must be the relevant Procurement Business Partner. Other professions, for example finance and legal staff will also be involved.

Public Procurement Regulation 2015 Timescales

The procurement should take no longer than **120 working days**. Measured from the publication of the OJEU notice to award of contract, except in the **case** of complex procurement typically a OJEU procurement process from start to finish can take up to **6 months** taking into account document preparation and contract terms its imperative that you contact your Procurement Business manager at the earliest opportunity

Time Scales (Calendar days)	Selection Stage	Tender Stage	If Electronic ITT accepted	Tender following publication of a Prior Invitation Notice (PIN)	Tender By agreement	If urgent Criteria Must comply with Comply with the Procurement regulation 2015	Standstill Period
Open Procedure	N/A	35	30	15	N/A	15	10
Restricted Procedure	30	30	25	10	Min 10	15/10	10
Competitive Procedure with negotiation	30	30	25	10	Min 10	Min 10	10
Competitive Dialogue	30	N/A	N/A	N/A	N/A	N/A	10
Innovation Partnership	30	N/A	N/A	N/A	N/A	N/A	10

PROCUREMENT ROUTES

Procurement of Professional Consultancy Services

The procurement of professional Consultancy Services should usually be undertaken in accordance with procurement procedures in the same way that all other services are procured. There are however existing exemptions for some categories of professional services. These are for instructions to counsel and legal advisors and for banking services. For other professional services a procurement exemption can be applied for in circumstances where continuity and quality of personnel and/or knowledge of the organisation is the most important consideration. This is providing the values are below the EU Procurement Directives threshold.

The engagement of a consultant shall follow the agreement of a brief that adequately describes the scope of the services to be provided and shall be subject to completion of a formal letter or contract of appointment. A record of the process and documentation used for appointment must be held by the Procurement Team.

Consultants shall be required to provide evidence of, and maintain professional indemnity insurance policies to the satisfaction of the Chief Executive for the periods specified in the respective agreement. Copies of insurance are provided and evaluated as part of the tender evaluation criteria

PROCUREMENT ROUTES

Collaborative Procurement

In order to secure Best Value for Money or fulfil recently enhanced collaboration duties, the COPCC / Constabulary may enter into collaborative procurement arrangements. Collaborative and partnership arrangements are subject to all UK and EU procurement legislation and case law. Collaborative procurement is a process whereby a number of partners determine to undertake a procurement process collectively. In these cases procurement regulations must still be applied but the process will typically operate with one of the partners leading the procurement and an agreement will usually be made to adopt the procurement regulations of the lead partner. A collective procurement process could operate using any of the procurement routes explained in these procedures. It may be a simple purchasing arrangement for equipment within an existing Framework or a substantial new EU procurement process for shared services. Generally, the purpose of collaboration will be to achieve economies of scale to reduce prices and to achieve administrative efficiencies compared to all partners undertaking the procurement separately. This can be particularly beneficial for large service contracts where significant staffing resources are

needed not only to undertake the procurement process but also to manage the contract once it has been awarded.

Procurement through a collaborative route may involve entering into a collaboration agreement and consideration may need to be given to the quality of the procurement regulations and proposed terms and conditions of the contract. For this reason, advice from the relevant Procurement Business Partner must be taken, and where necessary from the Legal Department, before agreeing any collaborative procurement process and the Chief Executive and PCCCFO must be consulted.

Any contracts entered into through collaboration with other policing bodies or other public bodies, where a competitive process has been followed that complies with the Procurement Regulations of the leading organisation, will be deemed to comply with these procurement regulations and no exemption is required. However, advice must be sought from the relevant Procurement Business Partner who will provide assurance with regard to the procurement regulations being used. Purchases above the EU Threshold must be let under the EU Procedure, unless the consortium has satisfied this requirement already by letting their contract in accordance with the EU Procedures on behalf of other consortium members.

In the case of private finance initiatives (PFI) and other public/private sector partnerships, such contracts must be approved and authorised in accordance with the Scheme of Delegation. If in doubt, Authorised Officers must first seek the advice of the Chief Executive.

PROCUREMENT AND CONTRACTING PROCEDURES: PROCUREMENT PROCESS

Procurement Process

This section of the procedures provides guidance on the different processes involved in operating procurement once the procurement route has been determined. It also sets out how to manage the process when procedures have not been followed, for example late tenders, seeking clarifications and the requirements for maintaining records. Authorised Officers should ensure they have read and understand all the requirements within this section of the procedures before commencing any procurement process.

PROCUREMENT PROCESS

Pre-Tender Market Research and Consultation

Depending on the complexity of the procurement exercise, the procurement process may benefit from consultation and market research with potential suppliers prior to the start of procurement. Research can help to facilitate the specification and gain a better understanding of the market and achieve better outcomes. Any consultation must be only in general terms about the nature, level and standard of the supply, contract packaging and other relevant matters, and should ensure that it does not provide any advantage to individual suppliers. Specifically, research and consultation must not seek or accept technical advice on the preparation of an Invitation to tender or quotation from anyone who may have a commercial interest in the procurement exercise. Care must be taken to ensure that any discussions do not disadvantage other potential suppliers or distort competition. Authorised Officers must seek advice from the relevant procurement business partner prior to commencing market research and consultation.

PROCUREMENT PROCESS

Specifications and standards

Specifications and standards are used to describe the requirements – goods, services and/or works – for which the procurement process is being conducted. They are included within the documents inviting suppliers to tender. Developing a specification for large value supplies and the provision of services can be difficult. In some cases relevant British, European or international standards will apply to the subject matter of the contract. The specification will need to include these standards where they apply and any other standards necessary properly to describe the required quality. In addition, the Chief Executive must be consulted if it is proposed to use standards other than

European standards. If the specification does not fully itemise all the requirements, including standards of service and quality expectations, the procurement process may be unsuccessful. There is also a risk of entering into a contract that performs poorly against your expectations. Specifications are therefore usually best developed by those with experience in this area. It is also helpful to try to research specifications for the same or similar goods and services that have been used previously or within other organisations. In writing specifications the standards adopted to identify minimum, maximum or other requirements must be in accordance with all current legislation and ensure prospective suppliers are treated equally and fairly. The Procurement Business Partner will provide as much assistance as possible to Authorised Officers to enable them to identify and express their requirements so that the market can respond appropriately.

PROCUREMENT PROCESS

Award Criteria

In addition to developing the specification, consideration must be given to how competing suppliers are going to be assessed as having met the requirements. This is usually based on a matrix where a proportion of a total score will be awarded on cost and a proportion on quality. The quality element means that the contract award is being based on the MEAT. This simply means that all factors will be considered in deciding the right supplier, not just price. Evaluation just on price will usually only be used where the goods or service can be identified in a highly prescriptive form and the only deciding factor is price. Where MEAT is used a decision will need to be made about the balance of the score between price and quality. The Evaluation Criteria should reflect the requirement and must be proportional and the rationale for the decision recorded. Price should usually be at least 40-60% of the total available score. Where it is considered that price should be less than 40%, approval must be sought from PCCCFO in writing. This can be by e-mail and a record must be retained by the Head of Procurement.

The Authorised Officer must define Award Criteria that are appropriate to the purchase and designed to secure an outcome giving Value for Money for the COPCC / Constabulary. A number of factors will be taken into account in determining the evaluation criteria for each procurement. For complex services, the quality and price evaluation criteria will need to be quite sophisticated and may comprise a number of elements and sub-categories with weighted scores. The criteria used may only refer to relevant considerations. These may include price, service, and quality of goods, running costs, technical merit, delivery date, cost effectiveness, quality, relevant environmental considerations, aesthetic and functional characteristics (including security and control features),

safety, after-sales services, technical assistance and any other relevant matters. Any criteria that is planned to be used to evaluate suppliers and the weightings of the criteria must be published with the ITT.

Award Criteria must not include:

- Non-commercial considerations
- Matters which discriminate against suppliers from the European Economic Area or signatories to the Government Procurement Agreement.

Your Procurement Business Partner will have significant experience in evaluation criteria and should be asked for advice. They will also ensure other relevant professions are engaged where appropriate. This may include a team of officers including those with technical and specialist skills including finance, technical ICT, health and safety and equality. Where professional support staff are involved with developing the evaluation criteria they will also usually support the process for evaluating the bids. Those Officers authorised to undertake the procurement will be responsible for approving the evaluation criteria and weighting and this should be agreed between the Procurement Business Partner and the Authorised Officer.

For supplies and works contracts over £100,000, the information requested from potential candidates must be sufficient to establish that the economic and financial standing is sound and that there is technical ability and capacity to fulfil the requirements of the tender.

Legal Services should be consulted, prior to publishing the ITT, to ensure the most appropriate terms and conditions are used.

PROCUREMENT PROCESS

Issuing an invitation to quote or tender

Prior to issuing an ITQ or ITT the Authorised Officer and relevant Procurement Business Partner must ensure that all relevant documentation is complete. This will include the specification for the service, relevant standards, the evaluation criteria against which bidders will be assessed and the terms and conditions that will apply to the contract. Once this documentation is complete, a decision can be taken to issue an ITQ or ITT. This will usually be undertaken by placing the invitation on the e-tendering system or directly contacting potential suppliers. Consideration should also be given to whether an advertisement is published. Generally, the greater the interest of the contract

to potential bidders, the more appropriate it will be to consider advertising. Examples of where such advertisements may be placed include:

- The COPCC website
- Portal websites specifically created for contract advertisements
- National official journals, or
- Contract with a value of £100,000 or greater will be advertised via Blue Light Portal.
- All EU procurements should be advertised in the first instance via Journal of the European Union (OJEU)/ Tenders Electronic Daily (TED) and Contracts Finder (the Governments opportunities portal) to comply with EU Directive

Your Procurement Business Partner can provide further advice on the appropriateness of placing an advertisement.

All ITQ/ITT and supporting documentation must clearly state that no Quote/Tender will be considered unless it is received by the date and time stipulated in the ITQ/ITT. The full list of information that is included will depend on the complexity of the supply or service but as a minimum all ITQ/ITT should include the following:

- A specification that describes the requirements in sufficient detail to enable the submission of competitive offers.
- A requirement for bidders to declare that the tender content, price or any other figure or particulars concerning the tender have not been disclosed by the tenderer to any other party (except where such a disclosure is made in confidence for a necessary purpose).
- A requirement for bidders to complete fully and sign all Tender documents including a form of tender and certificates relating to canvassing and non-collusion
- Notification that tenders are submitted on the basis that they are compiled at the bidder's expense.
- A description of the award procedure and, unless defined in a prior advertisement, a definition of the Award Criteria in objective terms and in descending order of importance.
- Notification that no tender will be considered unless it is in accordance with the "Instructions to Tender".
- A stipulation that any tenders submitted by fax or other electronic means shall not be considered, unless they comply with the rules on tender submission.
- The method by which any arithmetical errors discovered in the submitted tenders is to be dealt with. In particular, whether the overall price prevails over the rates in the tender or vice versa.

All ITT or Quotations must state that the Commissioner / Constabulary are not bound to accept any Quotation or Tender. All candidates invited to tender or quote must be issued with the same information at the same time and subject to the same conditions. Any supplementary information must be given on the same basis.

PROCUREMENT PROCESS

Receipt, custody and opening of tenders

There are rules to follow in receiving, custody and opening tenders from suppliers to ensure the process is fair and transparent. This includes ensuring that tenders are not opened before the closing date and that there are no changes to the original electronic version of the tender after the closing deadline. Utilisation of the e-tendering system will make the process easier to manage and will ensure that information on our tender documents and contracts is open and accessible. The system will record and allow an audit of all transactions. This means that we can demonstrate that we are fully compliant with our own procedures and all relevant regulations and directives, reducing the risk of procurement challenge.

Candidates must be given an adequate period in which to prepare and submit a proper quotation or tender, consistent with the complexity of the contract requirement. This should normally be between one week and four weeks for less complex tenders and a min of four weeks for complex tenders. The EU Procurement Regulation 2016 lays down specific time periods for each process.

Electronic Tenders

The process for receipt, custody and opening of tenders should be managed where possible using the e-tendering system. All Tenders greater than £100,000 should be returned electronically via e-tendering

The e tendering system provides safeguarding to ensure that all tenders are securely managed prior to opening and the precise time and date of receipt are recorded.

Manual Tenders

The relevant officer must not disclose the names of candidates to any staff involved in the receipt, custody or opening of tenders. The Chief Executive shall secure through the Director of Legal Services that tenders are held safely until the appointed time of opening. Each tender must be:-

- adequately protected immediately on receipt to guard against amendment of its contents
- recorded immediately on receipt to subsequently verify the date and precise time it was received.

All Tenders

The Chief Executive shall secure through the Director of Legal Services, that all tenders are opened/released at the same time after the submission deadline has ended. Tenders must be opened in the presence of the Authorised Officer or his or her representative plus one officer from legal services. In some cases the Chief Executive may determine to be present at the opening of tenders.

Upon opening, a summary of the main terms of each Tender (i.e. significant issues that are unique to each tender submission and were not stated in the tender invitation documents such as tender sum, construction period, etc.) must be recorded in the Tender Record Book. The summary must be signed by those engaged in the opening of the tenders.

The process for receipt, custody and opening of tenders should be managed using the e-tendering system unless the system fails. In these cases the following manual process will should be adopted:

Companies should be notified in writing (this can be via e-mail) that the electronic system is not available:

- They should be reminded that failure to comply with instructions may invalidate their tender.
- They shall be instructed to return their bids in packages marked as instructed in the ITT.
- Companies shall be instructed to address tender packages to the Director of Legal Services.
- On receipt of “hard copy” tenders, these shall be appropriately marked and securely stored in a locked cabinet or room until the allotted opening date and time.
- Packages should not identify the sender and should be signed by the person receiving them with the date and time received
- Packaging should be retained as evidence of the time of receipt.

A minimum of one Authorised Officer and a Legal Services representative shall be required to open tenders. Each package will be opened in turn and the following information shall be recorded in the Tender Record Book.

- the names and signatures of the two staff responsible for opening the tenders
- the time, date and place of tender opening
- the name of the company who submitted the tender
- the total value of the tender submission
- in the event that this value cannot be identified (perhaps due to the complexity of the tender or because a range of options have been offered) the term “as per attached copy schedules” shall be entered

The Tender Record Book shall be ruled off to prevent further additional entries being made.

PROCUREMENT PROCESS

Late Tenders

Principle of Proportionality

Late tenders should normally be rejected unless (1) late delivery is a result of actions outside the control of the tenderer or (2) other exceptional circumstances exist which the PCC, in exercising reasonable discretion, deems sufficient to allow acceptance. Where a decision is made to accept a late tender, then it is sensible to document the time of receipt of that tender and the reasons why the tender has been accepted.

If the sender has not already alerted procurement that the tender may be late, under no circumstances must the tender be opened until the reasons have been verified and approval granted by the Chief Executive with legal and procurement advice. The PCCCFO must be consulted. The reason for the decision including the legal and procurement advice taken and the comments of the PCCCFO must be recorded and maintained with the procurement records.

If approval is received, Legal will witness the tender in the usual manner but will also record on the form that the tender was received late, the reason for this, and that approval was received for its acceptance

If approval is not received, the unopened tender will be returned by Procurement to the supplier, and recorded on the Tender Opening Form as part of the audit trail. Procurement will also inform the tenderer in writing that their tender has not been accepted, with the reason(s) for its non-acceptance

Any late tenders must all be treated equally with regards to their acceptance or refusal.

Technical Fault

If it is proven that there was a technical fault with the e-tendering system that prevented the upload of the tender submission by the bidder(s) then Head of Procurement must be consulted. The event and decision should be duly recorded and maintained with the procurement records for that particular tender.

PROCUREMENT PROCESS

Evaluation tenders

Authorised Officers are responsible for ensuring that all suppliers submitting a tender/quotation are suitably assessed against the specification and evaluation/award criteria documentation. For contracts above £100,000, or where a tender process has been conducted, the assessment process must include ensuring that the potential suppliers have sound economic and financial standing and the technical ability and capacity to fulfil the requirements. Relevant information requirements will have been included within the ITT documentation and the assessment process should ensure that the appropriate advice is taken from relevant professional support staff.

Where Framework Agreements are used advice should be sought from the relevant business partner to determine whether the above assessments should be carried out. This will depend on the robustness of the information provided by the suppliers in response to the Framework tender process and the length of time since that information has been subject to review.

Financial assessments should consider, in relation to subsidiary companies within a group, the soundness of the group together with the appropriateness of obtaining a bond or a 'guarantee' from the parent company.

Quotes/ tenders must be evaluated in accordance with the Award Criteria set out in the ITQ / ITT. During this process, Authorised Officers shall ensure that submitted quote/ tender prices are compared with any pre-tender estimates and that any discrepancies are examined and resolved satisfactorily.

The arithmetic in compliant quotes/ tenders must be checked. If arithmetical errors are found they should be notified to the bidder, who should be requested to confirm or withdraw their bid. Alternatively, if the rates in the tender, rather than the overall price, were stated within the tender invitation as being dominant, an amended tender price may be requested to accord with the rates given by the tenderer.

PROCUREMENT PROCESS

Clarifications affecting tenders received

In more complex procurements, following the receipt of tenders, it may be necessary to clarify certain aspects of a bid either in writing or by conducting discussions with suppliers to ensure the tender is properly understood. Any such discussions must be managed with care and must not go beyond achieving an understanding of the bid received. The process of doing this is referred to as clarification. All discussion must be conducted in a manner which is conducive to fairness and openness and provides equal opportunities for all bidders. Care must be taken during clarification meetings to ensure no indication is provided to any supplier as to the level of interest in the tender. Any communications issued to inform or assist any particular supplier must also be sent to all other participating suppliers and consideration should be given to whether any clarifications can be issued to all suppliers. Clarification must never seek to change or alter the prices of the bid unless there is evidence to suggest that figures are incorrect. Your Procurement Business Partner should always be

engaged in clarification discussions and the outcomes must be clearly documented, signed off by the Authorised Officers and retained in accordance with the requirements for procurement records.

PROCUREMENT PROCESS

Post Tender Negotiations

Discussions with tenderers after submission of a tender and before the award of a contract with a view to obtaining adjustments in price, delivery or content (i.e. post-tender negotiations) must be the exception rather than the rule. In particular, they must not be conducted in an EU Procedure where this might distort competition, especially with regard to price which could result in a challenge.

If post-tender negotiations are necessary after a single-stage tender or after the second stage of a two-stage tender, then such negotiations shall only be undertaken with the bidder who is identified as having submitted the best tender and after all unsuccessful candidates have been informed. During negotiations tendered rates and prices shall only be adjusted in respect of a corresponding adjustment in the scope or quantity included in the tender documents. Approval must be sought from the Chief Executive to carry out post-tender negotiations. This approval must be confirmed in writing. The process for negotiation should ensure that there are recorded minutes of all meetings and that both parties agree actions in writing. Post-tender negotiation must be conducted by a team of at least two Authorised Officers, one of whom must be the relevant Procurement Business Partner. Where post-tender negotiation results in a fundamental change to the specification (or contract terms) the contract must not be awarded but re-tendered. The relevant procurement business partner will provide advice.

PROCUREMENT PROCESS

Alteration to Tenders

No alteration to tenders may be made after the closing deadline unless evidence has been provided that the amendment is to:

- provide completeness; or
- correct an arithmetical error

Any such amendment or change must be signed off by at least two Authorised Officers. Any changes which alter the final costs must be supported by documentation confirming the change from the company who submitted the bid.

PROCUREMENT PROCESS

Award of Contract and Debriefing Tenderers

No contract for the execution of works or for the supply of goods or services shall be made unless budgetary provision has been made in annual revenue or capital estimates approved by the COPCC or unless an estimate is reported to and approved by the PCCCFO. For contracts over £100,000, a 'contract signature request form' must be completed by the Authorised Officer and certified to confirm that budgetary provision exists and to enable the Chief Executive to sign the contract.

Authorised Officers may accept quotations and tenders received in respect of proposed contracts, provided they have been sought and evaluated fully in accordance with these contract procedure rules and, in respect of proposed contracts that are less than £100,000, the approval of the Director/Commander has been secured, and for contracts expected to exceed £100,000, the approval of the Chief Executive has been secured.

Apart from the debriefing required or permitted by the EU Remedies Directive, the confidentiality of quotations, tenders and the identity of suppliers must be preserved at all times and information about one supplier's response must not be given to another supplier.

Where provision has been made within the annual budget or formally approved capital programme, a tender may be accepted if it is within the estimate. Where a tender exceeds the estimated amount by more than the lower of £100,000 or 10%, the Chief Executive shall be advised accordingly.

Where the Total Value is over £100,000 the procurement business partner must notify all suppliers simultaneously and as soon as possible of the intention to award the contract to the successful supplier. For all contracts subject to EU Procurement Directives, the procurement business partner must ensure compliance with intent to award requirements under standstill rules. Failure to comply with the procedures can trigger serious penalties contained in the Remedies Directive. Unsuccessful

candidates must be issued with an “award decision notice”. This has to be done as soon as possible after making the decision and by the most rapid means possible. The notice must be issued by the relevant Procurement Business Partner and contain:

- the award criteria (including sub-criteria and weightings used)
- the score of the recipient and the winning bidder
- reasons for the decision, including the characteristics and relative advantages of the successful bid
- if the bid was not held to be compliant with any technical specification, the reasons for that decision
- the name of the successful bidder
- a precise statement of when the standstill period starts and ends, including how it may be affected by any “contingencies” e.g. complaints or challenges
- the date after which the contract may be entered into.

If the decision is challenged by an unsuccessful supplier then the contract shall not be awarded and the Authorised Officer shall immediately notify the Chief Executive who will seek legal and procurement advice as appropriate.

For all contracts where the total value exceeds £100,000 and a tender exercise or a mini-competition against a Framework Agreement has been undertaken a formal tender evaluation report shall be prepared for the attention of the Chief Executive. The report should detail the scoring matrix used, the tender bid scores, identify the winning bidder, and the justification for the winning bid (lowest price or MEAT).

Procurement and Contracting Procedures: Contract Formalities

Contract Formalities

This section of the procurement and contracting procedures sets out the formal arrangements that must be in place in respect of contracting including the procedures for contract extension, variation and termination.

CONTRACT FORMALITIES

Contract Documents

The COPCC order form or standard terms and conditions issued by a relevant professional body must be used wherever possible. In addition, every contract of purchase over £100,000 must also state clearly, and subject to reaching agreement with the contractor.

- that the contractor may not assign or sub-contract without prior written consent
- any insurance requirements
- health and safety requirements
- DPA requirements, if relevant
- that professional standards are to be met if relevant
- Equality Act requirements
- FOI requirements
- where agents are used to let contracts, that agents must comply with the COPCC Procurement Regulations
- a right of access to relevant documentation and records of the contractor for monitoring and audit purposes if relevant.

The Chief Executive is responsible for securing that all contracts that exceed £100,000 are prepared in writing by the Director of Legal Services and must clearly specify:-

- What is to be supplied (i.e. the works, goods, supplies, materials, services)
- the provisions for payment (i.e. the price to be paid and when)
- the time, or times, within which the contract is to be performed
- the provision for the Commissioner to terminate the contract

In order to appropriately protect the Organisation contracts may need to include a number of specific clauses in addition to standard terms and conditions. Such clauses may specify

arrangements in the event of a supplier failing to deliver (default clauses) including arrangements for penalties and liquidated damages. It may also be appropriate for some contracts, e.g. construction/works contracts, to include stage payments and/or retention payments that are released after a suitable period for identifying any defects. These types of contracts will typically also make provision for an examination of the final accounts presented for payment. Legal Services will advise on the need for any such clauses and provide a form of words for the contract terms.

The approval of the Chief Executive, who may seek legal and financial advice, must be sought for the following contracts:

- where the Total Value exceeds £50,000
- those involving leasing arrangements
- those that are complex in any other way

Agreement shall be completed as follows:

Total Value	Method of Completion	By
Up to £50,000	Signature	Director/Commander
Above £50,000	Signature or Sealing (as required)	Chief Executive

All contracts above £50,000 must be concluded formally in writing by Legal Services before the supply, service or construction work begins, except in exceptional circumstances, and then only with the written consent of the Chief Executive (or Deputy in his/her absence). An award letter is insufficient. Letters of Intent must be approved by the Chief Executive. The Authorised Officer responsible for securing signature of the contract must ensure that the person signing for the other contracting party has authority to bind it. It is important to ensure that the contract is in the name of the relevant legal entity.

CONTRACT FORMALITIES

Sealing

Where contracts are completed by each side adding their formal seal, such contracts shall be signed by a representative on behalf of the Commissioner, together with the fixing of the Commissioner's seal, and must be witnessed by a further Officer.

Every sealing will be consecutively numbered, recorded and signed by the person witnessing the seal. The seal must not be affixed without the authority of the Chief Executive acting under delegated powers. A contract must be sealed where:

- the Commissioner may wish to enforce the contract more than six years after its end
- the price paid or received under the contract is a nominal price and does not reflect the value of the goods or services,
- or is a 'Contract Variation' which has the effect of increasing the value of a contract which has already been subject to sealing

The Chief Executive shall secure that a register of sealed contracts shall be maintained on behalf of the COPCC by the Head of Procurement.

CONTRACT FORMALITIES

Bond and Parent Company Guarantees

Authorised Officers must consult the PCCCFO/CCCFO about whether a Parent Company Guarantee is necessary when a supplier is a subsidiary of the parent company and:

- the Total Value exceeds £250,000, or
- award is based on evaluation of the parent company

The relevant Authorised Officer must consult the PCCCFO/CCCFO about whether a Bond is required:

- where the Total Value exceeds £500,000.
- or where it is proposed to make stage or other payments in advance of receiving the whole of the subject matter of the contract.

CONTRACT FORMALITIES

Cancellations, variations or extensions of contracts

Cancellation: Advice must be taken from Legal Services for any cancellations. Contract terms are complex and any changes to them can be subject to challenge and be expensive. If there are difficulties with the contract or the service is no longer required, legal advice must be taken before contacting the supplier. The terms of the contract may allow for a different way of resolving the issue than termination and if cancellation costs are likely to be high it may be better to see if other areas of the business can use the supply or service. For some contracts, it may cost more to cancel than to continue with the service. Consideration must be given to all the terms and conditions of the contract before any decision is made to end a contract before the time period required to do this

to ensure that cancellation is the most appropriate choice. Where a decision is made to cancel it must be undertaken in accordance with the terms and conditions of the contract and ensure all notice periods are complied with. Wherever possible, it is good practice to convey the reasons for the cancellation, but in the event that this may not be possible additional advice may be sought from Legal Services in the first instance. Under no circumstances should employees verbally instruct suppliers, contractors or others engaged on behalf of contracted suppliers that their services or goods are no longer required. Inappropriate cancellation of contracts may result in legal action and subsequent costs being borne by the COPCC. Contract cancellations ahead of the normal expiry of the contract must be authorised by the Chief Executive. The decision to cancel must be recorded by the Head of Procurement on behalf of the COPCC with reasons and available for audit. All contract cancellations must be issued by Legal Services.

It is possible to include within contracts terms that allow for early termination, where this is considered a possible requirement. This will however introduce uncertainty for the supplier and will generally result in the contract being more expensive. Such terms should therefore only be used where absolutely necessary and legal advice should support any decision to use early termination clauses.

Contract Variations: Variations to contracts will generally not offer good Value for Money and can result in challenges to the contract where the variation is significant such that it changes the nature of the contract and/or it results in a substantially different contract price. For this reason, all variations to contracts can only be made after legal advice has been taken and the variation has been authorised by the Chief Executive. Advice and approval must be taken prior to contacting the contractor. In authorising a variation to contract, the value of the variation will be considered in line with the contract value to ensure that these procedures and the requirements of the EU directive have not been breached. A written Change Control Notification must be issued by Legal Services for any contract variation, which must be signed and agreed by both parties, and a copy of the signed document must be retained with the original contract. The approval for the variation must be recorded by the Head of Procurement on behalf of the COPCC with reasons and available for audit. Where the variation results in the contract value increasing to the level that is subject to sealing, the variation must be approved under seal.

Contract Extensions: Authorised Officers are responsible for ensuring that contracts for which they are responsible are renewed at an appropriate time and notice of the impending expiry of the

current contract should be sent to the service or goods provider. Contracts should only usually be extended where the terms allow for the extension or where the contract has been let on the basis that it is annually renewable, subject to price. Careful consideration should be given to the duration of contracts and options to extend when the tender is initially issued to avoid procurement challenge. A written Contract Change Notification must be issued by Legal Services for contract extensions. Where there is a need to extend a contract outside the contract term and provisions allow for extension, legal advice must be sought and the extension must be authorised by the Chief Executive. Any decision to authorise the extension must carefully balance the procurement risk against the business need to extend. The approval for the extension must be recorded by the Head of Procurement on behalf of the COPCC with reasons and available for audit.

PROCUREMENT AND CONTRACTING PROCEDURES: RECORD KEEPING AND DOCUMENT RETENTION

Record Keeping and Document Retention

The requirements in respect of record keeping depend on the amount or Total Value of the contract. The requirements of these regulations are based on the Total Value exclusive of VAT. For all procurement, including that managed through quotations, basic records must be maintained. This section of the procedures sets out the requirements for record keeping, document retention and FOI.

The Chief Executive shall secure that all records are maintained in accordance with these regulations. The Head of Procurement will maintain all records on behalf of the COPCC in accordance with the arrangements for shared services. Authorised Officers are responsible for ensuring that records are kept, the procurement process is documented and that all records are submitted to the Head of Procurement.

Where the Total Value is **less than £20,000**, records must be maintained of:

- The invitation to quote and the pre quote estimate of the expenditure.
- All quotations received and the award made.

Where the Total Value is **between £20,000 and £100,000**, the following records must be kept:

- Invitation to quote, quotations and the pre quote estimate of the expenditure
- any exemptions and the reason for them
- of the reason if the lowest price is not accepted
- Records of communications with the successful contractor

Where the Total Value **exceeds £100,000** or where a formal tender process has been conducted, the Authorised Officer must record:

- The method for obtaining bids
- Any contracting decisions and the reasons for it in the form of a formal tender evaluation report
- Any exemptions together with the reasons for it
- The Award Criteria in descending order of importance
- Tender documents sent to and received from candidates
- Pre-tender market research
- Clarification and post-tender negotiations (to include minutes of meetings)
- The contract documents

- Post-contract evaluation and monitoring
- Communications with candidates and with the successful contractor throughout the period of the contract.
- Pre tender estimate of the expenditure.

All documentation relating to contracts should be retained in accordance with the retention scheme. The scheme is:

Records of tenders and contracts must be kept for six years and four months after the end of the contract. Where a contract is made under seal, the records must be kept for twelve years and four months. Records that relate to unsuccessful candidates may be scanned or stored for 12 months from award of contract provided there is no dispute about the awarded.

The Head of Procurement shall maintain a register of all contracts let on behalf of the Commissioner and will provide contract reports for the COPCC / Constabulary. The content and frequency of reports will be agreed with the Chief Executive, some examples are:

- number and value of contracts awarded;
- contracts awarded other than lowest cost;
- contracts awarded as a Single Tender Action;
- breaches of procurement regulations; and

RECORD KEEPING AND DOCUMENT RETENTION

Freedom of Information (FOI)

Information may be requested at any time on any procurement process and the Elected Local Policing Bodies (Specified Information) Order requires that ITT and contracts are openly published on the Commissioner's website. It is therefore important that all information that forms part of the procurement process is retained and filed in a way that ensures it can be easily used at a later date. This is particularly important for tender submissions and any correspondence with suppliers.

Generally whilst the submission of a tender will be considered as confidential, under FOI legislation this is likely to be insufficient as grounds for not releasing the information under an FOI request. Should an FOI request arise, appropriate steps should be adopted to enquire of prospective suppliers what, if any, information they feel should be exempt from FOI legislation, although the decision as to potential release rests with the COPCC. Before any information is released appropriate advice must be sought from the Deputy Monitoring Officer.

PROCUREMENT AND CONTRACTING PROCEDURES: PROVIDING SERVICES AND ASSET DISPOSAL

Providing Services and Asset Disposal

This section of the regulations sets out the rules where third parties procure from the COPCC / Constabulary. This includes where we sell surplus assets to others or provide services to external purchasers.

The rules are:

The Chief Executive must be consulted in respect of contracts to work for organisations other than the COPCC. This ensures that consideration is given to the limited staffing resources within the office and the priorities for resource allocation against the outcomes that aim to be achieved through the provision of external services.

Assets for disposal must be sent to public auction except where better Value for Money is likely to be obtained by inviting quotations and tenders or other approved method. These may be invited by advertising on the COPCC internet site. In the latter event, the method of disposal of surplus or obsolete stocks / stores or assets other than land must be formally agreed by the PCCCFO in accordance with the COPCC Scheme of Delegation. In some circumstances the trade in of obsolete equipment may be included within the tender specification for replacements. The basis upon which obsolete stocks / stores are declared surplus to requirements shall be in accordance with the COPCC Financial Regulations.

The Waste Electronic and Electrical Equipment (WEEE) Regulations 2006 aim to reduce the amount of WEEE being disposed of and require Electronic and Electrical Equipment (EEE) producers to pay for its reuse, recycling and recovery.

The COPCC / Constabulary, where appropriate, will dispose of end of life ICT and electrical equipment in line with WEEE Regulations which will include, where necessary, the use of accredited companies to ensure secure information removal prior to disposal.

Further information regarding the WEEE Regulations can be found on the Environment Agency website at <http://www.environment-agency.gov.uk/business/topics/waste/139283.aspx>.

END OF DOCUMENT