

Auditor's Annual Report Police and Crime Commissioner and Chief Constable for Northumbria

Financial year 2022/23

April 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner and Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Police and Crime Commissioner (PCC) and Chief Constable have put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

Auditors are required to report their commentary on the PCC's and Chief Constable's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the PCC's and Chief Constable's arrangements for securing economy, efficiency and effectiveness in their use of resources. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements
Financial sustainability	No risks of significant weakness identified	G No significant weaknesses in arrangements identified.	A No significant weaknesses in arrangements identified but one improvement recommendation made.
Governance	No risks of significant weakness identified	G No significant weaknesses in arrangements identified.	G No significant weaknesses in arrangements identified.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	G No significant weaknesses in arrangements identified.	G No significant weaknesses in arrangements identified.

G No significant weaknesses in arrangements identified or improvement recommendation made.

A No significant weaknesses in arrangements identified, but improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)



Financial sustainability

The Force continues to operate in a financially and operationally challenging environment. Whilst planning both in the short and medium term is on a sound footing with prudent assumptions being built into both, there continues to be uncertainty around future funding and the sustainability in long term. The signals are that these challenges will continue, so the structured and disciplined approach to managing finances and reserves which the Force has demonstrated will continue to be crucial. Through identification of efficiencies and prudent approach to managing its finances, the Force set a balanced budget for 2023/24. The Force continues to contend with capital programme slippage, however our work has not identified evidence of significant weaknesses within the arrangements in place, and we have not identified any improvement recommendations.



Governance

The governance arrangements of the PCC and Chief Constable are strong, with effective scrutiny of finances, performance and key decisions carried out regularly in a structured and transparent way. It is evident that the PCC holds the Chief Constable to account for performance of the Force and there appear to be strong governance arrangements to allow for effective decision making. Our work has not identified evidence of significant weaknesses in the arrangements in place.



Improving economy, efficiency and effectiveness

The Force's transformation efforts over the past few years have yielded positive results, as evidenced by the good practices observed in the 3E's section. The Force has demonstrated an effective approach to evaluating its performance, with clear indicators and timely interventions to address any deviations. The development of the procurement function has seen the adoption of new technology and tools to streamline the procurement process, while the Force's collaborations with partners have strengthened its commitment to good governance. Our work has not identified evidence of significant weaknesses within the arrangements in place.



Financial Statements opinion

We have completed our audit of your financial statements and issued unqualified audit opinions on 1 February 2024. Our findings are set out in further detail on page 20.



Securing economy, efficiency and effectiveness in the PCC's and Chief Constable's use of resources

All PCCs and Chief Constables are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The PCC's and Chief Constable's responsibilities are set out in Appendix A.

PCCs and Chief Constables report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the PCC and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the PCC and Chief Constable can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the PCC and Chief Constable make appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the PCC and Chief Constable make decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the PCC and Chief Constable delivers their services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the PCC's and Chief Constable's arrangements in each of these three areas, is set out on pages 6 to 17. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the PCC and Chief Constable:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

MTFS

The PCC presented the Medium-Term Financial Strategy (MTFS) in January 2023, covering the period 2023/24 to 2026/27. The MTFS was built on the budget for 2023/24.

The MTFS included the following assumptions:

- Raising of the Band D Council Tax Precept by £15.00 per year in 2023/24 to raise an additional and recurring £6m of funding;
- Inflation and other budget pressures identified for 2023/24 as being £15m;
- The total grant increase in 2023/24 including the ring-fenced grant and the reduction for the removal of the Health and Social Care Levy is £5m;
- Uplift target set of 615 officers (to be maintained following delivery by March 2023 as per settlement expectations for 2023/24 and 2024/25);
- Pay awards are included at 3.0% for 2023/24.

The PCC has considered the various pressures it faces and incorporated these into the MTFS. This includes the pressure of inflation and other budget pressures identified for 2023/24 amounting to in excess of £15m. The pressures are utilities, fuel, insurances, pay awards, building maintenance, digital policing and all major contracts that have been significantly impacted through recent challenges to the economy, inflation, energy shortages and the cost-of-living crisis. The PCC has also had to contend with the limited funding information available beyond the current settlement year. The PCC has considered this in the MTFS and has made the best use of the financial settlement 2022/23, whilst making prudent assumptions on future funding levels and expected budget requirements.

The PCC has also performed a comprehensive financial risk assessment for the revenue and capital programme budget setting process to ensure all risks and uncertainties affecting the Force's financial position are identified.

The Force faces several significant financial pressures that could affect the position over the medium term.

An assessment of the likelihood and impact of each risk and the management controls in place are shown in the MTFS in a table detailing the risk, likelihood, impact and mitigation measures.

The MTFS demonstrates awareness of the conflicting priorities of investing and savings and the need to find a balance between the two. A significant programme of work was undertaken by the Force in the Summer of 2022 to review the capacity across the Force operating model to deliver efficiencies whilst maintaining performance and identifying opportunities to improve policing services. Approved efficiencies and budget reductions being delivered in 2023/24 are just over £9.6m with further savings planned across the medium-term. The Force plans to deliver the savings through non pay expenditure, savings through procurement through the continued use of national frameworks and maximising income generation wherever possible.

Upon reviewing the MTFS and budget setting documents, it is apparent that the PCC and Chief Constable have in place suitable financial planning structures. An examination of financial performance reports indicates a clear understanding of financial risks within the Force, which is presently under active management. This underscores the PCC's and Chief Constable's awareness of prevailing challenges and its proactive approach to ensuring financial sustainability.

Financial sustainability

Managing Financial Pressures

The PCC understands acutely the financial pressures it faces and, in its pursuit to manage these pressures is taking steps to shield itself in the medium term. The PCC is approaching these pressures by focusing on reducing operating costs across various dimensions, including a thorough examination of workforce, estates, and enabling functions to deliver efficiencies of £9.6m with further savings planned across the medium-term. The PCC has also taken steps such as approving an increase in the Council Tax Precept of £15 per year for a Band D property resulting in an additional £6.1m in 2023/24. In addition, the Force is investing in digital technology to achieve operational efficiency and the delivery of high-quality services.

The PCC also established the Inflationary Risks Reserve in 2021/22 of £4.325m. This reserve is expected to be fully utilised over 2023/24 and 2024/25 to manage the inflationary and pay increases on budgets to meet the budgetary gap. The PCC has also reprofiled its £8.2m earmarked reserve established in 2020/21 for investment to manage the anticipated funding gap each year.

Strategic Priorities

The PCC's Medium Term Financial Strategy (MTFS) reflects a comprehensive integration of key strategies and plans, emphasising their financial implications. Employing a collaborative approach, the PCC actively engages with local public bodies, ensuring alignment between its financial plan and broader strategic priorities. Notably, the MTFS is modelled to realise the PCC's Police and Crime Plan, incorporating resident and stakeholder priorities.

The PCC's financial planning extends to workforce considerations, analysing staffing levels and recruitment challenges. The commitment to replacing 900 police officers over the MTFS period highlights strategic alignment, further supported by a workforce management reserve for proactive cost management related to workforce changes.

Additionally, the PCC integrates capital planning into its financial strategy, aligning with the capital programme through the inclusion of capital estimates and financing in the MTFS. This ensures a cohesive approach between the capital investment plan and the broader financial strategy.

Furthermore, the PCC's financial planning includes investment considerations, emphasising a thorough analysis of revenue streams, collaborative opportunities, and potential cost-saving avenues. This strategic perspective is reinforced by the Treasury Management strategy, providing a holistic view of investment planning within the overall financial framework.

2022/23 Performance

Finance

During 2022/23, the Force achieved a positive financial revenue outturn, successfully reducing revenue expenditure while upholding service delivery standards, resulting in an underspend. The recorded underspend at the end of the fiscal year amounted to £3.8m, equivalent to 1.1% of the approved budget of £339.3m. This surplus was allocated to bolster the inflationary risk reserve.

The key areas of underspend, ranked from largest to smallest, were as follows:

- Underspend in capital financing: £2.1m
- Underspend in Chief Constable: £1.3m
- Underspend in OPCC Supporting Services: £0.2m
- Underspend in Police and Crime Commissioner: £0.2m

Financial sustainability

The income sources offsetting the spend primarily derived from two main channels: a Central Government Grant of £276.8m, constituting approximately 80% of the Force's funding, and the Council Tax Precept of £62.5m, representing around 20% of the Force's funding.

Factors driving the underspend included challenges in recruitment due to market volatility, leading to unfilled vacancies, and additional funding received through the National Uplift Programme. The final outturn position ensured that the general reserve level remained above the 2% minimum target level the Force has in place, aligning with the reserves policy for the fiscal year 2022/23.

Capital

At the end of 2022/23, the capital outturn position was £16.3m against a budgeted spend of £39.4m, resulting in a significant underspend of £23.1m, 59% slippage on the approved budget. Within this underspend, £18.3m is earmarked for rephasing to the Medium-Term Financial Strategy (MTFS), while £5.8m is designated as slippage to the financial year 2023/24.

The primary areas of underspend, ranked in descending order, are as follows:

- Underspend in Digital Policing and Digital Transformation: £11.8m
- Underspend in Building works: £6.7m
- Underspend in Vehicles and Equipment: £4m
- Underspend in NEROCU Schemes: £0.2m

Capital financing for the projects was derived from prudential borrowing of £10.2m (63% of funding), capital receipts of £5.6m (34% of funding), and capital grants and contributions of £0.5m (3% of funding).

The underspend was primarily attributed to the inability to execute preprogrammed estates-related refurbishment programmes and vehicle acquisitions due to supply chain challenges, encompassing difficulties in securing contractors and suitable materials.

Additionally, challenges arose in acquiring vehicles due to the Ukraine conflict, preventing replacements as part of the capital programme. While £5.8m of the slippage is being rephased into 2023/24, ongoing supply chain issues persist due to the impact of the Ukraine conflict.

We raised this issue as an Improvement Recommendation in our 2021/22 report in September 2023. Management did not have the opportunity to address the recommendation within the 2022/23 financial year due to the timing of our report, however management have informed us that the 2023/24 capital budget was subject to further scrutiny and challenge during June 2023, based on the capital outturn position for 2022/23 and a comprehensive review of budget estimates, timescales for delivery and other assumptions. Whilst capital budget reporting is presented to the Commissioner on a quarterly basis, we have been informed that during the 2023/24 financial year the budget reporting process was strengthened through the addition of monthly reporting on capital schemes to the Force Executive Team in order to provide increased transparency, further opportunity for scrutiny and challenge and early opportunity for remedial action where required.

Consequently, we have not carried forward the recommendation raised in our 2021/22 report. We recognise that the group has faced challenges from various supplier-side factors, but we are satisfied that management have taken appropriate action to strengthen the processes and governance in place.

Financial sustainability

Reserves

As part of the reporting of the MTFS, the Force also includes its Reserves Strategy which covers:

- General Reserves – A contingency for unexpected events or emergencies and a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing
- Earmarked Reserves – To meet known or predicted liabilities, for example workforce management, insurance, and capital development reserves

General Reserve

In the 2023/24 MTFS, the expected General Reserve at 31 March 2023 was £10.6m equating to 3.0% of the revenue budget of £355.6m for 2023/24. The outturn General Reserve balance as of 31 March 2023 was £10.8m thus meeting one of the key MTFS principles to seek to maintain the General Reserve at a minimum of 2.0% of the net revenue budget. The closing General Reserve at 31 March 2027 is estimated to be £10.6m equating to 2.8% of the net revenue budget of £373.0m.

Earmarked Reserves

In the 2023/24 MTFS, the expected earmarked reserves at 31 March 2023 were £28.9m (expected to reduce by 68% to £9.1m by the end of the MTFS period 31 March 2027). The outturn position as of 31 March 2023 resulted in an Earmarked Reserves position of £30.6m, an increase compared to the budgeted reserves position. This was a result of the underspend the Force delivered during 2022/23.

Governance



We considered how the PCC and Chief Constable:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Monitoring and assessing risk

Risk Assessment

The PCC and Chief Constable share a Joint Strategic Risk Register (JSRR). Each strategic risk is assigned a Chief Officer or PCC owner(s), who has responsibility for the management of controls and the implementation of new controls where necessary.

The JSRR identifies each risk, provides context to the risk and also provides a summary of existing controls. The risks are also assessed based on the likelihood of the risk occurring and the impact it would have. All risks are regularly reviewed by the respective owners and updated, where necessary.

The JSRR is presented to the joint Business Meeting between the PCC and the Chief Constable on a quarterly basis. The Joint PCC/Chief Constable Governance Group and JIAC provide additional scrutiny and governance on a quarterly basis.

The JSRR captures risk(s) in twelve thematic areas: Digital Policing, Finance; Governance; Information and Data Management; Information and Data Quality; Infrastructure and Assets; Operational; Partnership and Collaboration; Public Confidence; Regulation and Standards; Strategy; and Workforce.

The highest rated risks in February 2023 were:

- Inability of the Force to respond effectively to service demand due to loss or failure of mission and business critical technology solutions. (Risk score 12)
- Reduction in funding and/or funding pressures which require changes to financial planning and/or a change to the resourcing of service delivery. (Risk score 16)
- Challenges in adhering and complying with consistent and sustainable data management processes and standards to prevent data breaches. (Risk score 12)

- Challenges in efficiently and effectively managing data through the technical and cultural implementation of control measures, storage and practice in support of existing and new operating platforms. (Risk Score 12)
- Reduction in attraction and retention. (Risk score 12)

Audit Committee

The Joint Internal Audit Committee (JIAC) provides independent assurance to the Chief Constable and the Police and Crime Commissioner that the Force's governance, risk management, and control processes are effective and operating as intended. The JIAC for the Force is an independent committee responsible for overseeing the Force's internal audit function.. The JIAC is made up of four independent members who possess the necessary skills and expertise to provide effective oversight of the internal audit function. The committee meets on a quarterly basis to review the work of the internal audit function and to provide recommendations for improvement. All meetings are open to the press and public with minutes being published on the PCC website to ensure transparency and accountability.

During 2022/23 the committee met 5 times with two members achieving a 100% attendance rate and 2 members receiving an 80% attendance rate.

A self-assessment of the Committee's competencies was carried out in April 2023 as part of the review of the activities of the Committee by Internal Audit, during the review of annual assurance, it was highlighted that the Committee was operating well and meets the terms of reference. They demonstrate the necessary skills, knowledge, and experience to perform their function.

Governance

Internal Audit

The internal audit function is responsible for providing independent and objective assurance to the Force's senior management team that its governance, risk management, and control processes are effective. Gateshead Council continued to provide Independent Internal Audit services under the terms of a service level agreement with both the PCC and the Chief Constable for 2022/23. The internal audit function conducts audits of key areas of the Force's operations, including financial management, procurement, and information security. The internal audit function also provides advice and guidance to the Force's senior management team on best practices in governance, risk management, and control processes. This approach enables the Force to identify areas for improvement and to implement changes to enhance its performance and effectiveness.

During 2022/23 there were 27 audits within the 2022/23 audit plan, all of which were completed. Of the 27 reports, 22 audits concluded that systems and procedures were operating well, and 5 audits concluded that systems and procedures were operating satisfactorily. No audit concluded systems contained a significant weakness. As part of the 2022/23 audit plan, approved by the JIAC, the audit of governance was completed. Internal audit found systems and controls were operating well and no findings were raised, which is a positive result for the Force.

Annual Budget Setting Process

The arrangements in place for the Force's 2023/24 annual budget setting process are comprehensive and aim to ensure that the Force remains financially sustainable while delivering high-quality services to the public.

The Force has a comprehensive process which involves a thorough analysis of the Force's financial position, including its revenue and expenditure, business plans, investment proposals, savings options, as well as an identification of spending pressures it faces and an assessment of its strategic objectives and priorities. The Force considers a range of factors, including demographic changes, demand for services, and emerging risks and opportunities, to determine its funding requirements for the upcoming financial year and incorporates these into its assumptions for setting the budget. The Force also makes use of benchmarking when considering certain assumptions such as inflation against other Forces to ensure it is in line with national expectations.

The budget-setting process also involves engagement with key stakeholders, including the five Tyne and Wear Councils and Northumberland County Council which scrutinise the performance of the Police and Crime Commissioner (PCC) via the Police and Crime Panel. The Force also engages with residents regarding its budget setting process, an example is the raising of the council tax precept to the maximum £15 for which it received support. This engagement enables the Force to understand the needs and priorities of its partners and to ensure that its budget aligns with broader strategic priorities.

It is evident that the Force's approach to budget setting is demonstrative of how acutely aware it is of the various factors impacting its budget as well as having strong governance arrangements to support this process.

Budget Monitoring

The Force monitors its budget through a process that includes regular reporting on spending, cost analysis, and forecasting.

Each department head receives their monthly budget outturn, holding responsibility for monitoring and generating financial reports for senior management. Responsible officers for each portfolio also receive monthly budget outturn reports. Following the investigation and understanding of variances, these departmental reports are consolidated for presentation to the Executive Board in one report. The Executive Board, comprising portfolio leads, the Chief Constable, and Deputy Chief Constable, reviews these reports, which detail actual expenditure, commitments, and forecasted spending. This scrutiny helps identify any variances between actual and planned expenditures. The timeframe from the outturn position to Executive Board reporting is approximately three weeks. Starting in 2023/24, the Force has integrated Power BI, providing a link to budget data in the monthly Executive Board report. This enhancement enables Executive Board members to interact with budget activity, facilitating detailed exploration and improving scrutiny.

Quarterly, the group budget outturn position is presented during the Joint Business Meeting between the Police and Crime Commissioner and the Chief Constable. This presentation includes outturn against budget and variances stated. Upon approval by the PCC, the quarterly outturn report is published under key decisions on the PCC website.

Governance

The 2022/23 arrangements are deemed robust, featuring frequent (monthly) and timely (3 weeks) reporting on budget outturns. This process ensures active engagement with relevant stakeholders, including finance, senior management, and budget holders, fostering awareness of the current financial landscape and potential risks. We note that the 2022/23 outturn reporting within Key Decision published on the PCC's website lacks detailed narrative explanations for variances, which we would expect to see for transparency from the perspective of members of the public. Explanations for variances were included for the equivalent monitoring reports for Q1-3 of the financial year though.

Decision Making

The Force upholds a robust decision-making process, ensuring accountability through multiple channels. The Police and Crime Commissioner (PCC) plays a pivotal role in holding the Chief Constable accountable for the Force's performance. Monthly Joint Business meetings between the PCC and Chief Constable serve as a platform for accountability, with published minutes accessible on the website. The PCC employs Key Performance Indicators (KPIs) to monitor the Force's performance, regularly updating the public through the publication of Northumbria Police data on its website. This information includes the Force's alignment with priorities outlined in the Police and Crime Plan. Additionally, the PCC publishes inspection reports from HMICFRS and quarterly complaints reports, ensuring the public and stakeholders have access to current and relevant information for scrutiny.

Crucial decisions, such as quarterly revenue, capital allocations, procurement awards, and key strategies, undergo approval by the PCC and are subsequently published under the "Key Decisions" section of the website. The PCC, in turn, faces scrutiny from the Police and Crime Panel. The Panel conducts thorough examinations of the PCC's performance, adding an extra layer of assurance to the decision-making processes and overall performance of the Force.

Standards

The Annual Governance Statement (AGS) is a statutory document that both the PCC and Chief Constable must prepare separately which provides an assessment of the effectiveness of the PCC's and Chief Constable's governance arrangements. The AGS provides an overview of the PCC's and Chief Constable's governance arrangements, including its internal controls, risk management processes, and compliance with applicable laws and regulations.

When considering the AGS, the PCC and Chief Constable consider eight thematic areas considered by the Joint Governance Group which inform the Annual Governance Statement:

- Governance Arrangements
- An assessment of the role of CFO in accordance with best practice
- External Audit Assurance
- MICFRS and Other External Inspections
- Legal and Regulatory Assurance
- Risk Management Arrangements
- Performance Management and Data Quality
- CIPFA Financial Management Code Self-Assessment

The PCC and Chief Constable evaluate various elements when formulating its AGS, adhering to established good practices and appropriateness. There is broad coverage for governance-related themes, affirming the commitment to monitoring and upholding the necessary regulatory and applicable standards.

Improving economy, efficiency and effectiveness



We considered how the PCC and Chief Constable:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Use of financial and performance information

The Force has eight strategic objectives, each aligned with specific areas of focus. These objectives serve as a framework for performance evaluation, with a series of key performance indicators (KPIs) designed to measure outcomes. The Force adopts a balanced scorecard approach to categorise KPIs under four headings: victims, people, assets, and operational delivery.

The Corporate Development department plays a pivotal role in supporting performance management within the Force. Responsible for providing information, data, and intelligence insights, the team aids in decision-making at both strategic and operational levels. The corporate development team actively engages in performance management conversations with the Chief Officer team, business units, and individual level, ensuring comprehensive performance monitoring throughout the Force.

The Force has established performance frameworks tailored to each different function within the Force which outline key performance questions for managers and supervisors to pose to their staff. These frameworks also incorporate KPIs for performance tracking, ensuring a targeted and department-specific approach that acknowledges individual contributions to overall performance. There are weekly meetings in place between supervisors and their staff to monitor performance.

Various systems and software support the Force in managing its performance, including Excel solutions and the use of Qlik Sense, a business intelligence tool accessible to staff and officers. Benchmarking is facilitated through the digital crime and policing performance pack, providing comparative data nationally. The Force also leverages national police data through iQuanta.

Utilising data insights derived from Qlik Sense and incorporating performance feedback obtained during team meetings, the Force integrates these inputs into two monthly performance meetings at the Strategic Management Board.

At these meetings, the Corporate Development team provides presentations, offering a comprehensive overview of performance against predetermined outcomes. Attendance at these mandatory meetings is imperative, with provision for substitutes in cases where direct attendance is not feasible.

Given the extensive engagement with data for performance reporting, the Force has implemented quality assurance mechanisms. The Corporate Development team conducts independent audits of crime recording standards and decision-making, aligning with the national data quality assurance manual. Quarterly audits on investigative standards, considering data quality, are also carried out. Additionally, the Communications department's Crime Allocation and Screening Quality (CASQT) team conducts lifetime audits on incident and crime recording.

Improving economy, efficiency and effectiveness

HMICFRS Inspections

The Force undergoes joint, PEEL and thematic inspections by HMICFRS. The latest PEEL inspection was in 2021/22 where the Force was rated as being 'good' overall, with one area identified as being adequate and one area as requiring improvement and no areas identified as being inadequate. The eight areas for improvements (AFIs) were reported in the November 2022 JIAC along with actions against each area for improvement consisting of implementation of improvement plans, use of new technologies, the introduction of a new Response Policing Team (RPT), investment in training programmes. In addition to these AFIs, the Force takes actions to address all AFIs identified as part of the Inspectorate's wider thematic inspections. There are currently 71 recommendations, and 12 AFIs open on the monitoring portal. The Force's approach is to actively monitor the actions against the recommendations and respond appropriately. A HMICFRS Update is a consistent agenda item at the Joint Business Meeting between the PCC and Chief Constable and at the JIAC where inspections and recommendations are discussed. The regular reporting and monitoring of both the results from the inspections and actions against recommendations demonstrates good governance practices and underscore the Force's commitment to robust performance management and continuous improvement.

Procurement

The procurement team is responsible for end-to-end procurement activities, encompassing requirement development, tendering, contract awarding, and contract management.

The Force is currently undergoing a transformation of its procurement function, recognising the need for restructuring in the area. Taking a proactive stance, in January 2023 the Force, as part of the CIPFA's Fair Achievement programme, engaged in an exercise with CIPFA to assess its procurement practices. The subsequent report from CIPFA highlighted specific areas for growth within the procurement function, prompting the Force to embark on a transformative journey.

In the fiscal year 2022/23, the procurement function witnessed a change in leadership, resulting in a team structure comprising a Head of Procurement, a procurement manager, a procurement business partner, and four procurement officers. Embracing a category management approach, the Force has faced challenges in recruitment, particularly for procurement business partner roles, with three vacancies remaining unfilled.

The combination of staffing gaps and the ongoing IT transformation program aimed at modernising systems has placed significant demands on the procurement team. In response, the Force has adopted a 'grow our own' strategy for procurement staff, enrolling new members in the CIPS programme. The Force has established a proficient contract management system to oversee contractor performance, with lower-value contract performance reported on an exception basis. Business areas are delegated the responsibility of managing their contracts on a day-to-day basis, ensuring that updates on issues are communicated to the Head of Procurement through regular catch-up sessions. In the case of higher-value contracts, the Force has implemented Key Performance Indicators (KPIs) to gauge contract performance. Notably, the Force is presently in the process of revising its contract management procedures, and there are ongoing proposals for implementation for the year 2024/25.

Governance arrangements mandate that any tendering activity related to goods or services with an estimated annual cost as per the EU Procurement Threshold of £0.16m or with a total value of £0.5m over the period of the contract require formal approval from the Police and Crime Commissioner. Subsequently, contract awards are presented for approval by the Police and Crime Commissioner. These approvals are transparently reported under the 'key decisions' section on the PCC's website under 'Transparency.'

Readiness for new procurement bill

The procurement team is aligning systems, strategies, and team structures with the upcoming procurement bill set to take effect in October 2024. Demonstrating a proactive stance, the team ensures they stay abreast of any updates by actively participating in relevant seminars and conferences. Additionally, the team receives regular updates from Blue Light Commercial, enhancing their preparedness for the forthcoming changes in procurement regulations.

Improving economy, efficiency and effectiveness

Partnerships

According to Section 23E of the Police Act 1996, both the Police and Crime Commissioner and the Chief Constable are obligated to publish collaboration agreements to which they are parties. The Force has diligently provided details of all such agreements on its website or where the agreements contain sensitive information have appropriately stated this.

A significant partnership for the Force is the North East Regional Organised Crime Unit (NEROCU), established to enhance capacity and capability across the region in addressing serious and organised crime. This agreement was initiated in October 2013 and expanded in April 2015 to include additional regional functions, operates under comprehensive governance arrangements. The Joint Committee, comprising the region's three Chief Constables, three Police and Crime Commissioners, the CFO from Northumbria Police, and the ACC overseeing ROCU, oversees this arrangement. The Management Board, featuring the participation of the three Deputy Chief Constables, operates under the Joint Committee.

Performance reporting occurs quarterly at both the Joint Committee and Management Board meetings, with representation from finance, people services, and enabling departments. Financial governance involves consulting the budget in October/November each year, with budget proposals agreed upon by the Management Board before presentation to the Joint Committee, usually in January.

Monitoring extends to the national level, with performance reporting to the Home Office, including the Home Secretary and Security Minister, the Network Operations Capability, the national ROCU Board, and the National Crime Agency. The partnership undergoes inspections from HMICFRS on ROCU partnership working, complemented by Internal Audit reviews providing feedback on the effectiveness of the partnership.

HMICFRS Update on NEROCU

HMICFRS inspected NEROCU (formerly NERSOU) in December 2022 with the finding that the partnership was working well with the finding stating: 'There are good relationships between the ROCU and Forces, but NERSOU needs more consistent support from Forces to improve regional collaboration'. The inspection covered the performance of each partner Force individually in terms of tackling serious and organised crime with Northumbria Police being rated as 'good' which is a positive result for the Force. In particular the report notes that 'There is good leadership and management of Serious Organised Crime (SOC)'.

Whilst Northumbria Police was rated as 'good' in the inspection, the NEROCU was rated as being adequate overall with an area of improvement identified.

In response to the recommendations where two Level 3 AFIs resulted from the Northumbria SOC inspection. A revised governance structure has been determined for NEROCU unit, which has been provided to HMICFRS. This is an alternative to a single dedicated chief officer to lead the regional response to SOC.

The inspection also highlighted concern regarding the capacity within three specialist teams to meet SOC demand. Since the inspection there has been an uplift of resources in both POLIT and Covert Authorities Bureau which has addressed concerns in these areas. The current capacity of the Economic Crime Unit (ECU) remains insufficient to meet demand; however, resourcing arrangements in financial investigation are currently being determined in order to address this. Once ECU capacity has been addressed, the AFI will be considered complete.

Opinion on the financial statements



Grant Thornton provides independent opinions on whether each of the PCC's and Chief Constable's financial statements:

- give a true and fair view of the financial positions of the PCC and Chief Constable as at 31 March 2023 and of their expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23

We conducted our audits in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the PCC and Chief Constable in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We issued an unqualified opinion on each of the PCC's and Chief Constable's financial statements on 1 February 2024.

The full opinions are included in the PCC's and Chief Constable's Annual Reports for 2022/23, which can be obtained from the PCC's and Chief Constable's websites.

Further information on our audits of the financial statements is set out overleaf.



Opinion on the financial statements



Timescale for the audits of the financial statements

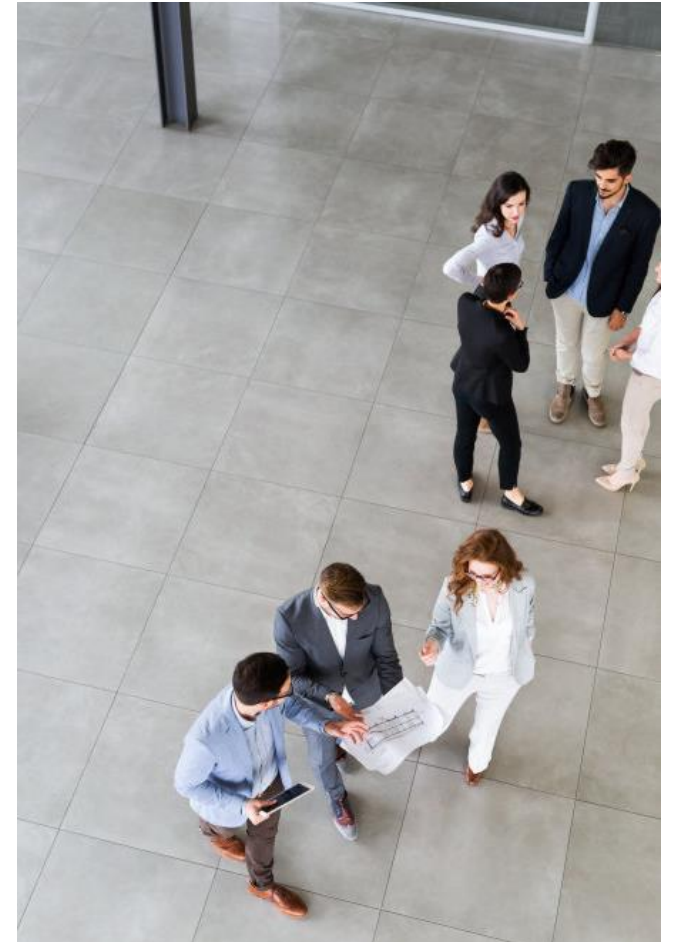
- The Audit Plan was issued in September 2023 and presented at the meeting of the Joint Independent Audit Committee.
- The PCC and Chief Constable provided draft financial statements in October 2023. This was not in line with the national timetable of 31 May 2023, however the 2021/22 accounts were only signed off in September 2023.
- Audit fieldwork was completed remotely between October 2023 and January 2024.
- The opinion on the financial statements was issued on 1 February 2024. This was not in line with the national timetable of 30 September 2023.

Findings from the audits of the financial statements

The key issues were:

- Adjustments were made following receipt of actuarial valuations based on full-year information relating to the LGPS. These reports were not available at the time that the draft accounts were published.
- A methodological issue was identified by our consulting actuary with regard to the approach taken by management's actuary in producing the estimated Police Pension Scheme liability at 31 March 2023. This led to a material adjustment in the Chief Constable's financial statements which was incorporated into the final version of the accounts.
- Several other presentational amendments were identified through the course of our audit, but no significant issues were noted.

More detailed findings are set out in our Audit Findings Report, which was presented to the PCC and Chief Constable on 25 January 2023. Requests for this Audit Findings Report should be directed to the PCC and Chief Constable.



Other reporting requirements



Other opinion/key findings

No other matters to report.

Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which has been published on the PCC's and Chief Constable's websites, alongside the financial statements.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Service's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We have confirmed that the group is below the threshold for detailed work to be required. An assurance statement was submitted to the NAO upon the signing of the financial statements opinions on 1 February 2024.



Appendices

Appendix A – Responsibilities of the Police and Crime Commissioner and Chief Constable

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the PCC and Chief Constable's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the PCC and Chief Constable will no longer be provided.

The PCC and Chief Constable are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the PCC's and Chief Constable's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the PCC and Chief Constable under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the PCC and Chief Constable. We have defined these recommendations as 'key recommendations'.	No	
Improvement	These recommendations, if implemented should improve the arrangements in place at the PCC and Chief Constable, but are not a result of identifying significant weaknesses in the PCC's and Chief Constable's arrangements.	No	

Appendix C – Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they: (i) present a true and fair view of the PCC's and Chief Constable's financial positions, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23

We have completed our audit of your financial statements and issued an unqualified audit opinion on 1 February 2024. Our findings are set out in further detail on pages 16 to 18.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue any statutory recommendation

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not apply to the court on any matters

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notices

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for judicial review on any matters

