

**JOINT INDEPENDENT AUDIT COMMITTEE**

**MONDAY 26 FEBRUARY 2024, 14:00 – 16:00**

**TRAINING ROOM, VICTORY HOUSE, BALLIOL BUSINESS PARK,  
BENTON LANE, NEWCASTLE, NE12 8EW**

**AGENDA**

**OPEN SESSION**

- 1. INTRODUCTION**
- 2. DECLARATION OF INTEREST**
- 3. MINUTES OF THE OPEN SESSION OF THE JOINT INDEPENDENT AUDIT COMMITTEE 20 NOVEMBER 2023**  
(Attached)
- 4. MATTERS ARISING**  
(Attached)
- 5. TERMS OF REFERENCE – JOINT INDEPENDENT AUDIT COMMITTEE**  
Chief of Staff and Monitoring Officer  
(Paper attached)
- 6. EXTERNAL AUDIT JOINT AUDIT FINDINGS REPORT 2022/23 (PCC & CC)**  
External Auditors  
(Paper attached)
- 7. SUMMARY OF RECENT EXTERNAL INSPECTION, INVESTIGATION AND AUDIT REPORTS**  
Head of Corporate Development  
(Paper attached)
- 8. JOINT STRATEGIC RISK REGISTER**  
Head of Corporate Development  
(Paper attached)
- 9. TREASURY MANAGEMENT POLICY STATEMENT AND TREASURY STRATEGY 2024/25 TO 2027/28**  
Deputy Head of Finance  
(Paper attached)
- 10. INTERNAL AUDIT CHARTER, STRATEGY STATEMENT 2024/25 – 2026/27 AND ANNUAL AUDIT PLAN 2024/25** Internal Auditor  
(Paper attached)
- 11. ANNUAL GOVERNANCE REVIEW – ASSURANCE FRAMEWORK 2023/24**

Deputy Head of Finance  
(*Paper attached*)

**12. DATE TIME AND VENUE OF NEXT MEETING**

Monday, 20 May 2024, 2pm, Office of the Police and Crime Commissioner for Northumbria;  
Victory House (Training room); Balliol Business Park; Benton Lane; Newcastle; NE12 8EW



**NORTHUMBRIA  
POLICE**

**NORTHUMBRIA POLICE MINUTES**


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<b>Title</b>	<b>Meeting number</b>
Joint Independent Audit Committee (JIAC)	05/23

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<b>Date</b>	<b>Location</b>	<b>Duration</b>
20 November 2023	Stephenson Meeting Room, Middle Engine Lane	14:00 – 14:53

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**Present:**

<b>Committee Members:</b>	C Young K Amlani J Guy P Wood	Chair
<b>Officers:</b>	R Durham  K Laing J Meir	Office of Police and Crime Commissioner (OPCC) Chief of Staff and Monitoring Officer Joint Chief Finance Officer (CFO) Deputy Chief Constable (DCC)
<b>Invitees:</b>	R Bowmaker A Gouldman T Reade G Thompson R Harrison	Internal Audit, Gateshead Council External Audit, Grant Thornton Corporate Governance Manager Deputy Head of Finance Governance and Planning Adviser ( <i>Secretary</i> )
<b>Apologies</b>	P Godden L Griffiths J Lawson	Head of Corporate Development External Audit, Grant Thornton Assistant Chief Officer, Corporate Services

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**OPEN SESSION****1. INTRODUCTION**

The Chair opened the meeting and welcomed the new DCC.

**2. DECLARATION OF INTEREST**

No declarations of interest made.

**3. MINUTES OF THE OPEN SESSION OF THE JOINT INDEPENDENT AUDIT COMMITTEE 25 SEPTEMBER 2023**

Agreed as a true and accurate record.

**4. MATTERS ARISING**

Action list updated.

Summary Of Recent External Inspection, Investigation and Audit Reports:

DCC provided an update confirming any matters of exception will be reported to JIAC at the next meeting in February 2024.

J Guy highlighted her concern that JIAC is being given the necessary assurances that the vetting processes are fully effective, as the information offered in matters of exception would not necessarily offer this. DCC outlined that sign off regarding the HMICFRS recommendations will show progress and by having oversight through the OPCC Scrutiny meeting, the Force can provide those assurances to JIAC going forward.

***Action: DCC to provide an update regarding vetting assurances at JIAC February 2024.***

External Audit 2021/22 – Joint Audit Findings Report (AFR) and Auditor’s Annual Report (AAR) (PCC & CC):

A Gouldman provided an update and confirmed the framework RAG ratings cannot be altered. Action closed.

***Update noted.***

## **5. REVISED TERMS OF REFERENCE**

Chief of Staff and Monitoring Officer gave an overview of the terms of reference, which now allow members to stay on the committee for up to three terms of four years.

Ongoing challenges remain in recruiting suitable members to JIAC with the necessary financial background; however, the Chief of Staff and Monitoring Officer and Joint Chief Finance Officer are exploring options and will be meeting with a further interested candidate soon. K Amlani has agreed to bridge the gap between now until a new candidate is in post. P Wood has also agreed to stay in post on the committee for another year.

Chief of Staff and Monitoring Officer confirmed J Guy has now reached four years as a committee member and queried if she would be willing to remain in post. J Guy agreed to stay in post.

***Action: Chief of Staff and Monitoring Officer to arrange the necessary paperwork regarding J Guy staying in post.***

J Guy queried if there has been any advertising for new JIAC members via any specific financial groups to attract more candidates with the necessary financial background.. Joint Chief Finance Officer confirmed this would be explored.

***Action: Joint Chief Finance Officer to make enquiries as to where else JIAC vacancies can be advertised.***

Chair suggested terms of reference to be reviewed annually.

***Agreed: Chief of Staff and Monitoring Officer and Joint Chief Finance Officer agreed Terms of Reference to be reviewed annually.***

***Action: Terms of reference to be reviewed in February 2024.***

***Update noted.***

## **6. SUMMARY OF RECENT EXTERNAL INSPECTION, INVESTIGATION AND AUDIT REPORTS**

Corporate Governance Manager gave an overview of the quarterly report. As of 24 October 2023, there were 71 recommendations and 12 AFIs outstanding on the monitoring portal. This number includes 27 recommendations in response to the inspection of vetting, misconduct, and misogyny in the police. Eight are confirmed as closed off although, these are not yet reflected in the report and not yet uploaded on to the monitoring form. Progress is being made and these continue to be actively worked on.

Northumbria was one of the force's chosen to be visited as part of a Thematic Inspection for Activism and Impartiality in Policing, which was a Home Secretary commission and conducted at very short notice. An interim letter will be going to the new Home Secretary with an expectation that in Spring 2024 there will be a form of reporting. This will be highlighted to the committee in due course.

The first scrutiny point for the force level vetting inspection will go to the Office of the Police and Crime Commissioner (OPCC) in December which will then be reported to the JIAC committee to provide assurance regarding the current position. Alongside progress in response to the HMICFRS recommendations and AFIs, a Professional Standards Department update report is also provided to the OPCC on a six-monthly basis.

J Guy queried section 2.14 of the report which states, 'Amber RAG ratings reflect delay in the Force's ability to deliver the recommendations rather than increased risk' and expressed her concern that any delay can also increase risks. Corporate Governance Manager advised the force is very mindful of the amber ratings and continue to look at the prioritisation of some development work with the Northumbria Police Integrated Communications and Control Systems (NPICCS), which the protected characteristics sits within. Assurances were provided to the board that the force is not complacent and is mindful of any potential escalation in risk.

***Update noted.***

## **7. JOINT STRATEGIC RISK REPORT**

Corporate Governance Manager gave an overview of the report and advised there are no significant changes in the assessment of risks. On a local basis risks continue to be monitored in order to either remove them where possible or reduce those potential risks by implementing controls. Although the report shows quite a static position there is active monitoring of those local risks and any potential escalations.

P Wood queried if it would be possible to include expected timeframes for the summary of controls.

***Action: Corporate Governance Manager to review where it may be possible to include expected timeframes in the summary of controls in future reporting.***

P Wood queried public confidence at present. Corporate Governance Manager confirmed this continues to be monitored and it is deemed that this risk has not changed and is not currently considered to be high risk.

J Guy queried if the force includes a horizon scanning element in their discussions and if broader issues such as the recent change in Home Secretary are discussed which could affect the force.

Corporate Governance Manager confirmed horizon scanning is in place and information is also monitored which comes through nationally via the National Police Chiefs' Council (NPCC); where it is deemed significant it is reflected.

DCC confirmed the Executive Team is also providing high level scrutiny regarding those wider issues. Considerations are implemented in a number of ways; however, not all of these are reflected as part of the report as they can often be fast moving and difficult to quantify. Assurances were provided that this is always under consideration.

**Update noted.**

## **8. FINAL ANNUAL GOVERNANCE STATEMENTS 2022/23**

Deputy Head of Finance gave an overview of the final annual governance statements for the Chief Constable (CC) and the Police and Crime Commissioner (PCC). It is anticipated that the audit accounts will be published before the next JIAC meeting in February 2024, therefore the final annual governance statements are presented at this meeting for review. These will then be signed by the relevant officers and included in the accounts once they are published in early 2024.

Both documents are mostly unchanged from versions presented to JIAC in May 2023. One additional item of note is regarding the completion of the internal audit work.

K Amlani queried why 'providing a service' is listed as ungraded on the table presented on page 4 of the CC Annual Governance Statement. Joint Chief Finance Officer explained there is no grade linked to this area.

P Wood noted he is pleased to see reference in the PCC Annual Governance Statement outlining what is being done to improve public confidence. Deputy Head of Finance thanked P Wood and confirmed this is reviewed annually.

**Update noted.**

## **9. MID-YEAR TREASURY MANAGEMENT REPORT**

Deputy Head of Finance gave an overview of key highlights from the report. Mid-year performance up to 30 September 2023, borrowing, interests and investment income are very positive; borrowing interest forecast underspend by £0.395m and investment income is set to overachieve by £0.350m. Net underspend of £0.745m for 2023/24. There is some contingency built into those estimates for the remainder of the year, to cover any unforeseen circumstances.

The revenue budget position has been revised to reflect a reduction in the use of reserves for the year. The capital programme and the expenditure are lower than the original budget set for the year. These combined factors alongside higher interest rates have resulted in higher investment capability and reduced borrowing requirements which have led to the current budget position. All other indicators outlined in the report are within the limits set for the year and there are no breaches to report.

In terms of benchmarking against other local authorities and police bodies, the performance is positive. Sections 4.4 and 4.5 in the report give further information regarding benchmarking and the national Sterling Over Night Indexed Average (SONIA) rate. The Link risk adjusted expectations have exceeded the benchmarking rate and are also above the SONIA rate.

Regarding the latest bank rate forecast, The Link Group view is outlined in section 4.6 of the report. It shows the interest rate holding at 5.25% until September 2024 and then

falling over the following 15 months to reach 2.75% by December 2025. Therefore, any further borrowing required to support the capital programme over the next two years will be short term only because of those expected decreasing interest rates.

P Wood requested further information to fully understand the liability benchmarking. Deputy Head of Finance explained the top line listed in the appendix 3 graph represents the ultimate capital financing requirement (CFR) figure. At present the force is currently quite far away from the CFR figure, due to the high levels of reserves. However, as reserves will reduce over time that gap will begin to narrow.

***Agreed: Deputy Head of Finance agreed to run a session on liability benchmarking at the next JIAC meeting in February 2024.***

***Action: Chair to confer with members and feedback if any other Treasury Management areas are required to be covered as part of the Deputy Head of Finance's liabilities benchmarking session during the upcoming JIAC meeting in February 2024.***

K Amlani queried the internal reserve figures and sought assurance that capital projects would not be undermined due to any potential shortfalls. Joint Chief Finance Officer advised internal reserves are in place which would bridge any gap if required without the need to seek extra funding externally. The current budget position is positive due to increased budget and higher interest rates.

J Guy thanked the team for their efforts and felt assured by this reporting that the force is in a solid position at present.

***Update noted.***

## **10. EMERGENT INTERNAL AUDIT PLAN**

R Bowmaker provided an overview of the report and advised the final plan is expected at the next JIAC meeting in February 2024.

The current three-year Internal Audit Plan was agreed by the committee on 27 February 2023 and is assessed against the factors outlined in section 3.1 of the report. No new audits have been added or removed from the plan; however adjustments have been made to some frequencies and structures as outlined in section 3.4 of the report and include:

- Additional hours to test a new Firearms Licencing system expected in quarter four.
- The Vetting audit will be completed annually due to the increased confidence risk at present.
- The Creditors and Procurement audit will be split into its two component parts and reviewed individually. This is following changes in the management of these two areas.
- Employee claims has been risk scored down from High to Medium following improvements to procedures. This will now be reviewed every two years instead of annually.
- The Pension Remedy audit will be repeated in 2024/25 as key implementation dates occur in that year.

***Update noted.***

## **11. INTERIM JOINT AUDIT FINDINGS REPORT 2022/23 ACCOUNTS (PCC & CC)**

A Gouldman provided an overview of the report and advised work is progressing well on the financial statements received in October. He outlined a national issue regarding

inflation relating to pensions whereby the Government Actuary Department (GAD) had not allowed for full- year inflation in calculating liability. These figures are now being revised and liability is likely to increase due to this. Revised figures will be provided in due course.

No significant risks were identified relating to the use of IT to date. However, the evaluation is not yet complete.

Work on the PCC's and Chief Constable's value for money (VFM) arrangements appears satisfactory but is not yet complete. A dedicated national team is involved to help move things along more quickly. The outcome of the VFM will be reported as part of the Auditor's Annual Report (AAR) and will be presented at the next JIAC meeting in February 2024.

A Gouldman noted it has been a pleasure working with the force and thanked the committee. Chair also thanked the Grant Thornton team for their hard work to date.

K Amlani queried the figure of 86% of assets which have been revalued and asked if this revaluation is in terms of value or number of assets. Deputy Head of Finance advised the force's significant property assets make up the majority of that balance and are reviewed every year. Other smaller assets are reviewed on an Area Command basis and are part of a three-year rolling review programme. This ensures the balance estimate is kept accurate and up to date.

P Wood highlighted page six of the report which lists seven outstanding items and queried if any issues are expected regarding the completion of those. A Gouldman advised no issues are expected; however, the final report, once complete, will be presented to the PCC and Chief Constable by early 2024.

Chair queried if there are any expected issues in relation to GAD. Deputy Head of Finance advised of a positive response from GAD to date. They have advised they should have the revised disclosures in early December and confirmed they would not be charging for that.

***Update noted.***

## **12. DATE AND TIME OF NEXT MEETING**

Monday, 26 February 2024, 2pm, Executive Team Meeting Room, MEL  
Monday, 20 May 2024, 2pm, Executive Team Meeting Room, MEL  
Monday, 23 September 2024, 2pm, Executive Team Meeting Room, MEL  
Monday, 18 November 2024, 2pm, Executive Team Meeting Room, MEL

Chair confirmed the above upcoming 2024 JIAC meeting dates with members.

Chair queried the possibility of having alternate JIAC meetings at the OPCC office. J Guy was in favour and finds it more convenient than travelling to Middle Engine Lane for meetings. Chief of Staff and Monitoring Officer advised she is happy to provide this facility for JIAC meetings. DCC advised they had no objections to this proposal as long the appropriate representation is in place.

***Action: Chief of Staff and Monitoring Officer to have the necessary internal discussions regarding the suitability of holding some of the future JIAC meetings at the OPCC office.***



**Open Action List**

Meeting	Agenda Item/Title/Context	Open/Closed	Action	Detail	Assigned to	Update
JAC 20/11/23	4. MATTERS ARISING - Summary Of Recent External Inspection, Investigation and Audit Reports	OPEN	ACTION	DCC to provide an update regarding vetting assurances at JAC February 2024.	DCC	
JAC 20/11/23	5. REVISED TERMS OF REFERENCE	OPEN	ACTION	Chief of Staff and Monitoring Officer to arrange the necessary paperwork regarding J Guy staying in post	Chief of Staff and Monitoring Officer	
JAC 20/11/23	5. REVISED TERMS OF REFERENCE	OPEN	ACTION	Joint Chief Finance Officer to make enquiries as to where else JAC vacancies can be advertised.	Joint Finance Officer	
JAC 20/11/23	5. REVISED TERMS OF REFERENCE	OPEN	ACTION	Terms of reference to be reviewed in February 2024.	Chief of Staff and Monitoring Officer/ Joint Chief Finance Officer	
JAC 20/11/23	7. JOINT STRATEGIC RISK REPORT	OPEN	ACTION	Corporate Governance Manager to review where it may be possible to include expected timeframes in the summary of controls in future reporting.	Corporate Governance Manager	Expected timeframes have been included in the summary of controls where possible.
JAC 20/11/23	9. MID-YEAR TREASURY MANAGEMENT REPORT	OPEN	ACTION	Chair to confer with members and feedback if any other Treasury Management areas are required to be covered as part of the Deputy Head of Finance's liabilities benchmarking session during the upcoming JAC meeting in February 2024.	Chair	
JAC 20/11/23	12. DATE AND TIME OF NEXT MEETING	OPEN	ACTION	Chief of Staff and Monitoring Officer to have the necessary internal discussions regarding the suitability of holding some of the future JAC meetings at the OPCC office.	Chief of Staff and Monitoring Officer	

**Short report for decision**

<b>Joint Independent Audit Committee</b>	<b>26 February 2024</b>
<b>Terms of Reference – Joint Independent Audit Committee</b>	
<b>Report of: Ruth Durham Chief of Staff OPCC/DCC Jayne Meir</b>	
<b>Author: Ruth Durham Chief of Staff OPCC</b>	

**1. PURPOSE**

- 1.1. This report provides the members with a proposal to update the JIAC Terms of Reference in relation to the membership of the Joint Independent Audit Committee (JIAC) with a proposed revision to the attendance at the JIAC by the Chief Constable and the Police and Crime Commissioner.

**2. BACKGROUND**

- 2.1 JIAC is established by the Police and Crime Commissioner and Chief Constable to consider the financial governance, assurance, risk management and statutory financial duties for both the Office of the Police and Crime Commissioner and Office of the Chief Constable.

**3. PROPOSAL**

- 3.1 At the JIAC meeting in November 2023, members asked for an amendment to the Terms of Reference. This amendment is included in the revised version at Appendix A (section 6) and states that the Chief Constable and the Police and Crime Commissioner will attend one meeting a year in person alongside their representative. This will enable the committee to directly provide their independent assurance in respect of the adequacy and effectiveness of the risk management framework and the associated control environment, including internal and external audit functions and the regulatory framework. It is considered that the most appropriate meeting for the PCC and CC to attend is the May meeting. This meeting focuses on the annual review of governance and this seems the most appropriate meeting. However we do need to understand that this may be affected by operational diary commitments.
- 3.2 The Terms of Reference are subject to an annual review and this will be carried out annually with the next review taking place in Autumn 2024.

**4. FOR CONSIDERATION**

- 4.1 That the members of the JIAC agree the amendment to the terms of reference.

**AGENDA ITEM 5****JOINT INDEPENDENT AUDIT COMMITTEE FOR THE NORTHUMBRIA POLICE  
AND CRIME COMMISSIONER AND CHIEF CONSTABLE****TERMS OF REFERENCE****Introduction**

1. The Joint Independent Audit Committee (the Committee) is established as a committee of independent members whose purpose is to advise the Police and Crime Commissioner (PCC) and Chief Constable (CC) on the principles of financial reporting, internal controls, corporate governance, risk management and issues identified by the respective auditors.
2. The Committee will have no executive powers other than those set out in its terms of reference.

**Membership**

3. The Committee will consist of 5 members recruited by open advert, for a term of 4 years with no member sitting for more than 3 terms.
4. The Committee will appoint a Chair and Vice Chair from amongst its members.

**Attendance**

5. A record of member attendance will be included in the annual report of the committee.
6. The PCC and CC will both provide a representative to attend all meetings and will attend one meeting a year in person.
7. The Joint Chief Finance Officer, Deputy Head of Finance, Head of Corporate Development will normally attend each meeting.
8. The Chief Internal Auditor and the External Auditor will normally attend each meeting.

**Secretarial Assistance**

9. The Office of the PCC or the CC will provide secretarial assistance to the committee.

## **Quorum**

10. No business shall be transacted at meetings of the committee unless three (3) members are present.

## **Frequency of Meetings**

11. The committee will meet at least four (4) times each year. Additional meetings may take place as required. Meetings are open to the press and public, but they may be excluded when information of an exempt or confidential nature is being discussed.

## **Notice of Meetings**

12. Meetings of the Committee will be called in accordance with the agreed annual schedule.
13. Notice of meetings and confirmation of the venue, time and date together with the agenda of items to be discussed, shall be forwarded to each member of the committee and any other person required to attend no later than five (5) working days before the date of the meeting. Other than in exceptional circumstances supporting papers shall be sent to the committee members and other attendees, as appropriate, at the same time.

## **Minutes of Meetings**

14. The Minutes shall record the proceedings and resolutions of all meetings of the committee, including the names of all present.
15. The Secretary shall keep a separate record of all points of action arising from the committee and all issues carried forward.
16. The minutes of the meeting shall record the existence of any conflict of interest.
17. The minutes of the meeting will be agreed by the JIAC Chair.

## **Programme of Work**

18. An annual programme of work cross referenced to these Terms of Reference will be agreed by the Committee showing expected documents and reports to be presented.

## **Authority**

19. The Committee is authorised to act within its Terms of Reference and to:
  20. Request information for presentation at meetings for matters falling within the TOR,
  21. Recommend to the PCC and CC that external advice should be taken when considered following discussion at JJAC.

## **Reporting**

22. The Committee will provide annual assurance of work undertaken in support of the Annual Governance Statement.
23. The Committee will provide annual assurance regarding Treasury Management
24. The Committee will provide annual assurance regarding compliance with external statutory reporting requirements.

## **Review of Effectiveness**

25. The Committee will be held to account by the PCC and CC on the extent to which it has fulfilled its purpose. The Committee will conduct an annual review of its effectiveness and identify and commission any training requirements in order to fulfil its role and purpose.

## **Review and Revision**

26. These Terms of Reference will be reviewed annually with any revisions or variations being approved by the PCC and CC.

## **Purpose of the Committee**

27. The purpose of the Committee shall be to provide independent assurance on the adequacy and effectiveness of the risk management framework and the associated control environment. This includes independent scrutiny of the organisation's regulatory compliance and financial and non-financial performance to the extent that it creates exposure to risk and weakens the control environment. Specifically oversee the integrity of the financial reporting processes and the annual governance statement.

## **Duties of the Committee**

28. The duties of the JIAC are to:

### **Audit activity**

29. To ensure that there are effective and independent internal and external audit functions established by management that meet the statutory audit standards and provide appropriate independent assurance to the JIAC, the PCC and the CC. This will be achieved by:
  30. Receiving the Chief Internal Auditor's report and opinion together with a summary of internal audit activity, both actual and proposed, and the level of assurance it can give over the PCC and CC's corporate governance arrangements.
  31. Receiving, reviewing and commenting on all internal audit reports.
  32. Receiving an annual report providing assurance on the management and performance of the providers of internal audit services.
  33. A report from the Head of Internal Audit on agreed recommendations not implemented within reasonable time scales.
  34. The external auditor's annual letter, relevant reports and the report to those charged with governance.
  35. Any specific reports as agreed with the external auditor.
  36. The scope and depth of external audit work to ensure that it gives value for money.
  37. The commissioning of work from internal and external audit, subject to prior agreement with the CFO for any costs associated with such work.
  38. Receiving any proposals affecting the provision of internal and external audit.
  39. Considering any significant risk and internal control implications in any work carried out by other providers of assurance e.g., HMIC, HMRC, peer review,

internal service reviews etc. as reported by officers and staff from within the force as well as internal and external audit.

40. Review, as a JIAC, the performance (and provide feedback) of both internal and external audit functions.

## **Regulatory Framework**

41. Ensure that there is an effective regulatory framework and evidence of compliance with mandatory and best practice standards and to provide appropriate independent assurance to the PCC and CC. This will be achieved by fulfilling its role to:
  42. Maintain an overview of the Scheme of Consent in respect of contract procedures and rules, financial regulations and codes of conduct and behaviour.
  43. Review any issues referred to it by the PCC or CC.
  44. Monitor and where appropriate make recommendations on the effective development and operation of the strategic risk management and corporate governance arrangements for the PCC and CC.
  45. Monitor any codes of governance or policies relating to declarations of interest, gifts and hospitality and expenses.
  46. Agree the assurance framework for and oversee the production of the PCC and CC's Annual Governance Statements and review and comment on these statements prior to their approval by the PCC and CC.
  47. Monitor the whistle blowing arrangements and counter fraud and corruption strategy of the PCC and CC ensuring that adequate levels of assurance covering these matters are received.
  48. Oversee the PCC and CC's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
  49. Provide effective scrutiny and review of the Treasury Management Strategy and Policies, along with monitoring performance by receiving the mid-year review and annual report, in-line with the delegation from the Police and Crime Commissioner to the Joint Independent Audit Committee.

50. Monitor the PCC and CC's compliance with its own and other published standards and controls.
51. Receive and when appropriate provide challenge to draft financial statements of accounts making any recommendation or bringing to the attention of the PCC and CC any significant concerns or weaknesses.
52. Consider the findings and overall opinion on the accounts and the VFM conclusion as set out in the audit completion report from the external auditor and to seek satisfactory assurance that any action required in response to any resultant control weaknesses are implemented by management on a timely basis.
53. Any other matter falling out with these TOR will initially be discussed with the CFO to determine how best to progress.





# The Joint Audit Findings for Police and Crime Commissioner for Northumbria and Chief Constable for Northumbria

Year ended 31 March 2023

January 2024



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## Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the PCC and Chief Constable or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Northumbria Police and Crime Commissioner ('the PCC') and Northumbria Chief Constable and the preparation of the PCC's and Chief Constable's financial statements for the year ended 31 March 2023 for those charged with governance.

## Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion the financial statements:

- give a true and fair view of the financial positions of the PCC and Chief Constable's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with each set of audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated

Our audit work has taken place remotely during October-November 2023, and concluded in December and January. Our findings are summarised on pages 6 to 19.

The financial statements and supporting working papers were provided in mid-October 2023, following the certification of the 2021/22 accounts in mid-September. Local Government accounts are now incredibly complex, require greater technical input and are subject to greater regulatory burden than ever before. The finance team have been responsive to our audit queries, and we thank them for their hard work throughout the audit.

We have identified adjustments to the financial statements of the Chief Constable and the PCC that result in adjustment to Comprehensive Income and Expenditure Statement of both entities and the group. Audit adjustments are detailed in Appendix C.

We have identified one recommendation for management as a result of our current year's audit work in Appendix B.

Our work is complete and there are no matters that require modification of our audit opinion for the PCC's financial statements (including the financial statements which consolidate the financial activities of the Chief Constable) or the Chief Constable's financial statements, or material changes to the financial statements.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisations and the financial statements we have audited.

Our financial statements audit report opinions will be unmodified. Our work on the PCC's and Chief Constable's value for money (VFM) arrangements is not yet complete. The outcome of our VFM work will be reported in our commentary on the PCC's and Chief Constable's arrangements in our Auditor's Annual Report (AAR). We are satisfied this work does not have a material effect on our opinions on the financial statements for the year ended 31 March 2023.

# 1. Headlines

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether, in our opinion, both entities have put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

Auditors are now required to report in more detail on the overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. Audit letters explaining the reasons for the delay were sent to both the PCC and Chief Constable in September 2023. We expect to issue our Auditor's Annual Report by March 2024. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the PCC and Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any such risks.

## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the PCC's and Chief Constable's VFM arrangements, which will be reported in our Auditor's Annual report by March 2024.

## Significant matters

We did not encounter any significant difficulties or identify any significant matters during our audit, outside of matters normally identified by auditors at similar entities, such as pension related issues.

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# 1. Headlines

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## National context – audit backlog

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Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

We would like to thank everyone at the PCC and Chief Constable for their support in working with us to complete the financial statement audits and VFM procedures during our tenure as appointed auditor from late 2021 until this point.

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## 2. Financial Statements

### Overview of the scope of our audit

This Joint Audit Findings Report presents the observations arising from the audits that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be shared with the PCC and Chief Constable as those charged with governance, following the Joint Independent Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

### Audit approach

Our audit approach was based on a thorough understanding of the Group's, PCC and Chief Constable's business and is risk based, and in particular included:

- An evaluation of the PCC's and Chief Constable's internal controls environment, including their IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

### Conclusion

We have completed our audit of your financial statements, and we are issuing unqualified audit opinions on the financial statements of both the PCC and the Chief Constable.

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

## 2. Financial Statements



### Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan communicated at JIAC in September 2023.

We detail in the table on this page our determination of materiality.

	Group (£)	PCC (£)	Chief Constable (£)	Qualitative factors considered
Materiality for the financial statements	6,300	5,200	6,300	This benchmark is determined as a percentage of the entity's Gross Revenue Expenditure in year and considers the business environment and external factors.
Performance materiality	4,400	3,600	4,400	Performance Materiality is based on a percentage of the overall materiality and considers the control environment/ accuracy of accounts and working papers provided.
Trivial matters	320	260	310	Triviality is set at 5% of Headline Materiality. This is the level at which matters are determined to be significant enough to warrant reporting to Those Charged with Governance.
A specific materiality of £21,500 was set for officer remuneration disclosures, reflecting the increased sensitivity of these disclosures.				

We determined financial statement materiality based on a proportion of the gross expenditure of the group, the PCC and the Chief Constable for the financial year. In the prior year we used the same benchmark.

For our audit testing purposes we apply the lowest of these materiality levels, which is £5,200k (PY £5,200k), which equates to just under 1.5% of the PCC's gross expenditure for the prior year.



# 2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Relates to	Commentary
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The PCC and Chief Constable face external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>PCC, Chief Constable, and Group</p>	<p>In response to the risk highlighted in the audit plan we have undertaken the following work:</p> <ul style="list-style-type: none"><li>• Evaluated the design effectiveness of management controls over journals;</li><li>• Analysed the journals listing and determined the criteria for selecting high-risk unusual journals;</li><li>• Gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and</li><li>• Evaluated the rationale for any change in accounting policies, estimates or significant unusual transactions.</li></ul> <p>At the time of writing this report, we have completed our analysis of the journals posted during the financial year and after the draft accounts were prepared, but our testing of the journals identified as being unusual is still in progress. We have not yet identified any issues or concerns.</p> <p><b>Conclusion</b></p> <p>Our testing is complete and has not identified any material issues in relation to management override of controls.</p>

## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
<p><b>ISA240 revenue risk</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	Rebutted	<p>Having considered this risk factors set out in ISA (UK) 240 and the nature of the revenue streams at the PCC, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• There is little incentive to manipulate revenue recognition</li> <li>• Opportunities to manipulate revenue recognition are very limited; and</li> <li>• The culture and ethical framework of local authorities, including the PCC, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore we do not consider this to be a significant risk for the PCC or the Group.</p> <p>For the Chief Constable, revenue is received solely from the PCC and is recognised to fund costs and liabilities relating to resources consumed in the direction and control of day-to-day policing. This is shown in the Chief Constable's financial statements as a transfer of resource from the PCC to the Chief Constable for the cost of policing services.</p> <p>Therefore we do not consider this to be a significant risk for the Chief Constable.</p> <p>Furthermore, there have been no findings in our audit fieldwork to date that would change our assessment reported in the audit plan.</p> <p><b>Conclusion</b></p> <p>Our work is complete and we have not identified any issues in respect of revenue recognition, or any reason that this risk should not be rebutted.</p>

## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
<p><b>Valuation of land and buildings</b></p> <p>The PCC revalues land and buildings on a rolling three-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£84m as at 31 March 2023) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, where a rolling programme is used, management will need to ensure the carrying value in the PCC and Group financial statements is not materially different from the current value at the financial statements date.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.</p>	PCC and group	<p>In response to the risk highlighted in the audit plan we have undertaken the following work:</p> <ul style="list-style-type: none"> <li>Assessed the design and implementation of key controls inherent to the valuation process, including an assessment of risks arising from the use of IT (under revised auditing standard ISA 315);</li> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert;</li> <li>written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met;</li> <li>with input from internal valuation specialists, we have challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding;</li> <li>tested revaluations made during the year to see if they had been input correctly into the PCC and Group asset register; and</li> <li>evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.</li> </ul> <p><b>Conclusion</b></p> <p>Our work is complete and has not identified any material issues in relation to the valuation of land and buildings.</p>

## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
<p><b>Valuation of the net defined benefit pension liabilities/assets</b></p> <p>The Chief Constable's net pension liabilities/assets, as reflected in its balance sheet as the net defined benefit liability/asset, represent significant estimates in the financial statements due to the size of the numbers involved (a net liability of £4,575 million in the Chief Constable's 2021/22 balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified the valuation of the Chief Constable's pension fund net liabilities/assets as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> <p>The group and Chief Constable's pension fund liability (PPS) and net surplus (LGPS), as reflected in its balance sheet, represent significant estimates in the financial statements.</p> <p>The pension fund liability and net surplus are considered significant estimates due to the size of the numbers involved (£3,190m and £17.9m respectively in the Group's and Chief Constable's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>The actuarial assumptions used are the responsibility of the entities but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.5% change in these two assumptions would have approximately 1.5% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Group's and Chief Constable's pension fund liability and net surplus as a significant risk.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). For the Police Pension Scheme, we have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. However, with respect to the LGPS scheme, for the first time since IFRS has been adopted, the Group and Chief Constable has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p>	Chief Constable and Group	<p>In response to the risk highlighted in the audit plan we have undertaken the following work:</p> <ul style="list-style-type: none"> <li>• updated our understanding of the processes and controls put in place by management to ensure that the group's pension fund net liability is not materially misstated and evaluated the design and implementation of the associated controls (including enhanced requirements under ISA315 (revised));</li> <li>• evaluated the instructions issued by management to their management experts (actuaries) for this estimate and the scope of the actuaries' work;</li> <li>• assessed the competence, capabilities and objectivity of the actuaries who carried out the pension fund valuations;</li> <li>• assessed the accuracy and completeness of the information provided by the group to the actuaries to estimate the liabilities;</li> <li>• tested the consistency of the pension fund net liabilities and disclosures in the notes to the core financial statements with the actuarial reports from the actuaries; and</li> <li>• undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as an auditor's expert) and performing any additional procedures suggested within the report.</li> </ul> <p><u>Comments specific to LGPS:</u></p> <p>We requested assurances from the auditor of the Tyne and Wear Pension Fund as to the controls surrounding the validity and accuracy of membership data and benefits data sent to the LGPS actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</p> <p>Regarding the net LGPS pension asset, the Group and Chief Constable had, via its scheme actuary, considered the potential impact of IFRIC 14 before audit challenge. In our review we did not identify any limit to the amount recognised that would require adjustment.</p>

(continued)

## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Valuation of the net defined benefit pension liabilities/assets (continued from previous page)	Chief Constable and Group	<p><u>Comments specific to PPS:</u></p> <p>Our consulting actuary identified that GAD, the Chief Constable's actuary for PPS, had not allowed for full-year inflation in calculating the liability as at 31 March 2023, instead the basis of their calculations used the inflation rate as at September 2022.</p> <p>Grant Thornton have held discussions with GAD to try and understand why they have taken this approach and whether there are appropriate reasons and support for the approach taken. Unfortunately, we do not believe that GAD are able to provide sufficient explanation to support the use of this approach, which is expected to have a highly material impact on the calculation of the pension liability.</p> <p>On that basis we requested that management obtain an updated IAS 19 report, adjusting for updated inflation figures, so that we can assess the actual difference that this creates. GAD were requested to produce a new IAS 19 report with updated inflation figures. This was provided in early December 2023, and management provided us with updated accounts in January 2024. These were found to be reasonably stated post amendment.</p> <p>Our audit work is now complete and we are satisfied that the pensions figures are materially stated.</p>

## 2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<b>Land and Building valuations</b> Draft: £84.0m Final: £84.0m	<p>Land and buildings comprises £84m of assets such as police stations and custody suites, which are required to be valued at current value.</p> <p>The PCC has engaged its internal valuer to complete the valuation of all land and buildings as at 31 March on a three yearly cyclical basis. In order to ensure that the carrying value of all land and buildings as at 31 March 2023 is not materially different to the current value, this is supplemented by an annual review to identify assets that need to be revalued. This meant that 86% of assets were revalued in the 2022/23 year.</p>	<p>We reviewed your assessment of the estimate considering:</p> <ul style="list-style-type: none"> <li>Revised ISA 540 requirements;</li> <li>Assessment of management's expert to be competent, capable and objective;</li> <li>Completeness and accuracy of the underlying information used to determine the estimate;</li> <li>Review of methodology and assumptions performed by internal valuation specialist colleagues;</li> <li>Reasonableness of increase/decrease in estimates on individual assets;</li> <li>Consistency of estimate against the Montague Evans report on property market trends, and reasonableness of the increase in the estimate; and</li> <li>Adequacy of disclosure of estimate in the financial statements.</li> </ul> <p>All sampled buildings have been appropriately valued by the instructed valuer. We noted that there has been no changes in assumptions from the previous years and these are outlined in your accounting policies.</p> <p><b>Conclusion:</b></p> <p>Our work is complete and has not identified any non-trivial issues in relation to the valuation of land and buildings.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

### Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
<p><b>LGPS Net pension surplus</b></p> <p>Draft: £17.9m</p> <p>Final: £14.7m</p> <p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.</p> <p>IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.</p>	<p>The PCC and Chief Constable's Local Government Pension Scheme net pension surplus at 31 March 2023 is £14.7m (PY £139.8m deficit) comprising the Tyne and Wear Local Government Pension Scheme obligations and unfunded defined benefit pension scheme obligations.</p> <p>The PCC and Chief Constable uses Aon Solutions Ltd to provide actuarial valuations of the PCC's and Chief Constable's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund surplus, small changes in assumptions can result in significant valuation movements. There has been a £175.3m net actuarial gain during 2022/23.</p>	<ul style="list-style-type: none"> <li>We have obtained an understanding of the processes and controls put in place by management to ensure the group's pension fund net surplus is not materially misstated and evaluated the design of associated controls:</li> <li>We have assessed the competence, capabilities and objectivity of the actuaries who carried out the pension fund valuation for LGPS;</li> <li>We have assessed the impact of any changes to the valuation method;</li> <li>We have assessed the accuracy and completeness of information provided by management to the actuary to estimate the net asset;</li> <li>We have used PwC as our auditor's expert to assess the actuaries and assumptions made by actuaries - see table below and on page 15 for comparison with the actuary's assumptions.</li> <li>We have requested and obtained assurances from the auditor of Tyne and Wear Pension Fund in relation to the completeness and accuracy of the underlying member data, as assessed for the 2022 triennial valuation</li> <li>We are satisfied with the reasonableness of the increase in the estimate and the recognition of the net asset in accordance with IFRIC 14</li> <li>We are satisfied with the adequacy of disclosures relating to the estimate in the financial statements</li> </ul> <table> <tr> <th>LGPS Assumptions Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>4.70%</td><td>4.50-4.80%</td><td>●</td></tr> <tr> <td>Pension increase rate</td><td>2.70%</td><td>2.60-2.70%</td><td>●</td></tr> <tr> <td>Salary growth</td><td>4.20%</td><td>3.70-4.20%</td><td>●</td></tr> <tr> <td>Life expectancy – Males currently aged 45/65</td><td>Age 65: 21.6 Age 45: 22.9</td><td>Age 65: 21.6-23.3 Age 45: 22.9-23.8</td><td>●</td></tr> <tr> <td>Life expectancy – Females currently aged 45/65</td><td>Age 65: 24.6 Age 45: 26.1</td><td>Age 65: 24.2-25.7 Age 45: 25.5-26.7</td><td>●</td></tr> </table>	LGPS Assumptions Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.70%	4.50-4.80%	●	Pension increase rate	2.70%	2.60-2.70%	●	Salary growth	4.20%	3.70-4.20%	●	Life expectancy – Males currently aged 45/65	Age 65: 21.6 Age 45: 22.9	Age 65: 21.6-23.3 Age 45: 22.9-23.8	●	Life expectancy – Females currently aged 45/65	Age 65: 24.6 Age 45: 26.1	Age 65: 24.2-25.7 Age 45: 25.5-26.7	●	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>
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## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
<b>Police Pension Scheme liability</b> Draft: £3,190m Final: £3,253m	<p>The Chief Constable's Police Pension Scheme liability at 31 March 2023 is £3,253m (PY £4,436m). The Chief Constable operates three pension schemes for police officers, these are the 1987, 2006 and 2015 Police Pension Schemes.</p> <p>The Chief Constable uses the Government Actuary's Department (GAD) to provide actuarial valuations of their Police Pension Scheme liabilities. A full actuarial valuation is required every four years.</p> <p>Given the significant value of the pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £1,330m net actuarial gain during 2022/23.</p>	<ul style="list-style-type: none"> <li>We have assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation for the PPS;</li> <li>We used PwC as auditor's expert to assess actuary and assumptions made by actuary – see table for our comparison of Actuary assumptions</li> <li>We are satisfied of the completeness and accuracy of the underlying information used to determine the estimate</li> <li>We are satisfied of the reasonableness of the substantial increase in the estimate</li> <li>We are satisfied of the adequacy of disclosures relating to the estimate in the financial statements</li> </ul> <table border="1"> <thead> <tr> <th>Police Pension Scheme Assumptions</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> </thead> <tbody> <tr> <td>Discount rate</td><td>4.65%</td><td>4.65%</td><td>●</td></tr> <tr> <td>CPI Inflation*</td><td>2.60%</td><td>2.60%</td><td>●</td></tr> <tr> <td>Salary growth</td><td>3.85%</td><td>3.85%</td><td>●</td></tr> <tr> <td>Life expectancy – Males currently aged 45/65</td><td>Age 65: 21.9 Age 45: 23.5</td><td>Age 65: 21.2-21.9 Age 45: 22.9-23.5</td><td>●</td></tr> <tr> <td>Life expectancy – Females currently aged 45/65</td><td>Age 65: 23.5 Age 45: 25.0</td><td>Age 65: 21.8-23.5 Age 45: 22.9-25.0</td><td>●</td></tr> </tbody> </table> <ul style="list-style-type: none"> <li>We note that while the opening CPI assumption of 2.60% was considered acceptable at the start of the year, GAD differed with other PPS actuaries and did not allow for actual inflation experienced in the second half of 2022/23. Since we consider this to represent a material misstatement of the liability, GAD has been requested to produce a new IAS 19 report with updated inflation figures. This was provided in early December 2023, and management provided us with updated accounts in January 2024.</li> </ul> <p><b>Conclusion:</b></p> <p>Our work is complete and, following amendments to the accounts, we are satisfied that reasonable presentation has been achieved in relation to the valuation of the group's pension assets and liabilities.</p>	Police Pension Scheme Assumptions	Actuary Value	PwC range	Assessment	Discount rate	4.65%	4.65%	●	CPI Inflation*	2.60%	2.60%	●	Salary growth	3.85%	3.85%	●	Life expectancy – Males currently aged 45/65	Age 65: 21.9 Age 45: 23.5	Age 65: 21.2-21.9 Age 45: 22.9-23.5	●	Life expectancy – Females currently aged 45/65	Age 65: 23.5 Age 45: 25.0	Age 65: 21.8-23.5 Age 45: 22.9-25.0	●	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>
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# 2. Financial Statements: Information Technology





This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

Our assessment identified a non-significant deficiency in relation to management’s control over privileged access accounts within Unit 4. Refer to the Action Plan at Appendix B for further details.

We note that adverse findings identified and reported during our 2020/21 and 2021/22 audits had been addressed prior to the 2022/23 financial year.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Unit 4	ITGC assessment (design and implementation effectiveness only)					No significant risks identified relating to the use of IT.

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

## 2. Financial Statements: other communication requirements

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the PCC, Chief Constable and the Joint Independent Audit Committee. We have not been made aware of any significant incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	Letters of representation have been requested for both the PCC and the Chief Constable. No non-standard representations were required.
Confirmation requests from third parties	We requested permission from management to send confirmation requests to banking, loan and investment counterparties. This permission was granted, and the requests were sent. These requests were all returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Chief Constable's and the PCC's and group's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	Aside from responses to our formal planning inquiries of management and those charged with governance, all information and explanations requested from management were provided in a timely manner.

## 2. Financial Statements: other communication requirements



### Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the PCC's and Chief Constable's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the PCC and Chief Constable meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the PCC and Chief Constable and the environment in which they operate</li> <li>the PCC's and Chief Constable's financial reporting framework</li> <li>the PCC's and Chief Constable's system of internal control for identifying events or conditions relevant to going concern</li> <li>management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified for either the PCC or the Chief Constable</li> <li>management's use of the going concern basis of accounting in the preparation of both sets of financial statements is appropriate.</li> </ul>

## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statements and Narrative Reports), are materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appear to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect to both the PCC and Chief Constable.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>As at the point of publishing this report, we have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>The NAO has confirmed the extent of work required for the WGA 2022-23 exercise, and we can confirm that no detailed work will be required for the group.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2022/23 audit of the PCC, Chief Constable and Group following the completion of our audit opinion work, our work on the group's value for money arrangements, and communication procedures required on the WGA by the NAO.</p>

# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

On work in this area is in progress. To date, we have not identified any risks of significant weakness, nor anything which would impact on the financial statements and our opinion thereon.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body 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 body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

## 4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are in Appendix D.

### Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

### Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group, PCC and Chief Constable. No non-audit services were identified which were charged from the beginning of the financial year to the time of issuing this report.

# Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Audit Adjustments
- D. Audit Fees
- E. Auditing developments

# A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.



# B. Action Plan– Audit of Financial Statements

We identified one control deficiency and recommendation for the Chief Constable, PCC and group as a result of issues identified during the course of our audit. We did not identify any control deficiencies or recommendations in our previous audit.

Assessment	Issue and risk	Recommendations
Low	<p>Privileged access accounts within Unit 4:</p> <p>During our audit we identified gaps in management’s monitoring of these super-user accounts. There is a risk that these accounts could be used to make unauthorized changes to the finance system and result in unreliable information within the financial statements.</p>	<p>Management should improve its control over these accounts and ensure access is only granted to the appropriate users when specific needs arise.</p> <p><b>Management response</b></p> <p>Management feel that the current process to grant access appropriately is robust in that only those who require super-user accounts in-line with business needs are granted access. Management have agreed to immediately address the findings raised and will review processes to ensure timely closure of those accounts once work is complete..</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

# C. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements identified to date are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Transposition error between investment properties and intangible assets on the PCC and group balance sheet	-	Dr Intangible Assets 2,217  Cr Investment Properties (2,217)	-	-
<b>Overall impact (PCC accounts)</b>	-	-	-	-
Management requested a revised IAS 19 report from the PPS actuary in order to properly account for inflation experience up to the financial year end.	Dr Remeasurement of the net pension liability/asset 63,200	Cr Pension liability (63,200)	63,200	No impact
Management requested a revised IAS 19 report from the LGPS actuary in order to account for the most up-to-date pension asset returns at the financial year end.	Dr Remeasurement of the net pension liability/asset 3,110	Cr Pension asset (3,110)	3,110	No impact
<b>Overall impact (Chief Constable and Group)</b>	<b>66,310</b>	<b>(66,310)</b>	<b>66,310</b>	-

# C. Audit Adjustments



## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements. We are satisfied that this does not have a material impact on the 2022/23 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Reason for not adjusting
<b>Pension Assets</b>			Management response:
As part of our work on testing the share of pension fund assets relating to the Chief Constable, we noted that the Pension Fund auditor has identified an unadjusted error in the value of pension fund assets. This corresponds to an understatement in the value of pension assets attributable to the Chief Constable of £1.28m.	Cr Other comprehensive income (1,276)	Dr net pension asset 1,276	The unadjusted error in the Pension Fund accounts was identified by the Pension Fund auditor in January 2024. The £1.276m reflects an estimated share of that error which would be attributable to the Chief Constable and Group. The value is not material and has no impact on the General Fund as it relates to the Balance Sheet non-current asset in respect of the LGPS pension scheme, which is adjusted through the unusable pensions reserve. Adjustment for this item will be reflected in the 2023/24 financial statements.
This understatement has no impact on the general fund.			
<b>Overall impact (Chief Constable accounts)</b>	<b>(1,276)</b>	<b>1,276</b>	
<b>Supplier accruals</b>	<b>Cr service expenditure (881)</b>	<b>Dr creditors 881</b>	Management response:
Our sample testing of creditor and accrual balances identified accruals for £881k relating to a supplier that would no longer be providing the invoiced services. We determined this to be an isolated instance of an overstatement of accruals.			The outcome in respect of this liability was not confirmed until after the date of issue of the draft financial statements. The value is not material and will be adjusted within the financial outturn position for the 2023/24 financial year.
<b>Overall impact (PCC accounts)</b>	<b>(881)</b>	<b>881</b>	
<b>Overall impact (group accounts)</b>	<b>(2,157)</b>	<b>2,157</b>	

# C. Audit Adjustments



### Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements. We are satisfied that this does not have a material impact on the 2022/23 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000
Pension Assets		
As part of our work on testing the share of pension fund assets relating to the Chief Constable, we noted that the Pension Fund auditor has identified an unadjusted error in the value of pension fund assets. This corresponds to an understatement in the value of pension assets attributable to the Chief Constable of £1.22m.	Cr Other comprehensive income (1,220)	Dr net pension liability 1,220
This understatement has no impact on the general fund.		
Overall impact (Chief Constable accounts)	(1,220)	1,220
Overall impact (group accounts)	(1,220)	1,220

# C. Audit Adjustments- Disclosures

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Misclassification and disclosure changes

This table provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/omission	Relates to	Auditor recommendations	Adjusted?
The critical judgement notes do not meet the requirements of IAS 1 as they do not refer to the specific judgements made by management, nor is there mention of alternative judgements discarded.	PCC, group and Chief Constable	Review the sufficiency of these disclosures against the requirements of the CIPFA Code and IAS 1. <b>Management response</b> Management will review the narrative within the critical judgements note to the accounts in 2023/24, to ensure we meet the full requirements of the standard.	X
Incorrect signage was noted on the PPS £120m pension interest cost within the pension disclosure note.	Chief Constable only	Amend accordingly. <b>Management response</b> Agreed to amend.	✓
We identified a few instances where the prior year comparator figures were not updated for the 2022/23 draft financial statements.	PCC and group accounts	Ensure this check is done for all disclosure notes prior to draft publication. <b>Management response</b> Management will ensure that the robust checking of prior year comparator figures is highlighted as an area of increased focus for the accounts team.	✓
We identified banding corrections that needed to be made to the Senior Officers Remuneration notes	PCC, group and Chief Constable	Amend accordingly. <b>Management response</b> Agreed to amend.	✓
We identified material disclosure amendments that were needed to ensure the Financial Instruments notes were not misstated	PCC and group accounts	Amend accordingly. <b>Management response</b> Agreed to amend.	✓
We identified an undisclosed non-material contingent asset that arose subsequent to the publication of the draft accounts	PCC and group accounts	Consider disclosure in the final 22/23 accounts. <b>Management response</b> The existence and value of the contingent asset was not confirmed until after the date of issue of the draft financial statements. The value is not material and will be reflected in the financial outturn position for the 2023/24 financial year.	X

## D. Audit fees

	Actual Fee 2020/21	Actual Fee 2021/22	Proposed fee* 2022/23	Final fee ** 2022/23
PCC Audit	£46,529	£51,529	£56,279	£55,279
Chief Constable Audit	£20,938	£28,938	£25,688	£31,938
<b>Total audit fees (excluding VAT)</b>	<b>£67,457</b>	<b>£80,457</b>	<b>£81,967</b>	<b>£87,217</b>

\*As reported in our Audit Plan to the Joint Independent Audit Committee in September 2023

### Assumptions

In setting the above fees, we have assumed that the PCC and Chief Constable will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

### Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

## D. Audit fees – detailed analysis

	Chief Constable £	PCC/Group £
PSAA published scale fee 2022/23	16,938	32,529
Materiality reduction	1,500	3,500
Valuation specialist	-	5,000
Additional VFM cost	2,000	7,000
Impact of ISA 540	2,000	4,000
Journals testing	1,000	2,000
Enhanced audit procedures for Payroll – Change of circumstances	500	-
Increased audit requirements of revised ISAs 315/ 240	1,250	1,250
One-off testing of revised PPS accounting schedule	5,000	-
One-off testing of LGPS pension asset accounting (IFRIC 14)	1,750	-
<b>Total proposed audit fees 2022/23 (excluding VAT)</b>	<b>31,938</b>	<b>55,279</b>

All variations to the scale fee will need to be approved by PSAA

# E. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

**This impacts audits of financial statement for periods commencing on or after 15 December 2021.**

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	<p>The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of:</p> <ul style="list-style-type: none"> <li>the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures</li> <li>the identification and extent of work effort needed for indirect and direct controls in the system of internal control</li> <li>the controls for which design and implementation needs to be assess and how that impacts sampling</li> <li>the considerations for using automated tools and techniques.</li> </ul>
Direction, supervision and review of the engagement	<p>Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.</p>
Professional scepticism	<p>The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> <li>increased emphasis on the exercise of professional judgement and professional scepticism</li> <li>an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence</li> <li>increased guidance on management and auditor bias</li> <li>additional focus on the authenticity of information used as audit evidence</li> <li>a focus on response to inquiries that appear implausible</li> </ul>
Definition of engagement team	<p>The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor.</p> <ul style="list-style-type: none"> <li>Consideration is also being given to the potential impacts on confidentiality and independence.</li> </ul>
Fraud	<p>The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> <li>clarification of the requirements relating to understanding fraud risk factors</li> <li>additional communications with management or those charged with governance</li> </ul>
Documentation	<p>The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.</p>





<b>Joint Independent Audit Committee</b>	<b>26 February 2024</b>
<b>Summary of Recent External Inspection, Investigation and Audit Reports</b>	
<b>Report of:</b> Head of Corporate Development	
<b>Author:</b> Corporate Governance Manager	

## **I. PURPOSE**

- 1.1. To provide details of recent external inspection, investigation and audit reports and an overview of the process in place to manage the Force's response to recommendations and findings.

## **2. BACKGROUND**

- 2.1. All His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) reports and other external inspection, investigation and audit reports are considered by the Chief Officer Team. A lead is appointed to consider the findings and identify actions in response to any recommendations and areas for improvement (AFIs). The Force position is reported to the Police and Crime Commissioner at the Business Meeting to inform the statutory response required under section 55 of the Police Act 1996 where required.
- 2.2. All activity is regularly reviewed by the respective owners. Delivery is overseen by Chief Officers through the Force's governance and decision-making structure and progress is reported to the Scrutiny Meeting of the Office of the Police and Crime Commissioner.
- 2.3. Corporate Development Department acts as the central liaison point for all HMICFRS related matters.
- 2.4. The table below provides the number of open recommendations and AFIs for Northumbria Police alongside the follow-up levels allocated (as of 25 January 2024):

	<b>Open on the Monitoring Portal</b>	
	<b>Recommendations</b>	<b>AFIs</b>
Level 1	0	0
Level 2	34	1
Level 3	24	11
Level 4	0	0
<b>Total</b>	<b>58</b>	<b>12</b>

- 2.5. Appendix A provides an overview of all outstanding recommendations and AFIs assigned to Northumbria Police by HMICFRS on the monitoring portal and includes the number assessed as complete by the Force. A summary of progress, together with an expected delivery date and RAG status is also included.
- 2.6. Since the last Joint Independent Audit Committee (JIAC), five Level 2 recommendations and one Level 2 AFI have been added to the portal:

[An inspection of the effectiveness of the police and law enforcement bodies' response to group-based child sexual exploitation in England and Wales](#) (published 8 December 2023)

- 2.7. On 21 March 2022, the then Home Secretary, the Rt Hon Priti Patel MP, requested HMICFRS undertake an inspection of the police and other law enforcement bodies in England and Wales to consider how effectively they respond to victims and perpetrators of group-based child sexual exploitation (CSE).
- 2.8. The inspection focused on three broad areas: the nature and scale of offending; the police's attitude towards victims; and the quality of investigations and wider outcomes.
- 2.9. As many offences go unreported, it is not easy to assess the true scale or nature of CSE and abuse. While recognised as a 'large-scale, nationwide problem' an accurate view of group based CSE was not available to the police service. Data collection was unreliable and intelligence gathering was not prioritised; not helped by the absence of a common definition.
- 2.10. The progress made by the police service in response to CSE over the years was acknowledged; however, HMICFRS stated that progress remains slow.
- 2.11. Four Level 2 recommendations and one Level 2 AFI are made in the report.

[Meeting the needs of victims in the criminal justice system](#) (published 19 December 2023)

- 2.12. This report outlines findings from a Criminal Justice Joint Inspection carried out by HMICFRS, HM Crown Prosecution Service Inspectorate (HMCPSI) and HMI Probation.
- 2.13. The inspection assessed whether the police, the CPS and the Probation Service understand what victims need, whether they meet those needs and whether they provide a good quality service.
- 2.14. Findings indicated that while the police, the CPS and the Probation Service had policies, procedures and guidance in place for staff to comply with the Victims' Code, police officers, prosecutors and witness care officers did not always understand what they were required to do under the Victims' Code.
- 2.15. The inspection found that instead of trying to meet the needs of victims, the three bodies focused on compliance with the letter of the Victims' Code, rather than a victim's individual needs and that this has resulted in an emphasis on process rather than quality.
- 2.16. A lack of good quality information and poor communication between criminal justice bodies added to the problems of an already stretched criminal justice system. None of the three organisations inspected had an effective way of measuring how well they meet the needs of victims.
- 2.17. One Level 2 recommendation is made in the report.
- 2.18. Four further inspection reports have been published by HMICFRS or other relevant inspection bodies since the last JIAC (Appendix B). These resulted in no recommendations

or AFIs being added to the portal. These have been considered by the Force and reported to the OPCC.

- 2.19. Progress continues to be made against all outstanding recommendations and AFIs. Since last reporting to JIAC:
- eight Level 3 recommendations and one Level 2 AFI from An inspection of vetting, misconduct, and misogyny in the police service have been closed on the monitoring portal. A further 19 Level 3 recommendations are considered complete by the Force; these are subject of HMICFRS review
  - ten Level 2 recommendations have been closed on the monitoring portal from:
    - An inspection of how effective police forces are in the deployment of firearms (seven recommendations);
    - A joint thematic inspection of the police and Crown Prosecution Service's response to rape – Phase one: From report to police or CPS decision to take no further action (one recommendation);
    - A joint thematic inspection of the criminal justice journey for individuals with mental health needs and disorders (one recommendation); and
    - Twenty years on, is MAPPA achieving its objectives? (one recommendation).
  - five Level 3 AFIs are considered complete by the Force; these are subject of HMICFRS review:
    - PEEL 2021/22 (one);
    - An inspection of the north-east regional response to serious and organised crime (one); and
    - PEEL Spotlight – Getting a Grip (three).
- 2.20. Several outstanding recommendations require the ability to record all protected characteristics. This will be accounted for in the new records management system but in the meantime, it has been specified a high priority area in the additional development work of the existing Force system and a business impact assessment has been commissioned to determine the areas of the Force which capture and process protected characteristics.
- 2.21. Amber RAG ratings reflect delay in the Force's ability to deliver the recommendations rather than increased risk.

### **3. FINANCIAL CONSIDERATIONS**

- 3.1 There are no additional financial considerations arising from this report.

### **4. LEGAL CONSIDERATIONS**

- 4.1 There are no legal considerations arising from the content of this report.

### **5. EQUALITY CONSIDERATIONS**

- 5.1 There are no equality implications arising from the content of this report.

**6. RISK MANAGEMENT**

- 6.1 Activity in response to HMICFRS findings is monitored through the Northumbria Police governance structure and by the Office of the Police and Crime Commissioner.
- 6.2 HMICFRS expects progress is made in response to the recommendations and uses progress against previous recommendations to assess risk when considering future inspection activity.

**7. RECOMMENDATIONS**

- 7.1 To note progress continues to be made against all recommendations and AFIs and that there are currently no matters of exception to report in response to previous inspections.

APPENDIX A

Report Title	Business Lead	Executive Lead	Recommendation/ Area for Improvement (AFI)	Number of Recommendations/AFIs  (and number considered complete on the HMICFRS Monitoring Portal)		HMICFRS Level for follow-up activity	Context	Anticipated completion date	Progress on delivery	RAG	Reported to Scrutiny Meeting	PCC response	Next report to Scrutiny Meeting
A joint thematic inspection of the police and Crown Prosecution Service's response to rape – Phase one: From report to police or CPS decision to take no further action  Published 16th July 2021 CC response to PCC: 23/09/2021 PCC Section 55 response: September 2021 Reported to JIAC: 27/09/2021	Head of Safeguarding	ACC (Crime and Safeguarding)	Recommendations	8 (7)	0	2	<b>Issue</b>  The inspection found that the criminal justice system's response to rape offences fails to put victims at the heart of building strong cases despite the national focus by the Government, policing and the Crown Prosecution Service (CPS) on improving outcomes for rape. Recommendations have been made to police regarding capturing the protected characteristics of rape victims; establishing reasons why victims withdraw from cases; working better with local support services to better understand their role; improving the effectiveness of case strategies and action plans with the CPS; improving relationships with the CPS to build a cohesive and seamless approach; reviewing the current process for communicating to victims the fact that a decision to take no further action has been made; ensuring investigators understand that victims are entitled to have police decisions not to charge reviewed under the Victims' Right to Review scheme; and the publication of annual SSAIDP attendance figures, and information on the number of current qualified RASSO investigators.	Delivery of one of the recommendations is dependent on the implementation of a new records management system or development of the existing NPICCS system (date to be determined)	A Joint National Action Plan was adopted locally; this addresses key performance areas for improvement. All recommendations were included within a RaSSO improvement plan and monitored regularly. Good engagement is in place between the Independent Sexual Violence Adviser (ISVA) service /CPS /police and all are regularly cooperating and sharing practice to improve services for victims. Other support services also work closely with Police including Safer Communities (charity) who operate from the Sexual Assault Referral Centre (SARC), support victims and assist with referrals, and the Sunderland Counselling Service who operate from the SARC one day per week. This allows for closer working together and better understanding of roles. The police and CPS have effective challenge/escalation processes through the local tactical and strategic working groups. Relationships ensure that there is no barrier to communication and challenge in such circumstances. Analysis has been conducted to understand the reasons why a victim may withdraw support for a prosecution and data collection has been implemented as part of the performance management framework. Regular RaSSO meetings take place between the CPS RaSSO lead, the RaSSO Detective Chief Inspector and the RaSSO gatekeeper. Each case is discussed and rationale for all decisions is explored. Any themes identified are subject to improvement plans. This process has resulted in a number of past improvements and continues to identify further development areas. Regular Joint Operational Improvement Meetings with the CPS also take place where overall performance is discussed in detail. A clear escalation process is in place for RaSSO crimes. CPS and Police RaSSO investigators have now commenced regular joint training which has further improved the working relationship.  <b>Update January 2024:</b> Seven recommendations have now been closed on the Monitoring Portal.  The remaining recommendation requires the recording of protected characteristics of rape victims which is being considered as part of the NPICCS replacement programme and NPICCS development work.		01/11/2023	PCC is aware of these issues and these are reported when HMICFRS updates are presented at Scrutiny along with the solutions in place to progress these urgently.	25/04/2024
Police response to violence against women and girls - Final inspection report  Published 17th September 2021 CC response to PCC: 16/11/2021 PCC Section 55 response: November 2021 Reported to JIAC: 22/11/2021	Head of Safeguarding	ACC (Crime and Safeguarding)	Recommendations	3(1)	0	2	<b>Issue</b>  The recommendations in the final report relate to increasing the prioritisation of VAWG offences in policing. Forces are required to ensure information on protected characteristics of victims is accurately and consistently recorded; that an action plan is established that specifies in detail what steps the force will take to improve and standardise its approach to responding to VAWG offences, with the aim of ensuring policies, processes and practices are effective, actively monitored and managed, and meeting national standards; and that there should be consistent and robust monitoring of outcomes 15 and 16 in VAWG cases with the National Police Chief Constables' Council (NPCC) VAWG National Delivery Lead tasked with developing a new process for forces.	Delivery of one of the recommendations is dependent on the implementation of a new records management system or development of the existing NPICCS system (date to be determined)	Northumbria presently records information on victim age, gender and ethnicity. It is recognised that while Northumbria can provide overall victim data in terms of volumes, data relating to all nine protected characteristics is not available. Recent work has been conducted via the Northumbria Local Criminal Justice Board.  One recommendation has been closed on the monitoring portal regarding the provision of the delivery framework and supporting VAWG strategy to the national VAWG task force by the required deadline.  The requirement for the recording of protected characteristics of victims is being considered as part of the NPICCS replacement programme and NPICCS development work.  <b>Update January 2024:</b> A revised process was implemented on 28 July 2023 to ensure the use of outcomes 15 and 16 for domestic abuse and rape have the appropriate level of sign-off. Reality checking and auditing is being conducted to ensure compliance. This will remain open until after the implementation of the revised Force Operating Model to ensure that the process is embedded.		01/11/2023	PCC is satisfied with progress being made.	25/04/2024
A joint thematic inspection of the criminal justice journey for individuals with mental health needs and disorders  Published 17th November 2021 CC response to PCC: 18/01/2022 PCC Section 55 response: January 2022 Reported to JIAC: 28/02/2022	Head of Safeguarding	ACC (Crime and Safeguarding)	Recommendations	4 (2)	0	2	<b>Issue</b>  Four national recommendations regarding: the need for dedicated investigative staff to receive training on vulnerability with inputs on responding to the needs of vulnerable suspects (as well as victims); assessment of outcome code 10 and 12 cases to assess the standard and consistency of decision making; a review of the availability, prevalence, and sophistication of mental health flagging; and the identification of risks and vulnerabilities during risk assessment processes, particularly for voluntary attendees.	Delivery of one recommendation is dependent on the development of a new electronic system for Voluntary Attendees (date to be determined)	Delivery of "Vulnerability Matters" training commenced in March 2022 to all public facing officers and staff and covers all officers in detective roles. This training assists officers to recognise vulnerability in suspects they are dealing with and give them the tools to support in signposting Mental Health (MH) suspects. During 2022, a wide range of Professionalising Investigations Programme (PIP), Investigative Supervisor and Manager Programme (ISMP) and Senior Investigating Officer courses were part of the force 12-month training plan. A similar training plan was agreed for 2023 and the MH package continues to be delivered. The package is also used during the newly promoted course for Sergeants and Inspectors in other key roles.  A dip sample review of MH cases was undertaken in January 2022 to assess outcome codes 10 and 12 and identify learning. The findings informed training and communications. This is subject of assurance work prior to closure.  The Force use of MH tags within the Storm System is being enhanced which alongside the use of Storm call scripting will support the Force with automatic data capture from Storm MH incidents. A procedure for Warning Flags on force systems has now been updated and published. This advises the use of a mental health definition from the College of Policing Authorised Professional Practice. Although this definition is very broad there is no additional guidance from the NPCC or Right Care Right Person team. The procedure provides guidance on when Custody staff should apply a warning flag to records and provides specific guidance in respect of suicide and self harm risk. There is a mechanism in place within the Custody environment to accurately identify nominals with mental health needs and therefore ensure these needs are being catered for through the Criminal Justice journey.  <b>Update: January 2024</b> The recommendation regarding the use of MH flagging has progressed to closure.  The Criminal Justice and Custody Board is monitoring work regarding Voluntary Attendees (VAs) and this includes release risk assessments. Area Command and Departmental single points of contact are required to implement local audits to satisfy the requirements of the recommendation. This is under the governance of a Gold group chaired by the Head of Criminal Justice and Custody. Enhanced data has been developed to support the monitoring of the VA process.		25/01/2024	No issues raised.	11/07/2024
Twenty years on, is MAPPA achieving its objectives?  Published 14th July 2022 CC response to PCC: 05/09/2022 PCC Section 55 response: September 2022 Reported to JIAC: 26/09/2022	Head of Safeguarding	ACC (Crime and Safeguarding)	Recommendations	4(4)	0	2	<b>Issue</b>  The inspection highlighted the requirement for improvements to ensure that: Category 3 referrals are made to manage individuals who present a high risk of domestic abuse where formal multi-agency management and oversight through MAPPA would add value to the risk management plan; there is a comprehensive training strategy for all staff involved in the MAPPA process; all MAPPA nominals managed at Levels 2 and 3 are allocated to a suitably trained police offender manager; and where workloads of staff managing sexual offenders are found to be excessive, that steps are taken for mitigation.	Apr-23	The Force considered it was already compliant with two recommendations regarding the allocation of all MAPPA nominals managed at Levels 2 and 3 to a suitably trained police offender manager and the review of workloads for staff managing sexual offenders against national expectations.  Northumbria has raised the profile of domestic abuse cases and ensures that practitioners consider domestic abuse cases for MAPPA management, this includes training, identification of domestic abuse cases in the MAPPA screening process and Strategic Management Board audits for domestic abuse cases.  MAPPA training has been delivered to all staff working in MOSOVO and is covered on other courses held locally.  Training has now been delivered to over 400 staff and partner agencies and the training process is embedded as business as usual for student officers and new supervisors. Training has contributed to an increase in domestic abuse referrals to MAPPA.  <b>Update: January 2024</b> All recommendations are now considered complete and have been closed on the monitoring portal.		01/11/2023	The PCC was satisfied with the progress being made across the force.	

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The police response to burglary, robbery and other acquisitive crime  Published 11th August 2022 CC response to PCC: 03/10/2022 PCC Section 55 response: October 2022 Reported to JIAC: 26/09/2022	Head of Crime	ACC (Crime and Safeguarding)	Recommendations	2(0)		0	2	<b>Issue</b> The report recommended that by March 2023, forces should make sure their crime scene management practices adhere to the authorised professional practice (APP) on managing investigations for serious acquisitive crime or provide a rationale for deviating from it and also to ensure that investigations are subject to effective supervision and direction.	Mar-23	The Force will document processes that adhere to general crime scene preservation and management; and forensic assessment flowcharts have been refreshed for all contact handlers. A forensic performance framework is being developed to better understand the effectiveness of the triage process and the contribution towards positive outcomes. Audits are conducted with regards to outcome codes and Victims' Code of Practice compliance and performance is regularly monitored. The Force adheres to national best practice for scene management. Oversight of forensics and investigative standards is provided via the Investigation and Effective Justice Group, chaired by ACC Crime & Safeguarding. The Force applies THRIVE risk assessments and has provided additional training to call takers regarding forensic advice to victims of crime. A Serious Acquisitive Crime (SAC) Suppression Group focuses on performance in this area and drives learning from national best practice. Raising Investigative Standards is a key component in tackling SAC. Significant improvements have been made in file quality with the introduction of accreditation for supervisors. Key stakeholders throughout the organisation are prioritising investigative skills training and continuous professional development. A crime audit has taken place to review investigative standards including the areas covered by these recommendations; this is informing learning and development work in this area. Further audits will take place to review progress.  <b>Update: October 2023</b> Accreditation success for Forensic Services provides evidence that appropriate procedures are in place within the department; further awareness and understanding is being progressed on the frontline. Forensic training inputs have been provided within protected learning days across most Response Policing Teams and plans are underway to also deliver training to Criminal Investigation Department.  In response to the learning from the crime audit in June 2023, continuous professional development inputs and a review of the Investigative Assessment Framework are being undertaken.		01/11/2023	The PCC was satisfied with the progress being made across the force.	25/04/2024
PEEL 2021/22 – An inspection of Northumbria Police  Published 22nd September 2022 CC response to PCC: 23/10/2022 PCC Section 55 response: October 2022 Reported to JIAC: 21/11/2022	Multiple	DCC	AFIs	8(0)		1	3	<b>Issue</b> The inspection outlined the requirement for the Force to ensure that it improves; the accuracy when recording crimes and incidents of rape; the recording of crime when ASB is reported; the recording of equality data; the time it takes to answer emergency calls and reduce the number of non-emergency calls that are abandoned; the advice given by call takers on the preservation of evidence and crime prevention; attendance in response to calls for service in line with its published attendance times and ensures that when delays do occur, victims are fully updated; the recording of an auditable record of the decisions made when a victim withdraws their support for a prosecution; and takes steps to reduce delays in intelligence development for paedophile online investigation packages.	Dec-23 (excluding some elements of delivery dependent upon the new Force records management system)	An improvement plan is in place regarding the recording of offences within anti-social behaviour (ASB) incidents and also sexual offences (including rape and NI00s).  The requirement for the recording of protected characteristics is being considered as part of the NPICCS replacement programme and NPICCS development work.  The backlog in intelligence development for paedophile online investigation packages has now been addressed with business as usual levels in intelligence now achieved.  Training has been undertaken with Communications staff regarding the identification of crime within ASB incidents. Changes were made to the closing codes for anti-social behaviour (ASB) to align with national guidance and audit activity was amended.  Learning from the crime file audit undertaken in June 2023 will inform activity and improvements in the recording of rationale when a victim withdraws their support for a prosecution.  Crime Data Integrity (CDI) audit activity and quality assurance processes are currently in place to mitigate the risk of under recording or misclassification of rape crimes and NI00 records. This will continue and improvement in compliance will be monitored. A rape and NI00 section of the crime recording decision tree was implemented within Communications Department on 1 October 2023. The decision tree will support contact handlers with the decision when to record multiple rapes and NI00s.  <b>Update: January 2024</b> The mandatory training package for rape and NI00 has been completed by 80% of the target audience (as at November 2023).  A new strand within the crime recording decision tree relating to ASB will be introduced to improve the identification of crimes within ASB incidents. Compliance will continue to be monitored through CDI audit activity and any additional training requirements will be addressed accordingly.  Further to the crime audit in June 2023, an audit of domestic abuse investigations was undertaken in October 2023. While some improvement was evidenced, further improvement is required to ensure that an appropriate record is made outlining why a victim withdraws their consent for a prosecution.  Call handling and response rates continue to be closely monitored and a performance management framework is in place. Call handling performance continues to improve with improved 999 and 101 answer times and a reduction in abandonment rates. Performance regarding response rates is stable with changes to the Force Operating Model expected to facilitate improvements.		25/01/2024	The PCC is regularly updated on progress in respect of the AFIs for this inspection	25/04/2024
An inspection of vetting, misconduct, and misogyny in the police service  Published 2nd November 2022 CC response to PCC: 22/11/2022 PCC Section 55 response: December 2022 Reported to JIAC: 21/11/2022	Head of Professional Standards Department	DCC	Recommendations	29 (8)		19	3	<b>Issue</b> HMICFRS determined that police vetting standards are not high enough and it is too easy for the wrong people to both join and stay in the police. It was also determined that a culture of misogyny, sexism and predatory behaviour towards female police officers and staff and members of the public still exists.	Jan-24	Regular self-assessments have been provided to the NPCC and HMICFRS regarding the Force position against the recommendations and AFIs arising from the report.  All Level 2 AFIs have now been closed on the portal.  HMICFRS Vetting & Corruption Portfolio (VCP) are now assessing the force updates. Once assessed, if verified the force will be invited to self-certify on the portal. If not verified they will be advised of the gaps in the evidence by VCP.  <b>Update: December 2023</b> HMICFRS VCP has assessed the first tranche of recommendations and authorised the closure of eight recommendations on the portal. Further recommendations are now under review and additional evidence is being provided if required.  Regarding the two not yet considered complete by the Force, one is reliant on the College of Policing's guidance on the minimum standard of pre-employment checks and the other is reliant on the national continuous integrity screening programme which will see PND used routinely across all forces as a tool for revealing any unreported adverse information about officers and staff. The programme is currently being trialled.		14/12/2023	The update was noted by the PCC	06/06/2024 tbc
An inspection into how well the police and other agencies use digital forensics in their investigations  Published 1st December 2022 CC response to PCC: 19/01/2023 PCC Section 55 response: January 2023 Reported to JIAC: 27/02/2023	Head of Forensic Services	ACC (Crime and Safeguarding)	Recommendations	3 (1)		0	2	<b>Issue</b> HMICFRS concluded that police forces are unable to keep pace with technology when it comes to digital forensics – and there is a significant backlog of devices waiting to be examined. Delays, lack of resources and lack of adequate training means some victims are being let down and officers are missing their chance to bring offenders to justice. Three recommendations were aligned to the police regarding governance and oversight to better understand the local demand for digital services; the inclusion of management of digital forensic kiosks in governance and oversight frameworks; and the integration of digital forensic services under existing forensic science structures.	Dec-23	Continuing progress is being made with the Digital Forensic Unit (DFU) and Digital Evidence Suite (DES) improvement plans to increase efficiency and effectively manage digital demand. Governance and oversight are provided by Forensic Services and reported through internal governance boards, chaired by ACC (Crime & Safeguarding). A new Performance Management Framework for Forensic Services is being developed.  Now the forensic regulator has statutory powers he requires a senior accountable individual in each force for accredited activity which includes digital forensics and has clear responsibility together with forensic leads to ensure appropriate governance. ACC Simpson is the SAI  A pilot to evidence the service and quality benefits of DFU control of kiosks has concluded and a revised arrangement has been agreed to enable the efficient management and effective standardised processing of frontline digital forensic activity in compliance with digital forensic quality standards.  An ongoing programme of work is being led by the Forensic Services Senior Management Team to identify and respond to demand, growth, and efficiencies within service delivery.  The Force's DFU is part of the Forensic Services Department and is governed alongside traditional forensic services. This recommendation has now been closed on the portal.  Initial communication on the restructure of the Digital Evidence Suites has been launched on Northumbria Information and Knowledge (Force intranet) with ongoing engagement and transition planning being carried out by the Digital Forensics Unit Manager with a view to implementation by the end of 2023.  <b>Update: January 2024</b> Implementation timescales have been moved to align with the new Force Operating Model.		01/11/2023	The PCC is regularly updated on progress in respect of the recommendations for this inspection	25/04/2024

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An inspection of the north-east regional response to serious and organised crime  Published 07/12/2022 CC response to PCC: 19/01/2023 PCC Section 55 response: January 2023 Reported to JIAC: 27/02/2023	Head of Crime	ACC (Crime and Safeguarding)	AFIs	2 (0)		1	3	<b>Issue</b> HMICFRS was concerned to find that there were three teams struggling with workloads (the Paedophile Online Investigation Team, the Financial Investigations Unit and the Covert Authorities Bureau).  In addition, inspectors recommended that regional chief constables should appoint a single dedicated chief officer to lead the regional response to serious and organised crime.	Jan-24	Improvement plans are in place and additional resources have been secured to increase capacity in specialist areas.  A revised governance structure has been determined for the North East Regional Organised Crime Unit, the details of which have been communicated to HMICFRS. This is an alternative to a single dedicated chief officer to lead the regional response to SOC.  Since the inspection there has been an uplift of resources in both POLIT and Covert Authorities Bureau which has addressed concerns in these areas.  <b>Update: January 2024</b> Additional resource has been secured for the Economic Crime Unit (ECU). Once the plans have been realised the AFI will be considered complete.		25/01/2024	The PCC is regularly updated on progress in respect of the AFIs for this inspection	25/04/2024
An inspection of how well the police tackle serious youth violence  Published 08/03/2023 CC response to PCC: 20/04/2023 PCC Section 55 response: April 2023 Reported to JIAC: 17/07/2023	Head of Prevention Department	T/ACC (Communities)	Recommendations	2 (0)		0	2	<b>Issue</b> HMICFRS highlighted that chief constables should make sure their officers are trained in the use of Home Office crime outcome 22 (when diversionary, educational or intervention activity, resulting from the crime report, has been undertaken and it is not in the public interest to take any further action) and also that they should ensure that their forces, through data collection and analysis, understand the levels of racial disproportionality in serious youth violence in their force areas.	Mar-24	The recommendations are being addressed through the Serious Violence and Knife Crime Suppression Group.  The TREAD (Transformation/Resolution/Education and Adult Diversion) Team provides inputs to student officers, Criminal Investigation Department and Response Policing Teams during protected learning time to raise their knowledge and awareness of Outcome 22. There is also a training package on Kalidus LEARN which is referred to as 'Adult Divert From Charge'.  Outcomes related to youth serious violence as well as any disproportionate application or impact will be a key focus for the forcewide Serious Violence and Knife Crime Suppression Group.  <b>Update: January 2024</b> Training is ongoing regarding the application of outcome 22 and the Force intranet is also being used to raise awareness. <input type="checkbox"/>  The TREAD team reviews and quality assures out of court resolutions for adults, while the Youth Justice Team co-ordinates those for under 18-year-olds. In order to support the learning and consistent application of disposals, a crime audit plan is in place for serious violence crimes where the offender is under 18 years old and an outcome 22 has been applied.  Disparity is being monitored via the forcewide Serious Youth Violence and Knife Crime Suppression Group and within the Youth Justice Service Boards.		25/01/2024	The PCC was satisfied with the progress being made and noted liaison between the Force and Violence Reduction Unit.	25/04/2024
An inspection of how well the police and National Crime Agency tackle the online sexual abuse and exploitation of children  Published 05/04/2023 CC response to PCC: 08/06/2023 PCC Section 55 response: June 2023 Reported to JIAC: 17/07/2023	Head of Crime	ACC (Crime and Safeguarding)	Recommendations	11 (0)		0	2	<b>Issue</b> HMICFRS found that while officers are generally good at dealing with very high-risk cases, forces are often not properly responding to allegations or concerns about suspects, leading to unacceptable delays and missed opportunities. Many forces often wait too long before sharing information with partners, which means they can miss opportunities to refer children and families for support.	Apr-25	The Force is well positioned against a number of the recommendations. Northumbria is one of only a few forces who have an intelligence team and analyst within the Paedophile Online Investigation Team (POLIT). Some recommendations require action by other bodies before they can be progressed by the Force. Activity in response to the recommendations was incorporated within the existing POLIT improvement plan.  The expected date stated is the latest date for delivery of one recommendation which relates to training.  <b>Update: October 2023</b> All POLIT staff are Specialist Child Abuse Investigator Development Programme trained and are accredited by the Institute of Cyber Digital Investigation Professionals; onward statutory referrals are made to Children's Services in a timely manner; and specialised therapeutic services are currently being explored for child victims.  One recommendation regarding the sharing of information with statutory partners is considered complete and is progressing through internal governance. When significant risk to children is first known, information is shared prior to enforcement activity to enable joint working. Operating procedures are in place to facilitate routine and urgent information from POLIT being shared with statutory safeguarding partners.		01/11/2023	The PCC is regularly updated on progress in respect of the recommendations for this inspection	25/04/2024
Police performance: getting a grip  Published 07/07/2023 CC response to PCC: 15/08/2023 PCC Section 55 response: August 2023 Reported to JIAC: 25/09/2023	Head of Corporate Development/Head of People Services	DCC	Recommendations	3 (0)		3	3	<b>Issue</b> HMICFRS found that too many forces were failing to properly understand and manage their performance. Many forces do not understand what issues are most important to tackle, how their performance can be measured, how they should change and what works in tackling issues. Forces need to review their performance management frameworks; review their proactive well-being support for officers and staff in high-stress roles and situations; and reduce the risk of skilled personnel leaving the organisation.	Jan-24	Overall, it is considered the Force is well-placed in relation to the recommendations. The strong position regarding the review of performance management frameworks (PMF) is supported by the HMICFRS 2021/22 PEEL inspection, which commented that 'the force has designed and implemented a detailed and comprehensive performance management framework, which will contribute to effecting sustained improvements.' There is ongoing work to fully embed local PMFs and ensure that they are providing the expected value and making the difference to performance outcomes and findings from the work to be led by the NPCC regarding a national PMF will be considered in the future development and improvement of local PMFs. An engagement and retention framework is in place which has been informed by Force reporting and analysis as well as NPCC guidance on exit and retention and wider good practice. The Force takes a preventative and evidence-based approach to promoting good mental health and wellbeing. The approach includes culture change through leadership and management; proactive education; early intervention & screening; and support and rehabilitation. The Force provides enhanced trauma support including a well-established trauma intervention peer model (TRiM) and access to therapies. High stress roles have also been identified using the annual wellbeing survey and provided proactive mental and physical health support. This is made up of individual resilience sessions with the psychologist, focused on stressors in the workplace and adaptive coping strategies. These sessions are both an opportunity for emotional debrief and an intervention in terms of psychoeducation in managing stress at work. In-depth physical health checks have been introduced for high stress roles and enhanced support offered for individuals in high stress processes such as promotions or as a result of events such as bereavement of a colleague.  <b>Update: January 2024</b> All AFIs are considered complete. Work in support of the areas highlighted by the report will continue to be progressed as business as usual. AFIs will remain open on the portal until HMICFRS verifies the position.		25/01/2024	The PCC was satisfied with the progress being made.	N/A
An inspection of how effective police forces are in the deployment of firearms  Published 11/07/2023 CC response to PCC: 15/08/2023 PCC Section 55 response: August 2023 Reported to JIAC: 25/09/2023	Chief Superintendent Force Coordination	ACC (Force Coordination)	Recommendations	8 (7)		0	2	<b>Issue</b> Improvements need to be made in the selection of strategic and tactical firearms commanders (TFCs) and strategic firearms commanders (SFCs) would benefit from improved training. Recommendations include a review of the strategic firearms commander course to ensure candidates have enough opportunities to learn and practise skills; introducing new entry criteria for strategic and tactical firearms commanders, similar to the process used to select public order commanders; sharing of armed policing exercises to allow opportunities for learning to be identified and shared; and improving record keeping in relation to armed operations and introducing regular auditing of these records.	Jul-24	All activity in response to the recommendations is monitored through the Responding to the Public - Business Meeting. The Force is well positioned against the recommendations and several actions have already been implemented.  Robust armoury procedures are in place which include senior officer oversight and a schedule is being prepared for an annual audit to be conducted by another force within the North East region. There is also defined governance to record all armed deployments using the Chronicle system; regular dip samples will be undertaken to ensure compliance. All commanders are given a live demonstration of firearms tactics on initial training courses, which includes the use of specialist munitions.  Identification and recruitment of potential candidates for specialist roles within Force is ongoing. Barriers to recruitment and retention of specialist commanders have been reviewed and the development of a regional training program to assist officers applying for the role is being explored.  <b>Update: January 2024</b> Seven recommendations have been closed on the portal. The last recommendation relates to the identification, recruitment and retention of specialist commanders; this is ongoing.		01/11/2023	The PCC was satisfied with progress.	25/04/2024
Homicide prevention: An inspection of the police contribution to the prevention of homicide  Published 11/08/2023 CC response to PCC: 28/09/2023 PCC Section 55 response: October 2023 Reported to JIAC: 25/09/2023	Head of Prevention Department	T/ACC (Communities)	Recommendations	2 (0)		0	2	<b>Issue</b> The current system for homicide data collection from forces was preventing sufficient and accurate information being submitted to the Home Office. Until this is resolved, the Home Office, and in turn forces, may only have a partial understanding of homicide and its causes. Forces need to make sure their force can, on a sufficiently frequent basis, produce an analytical report concerning its death investigations. Forces should also be able to quickly identify lessons from homicides and serious violence incidents.	Aug-24	The Force Principal Analyst is undertaking an assessment of force and coronial data in order to develop an appropriate analytical product. It is expected that the product will be reported to the Serious Youth Violence and Knife Crime governance meeting. Further work is underway with the Violence Reduction Unit to understand what partner data is available to contribute to this.  Utilising the Homicide Prevention Framework published by the College of Policing, Northumbria Police has adopted the Rapid Debrief Process in order to identify lessons learned.  <b>Update: January 2024</b> One recommendation is progressing through internal governance and assurance to closure. To better understand the pattern of death reports and identify any linked series, a new death classification will be introduced to enable searches by the analysts utilising existing force systems to support analysis of patterns of death. The project team for the new Force records management system have been consulted and are also aware of the requirements.		25/01/2024	The PCC was satisfied with the progress being made across the force.	11/07/2024



Report Title	Business Lead	Executive Lead	Recommendation/ Area for Improvement (AFI)	Number of Recommendations/AFIs  (and number considered complete on the HMICFRS Monitoring Portal)		Of those outstanding, number considered complete by the Force	HMICFRS Level for follow-up activity	Context	Anticipated completion date	Progress on delivery	RAG	Reported to Scrutiny Meeting	PCC response	Next report to Scrutiny Meeting
Race and policing: An inspection of race disparity in police criminal justice decision-making  Published 25/08/2023 CC response to PCC: 28/09/2023 PCC Section 55 response: October 2023 Reported to JIAC: 25/09/2023	Head of Prevention Department	T/ACC (Communities)	Recommendations	4 (0)	0	2	<b>Issue</b> Forces need to better understand disparity across criminal justice decision making and effectively capture, analyse and respond to their findings.	Sep-24	A disparity working group has been implemented to develop a greater understanding and analysis of disparity across all business areas, including use of policing powers. The implementation of the Prevention Department seeks to enhance the use of the disproportionality toolkit to analyse disparity.  <b>Update: January 2024</b> The Force is represented at a Youth Justice Service Leads Meeting where improvements to data analysis and understanding are shared.  The Independent Scrutiny and Oversight Board will consist of 10 members. Scrutiny will cover a number of Force areas including the Northumbria Police Race Action Plan, Violence Against Women and Girls (VAWG) and police criminal justice disparity.  In respect of the External Advisory Panels, the OPCC has developed two new advisory panels (VAWG and Custody) and, together with the existing panels for Use of Force and the Out of Court Resolution Panel, is reviewing all terms of reference. Change will include a clear focus on disparity and disproportionality, making it a key objective for each panel.  As Chair of the Local Criminal Justice Board (LCJB) the PCC is currently leading work to refresh the focus and priorities for the partnership. Moving forward Confidence has been identified as a whole Board responsibility and embedded in the core work of the LCJB. By elevating the confidence agenda, which includes a focus on disparity, the LCJB partners will work to develop a local CJS understanding of identified disparity (whether that is explained or unexplained) and seek solutions where this disparity causes disparate outcomes.  Disparity information on stop and searches is already published within an annual report on the Force website; other criminal justice areas are being considered such as out of court resolution information.  A Diversity, Equality, Inclusion and Legitimacy Board, chaired by the chief constable also examines disparity.		25/01/2024	The PCC was satisfied with the progress being made across the force.	11/07/2024	
A report into the effectiveness of vetting arrangements in Northumbria Police  Published 21/09/2023 CC response to PCC: 01/11/2023 PCC Section 55 response: November 2023 Reported to JIAC: 20/11/2023	Head of Professional Standards Department	DCC	AFI	1 (0)	0	3	<b>Issue</b> HMICFRS required improvements in vetting arrangements to ensure that all personnel have been vetted to a high enough level for the posts they hold; all non-police personnel are vetted to the required level for the role they are contracted for; the force vetting unit has sufficient resources to meet the demand it faces; and it has a robust process to research and assess all notifications of changes of circumstances in a timely manner.	To be determined once the new Authorised Professional Practice has been released.	<b>Update December 2023:</b> The Force has 39 persons who have been moved into a designated post without Management Vetting clearance, work is ongoing to reduce this figure to zero. It should be noted that immediate business needs often result in appointment without full clearance. A level of vetting clearance is always in place, and mitigations e.g., restrictions to IT systems, double crewed or non-public facing, are implemented where necessary. This practice will cease with the introduction of the revised Authorised Professional Practice expected early 2024.  While delays in non-police personnel vetting are still in place, numbers are being managed. No contractors are admitted to Police buildings without a vetting clearance.  The force has a clear process when exiting persons, which includes the removal of IDs, building and IT access.  The legacy of Uplift and its maintenance continue to impact vetting volumes and an additional three fixed term Vetting Analysts will be employed to cover this.  All change of circumstances notifications are reviewed, and all relevant vetting checks conducted. The level of change of circumstance notifications which are yet to be researched and assessed has dramatically reduced and is now considered business as usual.		14/12/2023	The update was noted by the PCC	06/06/2024 tbc	
Meeting the needs of victims in the criminal justice system  Published 19/12/2023 CC response to PCC: 25/01/2024 PCC Section 55 response: Reported to JIAC: 26/02/2024	Head of Criminal Justice & Custody	ACC (Crime & Safeguarding)	Recommendation	1 (0)	0	2	<b>Issue</b> The need to develop minimum standards for the completion of victim needs assessments including standards for timeliness of completion and clarity on the information to be recorded.	To be determined	<b>Update:</b> The Force context in relation to the report was provided to Business Meeting on 25 January 2024.  While officers currently record Enhanced/Standard Victim status within the Crime Recording Needs Assessment within Crime Recording screens, a method of measuring timeliness compliance is not currently available but is being scoped. The victim needs assessment question set is currently being amended and further amendments may be required depending on information received from the CoPINPCC.		N/A	N/A	N/A	
An inspection of the effectiveness of the police and law enforcement bodies' response to group-based child sexual exploitation in England and Wales  Published 8/12/2023 CC response to PCC: 25/01/2024 PCC Section 55 response: January 2024 Reported to JIAC: 26/02/2024	Head of Crime Department	ACC (Crime & Safeguarding)	Recommendations	4(0)	0	2	<b>Issue</b> The report highlighted the requirement for a problem profile for child sexual exploitation, including partner agency data for an assessment of the nature and extent of group-based child sexual exploitation; sufficient measures in place to identify group-based child sexual exploitation; take up of the Hydrant programme's continuing professional development; effective steps to eradicate victim-blaming language in their forces; and work with partner agencies to review, promote and make sure that relevant group-based child sexual exploitation disruption and prevention initiatives are implemented effectively.	To be determined	<b>Update:</b> The Force context in relation to the report was provided to Business Meeting on 25 January 2024.  A new problem profile has been commissioned with one chapter specifically relating to group-based CSE. Effective identification using Force systems will be enhanced by a new records management system for automated flagging. In the meantime, manual mitigation procedures have been put in place for the reporting of group-based CSE within the Force Exploitation Threat Group. Hydrant training was delivered in spring 2023 and engagement with the Hydrant programme will continue for further continuous professional development to ensure Northumbria has the most recent and updated training delivery. The Force has already utilised the online NIK portal to educate staff specifically in relation to victim blaming language with updates in April and December 2023. Activity will be ongoing. The Force is aware of the Operation Makesafe model and take part in the national Op Makesafe working group. Now the forces new NPT model is developed, tasking is forthcoming in relation to Op Makesafe activity.		N/A	N/A	N/A	
			AFI	1 (0)	0	2								
							Level 1	No Force self-certification, no follow-up activity required						On track - no concerns Progressing - additional action required to ensure delivery/delivery delayed Risk to completion
							Level 2	Force self-certifies completion, no follow up activity conducted by HMICFRS						
							Level 3	Force self-certifies completion, HMICFRS follow-up via the next relevant planned inspection						
							Level 4	No Force self-certification, HMICFRS follow-up via further bespoke fieldwork						

## **AGENDA ITEM 7 – Appendix B**

[Joint targeted area inspection of the multi-agency response to children and families who need help](#) (published 7 November 2023)

- I.1. This is a thematic report consolidating the learning from five joint targeted area inspections (JTAI) carried out by Ofsted, the Care Quality Commission (CQC) and HMICFRS between December 2022 and March 2023; including the JTAI of Sunderland City Council, reported to JIAC on 17 July 2023.
- I.2. Some excellent work was seen at both a strategic and practice level. The most striking finding was the variability in early help between and within the local areas. This was in relation to both what was available to children and families and how support was provided. The report suggests that the proposed government reforms to children's social care need to appreciate the variability between local areas.

[Report on the Criminal Justice Alliance's super-complaint - Section 60 of the Criminal Justice and Public Order Act 1994 and independent community scrutiny of stop and search](#) (published 15 December 2023)

- I.3. In May 2021, a super complaint entitled 'More Harm than Good', was submitted by the Criminal Justice Alliance (CJA) which raised the CJA's concerns about 'harms caused by suspicion-less stop and searches and inadequate scrutiny of stop and search powers'.
- I.4. The super-complaint was investigated jointly by HMICFRS, the College of Policing (CoP) and the Independent Office for Police Conduct.
- I.5. Eleven forces were selected for the investigation; however, as the investigation progressed, specific information was sought from three other forces, including Northumbria, as it was determined that it would add to the evidence base.
- I.6. Northumbria Police's use of a stop and search youth panel was highlighted as innovative practice.
- I.7. Many of the CJA's concerns were agreed with. Ten recommendations have been made for chief constables, police and crime commissioners (or equivalents), the Home Office and National Police Chiefs' Council. An action was also identified which the CoP intends to progress regarding recording and assessing authorisations.
- I.8. These recommendations are not monitored through the Monitoring Portal. The Force's response has been published on the [Force website](#).

[Update on our activism and impartiality in policing inspection](#) (published 10 January 2024)

- I.9. In September 2023, the then Home Secretary, Rt Hon Suella Braverman KC MP commissioned HMICFRS to carry out an inspection into activism and impartiality in policing. A request was made for an interim update on initial findings by December 2023. Northumbria Police was selected as one of the contributing forces for the inspection.

## **AGENDA ITEM 7 – Appendix B**

- I.10. All forces recognise their responsibilities under the Equality Act 2010. This is evident in the force policy documents and operational orders reviewed. Forces regularly use equality impact assessments to help them comply with the Public Sector Equality Duty, although forces do not always complete equality impact assessments consistently or thoroughly enough.
- I.11. HMICFRS saw no evidence to suggest that current recruitment practice goes beyond what the legislation permits; most forces provide the College of Policing's hate crime and equality, diversity and inclusion training to their workforce; some forces have used external organisations and community representatives to help in developing their officers and staff; and all the forces inspected use advisory groups, but they use them in many different ways.
- I.12. HMICFRS found wide-ranging inconsistencies in forces' approaches to non-crime hate incidents. Police officers and staff need to make the right decisions when recording and retaining personal data about non-crime hate incidents. Nine of the twelve forces inspected (including Northumbria) had introduced or are introducing processes in accordance with Authorised Professional Practice.
- I.13. One of the most consistent themes in the evidence HMICFRS has obtained so far is the extent to which senior national political figures directly or indirectly influence, or attempt to influence, police operations. Senior police leaders told them that when this takes place in public, it makes it harder to maintain an appearance of impartiality. Most senior officers said they experience what they believe to be improper pressure or interference from significant political figures, whether through direct contact or through the media. Many cited this commission and the associated correspondence as one example of this.
- I.14. A full report will be published at a later date to be confirmed.  
  
[Joint case building by the police and Crown Prosecution Service](#) (published 25 January 2024)
- I.15. The report outlines interim findings from phase I of a joint inspection by HMCPSI and HMICFRS of case building by the police and CPS.
- I.16. The inspection reviews the relationship between the two organisations considering the joint culture and communication to find and promote what works well and to identify what does not, where the good practice is, and where there are obstacles. The inspection is being carried out in two phases.
- I.17. Important themes have emerged during phase I and the inspectorates determined that the publication of interim findings at this stage would assist those dealing with case building at local and national levels. In particular, they found that the systems and processes, including IT systems used by police and CPS for quality assurance, communication and transfer of information have become overly complicated. Rather than facilitate partnership working, they can create barriers to it.
- I.18. There are no recommendations within this report as these will be incorporated into the final report after phase 2.

<b>Joint Independent Audit Committee</b>	<b>26 February 2024</b>
<b>Joint Strategic Risk Register</b>	
<b>Report of: Ruth Durham, Chief of Staff and Monitoring Officer and Jayne Meir, Deputy Chief Constable</b>	
<b>Author: Paul Godden, Head of Corporate Development</b>	

## **I. PURPOSE**

- 1.1 To present the Joint Strategic Risk Register (JSRR); this incorporates the strategic risk(s) faced by the Force and Office of Police and Crime Commissioner (OPCC) within twelve thematic areas.

## **2. BACKGROUND**

- 2.1 Northumbria Police and the OPCC and share a JSRR. Each strategic risk is assigned a Chief Officer or OPCC owner(s), who has responsibility for the management of controls and the implementation of new controls where necessary.

### **Governance of the Joint Strategic Risk Register**

- 2.2 The JSRR identifies each risk, provides context to the risk, and identifies current factors affecting thematic areas and captures the consequences if it were to happen. It also provides a summary of existing controls and rates risks 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.
- 2.3 Area Commanders, Department Heads, Senior Management Teams and the OPCC are responsible for the identification of emerging risks, some of which might not be controlled locally and have the potential to prevent the Force and PCC from achieving objectives.
- 2.4 Risks are escalated in-line with the governance and decision-making structures and recorded on the JSRR. Recommendations and areas for improvement following external inspections are considered to ensure they are adequately reflected in current risks.
- 2.5 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 Joint Independent Audit Committee (JIAC) provide additional scrutiny and governance on a quarterly basis.
- 2.6 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.
- 2.7 Appendix A provides an overview of the current Red, Amber, Green (RAG) status of the strategic risks for Northumbria Police, alongside the Force Strategic Risk Register. (Thematic risk areas are recorded alphabetically and numbered for ease of reference only.)

- 2.8 Four areas remain high risk for the Force: Digital Policing; Finance; Information and Data Management; and Workforce.

**Key changes to the Force Strategic Risk Register**

**Digital Policing - Inability of the Force to respond effectively to service demand due to loss or failure of mission and business critical technology solutions.**

- 2.9 Concerns regarding compromise of security perimeter devices that could lead to a compromise of the Force core network and a breach of confidentiality and integrity of Force data, and subsequent impact to national systems have been reflected.
- 2.10 This follows a compromise identified at the end of last year to an Advance Persistent Threat (APT). A Cyber Incident Response Team (CIRT) was procured; their subsequent report confirmed no network breach had occurred.
- 2.11 Current controls in place have been assessed and further mitigations determined. All standard, and additional remediation activities recommended have been implemented.
- 2.12 Confidentiality, integrity, national systems impact, and loss of confidence have all been considered and reflected within the Digital Policing risk, where appropriate.
- 2.13 Assurance has been provided by the National Management Centre (NMC), Police Digital Services.
- 2.14 The overall assessment of the thematic risk has been considered and it is determined that the likelihood remains medium (3) and impact high (4).

**Information and Data Management - Challenges in adhering and complying with consistent and sustainable data management processes and standards to prevent data breaches.**

- 2.15 The summary of controls has been updated to include further context on Information Management Department and Digital Policing collaborating and the inclusion of enhanced legislative, policy and procedure compliance.
- 2.16 Likelihood remains medium (3) and impact high (4).

**Information and Data Quality - 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.**

- 2.17 The summary of controls has been updated to include the implementation of formal Information Asset Registers, enhanced legislative, policy and procedure for Review Retention and Destruction (RRD) implementation and the removal of targeted training which is now considered business as usual.
- 2.18 Likelihood remains low (2) and impact high (4).

**Operational - Inability to implement centralised force coordination ensuring sustainable capacity and capability to meet statutory requirements under the Civil Contingencies Act (CCA) and responsibilities from the Strategic Policing Requirement.**

2.20 Current factors have been updated to include elements around a Local Resilience Forum (LRF) Pilot, training capabilities, shift patterns, the Manchester Arena bombing and increased mutual aid and Public and Personal Safety Training (PPST) training.

2.21 Likelihood remains low (2) and impact high (4).

**Workforce - Standards, conduct and behaviours of the workforce are not in-line with Northumbria Police values and the Code of Ethics.**

**Inability to maintain an effective workforce profile through a reduction in attraction, recruitment and retention.**

2.22 Context has been updated to reflect the current position and in terms of holistic approaches to strategies, clear supply pipelines for internal capability growth and understanding future skills requirements.

2.23 Current factors have been updated to incorporate the inefficient use of Performance and Development Review (P&DR), current jobs market, diversity ambitions and the negative impact on retention of volunteers due to a national depleting market.

2.24 Summary of controls have been expanded to address resourcing needs at three distinct levels through a Strategic Workforce Plan, modernisation of pay offer and job evaluation, benefits plan and implementation of a reward panel and the People, Culture and Wellbeing Strategy including NPCC Diversity, Equality & Inclusion Strategy.

2.25 Likelihood remains medium (3) and impact high (4).

2.26 Governance and oversight arrangements have been updated across the FSRR to reflect the proposed new governance and decision-making structure; however, it should be noted some of this is still subject to change as the Force continues to develop this.

2.27 Appendix B provides an overview of the current RAG status of the risks for the OPCC, alongside the register.

2.28 There are no significant national or local factors that have altered the risk status of the OPCC strategic risks.

2.29 The OPCC has assessed one area as high risk: Finance.

**Key changes to the OPCC Strategic Risk Register**

**Finance - Government reduces funding to PCCs/Police Forces which results in a reduced service ability. The need to contain expenditure within available resources and enable Northumbria Police to police effectively.**

2.30 Current factors have been updated to reflect that the police funding settlement remains for a period of one year with no further information about future years. The settlement for 2024-25 will continue to fund the uplift programme.

2.31 Likelihood remains high (4) impact high (4).

**Public confidence - Loss of public confidence in the PCC resulting from a lack of engagement and communication, leading to a failure to reflect public priorities in the Police and Crime Plan. Failure to hold the Chief Constable to account on behalf of the public for delivery of their priorities or other statutory obligations.**

2.32 An additional control has been added to the confidence risk to highlight the ongoing work within the OPCC to develop a range of External Advisory Panels that will provide external input from both partners and from those with lived experience to help shape the work of Northumbria Police in key areas of business.

2.33 Likelihood remains low (2) impact high (4)

### 3. CONSIDERATIONS

<b>Government Security Classification</b>	Official
<b>Freedom of Information</b>	Non-Exempt
<b>Consultation</b>	Yes
<b>Resources</b>	No
<i>There are no additional financial considerations arising from this report.</i>	
<b>Code of Ethics</b>	No
<i>There are no ethical implications arising from the content of this report.</i>	
<b>Equality</b>	No
<i>There are no equality implications arising from the content of this report.</i>	
<b>Legal</b>	No
<i>There are no legal considerations arising from the content of this report.</i>	
<b>Risk</b>	No
<i>There are no additional risk management implications directly arising from this report.</i>	
<b>Communication</b>	No
<b>Evaluation</b>	No

## AGENDA ITEM 8 – APPENDIX A

### Overview of the RAG status of Strategic Risk – Northumbria Police

LIKELIHOOD	Very High (5)				
	High (4)			2 Finance	
	Medium (3)		10 Regulation and Standards	1 Digital Policing 4 Information and Data Management 12 Workforce	
	Low (2)		6 Infrastructure and Assets	5 Information and Data Quality 7 Operational 8 Partnership and Collaboration 9 Public Confidence 11 Strategy	
	Very Low (1)	3 Governance			
	Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
IMPACT					



**Assessment of Risk**

Risks are rated on the basis of the likelihood of the risk materialising and the impact this would have. It is recognised rating risk is not an exact science and should be informed by evidence where possible.

Professional knowledge, judgement and active consideration are applied in assessing the likelihood and impact of a risk materialising; this is more important than the nominal rating itself.

The purpose of the rating of risk is to focus attention to ensure appropriate and proportionate mitigation plans and controls are in place.

L i k e l i h o o d	5. VERY HIGH	5	10	15	20	25
	4. HIGH	4	8	12	16	20
	3. MEDIUM	3	6	9	12	15
	2. LOW	2	4	6	8	10
	1. VERY LOW	1	2	3	4	5
		1. VERY LOW	2. LOW	3. MEDIUM	4. HIGH	5. VERY HIGH
	Impact					

The overall outcome of a risk rating assessment will identify the risk as being **very low/low (Green)**, **medium (Amber)** or **high/very high (Red)**. The residual risk rating is included on the Force Strategic Risk Register as a single overall score (identified by multiplying the impact by the likelihood rating) after controls/mitigations have been put in place.

**Key:**

**Green: Very Low/Low**

**Amber: Medium**

**Red: High/Very High**

Unlikely to occur or the risk is fully manageable. Likely to lead to no or only tolerable delay in the achievement of priorities. The Force is actively managing the risk as is practicable. The risk may lead to moderate impact on the achievement of priorities.

The Force has only limited ability to influence in the short term; however, is actively managing. The risk may lead to considerable impact on the achievement of priorities.

<b>I</b>	<b>Strategic Risk Area – Digital Policing</b>
	<b>Risk – Inability of the Force to respond effectively to service demand due to loss or failure of mission and business critical technology solutions.</b>
Owner(s)	Deputy Chief Constable
Governance & Oversight	Digital Policing Portfolio Governance Board
Context	<ul style="list-style-type: none"> <li>▪ Limitations of current digital policing systems and the impact on service delivery.</li> <li>▪ Loss of critical digital policing services.</li> <li>▪ Significant information technology (IT) transformation programme.</li> <li>▪ A malicious intent to compromise or access information or data.</li> <li>▪ Failure of national projects to deliver on time and to specification.</li> <li>▪ Compromise of security perimeter devices leading to a compromise of the Force core network and a breach of confidentiality and integrity of Force data, and subsequent impact to national systems.</li> </ul>
Current factors	<ul style="list-style-type: none"> <li>▪ New technology/new working practices being introduced.</li> <li>▪ Digital Policing Board Key Performance Indicator (KPI) set up to track and maintain oversight of both National Management Centre (NMC) alerts and patching.</li> <li>▪ New Major IT Organisational Restructure approved with 85% of vacancies filled increasing leadership, capability and capacity.</li> <li>▪ Hardware upgrade and investment in existing NPICCS solution to ensure support and maintenance is maintained.</li> <li>▪ New NPICCS hardware procured and installed across 2 sites.</li> <li>▪ Procurement complete and engagement started (January 2024) on the Records Management System replacement for NPICCS.</li> <li>▪ Both the Force and Digital Policing are working to address the delay in replacement of the People systems which is being impact assessed in terms of delay incurred and the approach to deliver.</li> <li>▪ Audit regime to test internal switches and disablement when required.</li> <li>▪ Current Wide Area Network Transition from Capita to MLL as WAN suppliers to be completed by March 2024.</li> </ul>
Potential consequence	<ul style="list-style-type: none"> <li>▪ Ineffective IT system to support business processes.</li> <li>▪ Inability to effectively communicate with partners and the public.</li> <li>▪ Loss of information from systems as a result of a cyber-attack. Removal from PSN/p network may be considered if the Force network is found to have been compromised.</li> <li>▪ Loss of confidence in systems and the organisation from users, the public and partner organisations.</li> <li>▪ Loss of people data due to out of service life and unsupported core people systems internally and externally.</li> <li>▪ Confidentiality and integrity risk to Force data and systems and potentially national policing data and systems.</li> </ul>

Summary of Controls	<ul style="list-style-type: none"><li>▪ Effective disaster recovery controls in place with appropriate management of core system recovery and associated business continuity plans.</li><li>▪ Effective Cyber Incident Response Plan (CIRP) and agreed, understood and in place.</li><li>▪ Significant investment in place to provide core IT services.</li><li>▪ Digital Strategy supported by key underlying strategies.</li><li>▪ Digital Policing senior leadership team and robust governance via the local Digital Policing Board in place.</li><li>▪ Network Team will be at full establishment by April 2024 ensuring the daily checks and patching regime on network and infrastructure devices is maintained and reported.</li><li>▪ Centralised hardware security monitoring now fully operable via the NMC provided by the National Enabling Programme.</li><li>▪ Increased the number of devices being monitored (Meraki devices) by the central monitoring by NMC.</li><li>▪ Close direct relationships with Cyber support and oversight provided by the National Cyber Security Centre (NCSC).</li><li>▪ Greater security enhancement via enhanced Firewalls and access controls and further investment in new F5 technology.</li><li>▪ Annual and ad-hoc penetration testing regime embedded.</li><li>▪ Recruitment and retention arrangements being finalised over the transition period.</li><li>▪ Recruitment to structure on target and plan to achieve required capacity and capability.</li><li>▪ Improved attraction and retention activities being undertaken.</li><li>▪ Dedicated Solution Delivery function focussed on project delivery of the transformation programme.</li><li>▪ Existing Cobol resources extended and capacity increased by 2 funded by projects during Q3 2024.</li><li>▪ Improved agile working capabilities for project delivery staff in place and effective.</li><li>▪ Implementation of Smart Contact Command and Control solutions removing the threat of loss of 999 and 101 calls due to loss of NPICCS.</li><li>▪ Automated and manual patching of key systems and operating systems completed across critical, high and medium high systems, now monitored through Digital Policing Board and Force Assurance Board.</li><li>▪ Increase in the frequency and types of backups of the people data and full system backups to minimise any loss.</li><li>▪ Periodic restores and read tests in place to ensure backup is viable.</li><li>▪ Introduction of infrastructure to refresh and improve WAN and LAN and WIFI network and improve remote access resilience.</li><li>▪ Analysis by the Cyber Incident Response Team (CIRT) of relevant systems/devices. Force work alongside the National Management Centre (NMC) Police Digital Services and the National Cyber Security Centre (NCSC).</li></ul>
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## **AGENDA ITEM 8 – APPENDIX A**

	<ul style="list-style-type: none"><li>▪ Full network topology supplied to the NMC to allow complete understanding of the potential routes an Advance Persistent Threat (APT) may take across the Force network and further enhanced monitoring.</li><li>▪ A wider assessment of security controls in place, which will include consideration of Administrative Username and Password used across the Force network.</li><li>▪ External Cyber company (Accenture) commissioned to provide National and local assessment of the security perimeters in place across Northumbria and identify gaps that need to be addressed (completed January 2024).</li></ul>	
Likelihood	3	12
Impact	4	

<b>2</b>	<b>Strategic Risk Area – Finance</b>
	<b>Risk – Reduction in funding and/or funding pressures which require changes to financial planning and/or a change to the resourcing of service delivery.</b>
<b>Owner(s)</b>	Chief Constable and Head of Finance (CFO)
<b>Governance &amp; Oversight</b>	Executive Board / Business Meeting
<b>Context</b>	<ul style="list-style-type: none"> <li>▪ A review of the funding formula used by government to distribute grant funding to police forces in England and Wales may lead to a reduction in the percentage of central government police funding allocated to Northumbria Police.</li> <li>▪ Reduction in central government funding as announced in the annual Home Office (HO) Police Funding Settlement.</li> <li>▪ The funding settlement currently provides certainty for only one financial year and carries continued long-term uncertainty over several funding strands, including Uplift and Pensions.</li> <li>▪ Continued global cost pressures and cost of living increases are not funded with the grant settlement, leading to the necessity for efficiencies.</li> <li>▪ Other public sector funding reductions may reduce services provided, leading to increased service pressure on Northumbria Police and a need to look at potential collaboration opportunities.</li> <li>▪ In-year events or changes, outside of Northumbria Police's control, may lead to unbudgeted costs that cannot be met from within the annual budget.</li> </ul>
<b>Current factors</b>	<ul style="list-style-type: none"> <li>▪ The Government has stated the review of the Police Allocation Formula (PAF) will be completed in this parliament; this however may be delayed.</li> <li>▪ In force financial implications of pension remedy, which are currently being progressed based on national guidance.</li> <li>▪ Inflationary rises and supply chain issues are creating significant cost pressures in current and future budget predictions, without any increases in funding.</li> </ul>
<b>Potential consequence</b>	<ul style="list-style-type: none"> <li>▪ A reduction to national funding, short notice changes or extraordinary increases in cost may require a change in short and medium-term force financial planning, including a need to deliver unplanned efficiencies and savings thereby impacting on service delivery.</li> <li>▪ Any in-year pressures which become a forecast overspend must be addressed through consideration of in-year efficiencies and discussions with the Police and Crime Commissioner (PCC) relating to any appropriate use of reserves to manage the in-year impact.</li> </ul>

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<b>Summary of Controls</b>	<ul style="list-style-type: none"><li>▪ Transparent ownership of financial matters between the PCC and Chief Constable.</li><li>▪ Well understood in-year financial monitoring and reporting governance.</li><li>▪ An effective Reserves Strategy to provide mitigation against known and potential future events (Operational, Emergency Services Network, Pay inflation, inflationary, Operational Systems Reserves etc.), plus reserves providing financing to planned future investments.</li><li>▪ Full consultation, engagement and lobbying alongside and independently with the Police and Crime Commissioners Treasurers' Society, NPCC Treasurers group and the HO to influence funding for Policing and the North East.</li><li>▪ Effective force wide Business Planning cycle and efficiency monitoring.</li><li>▪ An effective Workforce Plan and Force Operating Model to manage pay related spend.</li></ul>	
Likelihood	4	16
Impact	4	

<b>3</b>	<b>Strategic Risk Area – Governance</b>	
	<b>Risk – Failures originating from unclear plans, priorities, responsibilities and accountabilities and/or ineffective or disproportionate scrutiny, oversight, transparency and internal control of decision-making and/or performance.</b>	
Owner(s)	Deputy Chief Constable	
Governance & Oversight	Executive Board	
Context	<ul style="list-style-type: none"> <li>▪ Chief Constable is unable to account to the PCC for the exercise of their functions and those under their direction and control.</li> <li>▪ There is a breakdown in relationship between the Force and Office of the Police and Crime Commissioner (OPCC).</li> </ul>	
Current factors	<ul style="list-style-type: none"> <li>▪ Challenging transformation programme.</li> <li>▪ Response to external inspection and investigation activity by His Majesty's Inspectorate of Constabulary and Fire &amp; Rescue Services (HMICFRS).</li> </ul>	
Potential consequence	<ul style="list-style-type: none"> <li>▪ Inability to identify and respond to deteriorating performance resulting in policing priorities not being achieved.</li> <li>▪ A decline in quality and service delivery, leading to a reduction in satisfaction levels.</li> <li>▪ Inability to work effectively in partnership to provide services to victims and witnesses.</li> <li>▪ Slippage/failure of projects, which hamper the achievement of objectives.</li> <li>▪ Adverse external inspection reports, leading to recommendations and wider escalation.</li> <li>▪ Loss of public confidence.</li> </ul>	
Summary of Controls	<ul style="list-style-type: none"> <li>▪ Regular review of the governance and decision-making structure to ensure it provides appropriate governance arrangements, including OPCC Scrutiny Meeting to hold the police to account on behalf of the public.</li> <li>▪ A Joint Independent Audit Committee to provide advice to the PCC and Chief Constable on the principles of corporate governance.</li> <li>▪ Internal Audit of Governance by Gateshead Council.</li> <li>▪ Annual Governance Statement is prepared setting out the Force's current governance arrangements.</li> <li>▪ Wider availability of information provided to, and outcome from, governance meetings to direct and support activity in pursuit of more informed decision making and improved performance.</li> </ul>	
Likelihood Impact	1 2	2

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<b>4</b>	<b>Strategic Risk Area – Information and Data Management</b>
	<b>Risk – Challenges in adhering and complying with consistent and sustainable data management processes and standards to prevent data breaches.</b>
Owner(s)	Assistant Chief Constable (Force Coordination)
Governance & Oversight	Force Assurance Board
Context	<ul style="list-style-type: none"> <li>▪ The replacement of Force legacy systems presenting competing data management compliance elements.</li> <li>▪ The complex alignment of digital policing architecture to ensure interoperability.</li> <li>▪ Developing workforce with inadequate Information Asset Owners (IAOs) and Information Asset Lead engagement.</li> <li>▪ A recognition of the current position of the force data infrastructure is required to identify associated data use risks, compliance and ethical issues to prevent a breach of relevant legislation and/or non-compliance with statutory guidance.</li> </ul>
Current factors	<ul style="list-style-type: none"> <li>▪ Increased demand due to Digital Policing Change Programme and associated interdependencies relating to new ways of working.</li> <li>▪ Additional threat from external sources relating to cyber related adverse impact.</li> </ul>
Potential consequence	<ul style="list-style-type: none"> <li>▪ Corruption or loss of Force systems.</li> <li>▪ Loss of data and information assets.</li> <li>▪ Failure to comply with both Force policy and procedure and Management of Police Information statutory guidance.</li> <li>▪ Force policy and procedure processing, storing and handling of data not followed.</li> <li>▪ Mishandling of information through a lack of understanding of relevant legislation (Data Protection Act 2018).</li> <li>▪ Failure to comply with Information Commissioner's Office (ICO) best practice, standards and relevant codes of practice.</li> <li>▪ Litigation, legal action against the Force leading to enforcement action and monetary penalties.</li> <li>▪ Limited ability to access information and/or respond to requests for information.</li> <li>▪ Loss of confidence due to inappropriate or unlawful disclosures of personal data (internally and externally).</li> <li>▪ Compromise of operational activity and/or covert tactics.</li> <li>▪ Compromise of physical and technical security controls which would impact information assets and/or systems if vulnerability is exploited.</li> </ul>
Summary of Controls	<ul style="list-style-type: none"> <li>▪ Information Management Department (IMD) with more effective capability, including the roles of Data Protection &amp; Disclosure Adviser and Information Security &amp; Assurance Manager.</li> <li>▪ Review and regular update of Data Sharing Agreements with partners.</li> </ul>



## **AGENDA ITEM 8 – APPENDIX A**

	<ul style="list-style-type: none"><li>▪ IMD and Digital Policing collaborating effectively to formally identify, document and mitigate risk through the implementation of innovative and measurable solutions via implementation of automated processes, utilising available functionality within the 365 capability.</li><li>▪ Targeted and relevant audit and organisational learning process to identify inappropriate handling and management of information.</li><li>▪ Oversight and management through the Governance and Decision-making structure.</li><li>▪ Implementation of formal Information Asset Registers, training, awareness and ongoing monitoring and support for IAOs and Information Asset Leads.</li><li>▪ Enhanced legislative, policy/procedure compliance via review, retention and destruction (RRD) implementation around stored data, which radicalises volumes and controls access.</li><li>▪ Increased use of technical security controls and monitoring provided by the National Management Centre. Existing procedures in respect of data breaches ensure obligations placed on the organisation in such instances are met.</li><li>▪ Planned assurance schedule relating to critical systems and services.</li><li>▪ Bi-Monthly meeting with Senior Information Risk Owner to formally assess and govern risk.</li><li>▪ Force Opsy role identified and placed into IMD to improve operational security.</li></ul>	
Likelihood	3	12
Impact	4	

## **AGENDA ITEM 8 – APPENDIX A**

<b>5</b>	<b>Strategic Risk Area – Information and Data Quality</b>
	<b>Risk – 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.</b>
Owner(s)	Assistant Chief Constable (Force Coordination)
Governance & Oversight	Force Assurance Board
Context	<ul style="list-style-type: none"> <li>▪ A recognition of the Force’s ability to accurately collect and present data required to support decision making in all areas of business, whilst ensuring statutory data returns to relevant bodies are concise, accurate and timely.</li> <li>▪ The replacement of Force legacy systems presenting competing data collection processes.</li> <li>▪ The ability to assign accountability/ownership of data assets to ensure data is collected, stored and used appropriately.</li> <li>▪ The application of control measures that affect the way staff interact with data is needed to support the cultural change required to successfully deliver the new operating platforms.</li> <li>▪ The implementation of data storage, audit and access capability that is complementary across all new platforms is essential to ensure compliance, analysis and quality information readily accessible to staff to advise organisational and operational delivery.</li> </ul>
Current factors	<ul style="list-style-type: none"> <li>▪ Legacy data and systems.</li> <li>▪ Vetting our workforce at the appropriate levels defined by role requirements.</li> <li>▪ Managing the use of personal devices for official tasks.</li> <li>▪ Limiting staff and visitor access to information, assets and estate.</li> </ul>
Potential consequence	<ul style="list-style-type: none"> <li>▪ Inaccessible/inaccurate intelligence.</li> <li>▪ Up-to-date crime and intelligence data - specific data sets such as exhibits are not available to officers/staff or data is stored in various locations and formats without formal recording or RRD (Retention, Review, Deletion) processes in place. Inaccurate data leading to non-compliance with regulations, a potential negative impact upon investigations and subsequent loss of public confidence.</li> <li>▪ Reduction in force performance and delivery through poor and non-reflective data quality.</li> <li>▪ Failure to identify risk of vulnerability, officer, public safety.</li> <li>▪ Inaccurate data returns to the HO and other bodies e.g. HMICFRS.</li> <li>▪ Adverse findings from inspectorate and audit bodies e.g. HMICFRS and ICO. Poor data quality affecting operational and business decisions, meaning that critical risk factors may be missed or not fully understood e.g. vulnerability, officer safety and public safety.</li> </ul>

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Summary of Controls	<ul style="list-style-type: none"> <li>▪ Investment in IT to support ongoing DP programme which integrates data management processes and wider compliance obligations.</li> <li>▪ Migration strategy as part of the Transformation 2025 programme IT strand to ensure data quality, accuracy and compliance with GDPR.</li> <li>▪ Implementation of Data Quality reviews and Audits to support ongoing improvements relating to handling methods, accuracy, review and retention.</li> <li>▪ Quality Standards Delivery Team.</li> <li>▪ Use of the Qlik Sense Business Intelligence tool to identify compliance and data quality issues.</li> <li>▪ Engagement with the HO/National Police Chiefs' Council National Data Quality Improvement Service (NDQIS).</li> <li>▪ Implementation of holistic Information Asset Registers with accountable Owners and Leads.</li> <li>▪ Implementation of revised and enhanced processes and procedures relating to review, retention and disposal of electronic and physical assets with oversight and ongoing monitoring from the IMD.</li> <li>▪ Implementation of formal Information Asset Registers, training, awareness and ongoing monitoring and support for IAOs and Information Asset Leads.</li> <li>▪ Enhanced legislative, policy/procedure compliance via review, retention and destruction (RRD) implementation re stored data which radicalises volumes and controls access.</li> <li>▪ Enhanced external audit regime implemented that reflects the complexity and breadth of information management obligations and compliance regimes.</li> <li>▪ Revised compliance with ICO and legislative requirements (Record of Processing Activities, Data Flow Mapping etc.). Understanding and review of the Force estate to ensure it is fit for purpose and used effectively in line with operating procedures.</li> <li>▪ Compliance with Vetting Code of Practice to ensure consistent and high standards of police vetting.</li> <li>▪ Regular review of the Designated Post List against known role descriptions.</li> <li>▪ Self-service updates to allow efficient and timely changes to data.</li> <li>▪ Information Management training mandated for all staff and officers with key performance indicators reported as a standing agenda item.</li> <li>▪ Dedicated communication and awareness plan for all staff and officers which targets key risks and impacts in a timely and effective manner.</li> </ul>	
Likelihood	2	<b>8</b>
Impact	4	

## **AGENDA ITEM 8 – APPENDIX A**

<b>6</b>	<b>Strategic Risk Area – Infrastructure and Assets</b>
	<b>Risk – Failure to effectively manage assets to ensure continued effective service delivery through provision of equipment and facilities which keep the workforce capable; able to respond to the public and maintain the physical security and safety of our estate.</b>
Owner(s)	Assistant Chief Officer Corporate Services
Governance & Oversight	Strategic Resourcing Board
Context	<ul style="list-style-type: none"> <li>▪ Failure to appropriately maintain assets may result in critical failure.</li> <li>▪ Failure to comply with building regulations and legislation regarding the safety of our estate.</li> <li>▪ Force must meet future sustainability and carbon reduction targets.</li> <li>▪ Failure to ensure officers and staff have the right assets and equipment available to perform their role.</li> </ul>
Current factors	<ul style="list-style-type: none"> <li>▪ Programme of works aligned to future Force Operating Model needs to be established to meet operation, sustainability and carbon reduction requirements.</li> <li>▪ Implementation of New Ways of Working programme.</li> <li>▪ Delays and increased costs of Estates programme as a result of supply chain issues and inflationary pressures.</li> <li>▪ Delays in new supply of vehicles/availability of fleet as a result of global supply chain issues.</li> <li>▪ Physical security of buildings.</li> </ul>
Potential consequence	<ul style="list-style-type: none"> <li>▪ Injury to users of assets, detainees or the public.</li> <li>▪ Reduced availability of assets impacts on services across some or all business areas.</li> <li>▪ Litigation and civil claims.</li> <li>▪ Negative impact on the workforce and on public confidence.</li> <li>▪ Not achieving sustainability and carbon reduction targets.</li> </ul>
Summary of Controls	<ul style="list-style-type: none"> <li>▪ Understanding and review of the Force estate to ensure it is fit for purpose and used effectively. Where appropriate maximise collaboration and shared estate where there is an operational benefit.</li> <li>▪ Rationalise the estate where appropriate to align with future operating model and operating procedures.</li> <li>▪ Re-profiling of building refurbishment programme in-line with and New Ways of Working requirements and future Force Operating Model in place.</li> <li>▪ Established internal arrangements to minimise the impact of proposed estate and infrastructure changes/refreshes on the business.</li> <li>▪ Business Continuity Plans, Estate Strategies and policies and procedures in place.</li> <li>▪ Regular inspection, testing and maintenance programmes in place in respect of water hygiene, electricity and gas safety.</li> <li>▪ Fire risk assessments in place.</li> <li>▪ Asbestos management plan in place.</li> </ul>

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	<ul style="list-style-type: none"><li>▪ Health and Safety management embedded at tactical and strategic level.</li><li>▪ New Fleet Strategy implemented in-line with carbon reduction targets.</li><li>▪ New Fleet User Group to revise fleet use and force profile, including development of sustainable fleet measures.</li><li>▪ Vehicle maintenance, transportation and installation partners are vetted to ensure security and continuity of service.</li><li>▪ Internal fuel stock maintained.</li><li>▪ Asset management software and/ or recording system in place.</li><li>▪ Telematics installed in all cars providing management oversight with timely maintenance and usage data.</li><li>▪ Operational equipment requirements are managed via the Force Safety Group and reported to the Culture and Leadership Board.</li><li>▪ Estates Strategy significant investment projects are overseen by the Estates Programme Board.</li></ul>	
Likelihood	2	6
Impact	3	

<b>7</b>	<b>Strategic Risk Area – Operational</b>
	<b>Risk – Inability to implement centralised force coordination ensuring sustainable capacity and capability to meet statutory requirements under the Civil Contingencies Act (CCA) and responsibilities from the Strategic Policing Requirement.</b>
Owner(s)	Assistant Chief Constable (Force Coordination)
Governance & Oversight	Force Assurance Board
Context	<ul style="list-style-type: none"> <li>▪ A specific focus on Joint Emergency Services Interoperability Programme (JESIP) principles and preparedness planning through the Local Resilience Forum (LRF) to manage Major Incidents.</li> <li>▪ The national strategic threat and risk assessment in specialist areas of POPS, FA and MP has led to the identification of shifting threats from extremist groups and associated learning from public inquiries.</li> <li>▪ The uplift of staff and coordinated work force plan has predicted a significant gap in experience and skill base, particularly in specialist areas of investigation and public order.</li> <li>▪ A recognition of the Force's ability to effectively deal with Societal Risks; Diseases; Natural Hazards; Major Accidents; Malicious Attacks increased protest activity and to protect the public and comply with statutory requirements in these circumstances.</li> </ul>
Current factors	<ul style="list-style-type: none"> <li>▪ Current review of the CCA (Civil Contingencies Act).</li> <li>▪ Proposed wider remit of LRFs and stronger LRF pilot within the Northumbria region.</li> <li>▪ Statutory guidance for JESIP and increased training requirements.</li> <li>▪ Implementation of a new Force Operating Model, demographic and operational placement of officers and staff in Quarter 1 and 2 of 2024 to ensure, across the force, they are balanced based on demographics.</li> <li>▪ Work Force Plan.</li> <li>▪ Significant Events (for e.g. derby match and increase in protests relating to Palestine situation etc).</li> <li>▪ Manchester Arena recommendations impacting broader testing &amp; exercising.</li> <li>▪ Increased PPST training schedule.</li> <li>▪ Increased Mutual Aid requests.</li> </ul>
Potential consequence	<ul style="list-style-type: none"> <li>▪ Inability to meet core policing requirements.</li> <li>▪ Inability to respond effectively to Major Incidents.</li> <li>▪ Reduced staffing and service provision.</li> <li>▪ Inability to deliver services across some or all business areas.</li> <li>▪ Inability to project accurate resourcing to meet future demand.</li> <li>▪ Ability to meet mobilisation commitment.</li> <li>▪ Negative impact on public confidence.</li> <li>▪ Ineffective business continuity.</li> </ul>

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Summary of Controls	<ul style="list-style-type: none"> <li>▪ Robust business continuity plans in place across all area commands and departments.</li> <li>▪ Pandemic Multi-Agency Response Teams Plan with partners.</li> <li>▪ Concept of Operations developed in line with the States of Policing Matrix to support resourcing decisions in order to maintain critical functionality for the force.</li> <li>▪ Close working with National Police Coordination Centre (NPoCC) and the Regional Information and Coordination Centre to test and exercise mobilisation commitment and provide and request mutual aid as appropriate.</li> <li>▪ Mobilisation plan includes changes to NPoCC mobilisation commitment and deployments to British Overseas Territories.</li> <li>▪ Ability to implement agile ways of working and create secure estate environments.</li> <li>▪ Northumbria Police currently chairs the Northumbria LRF and work closely with partners on preparedness for civil emergencies and the testing and exercising of the multi-agency response.</li> <li>▪ Strategic and tactical JESIP delivery groups.</li> <li>▪ Internal and multi-agency Governance structure to deliver on MAI recommendations.</li> <li>▪ LRF weekly situation reporting meeting in place.</li> <li>▪ Ability to revise shift pattern to facilitate mobilisation of specialist staff, particularly in respect of TL2 assets.</li> <li>▪ Force Coordination Centre and daily pace setter meetings to align demand and resources.</li> </ul>	
Likelihood	2	<b>8</b>
Impact	4	

<b>8</b>	<b>Strategic Risk Area – Partnership &amp; Collaboration</b>
	<b>Risk – Loss or reduction in opportunities to work in partnership or collaboration and subsequent impact on service delivery.</b>  <b>Ineffective management of new and current commercial contracts leading to reduced service delivery and/or low value for money.</b>
Owner(s)	Deputy Chief Constable
Governance & Oversight	Strategic Resourcing Board
Context	<ul style="list-style-type: none"> <li>▪ Lack of scoping and user requirements at the outset of partnerships/collaboration or commercial interest.</li> <li>▪ Financial constraints on public services.</li> <li>▪ Cost of living and inflation impacting economy and changing opportunities.</li> <li>▪ Lack of integrated planning with partners to identify opportunities.</li> <li>▪ Significant reduction in services provided by key and/or statutory partners such as CPS, HMCTS, Local Authorities (LAs) and health service providers which increases demands on policing.</li> <li>▪ Failure of collaborative agreements.</li> <li>▪ Reduced commitment to Community Safety Partnerships (CSPs) and joint objective setting due to competing demands within LAs.</li> </ul>
Current factors	<ul style="list-style-type: none"> <li>▪ Reduction in safeguarding activity and preventative work, particularly relating to serious violence and anti-social behaviour.</li> <li>▪ Ability to manage commercial contracts:</li> <li>▪ Missed opportunities for further partnership collaboration with partners.</li> <li>▪ Cost of living/inflation is affecting commercial businesses and public sector.</li> <li>▪ Ability of partners to deliver services.</li> </ul>
Potential consequence	<ul style="list-style-type: none"> <li>▪ Gaps in services and support to communities.</li> <li>▪ Missed opportunities to prevent and reduce crime and disorder.</li> <li>▪ Reduced public confidence.</li> <li>▪ Reduced opportunities for more efficient and effective services.</li> <li>▪ Increased costs due to poor scoping and/or contract management.</li> <li>▪ Missed learning opportunities for partner agencies from serious case reviews.</li> <li>▪ Police resource used to fill gaps created by non-delivery of partnership services, depleting capacity to provide policing services.</li> </ul>
Summary of Controls	<ul style="list-style-type: none"> <li>▪ Improving partnership governance arrangements and joint partnership plans through CSPs and wider multi-agency arrangements.</li> <li>▪ Force wide business planning cycle and delivery of local business plans informed by partnership data and engagement.</li> </ul>



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	<ul style="list-style-type: none"><li>▪ Strategic Design Authority and Transformation Programme to improve scope and user requirements of procured services with clear benefits tracking via the Strategic Resourcing Board</li><li>▪ Improving understanding of demand and external influences of demand enabling effective management of response.</li><li>▪ Business continuity plans between relevant partners.</li><li>▪ Access to local and/or national support programmes.</li><li>▪ Ongoing management of commercial contracts.</li><li>▪ Joint work between agencies e.g. Newcastle Safeguarding Children's and Adults Boards and Safer Newcastle to produce a Serious Violence and Criminal Exploitation Strategy.</li><li>▪ Ability to introduce and maintain joint Criminal Justice Impact and Recovery working exercises when required, utilising resources across disciplines to meet demand.</li><li>▪ Increased early interventions and out of court disposals in place for young people.</li></ul>	
Likelihood Impact	2 4	8

<b>9</b>	<b>Strategic Risk Area – Public Confidence</b>
	<b>Risk – The loss of public confidence in Northumbria Police due to the behaviour, conduct, actions or inaction of Northumbria Police as an organisation or individuals representing the Force.</b>
Owner(s)	Deputy Chief Constable
Governance & Oversight	Confidence and Satisfaction Board
Context	<ul style="list-style-type: none"> <li>▪ Force or an associated individual acts in an inappropriate, discriminatory way or demonstrates corrupt behaviour.</li> <li>▪ Death or serious injury following police contact or other adverse or critical incident, as a result of police action or omission.</li> <li>▪ Misuse or deliberate disclosure of sensitive data or information.</li> <li>▪ Public perceptions of police ineffectiveness in relation to offences disproportionately impacting on specific communities or those with protected characteristics.</li> <li>▪ Reduced legitimacy due to poor engagement.</li> <li>▪ Publication of recent reports, including Dame Louise Casey review of Metropolitan Police, Operation Hotten and the findings following the murder of Sarah Everard.</li> </ul>
Current factors	<ul style="list-style-type: none"> <li>▪ Abuse of authority for financial or sexual purpose, fraud or theft.</li> <li>▪ Awareness of risk within workforce (Abuse of Authority for a Sexual Purpose (AA4SP), misogyny, discrimination) and increase in associated misconduct cases.</li> <li>▪ Current operating context and legitimacy in use of police powers.</li> <li>▪ Disproportionality in use of powers.</li> <li>▪ Identification and response to organisational learning opportunities.</li> <li>▪ Public perception that ineffective response to Violence Against Women and Girls (VAWG), hate crime and victimisation of Black, Asian and minority ethnic communities is influenced by cultural issues misogyny/institutional racism.</li> </ul>
Potential consequence	<ul style="list-style-type: none"> <li>▪ Abuse of authority for financial or sexual purpose, fraud or theft.</li> <li>▪ Increased civil unrest.</li> <li>▪ Perception of disparity damaging confidence of minority groups.</li> <li>▪ Litigation, legal action against the Force.</li> <li>▪ Reduced public confidence.</li> </ul>

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Summary of Controls	<ul style="list-style-type: none"><li>▪ Effective governance arrangements.</li><li>▪ Independent advisory groups and Scrutiny Panels for use of powers.</li><li>▪ Force Engagement Strategy and systems.</li><li>▪ Force wide internal communications to increase awareness of behaviour and standards.</li><li>▪ Completion of Equality Impact and Community Tension Assessments.</li><li>▪ Force VAWG Strategy, Race Action Plan and Hate Crime Delivery Plan.</li><li>▪ Dedicated Counter Corruption Unit with appropriate capacity and capability to deliver a full range of covert tactics.</li><li>▪ Internal threat awareness through Professional Standards Department risk matrix and abuse of authority problem profile.</li><li>▪ Vetting procedures in-line with APP on Vetting.</li><li>▪ Identification and review of organisational learning, with oversight by the force Organisational Learning Board.</li><li>▪ Force wide training for all staff.</li><li>▪ Continuous Performance &amp; Development Review of staff via performance management frameworks.</li><li>▪ Annual Integrity Health Check completed with the workforce.</li><li>▪ Focus on diversity in recruitment, attraction, selection and retention.</li></ul>	
Likelihood Impact	2 4	8

<b>10</b>	<b>Strategic Risk Area – Regulation &amp; Standards</b>	
	<b>Risk – Northumbria Police and/or its staff, fail to operate within the regulatory framework defined by law or by force policy. In doing so, creating risks which may result in harm to individuals, groups or organisations.</b>	
Owner(s)	Deputy Chief Constable	
Governance & Oversight	Force Assurance Board	
Context	<ul style="list-style-type: none"> <li>▪ Litigation, legal action and/or prosecution of the Force and/or individuals by former officers or staff members.</li> <li>▪ Failure to comply with regulatory frameworks.</li> </ul>	
Current factors	<ul style="list-style-type: none"> <li>▪ Increased scrutiny and challenge on police powers and super complaints.</li> <li>▪ Significant events impacting on public confidence over last 12 months.</li> <li>▪ Change in legislation in relation to protest may result in legal challenge.</li> <li>▪ Increase awareness and reporting of AA4SP could result in legal action against force for failure to prevent.</li> </ul>	
Potential consequence	<ul style="list-style-type: none"> <li>▪ Litigation, legal action and/or prosecution of the Force and/or individual staff.</li> <li>▪ Associated costs of dealing with litigation.</li> <li>▪ Negative impact on the workforce and public confidence.</li> <li>▪ Failure to achieve/maintain relevant ISO/IEC accreditation in line with relevant codes of practice.</li> <li>▪ Failure to comply with relevant Health and Safety regulations.</li> </ul>	
Summary of Controls	<ul style="list-style-type: none"> <li>▪ Central review of all civil claims, with adverse trends and lessons learnt reported and learning shared through Force Assurance Board.</li> <li>▪ Audit arrangements and Quality Management System.</li> <li>▪ ISO governance meeting.</li> <li>▪ Health and Safety Management System and provision of health and safety advice.</li> <li>▪ Investigations and review of health and safety incidents, with lessons learnt reported.</li> <li>▪ Introduction of scrutiny panel for use of police powers.</li> <li>▪ Force policy on mandatory use of Body Worn Video at key incidents/events.</li> <li>▪ External Scrutiny panel for use of police powers (Use of Force/Stop &amp; Search).</li> <li>▪ Force approach to identify and reduce AA4SP.</li> <li>▪ Introduction of a substantive Independent Scrutiny and Oversight Board in 2024.</li> </ul>	
Likelihood Impact	3 3	<b>9</b>

<b>II</b>	<b>Strategic Risk Area – Strategy</b>
	<b>Risk – Northumbria Police fails to deliver its strategic objectives and those of the Police and Crime Plan, due to ineffective business planning, including effective management of performance, risk, demand, transformation, workforce and finance.</b>
Owner(s)	Chief Constable
Governance & Oversight	Executive Board
Context	<ul style="list-style-type: none"> <li>▪ Failure to deliver the Force Strategic Priorities.</li> <li>▪ Failure to deliver against objectives set out in the Police and Crime Plan.</li> <li>▪ Failure to achieve the business benefits from the Transformation Programme.</li> <li>▪ Compliance and standards not meeting acceptable levels impacting on victim services and public confidence.</li> <li>▪ Failure to meet areas for improvement highlighted by external bodies.</li> </ul>
Current factors	<ul style="list-style-type: none"> <li>▪ COVID recovery impacting on Newcastle Crown Court backlog.</li> <li>▪ Increased demand as the force implements the Transformation Programme.</li> <li>▪ Development of operating model able to support future demand.</li> </ul>
Potential consequence	<ul style="list-style-type: none"> <li>▪ Deteriorating performance resulting in policing priorities not being achieved.</li> <li>▪ A decline in quality and service delivery, leading to a reduction in satisfaction and confidence.</li> <li>▪ Adverse external inspection reports, leading to recommendations and wider escalation.</li> <li>▪ Reduction in services provided to victims and witnesses as a result of ineffective partnership working with other criminal justice agencies.</li> <li>▪ Delays to criminal justice outcomes.</li> <li>▪ Slippage/failure of projects, which hamper the achievement of objectives.</li> </ul>
Summary of Controls	<ul style="list-style-type: none"> <li>▪ Annual preparation of Force Management Statement.</li> <li>▪ Force Operating Model reviewed and implementation of new model ongoing.</li> <li>▪ Business planning cycle and delivery of local business plans.</li> <li>▪ Force wide Performance Management Framework.</li> <li>▪ Oversight and management of performance using the Governance and Decision-making structure.</li> <li>▪ Transformation 2025 Programme.</li> </ul>

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	<ul style="list-style-type: none"><li>▪ Local Criminal Justice Board (LCJB) Plan and supporting governance structures.</li><li>▪ Effective relationships and communication with partners locally enabling response to national issues (e.g. LCJB Strategic Recovery Group).</li><li>▪ Victim service review to improve service delivery to victims of crime and investigative standards.</li><li>▪ Implementation of a Northumbria Police Victim and Witness Service.</li><li>▪ Development and implementation of financial and efficiency planning focused on delivery of Force strategic priorities.</li><li>▪ Realisation of benefits linked to delivery of the transformation programme.</li><li>▪ Force Operating Model reviewed and implementation of new model ongoing.</li></ul>	
Likelihood	2	8
Impact	4	

<b>12</b>	<b>Strategic Risk Area – Workforce</b>
	<p><b>Risk – Standards, conduct and behaviours of the workforce are not in-line with Northumbria Police values and the Code of Ethics.</b></p> <p><b>Inability to maintain an effective workforce profile through a reduction in attraction, recruitment and retention.</b></p>
Owner(s)	Assistant Chief Officer Corporate Services
Governance & Oversight	Corporate Services Portfolio Governance Board
Context	<p>To attract, retain and develop a high performing and engaged workforce we must ensure:</p> <ul style="list-style-type: none"> <li>• A strong and relevant employer brand focussed on improvement, which is realistic and reflective of our internal culture.</li> <li>• An environment which promotes and displays positive behaviours at all levels, led and exemplified by Chief Officers, with a clear focus on value and engagement.</li> <li>• Our people feel confident to challenge and call out adverse behaviours at every level.</li> <li>• A collective focus on wellbeing and a commitment to maintaining workloads manageable.</li> <li>• A holistic resourcing strategy through which operating models and roles offer clarity and have a long-term vision to support attraction, retention, and development.</li> <li>• A modernised total rewards package, reflective of the needs of a diverse workforce.</li> <li>• The development of clear supply pipelines to grow capability internally, providing progression opportunities, nurturing talent, and governing this activity through the resourcing strategy.</li> <li>• Efficient recruitment and vetting processes to match hiring pace and to ensure the right assessment and quality assurance of candidates is in place to meet and exceed standards.</li> <li>• The development and promotion of sustainable growth in future capabilities, by effectively understanding our future skills requirements.</li> </ul>
Current factors	<ul style="list-style-type: none"> <li>• Limited understanding of current and future operating models results in lack of clarity of resourcing and skills requirements.</li> <li>• Poor understanding of people performance, insufficient use of the P&amp;DR system and lack of buy-in from local management leads to ineffective resource utilisation, low morale and missed opportunities to maximise talent and innovation.</li> <li>• Societal challenges and adverse press coverage across policing continues to impact on attraction.</li> </ul>

## **AGENDA ITEM 8 – APPENDIX A**

	<ul style="list-style-type: none"> <li>• Current job market means candidates have increased choice and higher expectations in relation to salary and opportunities for development.</li> <li>• Challenges to meet wider diversity ambition prevail despite increased local diversity as applicant pools remain limited.</li> <li>• Challenges in the attraction of specialist resources through internal supply routes.</li> <li>• Moderate though noticeable increase in attrition, particularly during first few years of service.</li> <li>• Skills shortages persist in select specialist and technical roles due to marked differences in remuneration when compared to private sector.</li> <li>• The attraction and retention of volunteers continues to be negatively impacted by a nationally depleting market.</li> </ul>
Potential consequence	<ul style="list-style-type: none"> <li>• Failure to secure a diverse and engaged workforce, directly impacting productivity.</li> <li>• Reduction in performance and negative impact on quality of service.</li> <li>• Failure to deliver services in technical and specialist areas impacting on public trust and confidence.</li> <li>• Impact on investigative standards and quality due to insufficient investigative resources to meet demand.</li> <li>• Lack of representation of the communities we serve, impacting negatively in trust and confidence.</li> <li>• Limited ability to deliver or delays in the delivery of transformation programmes due to insufficient specialist and/or technical skills.</li> </ul>
Summary of Controls	<ul style="list-style-type: none"> <li>• Continuous engagement with Chief Officer and business leads to ensure clarity of operating models, with oversight through the force governance framework, specifically Strategic Design Authority and Strategic Resourcing Board.</li> <li>• A People, Culture and Wellbeing Strategy underpinned by specific people pillars provides direction and clarity to create suitable environments to drive performance improvement and support attraction, recruitment and development of our people.</li> <li>• A Resourcing Strategy to implement a holistic approach to resourcing and enable each business area to address design, demand, capacity, capability and supply for all resources needed.</li> <li>• A Strategic Workforce Plan to address resourcing needs at three distinct levels: day to day resource requirements, succession capacity and capability planning to address foreseen gaps and a longer-term vision setting out the resourcing needs and priorities of the Force across next five years.</li> <li>• Pay offer and job evaluation have been modernised, bringing salaries within the median for public sector to improve attraction and retention.</li> <li>• In addition to the new salary model, bespoke support and significant investment has been made to increase pay competitiveness across</li> </ul>



## **AGENDA ITEM 8 – APPENDIX A**

	<p>technical roles, securing critical technical skills and supporting force transformation.</p> <ul style="list-style-type: none"><li>• Focus on reward through a benefits plan and implementation of the reward panel to provide consistency, fairness and scrutiny to the allocation of market supplements, retention payments and other monetary related benefits.</li><li>• The NPCC Diversity, Equality &amp; Inclusion Strategy is incorporated into the People, Culture and Wellbeing Strategy with a delivery plan aligned to national workstreams as well as a bespoke positive action plan to support meeting diversity and volunteering ambition.</li><li>• Use of agency / organisations to provide burst capability for technical skills.</li><li>• Development of a bespoke framework to address workforce retention and attrition as well as implementation of the national leavers framework to act on exit and retention intelligence.</li><li>• A comprehensive investigative capability and resilience plan is in place with governance provided by the Investigative Capability Gold Group and Strategic Resourcing Board.</li><li>• A focussed Operational Resourcing Meeting is in place to monitor, coordinate and agree operational resourcing solutions at tactical level. This provides a platform for early consultation on change to operating models and early understanding of capacity and capability impact.</li></ul>	
Likelihood	3	12
Impact	4	

**AGENDA ITEM 8 – APPENDIX B**  
**Overview of the RAG status of Strategic Risk – OPCC**

LIKELIHOOD	Very High (5)				
	High (4)			(OPCC) Finance	
	Medium (3)				
	Low (2)			(OPCC) Partnership and Collaboration  (OPCC) Public Confidence	
	Very Low (1)	(OPCC) Governance			
	Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
IMPACT					

## **AGENDA ITEM 8 – APPENDIX B**

**OPCC has identified risks in four thematic risk areas: Finance; Governance; Partnership and Collaboration; and Public Confidence**

<b>OPCC</b>	<b>Strategic Risk – Finance (OPCC)</b>  <b>Government reduces funding to PCCs/Police Forces which results in a reduced service ability. The need to contain expenditure within available resources and enable Northumbria Police to police effectively.</b>
Owner(s)	Chief Finance Officer – OPCC
Governance and Oversight	Joint Business Meeting/OPCC Business Meeting
Context	<ul style="list-style-type: none"> <li>▪ The review of the funding formula used by government to distribute grant funding to police forces in England and Wales may lead to a reduction in the percentage of central government police funding allocated to Northumbria.</li> <li>▪ The PCC has a robust, balanced Medium-Term Financial Strategy (MTFS) that meets the medium-term financial plans of the Chief Constable and facilitates delivery against the Police and Crime Plan.</li> <li>▪ The balanced nature is predicated by the risk of Home Office funding being guaranteed for one year only which requires an annual review of the MTFS and potential reprioritisation of spending plans.</li> <li>▪ Affordability may also be affected by continued global cost pressures and cost of living increases that are not funded within the grant settlement; or changes in national interest rates driving up the cost of borrowing, leading to the necessity for efficiencies or reductions in services.</li> <li>▪ Reserves policy is crucial to medium-term sustainability.</li> <li>▪ In-year financial monitoring must be robust.</li> </ul>
Current factors	<ul style="list-style-type: none"> <li>▪ Provisional settlement 2024/25 remains one-year only.</li> <li>▪ There is short term certainty of the level of Precept flexibility for a further one year period.</li> <li>▪ Settlement 2024/25 has continued funding to support the Uplift programme.</li> <li>▪ At this time, the level of national funding and the robust controls detailed below mitigate in the short term the consequence.</li> <li>▪ In the medium-term extraordinary international events and national inflationary rises lead to significant increases in cost without any increase in funding.</li> </ul>
Potential consequence	<ul style="list-style-type: none"> <li>▪ Short notice change to national funding may require a change in short and medium-term force financial planning, including a need to deliver unplanned savings thereby impacting on service delivery.</li> <li>▪ Any in-year or longer-term pressures or extraordinary events which become a forecast overspend must be addressed through consideration of in-year savings and efficiencies, potential use of relevant reserves and discussion with the CC.</li> </ul>

**AGENDA ITEM 8 – APPENDIX B**

Summary of Controls	<ul style="list-style-type: none"> <li>▪ Strategic engagement in respect of any proposed review of the funding formula.</li> <li>▪ Transparent ownership of financial matters between the PCC and CC.</li> <li>▪ Comprehensive approach using Priority Based Budgeting to identify areas of efficiency and investment, and an annual budget setting process.</li> <li>▪ Well understood in-year financial monitoring and reporting governance.</li> <li>▪ Medium and long term financial planning.</li> <li>▪ Regular oversight of revenue and capital budget.</li> <li>▪ Maintain adequate risk assessed reserves.</li> <li>▪ Ongoing consultation, engagement and lobbying alongside and independently with the Police and Crime Commissioners Treasurers Society, NPCC Treasurers Group and the Home Office to influence funding for policing in the North East.</li> <li>▪ Audit Committee/Internal Audit/Treasury Management strategy in place and outcomes reviewed by PCC.</li> <li>▪ HMICFRS inspection regime.</li> </ul>	
Likelihood Impact	4 4	<b>16</b>

## AGENDA ITEM 8 – APPENDIX B

<b>OPCC</b>	<b>Strategic Risk – Governance (OPCC )</b>  <b>Existing arrangements for the PCC to carry out robust scrutiny and hold the Chief Constable to account for efficient and effective delivery of the Police and Crime Plan are ineffective or inconsistent.</b>	
Owner(s)	Chief of Staff and Monitoring Officer	
Governance and Oversight	Joint Business Meeting/ Annual Scrutiny Programme/CC/PCC Governance Meeting/ JIAC/Police and Crime Panel/PCC/CC 1:1 Meeting	
Context	<ul style="list-style-type: none"> <li>▪ Ineffective governance, scrutiny, oversight of services and outcomes delivered and lack of reaction to organisational learning by Northumbria Police.</li> <li>▪ Need to target resources and priorities towards changing performance/landscapes or community needs.</li> <li>▪ Chief Constable setting high performance standards and appropriate culture and values is crucial to meaningful scrutiny.</li> <li>▪ Trust in the transparency of Northumbria Police.</li> <li>▪ Effective governance includes effective oversight of complaints against Northumbria Police.</li> <li>▪ Effective systems and controls to manage risk are needed to support the delivery of service.</li> <li>▪ A strong relationship between the Office of the Police and Crime Commissioner and Force which is resilient to external factors.</li> </ul>	
Current factors	<ul style="list-style-type: none"> <li>▪ Implementation of national PCC Review – PCCs remit in fire, criminal justice and management of offenders along with a review of the Policing Protocol.</li> <li>▪ Government levelling up agenda - expanded devolution deals.</li> <li>▪ May 2024 election.</li> </ul>	
Potential consequence	<ul style="list-style-type: none"> <li>▪ Loss of public confidence.</li> <li>▪ Reputational risk.</li> <li>▪ A decline in quality and service delivery, leading to a reduction in public satisfaction with policing.</li> <li>▪ Deteriorating performance resulting in policing priorities not being achieved.</li> <li>▪ Poor relationship with Northumbria Police.</li> <li>▪ Government intervention.</li> <li>▪ Challenge by the Police and Crime Panel.</li> <li>▪ Adverse external inspection reports, leading to recommendations and potential escalation.</li> </ul>	
Summary of Controls	<ul style="list-style-type: none"> <li>▪ Police and Crime Plan (regularly reviewed).</li> <li>▪ Joint Business Meeting.</li> <li>▪ Annual Scrutiny Programme.</li> <li>▪ Provision of the complaints statutory review process.</li> <li>▪ Public and partnership engagement and feedback.</li> <li>▪ PCC and Chief Constable 1:1s.</li> <li>▪ Police and Crime Panel scrutiny.</li> <li>▪ Scrutinising force response to HMICFRS inspection findings.</li> <li>▪ Audit Committee, audit, annual governance statement, Internal Audit.</li> </ul>	
Likelihood Impact	1 2	2

## AGENDA ITEM 8 – APPENDIX B

<b>OPCC</b>	<b>Strategic Risk – Partnership &amp; Collaboration (OPCC )</b>  <b>Reduction in or withdrawal of partnership working for the OPCC leading to a failure to identify, develop and retain collaborative arrangements that support communities with sustainable multi agency responses.</b>	
Owner(s)	Chief of Staff and Monitoring Officer	
Governance and Oversight	Joint Business Meeting/VRU Strategic Board/Local Criminal Justice Board	
Context	<ul style="list-style-type: none"> <li>▪ Challenging budget and service pressures within partner organisations both in public and voluntary sector can lead to silo working.</li> <li>▪ Potential for national issues and crisis to affect collaborative working.</li> <li>▪ Requirement to retain engagement of the public as a partner.</li> <li>▪ Ensuring external factors do not alter relationships preventing joint working.</li> <li>▪ Clear outcomes not being identified and reported can risk sustainability and ongoing partner engagement.</li> <li>▪ Uncertainty of long-term sustained resourcing to deliver current public health approach collaboration - Violence Reduction Unit and other joint projects including Victims Service Provision. 3 yr funding confirmed.</li> </ul>	
Current factors	<ul style="list-style-type: none"> <li>▪ Current economic crisis and funding pressures on partners.</li> <li>▪ PCC Review Government ambition to strengthen and expand the role of PCCs and maximise potential for wider efficiencies.</li> <li>▪ Recovery and new ways of working in the Local Criminal Justice System.</li> <li>▪ Stream of external funding opportunities and complex bidding process</li> </ul>	
Potential consequence	<ul style="list-style-type: none"> <li>▪ Reduced public confidence.</li> <li>▪ Reduced opportunities for more efficient and effective services.</li> <li>▪ Bidding system demands on resources can lead to missed opportunities to access funding streams that contribute to reducing crime/reoffending and ASB in the Northumbria Area.</li> <li>▪ Missed opportunities to prevent and reduce crime and disorder and maintain an efficient and effective Criminal Justice System.</li> <li>▪ Increased costs due to poor partnership and commissioned service management.</li> </ul>	
Summary of Controls	<ul style="list-style-type: none"> <li>▪ Effective partnership/commissioning governance arrangements that identify and report outcomes and progress.</li> <li>▪ Comprehensive public engagement and communication strategies to inform multi agency responses and effective scrutiny.</li> <li>▪ Scrutiny of effectiveness of Force collaborative activity.</li> <li>▪ Focus on accessing funds for collaborative working and lobbying government for sustained funding streams.</li> <li>▪ VRU Strategic Board and Response Strategy.</li> <li>▪ PCC chairs Local Criminal Justice Board delivering the LCJB Business Plan.</li> <li>▪ Collaboration and engagement with other PCCs, nationally and regionally.</li> <li>▪ Comprehensive engagement and monitoring of commissioned services.</li> <li>▪ Regular 'sector' engagement meetings with potential and current partners.</li> </ul>	
Likelihood Impact	2 4	<b>8</b>

<b>OPCC</b>	<b>Strategic Risk – Public Confidence (OPCC)</b>  <b>Loss of public confidence in the PCC resulting from a lack of engagement and communication, leading to a failure to reflect public priorities in the Police and Crime Plan. Failure to hold the Chief Constable to account on behalf of the public for delivery of their priorities or other statutory obligations.</b>	
Owner(s)	Chief of Staff and Monitoring Officer and Director of Planning and Delivery	
Governance and Oversight	Joint Business Meeting/Annual Scrutiny Programme	
Context	<ul style="list-style-type: none"> <li>▪ A robust communications plan is needed to demonstrate effective and visible accountability of the Chief Constable to the PCC.</li> <li>▪ Delivery of the PCCs manifesto commitments on which she was elected with the continual need to understand and react to changing communities or priorities and reflect this in the Police and Crime Plan.</li> <li>▪ Engagement with communities to identify and respond to trends identified through the complaints process and external communication to reflect organisational learning.</li> <li>▪ OPCC business must ensure compliance with legal, information management legislation, transparency guidance and the public sector equality duty.</li> <li>▪ Continue to reassure communities through robust scrutiny of Northumbria Police and engagement with partners and communities.</li> </ul>	
Current factors	<ul style="list-style-type: none"> <li>▪ Role of social media in shaping public perceptions.</li> <li>▪ Changes to law to allow the public to report crimes via social media.</li> <li>▪ National action by Legally Qualified Misconduct Hearing Chairs may delay the police misconduct process.</li> <li>▪ Review of the Police dismissals process.</li> </ul>	
Potential consequence	<ul style="list-style-type: none"> <li>▪ Reputational damage.</li> <li>▪ Police and Crime Plan and actual delivery not aligned to public concerns and priorities.</li> <li>▪ Loss of trust/confidence in the PCC as a result of crime perceptions.</li> <li>▪ Poor service delivery damages public confidence.</li> <li>▪ Relationship with force and partners.</li> <li>▪ Government penalties due to poor assessment results.</li> </ul>	
Summary of Controls	<ul style="list-style-type: none"> <li>▪ Police and Crime Plan (annually updated to reflect emerging priorities).</li> <li>▪ Annual Scrutiny Programme and quarterly OPCC service confidence in policing report from the PCC to the Chief Constable.</li> <li>▪ Police and Crime Panel Scrutiny.</li> <li>▪ Reporting back to the public crime data and on their concerns and progress towards the Police and Crime plan.</li> <li>▪ External evaluations including impact of the VRU.</li> <li>▪ Rolling programme of PCC engagement across demographics and issue based topics.</li> <li>▪ Annual Report.</li> <li>▪ Governance Framework.</li> <li>▪ Annual Assurance Statement/Audit Committee.</li> <li>▪ Internal Audit.</li> <li>▪ OPCC website and social media.</li> <li>▪ Data Protection Officer.</li> <li>▪ Complaints review process.</li> <li>▪ Service level agreement with Northumbria Police.</li> <li>▪ External Advisory Panel Framework.</li> </ul>	
Likelihood	2	<b>8</b>
Impact	4	

**AGENDA ITEM 8 – APPENDIX B**



<b>JOINT INDEPENDENT AUDIT COMMITTEE</b>	<b>26 FEBRUARY 2024</b>
<b>TREASURY MANAGEMENT POLICY STATEMENT &amp; TREASURY STRATEGY 2024/25 TO 2027/28</b>	
<b>REPORT OF: THE JOINT CHIEF FINANCE OFFICER</b>	

## **I. PURPOSE**

- 1.1 To review and recommend the adoption by the Commissioner of the attached four year Treasury Policy Statement and Strategy 2024/25 to 2027/28.

## **2. RECOMMENDATION**

- 2.1 To recommend the adoption by the Commissioner of the attached four year Treasury Policy Statement and Strategy 2024/25 to 2027/28.

## **3. BACKGROUND**

- 3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has produced the Code of Practice on Treasury Management in the Public Services (the Code) which represents best practice in Treasury Management. By adopting the attached Treasury Policy Statement and Strategy for 2024/25 to 2027/28 the Commissioner contributes towards achieving best practice.
- 3.2 Part I of the Local Government Act 2003 specifies the powers of local authorities to borrow for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs. For the purpose of the Local Government Act 2003 Police and Crime Commissioners are classified as local authorities. The CIPFA Prudential Code for Capital Finance in Local Authorities sets out a range of prudential and treasury indicators that must be calculated to ensure borrowing is affordable, prudent, and sustainable. The Prudential Code also refers to the need for a clear and integrated Treasury Strategy.
- 3.3 In addition, under Section 15 of the Local Government Act 2003, local authorities are required to have regard to the DLUHC's Guidance on Local Government Investments. This document stipulates the requirement for an annual investment strategy to be integrated into the Commissioner's Treasury Strategy.

## **TREASURY POLICY AND TREASURY STRATEGY**

- 3.4 The Treasury Policy 2024/25 to 2027/28 is set out in Appendix I and details the overarching approach to the provision of Treasury Management which includes the Treasury Strategy, Investment Strategy, and appropriate delegations.
- 3.5 The Treasury Strategy for 2024/25 to 2027/28 covers the specific activities proposed for the next four years in relation to both borrowing and investments and ensures a wide range of advice is taken to maintain and preserve all principal sums, whilst obtaining a reasonable rate of return, and that the most appropriate borrowing is undertaken. The primary objective of the investment strategy is to maintain the security of investments at all times. The Strategy is attached at Appendix 2 to this report.
- 3.6 The Treasury Strategy complies with the requirements of the Code, the Prudential Code for Capital Finance in Local Authorities and Part I of the Local Government Act 2003.

- 3.7 The Department of Levelling Up, Housing and Communities (DLUHC) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments are essentially the purchase of income yielding assets. The Commissioner has no non-financial investments.
- 3.8 In addition, there are further Appendices 3 to 7, which set out the current interest rate forecasts, Prudential Treasury Indicators, Specified Investments, Maximum Maturity Periods, and details of foreign countries that could be invested with, all of which underpin the core approach detailed in the Strategy.

### **FURTHER INFORMATION**

- 3.9 The following documents have been used in preparation of the report:
- Local Government Act 2003.
  - DLUHC Guidance on Local Government Investments.
  - CIPFA’s Prudential Code for Capital Finance in Local Authorities 2021.
  - CIPFA’s Code of Practice on Treasury Management in the Public Services 2021.
  - The approved Treasury Management Practice Statements as used for day to day management purposes.
  - Link Group Treasury Management Strategy template 2024/25.

### **4. CONSIDERATIONS**

<b>Government Security Classification</b>	Official
<b>Freedom of Information</b>	NON-EXEMPT
<b>Consultation</b>	Yes
Consultation has taken place with external treasury advisers Link Group.	
<b>Resource</b>	Yes
There are no financial implications directly arising from the contents of this report. Any income and expenditure within the scope of the report is already included in the agreed revenue budget.	
<b>Equality</b>	No
<b>Legal</b>	No
<b>Risk</b>	Yes
The Treasury Policy and Strategy recommended for approval have been prepared with the aim of maintaining the security and liquidity of investments to ensure that the Commissioner’s principal sums are safeguarded. Maximising income is considered secondary to this main aim.	
<b>Communication</b>	No
<b>Evaluation</b>	No

**Appendix I****Treasury Policy 2024/25 to 2027/28****I. Introduction**

- I.1 The Commissioner has adopted the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code) and maintains:
- A Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of our treasury management activities.
  - Suitable Treasury Management Practices (TMPs), setting out the manner in which the policies and objectives are carried out, and prescribing how the activities will be managed and controlled.
- I.2 CIPFA defines Treasury Management as:
- 'The management of the organisation's borrowing, investments and cash flows, including 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.'*
- I.3 On 20 December 2021 CIPFA issued revised Prudential and Treasury Management Codes (2021 Editions). CIPFA has stated that after a soft introduction of the Codes for 2022/23, Local Authorities are expected to fully implement the required reporting changes within their TMSS/AIS reports from 2024/25.
- I.4 The main objective of the 2021 Code changes (and the previous 2017 Codes) was to respond to the major expansion of local authority investment activity over recent years into commercial activity and the purchase of non-financial investments, particularly property.
- I.5 The Police and Crime Commissioner for Northumbria has not engaged in any commercial investments and has no non-treasury investments.
- I.6 The Commissioner's Treasury Policy Statement and Strategy 2024/25 to 2027/28 is fully compliant with the new 2021 Code editions.
- I.7 The CIPFA Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report. The Capital Strategy will be approved by the Police and Crime Commissioner as part of the Medium Term Financial Strategy (MTFS) 2024/25 to 2027/28 approval process, and will include the approval of final prudential indicators set for 2024/25.
- I.8 The Police and Crime Commissioner for Northumbria has delegated responsibility to the Chief Finance Officer (CFO) for the treasury management function and the undertaking of investment and borrowing on behalf of the Commissioner, ensuring that all activities are in compliance with the CIPFA Code of Practice for Treasury Management in the Public Services.

**2. Treasury Strategy**

- 2.1 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 the risk implications for the Commissioner.

- 2.2 The Treasury Strategy encompasses the requirements of CIPFA's Treasury Management Code of Practice, CIPFA's Prudential Code and the DLUHC's Guidance on Local Government Investments. This document stipulates the requirement for an annual investment strategy to be integrated into the Commissioner's Treasury Strategy Statement.
- 2.3 The Treasury Strategy covers the following:
- a) Treasury limits in force which will limit the treasury risk and activities of the Commissioner, including prudential and treasury indicators.
  - b) Prospects for interest rates.
  - c) The borrowing strategy.
  - d) Debt rescheduling.
  - e) Policy on borrowing in advance of need.
  - f) Management of interest rate exposure.
  - g) The investment strategy.
  - h) Creditworthiness policy.
  - i) The policy on the use of external service providers.
- 2.4 The strategy for 2024/25 to 2027/28 is attached at Appendix 2.

### **3. Prudential and Treasury Indicators**

- 3.1 Under Part I of the Local Government Act 2003 the Commissioner may borrow money:
- a) For any purpose relevant to its functions under any enactment; or
  - b) For the purposes of the prudent management of its financial affairs.
- 3.2 Under the requirements of the Prudential Code and Code of Practice on Treasury Management in the Public Services the following indicators have been adopted for 2024/25:
- Compliance with the Code of Practice on Treasury Management in the Public Services.
  - Calculations of:
    - Authorised limit.
    - Operational boundary.
    - Actual external debt.
    - Maturity structure of borrowing.
    - Upper limits for principal sums invested for periods of over 365 days.
    - Gross debt and Capital Financing Requirement (CFR).
    - Debt liability benchmark.
- 3.3 The draft prudential indicators are attached to the Treasury Strategy at Appendix 4. These indicators will be finalised and approved by the Commissioner by 31 March 2022 as part of the Medium Term Financial Strategy (MTFS) 2024/25 to 2027/28 and Capital Strategy approval process.
- 3.4 Regulations came into effect from March 2008 with regard to preparing an Annual MRP Statement. MRP is the amount that needs to be set aside to reflect the depreciation of capital

assets. There are no proposed changes to the method used to calculate MRP and the Annual MRP statement for 2024/25 is included in appendix 4.

#### **4. Annual Investment Strategy**

- 4.1 Part I of the Local Government Act 2003 relaxed the investment constraints for local authorities.
- 4.2 The DLUHC has issued guidance to supplement the investment regulations contained within the Local Government Act 2003. It is also referred to under Section 15 (1) of the 2003 Local Government Act which requires authorities to “have regard (a) to such guidance as the Secretary of State may issue and (b) to such other guidance as the Secretary of State may by regulations specify”. The guidance encourages authorities to invest prudently but without burdening them with the detailed prescriptive regulation of the previous regime.
- 4.3 Central to the guidance and the Code is the need to produce an annual investment strategy. This is included as Section 6 of the Treasury Strategy in Appendix 2.
- 4.4 The annual investment strategy document will include:
- The Commissioner’s risk appetite in respect of security, liquidity and return.
  - The definition of ‘high’ and ‘non-high’ credit quality to determine what are specified investments and non-specified investments.
  - Which specified and non-specified instruments the Commissioner will use, dealing in more detail with non-specified investments given the greater potential risk.
  - The categories of counterparties that may be used during the course of the year e.g. foreign banks, nationalised/part nationalised banks, building societies.
  - The types of investments that may be used during the course of the year.
  - The limit to the total amount that may be held in each investment type.
  - The Commissioner’s policy on the use of credit ratings, credit rating agencies and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list and how the Commissioner will deal with changes in ratings, rating watches and rating outlooks.
  - Limits for individual counterparties, groups and countries.
  - Guidelines for making decisions on investments and borrowing.

#### **5. Policy on Interest Rates Exposure**

- 5.1 The Commissioner’s approach to managing interest rate exposure is described at section 4.10 of the Treasury Strategy 2024/25 to 2027/28.
- 5.2 The use of any financial instruments, such as derivatives, to mitigate interest rate risks will be considered on an individual basis and the CFO will require approval from the Commissioner prior to entering into any arrangement of this nature.

#### **6. Policy on External Managers**

- 6.1 Treasury management advisers (Link Group) assist the Commissioner in achieving the objectives set out in the Treasury Policy Statement. The CFO has not appointed external investment fund managers to directly invest the Commissioner's cash.

**7. Policy on Delegation, Review Requirements and Reporting Arrangements**

- 7.1 It is the Commissioner's responsibility under the Code to approve a Treasury Policy Statement.
- 7.2 The Commissioner delegates the review and scrutiny of the Treasury Management Strategy and Policies, along with monitoring performance by receiving the mid-year review and annual report, to the Joint Independent Audit Committee, and the execution and administration of Treasury Management decisions to the CFO. Any proposals to approve, adopt or amend policy require the consent of the Commissioner and are matters for the Commissioner to determine.
- 7.3 The Commissioner will receive:
- a) A four year Treasury Strategy report, including the annual Investment Strategy, before the commencement of each financial year.
  - b) A mid-year report on borrowing and investment activity.
  - c) An annual report on borrowing and investment activity by 30 September of each year.
  - d) A Capital Strategy report providing the following:
    - A high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
    - An overview of how the associated risk is managed.
    - The implications for future financial sustainability.

**Treasury Strategy 2024/25 to 2027/28****I. Introduction**

- I.1 The Treasury Strategy has been prepared in accordance with the Treasury Management Code of Practice (the Code). The Code emphasises a number of key areas including the following:
- a) The Code must be formally adopted.
  - b) The strategy report will affirm that the effective management and control of risk are prime objectives of the Commissioner's treasury management activities.
  - c) The Commissioner's appetite for risk, including the appetite for any use of financial instruments in the prudent management of those risks, must be clearly identified within the strategy report and will affirm that priority is given to security of capital and liquidity when investing funds and explain how that will be carried out.
  - d) Responsibility for risk management and control lies within the organisation and cannot be delegated to any outside organisation.
  - e) Credit ratings should only be used as a starting point when considering risk. Use should also be made of market data and information, the quality financial press, information on government support for banks and the credit ratings of that government support.
  - f) A sound diversification policy with high credit quality counterparties which considers setting country, sector and group limits.
  - g) Borrowing in advance of need is only to be permissible when there is a clear business case for doing so and only for the current capital programme or to finance future debt maturities.
  - h) The main annual treasury management reports must be approved by the Commissioner.
  - i) There needs to be a mid-year review of treasury management strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved.
  - j) Each Commissioner must delegate the role of scrutiny of treasury management strategy and policies to a specific named body.
  - k) Treasury management performance and policy setting should be subjected to prior scrutiny.
  - l) Commissioner's and scrutiny members dealing with treasury management activities should be provided with access to relevant training as those charged with governance are also personally responsible for ensuring they have the necessary skills and training.
  - m) Responsibility for these activities must be clearly defined within the organisation.
  - n) Officers involved in treasury management must be explicitly required to follow treasury management policies and procedures when making investment and borrowing decisions on behalf of the Commissioner.
- I.2 The management of day to day working capital (cash flow) including the requirement for temporary borrowing and/or investment will be monitored along with the limits noted below.

The Commissioner will adopt the following reporting arrangements in accordance with the requirements of the Code:

<b>Area of Responsibility</b>	<b>Commissioner/ Committee/ Officer</b>	<b>Frequency</b>
Treasury Management Policy & Strategy / Annual Investment Strategy	Commissioner with review delegated to Joint Independent Audit Committee	Annually before the start of the year
Annual Report	Commissioner with review delegated to Joint Independent Audit Committee	Annually by 30 September after the end of the year
Scrutiny of treasury management performance via mid-year report	Commissioner with review delegated to Joint Independent Audit Committee	Mid-Year
Scrutiny of treasury management strategy, policies and procedures	Joint Independent Audit Committee	Annually before the start of the year
Treasury Management Monitoring Reports, including any amendments to Treasury Management Practices	CFO	Monthly report, quarterly TM monitoring meeting

1.3 The Treasury Management Code covers the following prudential indicators:

- Authorised limit for external debt.
- Operational boundary for external debt.
- Actual external debt.
- Upper and lower limits to the maturity structure of borrowing.
- Upper limits to the total principal sums invested longer than 365 days.
- Gross debt and Capital Finance Requirement.
- Debt liability benchmark.

1.4 The draft prudential indicators are attached to the Treasury Strategy at Appendix 4. These indicators will be finalised and approved by the Commissioner by 31 March 2024 as part of the Medium Term Financial Strategy (MTFS) 2024/25 to 2027/28 and Capital Strategy approval process.

1.5 In addition to the above indicators, where there is a significant difference between the net and the gross borrowing position the risk and benefits associated with this strategy will be clearly stated in the annual strategy.



**1.6 The strategy covers:**

- a) Prospects for interest rates.
- b) Treasury limits in force which will limit the treasury risk and activities of the Commissioner, including prudential and treasury indicators.
- c) The borrowing strategy.
- d) Sensitivity forecast.
- e) External and internal borrowing.
- f) Debt rescheduling.
- g) Policy on borrowing in advance of need.
- h) The investment strategy.
- i) The policy on the use of external service providers.

**2. Prospects for Interest Rates**

- 2.1 The table shown below outlines the Commissioner's view of anticipated movements in interest rates, based on guidance received from the Commissioner's treasury management advisers Link Group (as at 08/01/2024). A more detailed interest rate forecast is shown in Appendix 3.

*(The PWLB rates shown below include a 20 basis point 'certainty rate' discount effective 01/11/2012)*

	March	June	Sept	Dec	March	June	March	March
	2024	2024	2024	2024	2025	2025	2026	2027
<b>Bank Rate</b>	5.25%	5.25%	4.75%	4.25%	3.75%	3.25%	3.00%	3.00%
<b>5 yr PWLB*</b>	4.50%	4.40%	4.30%	4.20%	4.10%	4.00%	3.60%	3.50%
<b>10 yr PWLB</b>	4.70%	4.50%	4.40%	4.30%	4.20%	4.10%	3.80%	3.70%
<b>25 yr PWLB</b>	5.20%	5.10%	4.90%	4.80%	4.60%	4.40%	4.20%	4.10%
<b>50 yr PWLB</b>	5.00%	4.90%	4.70%	4.60%	4.40%	4.20%	4.00%	3.90%

\* (PWLB) Public Works Loan Board is a statutory body operating within the UK Debt Management Office, which is an executive agency of HM Treasury. The PWLB's function is to lend money to other prescribed public bodies.

The LINK Group forecast for interest rates was updated on 8 January 2024.

At its 14 December 2023 meeting, the Bank of England's Monetary Policy Committee (MPC) kept rates on hold for the third time in a row, pushing back against the prospect of near-term interest rate cuts. The vote in favour of keeping rates on hold was 6-3.

However, recent softer wage and inflation data (annual CPI is currently 3.9%) mean that markets have moved significantly in the direction of Link's November interest rate forecast, pricing in a first rate cut in Q2 2024, a full quarter earlier than Link's own forecast which has only undergone a little fine-tuning. Link Group now expects Bank Rate to be cut to 4.25% by the end of 2024 (4.5% previously) and 3% by the end of 2025. The low point of the interest rate cycle is also expected to be 3%.

Regarding the Bank of England, it continued to sound hawkish In December. Indeed, the evidence of subsiding price pressures did not dissuade the more hawkish members of the Monetary Policy Committee (MPC) from again voting to raise interest rates by 25 basis points (bps). The MPC maintained its tightening bias saying that “further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures”. And it reiterated that policy will be “sufficiently restrictive for sufficiently long” and that “monetary policy is likely to need to be restrictive for an extended period of time”.

At the time of the meeting, the Bank did not appear to have taken any comfort from subsiding price pressures in the US and the Eurozone either, saying that measures of inflation persistence are higher in the UK than in other major advanced economies. And its statement that relative to developments in the US and the Eurozone “measures of wage inflation were considerably higher in the UK and services price inflation had fallen back by less so far”. Nonetheless, even if the Bank would prefer to cut interest rates after the Fed and the ECB, Capital Economics’ forecast for the CPI measure of inflation to drop below 2% by April, and for core inflation to drop below 2% only three months later, further convinces Link Group that rates will be cut sharply in the second half of 2024 if not before.

Since the December rate decision, the Bank’s hawkish bias has also not prevented the markets from forming a view that rates will be falling soon. Accordingly, swap rates and gilt yields have reduced significantly in January month despite a partial rebound upwards since the turn of the year.

Looking further afield, Link Group suspect the wider economy may only endure the lightest of recessions or, possibly, not at all. The Bank’s November Quarterly Monetary Policy Report saw it revise down its Q3 and Q4 GDP forecasts for 2023 and its annual forecast for 2024 from 0.4% to 0.0% (2023 stayed at 0.5%). But it could be this outlook underestimates the robustness and resilience of the UK economy, particularly considering upward revisions to GDP stemming from the pandemic years.

There are, of course, significant risks to Link Group’s central forecast. First, we are probably still in the early days of the Gaza-Israel conflict, and a meaningful and prolonged shift up in oil prices from \$75 per barrel to something closer to \$120 would keep inflation higher for longer. Furthermore, the UK domestic labour market is still having to contend with very low unemployment (4.2%) and the total number of job vacancies is only a little below one million. Even if Labour takes over the governmental reins in the next year or so, it is unlikely that a fundamental overhaul of immigration policy, with a view to addressing staff shortages in various sectors of the economy, is going to be a priority, so keeping a lid on wages is going to be a tough challenge even if some of the more recent signs are that wage growth is moderating (still c7% y/y).

Regarding PWLB rates, movement in the short part of the curve has reflected the revised Bank Rate expectations to a large degree, whilst medium to longer-dated PWLB rates will remain influenced not only by the outlook for inflation, but by the market’s appetite for significant gilt issuance. Indeed, although we have a slightly lower starting point for the envisaged reduction in short and medium dated gilts, we now forecast the 10, 25 and 50 years part of the curve to not fall quite as low as we thought in November.

Furthermore, a General Election is expected this year, so Government fiscal policy may potentially loosen at the same time as the Bank’s monetary policy is still trying to take momentum out of the economy. That may mean that Bank Rate stays elevated for a little longer than Link Group’s central forecast.

Of course, what happens outside of the UK remains critical to movement in gilt yields as well. The ECB has made it clear that policy tightening is at, or close to, the terminal rate (currently 4%), whilst the US FOMC has held its Bank Rate equivalent in the range of 5.25% - 5.5%.

From a practical standpoint If we are looking to borrow we will, most probably, need to continue to focus on borrowing temporarily from local authorities or with short-dated loans from the PWLB.

## **2.2 Significant risks to the forecasts**

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).
- **The Bank of England** increased Bank Rate too fast and too far over the past year, and subsequently brings about a deeper and longer UK recession than we currently anticipate.
- **Geopolitical risks**, for example in Ukraine, The Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.
- Despite the tightening in Bank Rate to 5.25%, the **Bank of England allows inflationary pressures to remain elevated** for a long period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- **The pound weakens** because of a lack of confidence in the UK Government's pre-election fiscal policies, which may prove inflationary, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields compensating.

## **2.3 The balance of risks to the UK economy - The overall balance of risks to economic growth in the UK is to the downside**

## **2.4 Forecasts for Bank Rate**

We expect the MPC will keep Bank Rate at 5.25% until the second half of 2024, to combat ongoing inflationary and wage pressures, even if they have dampened somewhat of late. We do not think that the MPC will increase Bank Rate above 5.25%.

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, as inflation starts to fall through 2024.

## **2.5 In summary, as there are so many variables at this time, Link Group have advised that caution must be exercised in respect of all interest rate forecasts.**

**Investment and Borrowing Rates**

- 2.6 Investment returns have improved further during 2023/24 as the MPC progressively increases Bank Rate.
- 2.7 Borrowing rates have also been increasing as the Bank Rates have been increased.
- 2.8 On 25 November 2020 the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority/Commissioner which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows:
- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
  - PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)
- 2.9 The policy of avoiding new borrowing by maximising the use of internal borrowing through reserves, has served the Commissioner well in recent years. However, this is subject to continuous review in order to avoid the risk of incurring higher borrowing costs in the future when new long-term borrowing to finance capital expenditure or refinance maturities is required. Link Group's advice is that whilst it's long-term (beyond 10 years) forecast for Bank Rate remains at 3% and as all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to factor in Bank Rate reductions for 2024 and later.

**3. Treasury Limits for 2024/25 to 2027/28 including Prudential Indicators**

- 3.1 It is a statutory requirement of the Local Government Finance Act 1992, for the Commissioner to produce a balanced budget. In particular, Section 31(a), as amended by the Localism Act 2011, requires the Commissioner to calculate the budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from increases in interest charges and increases in running costs from new capital projects are limited to a level, which is affordable within the projected income of the Commissioner for the foreseeable future.
- 3.2 It is a statutory duty under Section 3 of Part I of the Local Government Act 2003, and supporting regulations, for the Commissioner to determine and keep under review how much it can afford to borrow. The amount so determined is termed the Affordable Borrowing Limit. The Authorised Limit represents the legislative limit specified in the Act.
- 3.3 The Prudential Code for Capital Finance in Local Authorities is a professional code that sets out a framework for self-regulation of capital spending, in effect allowing Commissioners to invest in capital projects without any limit as long as they are affordable, prudent and sustainable.
- 3.4 The Commissioner must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires the Commissioner to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is affordable.

- 3.5 To facilitate the decision making process and support capital investment decisions the Prudential Code and the Treasury Management Code requires the Commissioner to agree and monitor a minimum number of prudential indicators. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance.
- 3.6 The following indicator provides a debt related activity limit:
- Maturity structure of borrowing. These gross limits are set to reduce the Commissioner's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.
- 3.7 The treasury limits and draft prudential indicators have been reviewed and updated and are attached at Appendix 4.
- 3.8 Minimum revenue provision (MRP): Regulations came into effect from March 2008 with regard to preparing an Annual MRP Statement. MRP is the amount that needs to be set aside to reflect the depreciation of capital assets. There are no proposed changes to the method used to calculate MRP and the Annual MRP statement for 2024/25 is included in Appendix 4.
- 3.9 The CFO has systems in place to monitor the treasury limits and will report to the Commissioner instances where limits are breached, with the exception of short-term breaches of the Operational Boundary. The Operational Boundary is set so that if breached it acts as an early warning of the potential to exceed the higher Authorised Limit and as such temporary breaches due to debt restructuring and temporary borrowing are acceptable, providing they are not sustained.
- 3.10 In addition to the prudential indicators noted above a new debt liability benchmark treasury indicator has been adopted since 2023/24 to support the financing risk management of the capital financing requirement (CFR). This is included in Appendix 4.

#### **4. Borrowing Strategy**

- 4.1 The Local Government Act 2003 does not prescribe approved sources of finance, only that borrowing may not, without the consent of HM Treasury, be in other than Sterling.
- 4.2 The main options available for the borrowing strategy for 2024/25 are PWLB loans and market loans. The interest rate applicable to either PWLB or markets loans can be fixed or variable.
- 4.3 The Commissioner is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Commissioner's reserves, balances and cash flow has been used as a temporary measure. This strategy has been prudent as investment returns have been historically low and counterparty risk is still an issue that needs to be considered.
- 4.4 There are different types of market loans available, including variable and fixed interest rate loans. These loans are usually offered at an interest rate lower than the corresponding PWLB loan rate to try to encourage local authorities and other public sector bodies to use as an alternative to PWLB. They may only be attractive if they are forward starting i.e. to secure the

rate at an earlier point than actually drawing down the funds to mitigate interest rate risk and avoid the cost of carry.

- 4.5 To mitigate variable interest rate risk a limit is placed on the total level of borrowing that can be taken as variable interest rate loans. To provide scope to utilise new market products should they become available as well as minimise the cost of borrowing and increase the diversification of the debt portfolio it is proposed that the limit on variable rate loans should be 40% of total borrowing 2024/25.
- 4.6 The main strategy is therefore:
- Consider the use of short term borrowing as a bridge until receipts are received.
  - Consideration will be given to borrowing market loans which are at least 20 basis points below the PWLB target rate, where they become available.
  - When PWLB rates fall back to or below Link Group trigger rates borrowing should be considered, with preference given to terms which ensure a balanced profile of debt maturity.
  - Consider the use of short term borrowings as a bridge whilst the market waits for inflation, and therein gilt yields, to drop back later in 2024.
- 4.7 In addition, reserve and fund balances may be utilised to limit the new external borrowing requirement, or to make early debt repayments, as an alternative to investing these resources. Reducing investment balances rather than increasing external borrowing could reduce interest payable, as short term rates on investments are likely to be lower than rates paid on external borrowing, and limit exposure to investment risk.

### **Sensitivity of the Forecast**

- 4.8 The Commissioner, in conjunction with Link Group, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to any changes. The main sensitivities of the forecast are likely to be the two scenarios below:
- *If it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.*
  - *If it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*
- 4.9 Against this background, caution will be adopted in the management of the 2024/25 treasury operations. The CFO will monitor the interest rate market and adopt a pragmatic approach to any changing circumstances having delegated powers to invest and manage the funds and monies of the Commissioner.

**Interest Rate Exposure**

- 4.10 Interest rate exposure is managed and monitored through the use of forward balance sheet analysis. This approach requires consideration of the level of the Commissioner's underlying borrowing requirement (CFR) compared to its actual external borrowing position, to ensure the Commissioner remains comfortable with the level of interest payable budget subject to movements in interest rates. Borrowing decisions will be made with reference to the capital plans and core cash position of the Commissioner in association with both the interest rate forecast (section 2.1), and maturity profile of the current portfolio. Investment decisions will be made with reference to the core cash balances, cash flow requirements and the outlook for short-term interest rates.

**External and Internal Borrowing**

- 4.11 As at 31 January 2024 the Commissioner has net debt of £50.037; this means that borrowing is currently higher than investments with total borrowing of £76,969m and investments of £26.932m.
- 4.12 The Commissioner is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. The Commissioner has set trigger rates for long term borrowing and when these rates are attained consideration will be given to long term borrowing. Any short term savings gained by deferring long term borrowing will be weighed against the potential for incurring additional long term costs by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be higher.
- 4.14 The CFO has examined the potential for undertaking early repayment of some external debt to the PWLB in order to benefit from lower interest rates currently available. The significant difference between early redemption rates and interest rates payable on PWLB debt means that large premiums are likely to be incurred by such action. This situation will be monitored in case the differential is narrowed by the PWLB.

**Borrowing in advance of need**

- 4.15 The Commissioner will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money. Specifically, there will be a clear link to the capital investment programme, which supports the decision to take funding in advance of need.

**New financial institutions as a source of borrowing and / or types of borrowing**

- 4.16 Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:
- Local authorities (primarily shorter dated maturities)

- Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time).

4.17 Treasury advisors, Link Group, will continue to provide advice as to the relative merits of each of these alternative funding sources.

## **5. Debt Rescheduling**

5.1 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates. Any rescheduling opportunities will be considered in line with procedures approved under the Treasury Management Practice Statements and will include a full cost/benefit analysis of any proposed variations. Any positions taken via rescheduling will be in accordance with the strategy position outlined in Section 4 above and will also take into account the prudential and treasury limits.

5.2 The reasons for any proposed rescheduling will include:

- The generation of cash savings at minimum risk.
- In order to amend the maturity profile and/or the balance of volatility in the Commissioner’s borrowing portfolio.

5.3 The CFO in-line with delegated powers outlined in the approved Treasury Management Practice Statement will approve all debt rescheduling.

5.4 Consideration will also be given to the potential for making savings by running down investment balances by repaying debt prematurely as short term rates on investments are likely to be lower than rates paid on currently held debt. However, this will need careful consideration in the light of premiums that may be incurred by such a course of action and other financial considerations.

5.5 All rescheduling will be reported to Commissioner in the mid-year and annual reports.

## **6. Investment Strategy 2024/25 to 2027/28**

### **Introduction**

6.1 The Commissioner has regard to the DLUHC’s Guidance on Local Government Investments and CIPFA’s Code of Practice. The Commissioner must produce a strategy on an annual basis which covers the subsequent four year period.

6.2 This annual strategy maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below and in Appendix 5. The policy also ensures that it has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These are detailed in Appendix 6.



Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate having peaked in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy would be appropriate to optimise returns.

Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

- 6.3 The Commissioner will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Commissioner may use, rather than defining what types of investment instruments are to be used.
- 6.4 Specified investments are denominated in Sterling, are for periods of 365 days or less and do not involve the acquisition of share or loan capital in any body corporate. Such an investment will be with either:
- The UK Government or a local authority, parish or community council, or
  - A body or investment scheme which has been awarded a high credit rating by a credit rating agency.
- 6.5 Non-specified investments are deemed more risky and guidance on local government investments requires more detailed procedures. Such procedures are required in order to regulate prudent use and establish maximum amounts which may be invested in each category.
- 6.6 Both specified and non-specified investment types currently utilised by the Commissioner are detailed in Appendix 5, along with approved limits. In addition to these numerous other investment options are available for use and these may be considered suitable for use in the future. Should this be the case then the options will be evaluated in line with the procedures contained within the approved Treasury Management Practice Statement.

### **Investment Objectives**

- 6.7 All investments will be in Sterling.
- 6.8 The Commissioner's primary investment objective is the security of the capital investment. The Commissioner will also manage the investments to meet cash flow demands and to achieve a reasonable return commensurate with the proper levels of security and liquidity. The risk appetite of the Commissioner is low in order to give priority to security of its investments.
- 6.9 The borrowing of monies purely to invest is unlawful and the Commissioner will not engage in such activity.

### **Other Limits**

- 6.11 The Police and Crime Commissioner will continue to use UK banks irrespective of the UK sovereign rating and will specify a minimum sovereign rating of AA+ for non-UK banks, as recommended by our advisors. The list of countries that qualify using this credit criteria as at

the date of this report are shown in Appendix 7. This list will be added to, or deducted from, should ratings change in accordance with this policy.

### **Creditworthiness Policy**

- 6.12 The creditworthiness service provided by Link Group is used to assess the creditworthiness of counterparties. The service provided by Link Group uses a sophisticated modelling approach with credit ratings from the three main rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following information as overlays which are combined in a weighted scoring system:
- Credit watches and credit outlooks from credit rating agencies.
  - Credit Default Swap spreads, financial agreements that compensate the buyer in the event of a default, which give an early warning of likely changes in credit ratings.
  - Sovereign ratings to select counterparties from only the most creditworthy countries.
- 6.13 The end product of this modelling system is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Commissioner to determine the duration for investments and are therefore referred to as durational bands. The Commissioner is satisfied that this service gives the required level of security for its investments. It is also a service which the Commissioner would not be able to replicate using in-house resources.
- 6.14 Sole reliance will not be placed on the use of this external service. In addition the Commissioner will also use market data and information, information on government support for banks and the credit ratings of the government support.
- 6.15 The Commissioner has also determined the minimum long-term, short-term and other credit ratings it deems to be "high" for each category of investment. These "high" ratings allow investments to be classified as **specified investments**, where they are sterling denominated and of 365 days or less. The Commissioner's approved limits for the "high" credit rating for deposit takers are as follows:

<b>High Rated</b>	<b>Fitch</b>	<b>Moody's</b>	<b>Standard &amp; Poor's</b>
Short term (ability to repay short term debt)	FI+	P-1	A-1+
Long term (ability to repay long term debt)	AA-	Aa3	AA-
MMF Rating	AAAmf	AAA-mf	AAAm

- 6.16 To ensure consistency in monitoring credit ratings throughout 2024/25 the Commissioner will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties, as the credit rating agency issuing the lowest rating could change throughout the year as agencies review the ratings that they have applied to countries, financial institutions and financial products. The ratings of all three agencies will be considered, with Fitch being used as a basis for inclusion on the lending list. In addition to this the Link Group creditworthiness service will be used to determine the duration that

deposits can be placed for. This service uses the ratings from all three agencies, but by using a scoring system, does not give undue consideration to just one agency's ratings.

- 6.17 The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Link Group weekly credit list of worldwide potential counterparties. The maximum maturity periods and amounts to be placed in different types of investment instruments are detailed in Appendix 6.
- 6.18 UK Government nationalised/part nationalised banks will have a maximum limit of 25% or £20m of total investment, all other counterparties will not exceed a maximum limit equal to 20% of total investments or £20m. Unless there are major changes in the level of investment balances throughout the year this limit will be reviewed prior to the commencement of each financial year.
- 6.19 Where more than one counterpart, from a group, is included on the counterparty list the group in total will be controlled by the above limits with the maximum limit being that of the parent company. Within the group each counterparty/subsidiary will have individual limits based on their creditworthiness although the total placed with the subsidiaries will not exceed the limit of the parent company. Subsidiaries that do not satisfy the minimum credit criteria will not be included.
- 6.20 A number of counterparties are also approved by the CFO for direct dealing. These counterparties are included on the approved list and dealing will be within agreed limits. Direct dealing with individual counterparties must be approved by the CFO prior to investments being placed.

#### **Nationalised/Part Nationalised Banks**

- 6.22 Where the bank has not been fully nationalised but receives substantial support from the UK Government (greater than 40% ownership) the individual rating of the bank will not be taken into consideration and the relevant banks will be included on the Commissioner's lending list as prescribed by the Link Group creditworthiness list as detailed in 6.12.

#### **Foreign Banks**

- 6.23 We will continue to use UK banks irrespective of the UK sovereign rating, however non-UK banks domiciled in countries with a minimum sovereign rating of AA+ will be considered for inclusion on the approved list. They must also meet the high rated lending criteria and have operations based in the UK. Limits will be prescribed by the creditworthiness list and limited to 365 days or less. Each non-UK country will be limited to the maximum investment limit of £20m or 20% of the Commissioner's total investments. A list of those countries with a minimum sovereign rating of AA+ is set out in Appendix 7.

#### **Local Authorities**

- 6.24 The Commissioner invests with other Local Authorities on an ad hoc basis; each investment is considered on an individual basis, prior to funds being placed. Limits are detailed at Appendix 6.

## **Non-specified Investments**

- 6.25 In addition to the above specified investments, the Commissioner has also fully considered the increased risk of **non-specified investments** and has set appropriate limits for non-high rated deposit takers. These are as follows:

<b>Non High Rated</b>	<b>Fitch</b>	<b>Moody's</b>	<b>Standard &amp; Poor's</b>
Short term	FI	PI	AI
Long term	A-	A3	A-

Limits for non-high rated counterparties are detailed at Appendix 6.

- 6.26 The Commissioner has also set appropriate limits for non-specified investments with “high” rated deposit takers and UK Local Authorities where investments can be out to a maximum of 3 years. The Commissioner’s approved limits for the “high” credit rating for deposit takers are set out at 6.15 above and investment limits are detailed at Appendix 6.
- 6.27 The credit ratings will be monitored as follows:
- All credit ratings are reviewed weekly. In addition, the Commissioner has access to Fitch, Moody’s and Standard and Poor’s credit ratings and is alerted to changes through its use of the Link Group creditworthiness service. On-going monitoring of ratings also takes place in response to ad-hoc e-mail alerts from Link Group.
  - If counterparty’s or deposit scheme’s rating is downgraded with the result that it no longer meets the Commissioner’s minimum criteria, the further use of that counterparty/deposit scheme as a new deposit will be withdrawn immediately.
  - If a counterparty is upgraded so that it fulfils the Commissioner’s criteria, its inclusion will be considered for approval by the CFO.
- 6.28 Sole reliance will not be placed on the use of this external service. In addition the Commissioner will also use market data and information on government support for banks and the credit ratings of government support.

## **Investment Balances / Liquidity of investments**

- 6.29 The Commissioner deposits funds beyond 365 days to a maximum of three years. This will continue where the counterparty is deemed to be a low credit risk to ensure a good rate of return is maintained in the current market conditions. Deposits beyond 365 days will only be considered when there is minimal risk involved. With deposits of this nature there is an increased risk in terms of liquidity and interest rate fluctuations. To mitigate these risks a limit of £15m (20% of total investments) has been set and a prudential indicator has been calculated (See Appendix 4). Such sums will only be placed with counterparties who have the highest available credit rating or other local authorities.
- 6.30 Deposits for periods longer than 365 days are classed as **non-specified investments**.

**Investments defined as capital expenditure**

- 6.31 The acquisition of share capital or loan capital in any body corporate is defined as capital expenditure under Section 16(2) of the Local Government Act 2003. Such investments will have to be funded out of capital or revenue resources and will be classified as **‘non-specified investments’**.
- 6.32 A loan or grant by the Commissioner to another body for capital expenditure by that body is also deemed by regulation to be capital expenditure by the Commissioner. It is therefore important for the Commissioner to clearly identify if the loan was made for policy reasons or if it is an investment for treasury management purposes. The latter will be governed by the framework set by the Commissioner for ‘specified’ and ‘non-specified’ investments.

**Internal Investment Strategy**

- 6.33 The CFO will monitor the interest rate market and react appropriately to any changing circumstances.
- 6.34 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.
- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
  - Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.
- 6.35 The Commissioner takes the view that bank rate will remain at 5.25% for March 2024. Bank Rate forecasts for financial year ends (March) are therefore:
- 2023/24 5.25%
  - 2024/25 3.75%
  - 2025/26 3.00%
  - 2026/27 3.00%
- 6.36 Long term deposits, beyond 365 days, will only be used where minimal risk is involved and the counterparties are considered to be supported by the UK Government.

**Investment Risk Benchmark**

- 6.37 The Commissioner will use an investment benchmark to assess the investment performance of its investment portfolio. Up to the 31 December 2021 it has been benchmarked against the 7 day LIBID. The CFO is appreciative that the provision of LIBOR and associated LIBID rates ceased at the end of 2021. Link group have advised that a suitable replacement investment benchmark would be a SONIA (Sterling Overnight Index Average), which is the risk-free rate

for sterling markets administered by the Bank of England. The Sonia rate advised by Link group is 30 day Backward SONIA rate. Accordingly the commissioner will use an investment benchmark to assess the investment performance of its investment portfolio with reference to the SONIA. Link Group also provide a quarterly Investment Benchmarking report that assesses both the rate of return and the risk of the counterparty to calculate a weighted average rate of return, which is used for comparison across other similar Authorities.

**End of year investment report**

- 6.38 By the end of September each year the Commissioner will receive a report on investment activity as part of its annual treasury report, following scrutiny of that report by the Joint Independent Audit Committee.

**Policy on use of external service providers**

- 6.39 The Commissioner uses Link Group as its external treasury management advisers.
- 6.40 The Commissioner recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.
- 6.41 The Commissioner recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Commissioner will ensure that the terms of appointment of any such service provider, and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

**Scheme of Delegation**

- 6.42 As required by the Guidance Notes for Local Authorities the Treasury Management Scheme of Delegation is detailed below:

**Commissioner**

- Set and approve treasury management policy and strategy prior to the start of each financial year.
- Approve prudential and treasury indicators and any subsequent amendments if required.
- Agree and approve annual treasury management budgets.
- Approve any proposed variations in treasury strategy or policy.
- Agree annual report.
- Monitor Prudential and Treasury Indicators.
- Receive and review monitoring reports including the annual report and act on recommendations.

**Joint Independent Audit Committee**

- Scrutinise the treasury management strategy, policies and practices and make recommendations to the Commissioner
- Receive, scrutinise and approve mid-year monitoring report and annual report.

**Role of the Section 151 Officer (Chief Finance Officer)**

As required by the Guidance Notes for Local Authorities the role of the Section 151 Officer in relation to treasury management is detailed below:

- Recommending the Code of Practice to be applied, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting treasury management policy reports.
- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending the appointment of external service providers.

## Interest Rate Forecasts 2024 to 2027

## Appendix 3

PWLB rates set out in the table below have taken into account the 20 basis point certainty rate reduction.

Link Group Interest Rate View 08.01.24					(The Capital Economics forecasts were done 05.01.24)									
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	
Bank Rate														
Link Capital Economics	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00	
	5.25	5.00	4.50	4.00	3.50	3.00	3.00	3.00	-	-	-	-	-	
5 yr PWLB														
Link Capital Economics	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.70	3.60	3.60	3.70	3.70	
	4.50	4.30	4.20	4.00	3.90	3.80	3.80	3.70	-	-	-	-	-	
10 yr PWLB														
Link Capital Economics	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.90	3.80	3.70	3.70	3.70	
	4.50	4.40	4.20	4.10	4.10	4.10	4.10	4.10	-	-	-	-	-	
25 yr PWLB														
Link Capital Economics	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10	
	5.10	4.80	4.60	4.30	4.40	4.40	4.50	4.60	-	-	-	-	-	
50 yr PWLB														
Link Capital Economics	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90	
	4.70	4.60	4.50	4.30	4.30	4.30	4.40	4.40	-	-	-	-	-	



## Prudential Indicators – Treasury Management

### Prudential Indicators

In line with the requirements of the CIPFA Prudential Code for Capital Finance, the various indicators that inform whether capital investment plans are affordable, prudent and sustainable, are set out below.

#### Authorised Limit for External Debt

There are two limits on external debt: the ‘Operational Boundary’ and the ‘Authorised Limit’. Both are consistent with the current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices.

**Authorised Limit** - this represents a limit beyond which external debt is prohibited. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

**Operational Boundary** - this is the limit beyond which external debt is not normally expected to exceed. In most cases this would be a similar figure to the Capital Financing Requirement (CFR), but may be lower or higher depending on the levels of actual debt.

The key difference between the two limits is that the Authorised Limit cannot be breached without prior approval of the Commissioner. It therefore includes more headroom to take account of eventualities such as delays in generating capital receipts, forward borrowing to take advantage of attractive interest rates, use of borrowing in place of operational leasing, “invest to save” projects, occasional short term borrowing to cover temporary revenue cash flow shortfalls, as well as an assessment of risks involved in managing cash flows. The Operational Boundary is a more realistic indicator of the likely position.

#### Authorised Limit for External Debt

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Borrowing	175,000	180,000	180,000	180,000
Other Long Term Liabilities	0	0	0	0
<b>Total</b>	<b>175,000</b>	<b>180,000</b>	<b>180,000</b>	<b>180,000</b>

## Operational Boundary for External Debt

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Borrowing	155,000	160,000	160,000	160,000
Other Long Term Liabilities	0	0	0	0
<b>Total</b>	<b>155,000</b>	<b>160,000</b>	<b>160,000</b>	<b>160,000</b>

The latest forecast for external debt indicates that it will be within both the authorised borrowing limit and the operational boundary set to 2027/28. The maturity structure of debt is within the indicators set.

## Upper and Lower Limits for the Maturity Structure of Borrowing

The upper and lower limits for the maturity structure of borrowing are calculated to provide a framework within which the Commissioner can manage the maturity of new and existing borrowing to ensure that debt repayments are affordable in coming years.

**Maturity structure of borrowing** – these gross limits are set to reduce the Commissioner's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits. The limits do however cover variable as well as fixed rate debt. The maturity structure of borrowing set out below applies to all borrowing by the Police and Crime Commissioner, both fixed and variable.

	Upper Limit	Lower Limit
Under 12 months	60%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	40%	0%
10 years and above	80%	0%

## Upper Limit on Principal Amounts Invested Beyond 365 Days

The purpose of the upper limit on principal amounts invested beyond 365 days is for the Commissioner to contain the exposure to the possibility of loss that might arise as a result of having to seek early repayment or redemption of principal sums invested.

Upper limit on principal amounts invested beyond 365 days	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Investments	15,000	15,000	15,000	15,000

## Gross Debt and Capital Financing Requirement (CFR)

In order to ensure that over the medium term debt will only be for a capital purpose, the Police and Crime Commissioner should ensure that debt does not, except in the short term, exceed the total of capital financing in the previous year plus the estimates of any additional capital financing requirement for the current and next two financial years.

If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with external debt.

This is a key indicator of prudence. Where the gross debt is greater than the capital financing requirement the reasons for this should be clearly stated in the annual treasury management strategy.

Gross Debt and CFR	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Forecast Borrowing as at 31 March	101,871	120,854	126,694	146,098
Capital Financing Requirement as at 31 March	126,433	138,761	140,255	150,542
Amount of borrowing (over) / under CFR	24,562	17,907	13,561	4,444

Forecast borrowing is within the CFR estimates for 2024/25 to 2027/28.

## Affordability

The impact of the capital programme on the revenue budget is shown in the table below:

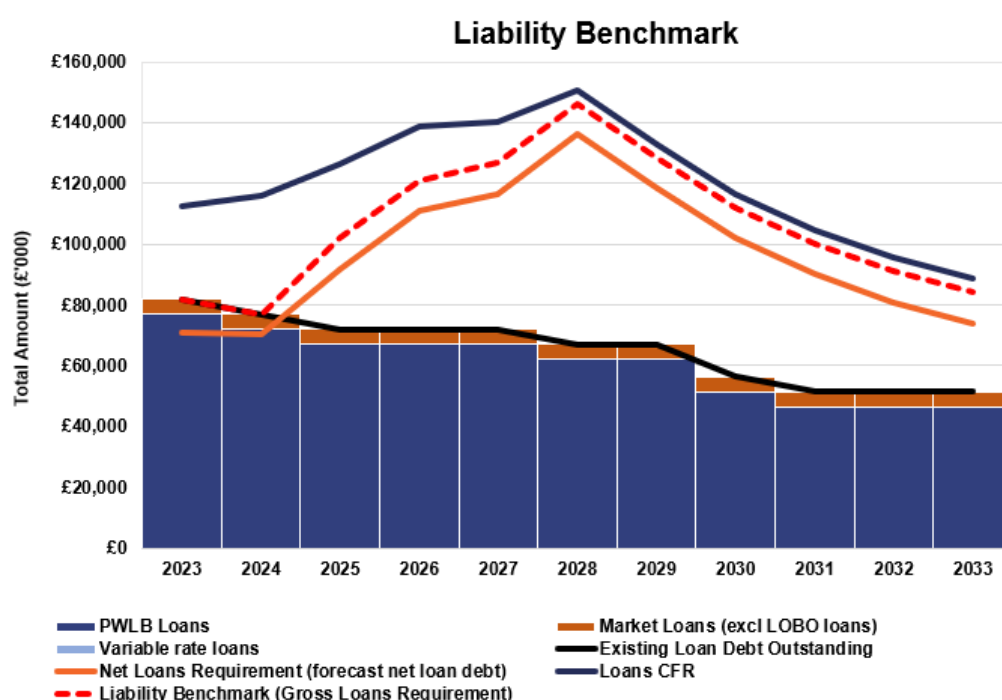
Affordability	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Revenue Budget	379,464	385,700	396,000	406,300
Capital Expenditure	29,940	29,166	15,032	28,443
Capital Financing Requirement as at 31 March	126,433	138,761	140,255	150,542
Interest Cost	3,454	3,877	3,867	4,297
Minimum Revenue Provision	11,174	12,182	13,539	15,555
Revenue Financing Costs	14,628	16,059	17,406	19,852
Ratio of financing cost to revenue stream %	3.85%	4.16%	4.40%	4.89%

## Debt Liability Benchmark

In addition to the prudential indicators set out above a new debt liability benchmark treasury indicator has been adopted in 2024/25 to support the financing risk management of the capital financing requirement (CFR).

The liability benchmark is presented as a chart which sets out the following:

- **Existing Loan Debt Outstanding** – this is the profile of the Commissioners existing loans which takes into account the scheduled loan repayments due within the period.
- **The Loans CFR (Capital Financing Requirement)** – this is the total requirement that the Commissioner has for prudential borrowing to support capital expenditure. This includes the CFR as at the last year-end plus approved future borrowing for planned capital expenditure within the existing MTFS capital programme and less those amounts due to be set aside under the MRP (Minimum Revenue Provision) policy adopted by the Commissioner.
- **Net Loans Requirement** – this is a forecast of the Commissioner’s net loan debt, i.e. net of investments for treasury management purposes.
- **Gross Loans Requirement** – this is the Liability Benchmark and represents a forecast of the level of gross loans debt the Commissioner will require in accordance with budget plans.



The chart shows that the Commissioner’s existing loan debt comprises mainly PWLB debt plus a smaller element attributable to market loans. The Commissioner has no variable rate loans.

The Liability Benchmark chart demonstrates a requirement for new borrowing to be taken over the period commencing with the 2024/25 financial year. Whilst the approach to borrowing remains to maximise the use of internal borrowing, the chart demonstrates that the extent to which internal borrowing can be used as a temporary financing tool will reduce over the medium to longer term as reserve balances reduce in-line with budget plans under the Commissioner’s Medium Term Financial Strategy (MTFS).

## **Minimum Revenue Provision (MRP) Statement 2024/25**

The MRP charge for 2024/25 for capital expenditure incurred before 01 April 2008 (prior to the new regulations) or which has subsequently been financed by supported borrowing will be based on the previous regulatory method of Capital Financing Requirement at a minimum of 4% of the opening balance less prescribed adjustments.

For all unsupported borrowing, exercised under the Prudential Code, the MRP Policy is based on the Asset Life Method. The minimum revenue provision will be at equal annual instalments over the life of the asset. The first charge will not be made until the year after the asset becomes operational.

## Specified Investments (All Sterling Denominated)

Investment type	Share/ Loan Capital	Repayable/ Redeemable within 12 months	Security / Minimum Credit Rating	Capital Expenditure	Circumstance of use	Maximum period
<b>Term deposits</b> with the UK Government (DMO) or with UK local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act) with maturities up to 365 days.	No	Yes	High security although LA's not credit rated. <i>See section 6</i>	No	In-house	365 days
<b>Term deposits / Certificates of Deposit</b> with credit rated deposit takers (banks and building societies), including callable deposits with maturities up to 365 days.	No	Yes	Secure Varied minimum credit rating <i>See section 6</i>	No	In-house	365 days
<b>Money Market Funds (CNAV &amp; LVNAV (not VNAV))</b> These funds are instant access and therefore do not have a maturity date.	No	Yes	Secure  AAA Money Market Fund rating with assets > £1bn	No	In-house	The investment period is subject to liquidity and cash flow requirements. It is assumed that funds are placed overnight and will be returned and reinvested the next working day (although no actual movement of cash may take place).

### Non-Specified Investments (All Sterling Denominated)

Investment type	(A) Why use it (B) Associated risks	Share/ Loan Capital	Repayable/ Redeemable within 12 months	Security / Minimum credit rating	Capital Expenditure	Circumstance of use	Max % of overall investments	Maximum maturity of investment
<b>Term deposits / Certificates of Deposit</b> with rated deposit takers (banks and building societies) which do not meet the Commissioner's "high" credit rating	(A) To improve ability to place smaller amounts (B) Greater risk than "high" credit rating counterparties but advance warning by rating agency of potential problems. The Commissioner has fully considered this investment category and set appropriate investment and maturity limits in order to minimise risk.	No	Yes	Secure Varied minimum Credit rating <i>Minimum: Fitch Long term A- Short term F1</i>	No	In-house	75%	6 months (but set on an individual counterparty basis)
<b>Term deposits</b> with UK Government, UK Local Authorities or credit rated banks and building societies, with maturities over 1 year	A) To improve the ability to "lock in" at times of high interest rates to secure a higher return over a longer period should rates be forecast to fall. B) Lower liquidity and greater risk of adverse interest rate fluctuations. The Commissioner has fully considered this investment category and set appropriate investment and maturity limits in order to minimise risk.	No	No	Secure Varied minimum credit rating	No	In-house	20%	3 years

## Maximum Maturity Periods and Amounts

Organisation	Criteria	Max Amount	Max Period	Not to Exceed Limit or %
High Rated	Minimum Fitch rating of FI+ short term and AA- long term.			25% (Government Backed)
(Specified Investments – High rated and up to 365 days see Appendix 5)	Consideration to be given to Moody's minimum rating of P-I short term backed by Aa3 long term and S&P minimum rating of A-I+ short term and AA- long term.	£20m	3 years	20% (Non-Government Backed)
Foreign Banks	Must meet the minimum high rated criteria above and have a minimum sovereign rating of AA+	£20m country limit	365 days	20%
Non-High Rated	Minimum Fitch rating of FI short term and A- long term.  Consideration to be given to Moody's minimum rating of P-I short term backed by A3 long term and S&P minimum rating of A-I short term and A- long term.	£10m	6 months	20%
UK Local Authorities	(i.e. local authorities as defined under Section 23 of the 2003 Act) Each investment is considered on an individual basis	£10m	3 years	n/a
Money Market Funds	CNAV or LVNAV ( <b>not VNAV</b> ) AAA Money Market Fund rating with assets >£1bn	£10m per counter party	Overnight	£25m in total



**Approved countries for investments**

This list is based on those countries which have sovereign ratings of AA+ or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Group credit worthiness service.

Link Group currently suggests a minimum rating of AA-

Based on lowest available rating

**AAA**

Australia  
Denmark  
Germany  
Luxembourg  
Netherlands  
Norway  
Singapore  
Sweden  
Switzerland

**AA+**

Canada  
Finland  
U.S.A.

For information

**AA-**

**U.K.**

***THIS LIST IS AS AT 09.01.24***

**JOINT INDEPENDENT AUDIT COMMITTEE**

**26 FEBRUARY 2024**

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**INTERNAL AUDIT CHARTER, STRATEGY STATEMENT 2024/25 – 2026/27  
AND ANNUAL AUDIT PLAN 2024/25**

**REPORT OF THE INTERNAL AUDIT MANAGER**

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**1 Purpose of the Report**

- 1.1 To inform the Committee of the Internal Audit Charter, the Internal Audit Strategy Statement 2024/25 – 2026/27 and the annual Audit Plan 2024/25 for the Police and Crime Commissioner and Chief Constable and seek its approval.

**2 Background**

- 2.1 The Internal Audit Service is to be provided under agreement with Gateshead Council. Internal Audit are required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 2.2 The Joint Chief Finance Officer has delegated responsibility to maintain an adequate internal audit of both the Police and Crime Commissioner and Chief Constable's financial affairs as required by Section 151 of the Local Government Act 1972. The Accounts and Audit Regulations 2015 also stipulates public bodies must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 2.3 The Internal Audit Manager manages the provision of the Internal Audit Service and is responsible for ensuring resources are sufficient to meet the Audit Plan, which is developed based on a review and evaluation of all aspects of the internal control environment.
- 2.4 The main aim of the Internal Audit Service is to assist all levels of management in delivering the objectives of the Police and Crime Commissioner and Chief Constable through the assessment of exposure to risk and the continuous improvement of the control environment. The risk-based audit plan provides purpose and direction in the achievement of this aim. It is the responsibility of management to install and maintain effective internal control systems.
- 2.5 A report was brought to Committee in November 2023 outlining the emergent plan for comment. Following further consultation with officers

the final plan is attached as an appendix to this report. There have been no further changes made to the emergent plan.

**3 Internal Audit Charter**

- 3.1 The purpose, authority and responsibility of Internal Audit must be formally defined in an Internal Audit Charter, consistent with the definition of Internal Auditing outlined in Public Sector Internal Audit Standards (PSIAS).
- 3.2 These standards, based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.
- 3.3 A key element of compliance with PSIAS is the regular review by the Internal Audit Manager and approval by the Joint Independent Audit Committee of an Internal Audit Charter. The Internal Audit Charter was last presented to Committee in February 2023. The Charter is a formal document that defines Internal Audit's purpose, authority and responsibility and establishes its position within both the Office of the Police and Crime Commissioner (OPCC) and the Force, setting out the Internal Audit Manager's functional reporting relationships, authorises rights of access for Internal Audit staff and defines the scope of Internal Audit activity.
- 3.4 The Internal Audit Manager has carried out an annual review of the Internal Audit Charter and no changes have been made.
- 3.5 The reviewed Internal Audit Charter is attached at Appendix A for approval.

**4 Internal Audit Strategy Statement 2024/25 – 2026/27 and Annual Plan 2024/25**

- 4.1 The strategy of the Internal Audit Service is to deliver a risk-based audit plan in a professional and independent manner and to provide the Police and Crime Commissioner and Chief Constable with an opinion on the level of assurance they can place upon their internal control environment, and to make recommendations to improve it.
- 4.3 Quarterly monitoring of progress against the plan will be reported to the Joint Independent Audit Committee with priorities reviewed on an ongoing basis to direct audit resources to the areas of highest risk.
- 4.4 The Audit Strategy Statement 2024/25 – 2026/27 and the annual Audit Plan for 2024/25 are attached at Appendices B and C. Under the Public Sector Internal Audit Standards (PSIAS), the Joint Independent Audit Committee should review the proposed plan prior to its approval.

## **AGENDA ITEM 10**

- 4.5 The Strategy document has been prepared in accordance with PSIAS which outline that the Chief Audit Executive (Internal Audit Manager) must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals, taking into account the organisation's risk management framework, input from senior management and the Committee. The plan should remain flexible in both content and timing to respond to changes in the organisation's business, risks, operations, programs, systems and controls.
- 4.6 The risk-based plan must take into account the requirement to produce an annual audit opinion on the assurance framework. It must be linked to a strategic statement of how the internal audit service will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisation's objectives and priorities outlined in the Police and Crime Plan.

### **5 Equal Opportunities implications**

- 5.1 It is considered that there are no equal opportunities implications arising from the report.

### **6 Human Rights implications**

- 6.1 It is considered that there are no human rights implications arising from the report.

### **7 Risk Management implications**

- 7.1 There are no additional risk management implications arising directly from this report. The audit plan supports the adequate and appropriate use of resources.

### **8 Financial implications**

- 8.1 There are no financial implications directly arising from this report

### **9 Recommendations**

- 9.1 The Committee is asked to:
- Approve the Internal Audit Charter
  - Agree the Internal Audit Strategy Statement 2024/25 – 2026/27
  - Review the proposed annual plan of work for the Internal Audit Service for 2024/25 and
  - Agree to receive quarterly monitoring reports showing progress made against the plan.

**POLICE AND CRIME COMMISSIONER AND CHIEF CONSTABLE FOR  
NORTHUMBRIA**

**INTERNAL AUDIT CHARTER**

**1. Introduction**

- 1.1 The Audit Manager is responsible for effectively managing the activity of the Internal Audit provider in accordance with this Charter, the definition of internal auditing, the Code of Ethics and UK Public Sector Internal Audit Standards (PSIAS) and is the formal document that defines Internal Audit's purpose, authority and responsibility. The Charter also establishes Internal Audit's position within the organisation, including access to records, personnel and physical property.

**2. Statutory Basis**

- 2.1 Internal Audit is statutory service in the context of the Accounts and Audit Regulations (England) 2015, which states that:

"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

- 2.2 The Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note (LGAN), which came into effect in April 2013 constitute proper practices to satisfy the requirements for relevant bodies set out in the Accounts and Audit Regulations 2015.

- 2.3 Section 151 of the Local Government Act 1972 states that every local authority should make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of these affairs (The Chief Financial Officer (CFO)). CIPFA has defined proper administration in that it should include 'compliance with the statutory requirements for accounts and internal audit'.

- 2.4 The CIPFA Statement on the Role of the Chief Financial Officer states that the CFO must:

- Ensure an effective internal audit function is resourced and maintained;
- Ensure that the authority has put in place effective arrangements for internal audit of the control environment;
- Support internal audit arrangements; and
- Ensure the audit committee receives the necessary advice and information so that both functions can operate effectively.

- 2.5 This Internal Audit Charter recognises the mandatory nature of the PSIAS including the definition of Internal Auditing, the Mission of Internal Audit, the Code of Ethics and the Standards themselves.

### **3. Definition of Internal Audit**

- 3.1 The Internal Audit provider for the Police and Crime Commissioner (PCC) and Chief Constable for Northumbria has adopted the mandatory definition of internal auditing as set out in the common set of PSIAS:

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”

### **4. Mission of Internal Audit**

- 4.1 The Mission of Internal Audit articulates what Internal Audit aspires to accomplish within an organisation. The Internal Audit Service has adopted the mission statement set out in the PSIAS:

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”

### **5. Core Principles for the Professional Practice of Internal Auditing**

- 5.1 The Core Principles, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective in achieving its mission, all the following principles should be present and operating effectively:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with strategies, objectives and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focussed; and
- Promotes organisational improvement.

## 6. Code of Ethics

- 6.1 The Code of Ethics, incorporated within PSIAS, is necessary and appropriate for the profession of internal auditors as it is founded on the trust placed in its objective assurance about risk management, control and governance. All internal auditors working for, or providing a service to, the PCC and Chief Constable must conform to the Code of Ethics as set out below. If internal auditors have membership of another professional body then they must also comply with the relevant requirements of that body.
- 6.2 The Code of Ethics is based upon four principles that are relevant to the profession and practice of internal auditing and set out the rules of conduct that describe behaviour norms expected of internal auditors to guide their ethical conduct:
- Integrity;
  - Objectivity;
  - Confidentiality; and
  - Competency.
- 6.3 **Integrity:** The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement. All Internal Audit staff will:
- Perform their work with honesty, diligence and responsibility.
  - Observe the law and make disclosures expected by the law and their profession.
  - Not knowingly be a party to any illegal activity or engage in acts that are discreditable to the profession of internal auditing or the audited bodies.
  - Respect and contribute to the legitimate and ethical objectives of the audited bodies.
- 6.4 **Objectivity:** Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. They will make a balanced assessment of all of the relevant circumstances and will not be unduly influenced by their own interests or the interests of others in forming judgements. All Internal Audit staff will:
- Not participate in any activity or relationship that may impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the audited bodies.
  - Not accept anything that may impair or be presumed to impair their professional judgement.
  - Disclose all material facts known to them that, if not disclosed, may distort the reporting of the activities under review.

- 6.5 **Confidentiality:** Internal auditors will respect the value and ownership of the information they receive and will not disclose information without appropriate authority unless there is a legal or professional obligation to do so. All Internal Audit staff will:
- Be prudent in the use and protection of information acquired in the course of their duties.
  - Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the audited bodies.
- 6.6 **Competency:** Internal auditors will apply the knowledge, skills and experience needed in the performance of their duties. All Internal Audit staff will:
- Engage only in those services for which they have the necessary knowledge, skills and experience.
  - Perform their work in accordance with the International Standards for the Professional Practice of Internal Auditing.
  - Continually improve their proficiency, effectiveness and the quality of the service they deliver.

## 7. Principles of Public Life

- 7.1 Internal Audit staff will also have regard to Nolan's Seven Principles of Public Life in the course of their duties. The seven principles are:
- **Selflessness:** Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.
  - **Integrity:** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
  - **Objectivity:** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
  - **Accountability:** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
  - **Openness:** Holders of public office should be as open as possible about all decisions and actions they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
  - **Honesty:** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
  - **Leadership:** Holders of public office should promote and support these principles by leadership and example.



## **8. Purpose, Authority and Responsibilities**

### **8.1 Purpose**

8.1.1 Internal Audit is a managerial control primarily responsible for objectively examining, evaluating and reporting upon the adequacy of the internal control environment as a contribution to the proper economic, efficient and effective use of resources. Internal Audit is one of a number of assurance providers that contribute to the PCC and Chief Constable's assurance framework. The purpose of Internal Audit is to deliver a risk-based audit plan in a professional and independent manner to allow the Internal Audit Manager to provide both the PCC and Chief Constable with an opinion on the level of assurance they can place upon their internal control, risk management and governance arrangements and to make recommendations for continuous improvement in these areas. This opinion will be set out in the Internal Audit Annual Report to the Joint Independent Audit Committee and supports the PCC and Chief Constable's Annual Governance Statements which accompany the Annual Statements of Accounts.

8.1.2 To this end the Internal Audit provider is required to review, appraise and report upon:

- The soundness, adequacy and application of accounting, financial and other operational controls.
- The extent of compliance with established policies, plans and procedures, statute and regulations.
- The extent to which assets and interests are properly accounted for and safeguarded from losses of all kinds including fraud, bribery, corruption, other offences, waste, extravagance, inefficient administration, poor value for money or other cause.
- The suitability and reliability of financial and other operational information.
- The economy, efficiency and effectiveness with which resources are utilised.
- Whether operations are being carried out as planned and objectives and goals are being met.
- The investigation of instances of fraud, bribery, corruption and irregularities.

8.1.3 Other objectives include:

- Supporting the Joint Independent Audit Committee in fulfilling its governance responsibilities as detailed in the Committee's terms of reference.
- Providing quality services through the highest standards of professional practice, quality assurance systems and investment in staff.
- Be future focussed and to continually add value to the organisation.

## **8.2 Authority**

- 8.2.1 Internal Audit is an assurance function required under the provisions of the Accounts and Audit Regulations 2015. Delegated responsibility to maintain an adequate and effective internal audit of the PCC and Chief Constable's accounting records and control systems rests with the Joint Chief Finance Officer, as set out in the Commissioner's Delegations to Officers.
- 8.2.2 The scope of Internal Audit provider activity allows for unrestricted coverage of each body's control environment, which includes all of its operations, resources, services and responsibilities in relation to other bodies. The only exception to this is in relation to covert assets. Assurance on the existence and deployment of covert assets will be provided to Internal Audit and onto the Joint Independent Audit Committee by the Assistant Chief Constable responsible for Crime.
- 8.2.3 In accordance with the definitions of PSIAS, the Internal Audit Manager is the OPCC and Force's Chief Audit Executive, the Joint Independent Audit Committee as the Board and Area Commanders/Heads of Department and above are designated as "senior management".
- 8.2.4 The Internal Audit Manager, in consultation with the Joint Chief Finance Officer and the Joint Independent Audit Committee, will have the freedom to determine the priorities for Internal Audit activity.
- 8.2.5 The Internal Audit Manager will carry out a systematic review and evaluation of all aspects of the internal control environment through consideration of the respective risk registers and consultation with senior managers and the external auditor. This enables the Internal Audit Manager to prepare a three-year risk-based plan, covering all areas of the Police Service and to provide purpose and direction in this process. This plan will be linked to a statement of how the Internal Audit service will be delivered and developed in accordance with this Charter and both the PCC and Chief Constable's overall objectives.
- 8.2.6 Subject to the restriction relating to covert assets noted in 8.2.2 above, Financial Regulations grant to Internal Audit, having been security cleared, the authority to:
- Enter at all reasonable times OPCC and the Force premises;
  - Have access to all assets, records, documents, correspondence, control systems and appropriate personnel, subject to appropriate security clearance;
  - Receive any information and explanation considered necessary concerning any matter under consideration;
  - Require any employee to account for cash, stores or any other OPCC or Force asset under their control; and
  - Access records belonging to contractors, when required. This shall be achieved by including an appropriate clause in all contracts.

- 8.2.7 Where required assurances based on the work of Internal Audit may be provided to respective external bodies. This will take the form of a written assurance from the Internal Audit Manager detailing the objectives of the internal audit activity undertaken and a conclusion on the assessment of the internal control environment.
- 8.2.8 The main determinant of the effectiveness of the Internal Audit provider is that it is seen to be independent. To ensure this, the Internal Audit provider will operate in a framework that allows direct reporting to the PCC, all Chief Officers and the Chair of the Joint Independent Audit Committee.

### **8.3 Responsibilities**

- 8.3.1 The Internal Audit provider will perform all audit work in accordance with PSIAS and the prescribed local procedures as outlined within the Internal Audit Manual, giving due recognition to the mandatory basis of the PSIAS. Auditors will carry out their duties in compliance with the standards and the Code of Ethics detailed within them. In addition to the Annual Internal Audit Report the Internal Audit Manager will report progress against the annual audit plan to the Joint Independent Audit Committee on a quarterly basis. This will include details of any significant weaknesses identified in internal controls and the results of the Internal Audit Manager's Quality Assurance and Improvement Programme which assesses compliance with PSIAS.
- 8.3.2 The Internal Audit provider will have no responsibilities over the activities that it audits beyond the furnishing of recommendations and advice to management on associated risks and controls.
- 8.3.3 The existence of the Internal Audit provider does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered way. Management is expected to implement all agreed audit recommendations by the agreed implementation date. Each recommendation will be followed up at the agreed date to assess the extent to which this has happened.
- 8.3.4 Arrangements are in place with senior managers to inform Internal Audit of changes in organisational systems and procedures on an ongoing basis.
- 8.3.5 Every effort will be made to preserve objectivity by ensuring that all Internal Audit provider employees are free from any conflicts of interest and do not undertake any non-audit duties other than those for the demands of the service.

## **9. Resourcing of Internal Audit**

- 9.1 Resourcing of Internal Audit will take into consideration the following:

- The PCC and Chief Constable's priorities;
  - The level of risk, taking into account such areas as materiality, complexity, potential for fraud and sensitivity;
  - Consultation with senior managers and the external auditor;
  - Changes in legislation;
  - The scope of planned external audit work; and
  - The implications of external inspection reports.
- 9.2 The staffing structure of the Internal Audit provider comprises of professional accountants, accounting technicians and trainee posts with a mix of specialisms to reflect the varied workload of the Service. Where the Internal Audit Manager considers there to be insufficient resources to deliver an effective audit plan this will be drawn to the attention of the Joint Chief Finance Officer and the Chair of the Joint Independent Audit Committee immediately.
- 9.3 At the request of the Joint Chief Finance Officer appropriate specialists from other services should be made available to participate in any audit or review requiring specialist knowledge.
- 9.4 The Internal Audit Manager will carry out a continuous review of the development and training needs of all audit personnel and will arrange in-service training delivered through both internal and external courses.
- 9.5 Internal Audit maintains its awareness of national and local issues through membership and subscription to professional bodies such as CIPFA's Better Governance Forum, Technical Information Service, Finance Advisory Network, the Institute of Internal Auditors (IIA) and through regular liaison with external audit.
- 9.6 The Internal Audit provider will keep abreast of best audit practice by adhering to CIPFA's and the IIA's best practice advisories and practice guides, where applicable, as well as networking with other internal audit service providers.
- 9.7 In this regard the Internal Audit provider considers trends and emerging issues that could impact on the organisation.

## **10. Fraud Related Work**

- 10.1 Managing the risk of fraud, bribery and corruption is the responsibility of management and the Internal Audit provider does not have responsibility for the prevention and detection of these matters. Internal Auditors will however be alert to the risk and exposures that can allow fraud, bribery and corruption and will investigate such instances and any irregularities that are identified within the Service. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud, bribery and corruption will be detected.

- 10.2 The Internal Audit Manager has provision in the Audit Plan to allow for the investigation of fraud, bribery and corruption and Financial Regulations, the Counter Fraud and Corruption Policy and Statement on the Prevention of Bribery require them to be notified of all suspected or detected fraud, corruption or impropriety. The Internal Audit Manager will assess the potential impact of such cases on the internal control environment.

## **11. Consulting Services**

- 11.1 Where resources and skills allow within the Audit Plan, the Internal Audit provider will provide independent and objective services, such as consultancy at the request of management. Consultancy work will be assessed by the Internal Audit Manager for its impact on the internal control environment and the potential added value in terms of the PCC and Chief Constable achieving their legitimate and ethical objectives and will be subject to the Audit Protocol on Consultancy Engagements.



# **The Internal Audit Strategy Statement**

**2024/25 – 2026/27**

**& Annual Plan 2024/25**

## **1. Introduction**

- 1.1 The Internal Audit Service for the Police and Crime Commissioner and Chief Constable plays an essential role in supporting each body to achieve its objectives and outcomes. The Annual Audit Plan for 2024/25 has been formulated from a review of the major risks that are faced over the next three years. The plan therefore focuses on areas where we can add the most value and provide assurance that risks are being properly managed.
- 1.2 Our objectives over the three years are to promote and champion sound governance and effective internal controls throughout both bodies and to provide objective assurance by ensuring key business controls are operating as planned and value for money is being achieved to support delivery of the Police and Crime Plan.
- 1.3 It is the responsibility of management to install and maintain effective internal control systems. The role of Internal Audit, as outlined in the Audit Charter, is to assist managers in the effective discharge of this responsibility and in so doing, deliver the objectives of the Police and Crime Commissioner, Chief Constable and any associated bodies.
- 1.4 Internal Audit is provided to the Police and Crime Commissioner and Chief Constable under an agreement with Gateshead Council.

## **2. Purpose**

- 2.1 This document sets out Internal Audit's Strategy for 20224/25 – 2026/27 and Annual Audit Plan for the Police and Crime Commissioner and Chief Constable for the financial year 2024/25. The purpose of the Internal Audit Strategy and Annual Audit Plan is to:
  - Meet the requirements of the Public Sector Internal Audit Standards (PSIAS) that requires the Chief Audit Executive to produce a risk based annual plan taking into account the requirement to give an independent annual opinion on the overall adequacy and effectiveness of each organisation's framework of governance, risk management and control;
  - Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations 2015;
  - Ensure effective audit coverage and a mechanism to provide independent and objective assurance in particular to the Joint Independent Audit Committee and Senior Managers;
  - Identify the key risks that could prevent each body from achieving its objectives and determine the corresponding level of audit resources required to assess mitigating controls;
  - Add value and support senior management in providing effective internal controls and identifying opportunities for improving value for money; and
  - Support lead staff in the areas of finance and legal in fulfilling their obligations as the Section 151 and Monitoring Officers respectively.

### 3. Key Outputs 2024/25

#### 3.1 Internal Audit will deliver the following key responsibilities:

- To provide ongoing assurance to management on the control environments comprising systems of governance, risk management and internal control;
- To support expected standards of behaviour;
- To be responsive to transformational change and service demands;
- To work together with the external auditors to ensure reliance can be placed on our audit work where appropriate;
- To continue to develop our joint working relationships with other related regional and national groups and bodies;
- To embed the integration of internal audit work with governance and service improvement and produce a clearly co-ordinated risk-based approach to the audit of business systems across both organisations;
- To monitor and follow-up agreed management actions to audit recommendations within the agreed timescales;
- To deliver the statutory requirements of the Accounts and Audit Regulations 2015;
- To continue to develop and have a key role in corporate governance arrangements; and
- To provide support in respect of counter fraud and corruption investigations where required.

### 4. Key Issues & Annual Audit Plan for 2024/25

#### 4.1 Having regard to the current risk profile, the following main areas have been included in the Annual Plan for 2024/25:

##### **Police and Crime Commissioner Audit Areas**

#### 4.2 This area will focus on the two audits of Grant Distribution and Treasury Management. The Grant Distribution audit will examine the grants issued by the PCC to help support the priorities of the Police and Crime Plan. The audit of Treasury Management will look at how all borrowing and investments are managed in line with the agreed strategy.

##### **Chief Constable Audit Areas**

#### 4.3 These audits will focus upon the systems and procedures undertaken at establishments and departments across the Force and will also include some tailored work in respect of information technology.

##### **Combined Audit Areas**

#### 4.4 These audits are primarily focused around major financial systems and governance.

##### **General Allocations**

#### 4.5 Where audit reports have had a high priority finding or had an overall opinion of significant weakness they will be followed up by Internal Audit within six months of the final report being issued and time is provided within the plan for any such activity.



- 4.6 During the course of the year the Police and Crime Commissioner, Chief Constable or the Joint Independent Audit Committee can ask Internal Audit to carry out additional work on control systems which may not have been planned for. This time allocation is to provide some scope to do this. Internal Audit is also available to give ad hoc support and advice for staff and officers on internal control and governance issues. Activity in this area also includes preparation and delivery of reports for the Joint Independent Audit Committee.

#### **2024/25 Annual Audit Plan**

- 4.7 To allow an annual opinion on the effectiveness of the respective internal control environments to be delivered Internal Audit will review all major systems and areas of activity within a three-year period. The three-year risk based strategic plan is reviewed annually after considering:
- Organisational priorities;
  - A review of risk documentation;
  - Consultation with senior managers;
  - Changes in legislation;
  - The scope of planned external audit work;
  - The implications of any external inspection reports; and
  - Time elapsed since the previous audit.
- 4.8 Once this information has been analysed the perceived level of risk for each audit area is assessed based on thirteen areas taking into account such factors as materiality, operational impact, links to strategic risks, potential for fraud and sensitivity. Based on a score derived from these assessments, audits are categorised as high, medium or low priority which dictates where they will be audited within the three-year cycle. High priority areas are audited on an annual basis. However, there are some audits where the frequency is dictated by other criteria such as external reporting requirements in which case they may be conducted annually even though they are not categorised as high risk.
- 4.9 The Annual Audit Plan for 2024/25 has been developed on this basis and is set out at Appendix C. The plan sets out the broad areas for the basis of work during 2024/25 but remains flexible to respond to changing risks and priorities during the year. The level of audit resources required to deliver the plan is 2,260 hours (2,240 hours for 2023/24).

### **5. How the service will be provided**

- 5.1 Internal Audit is delivered under agreement with Gateshead Council. This includes the use of specialist auditors from Newcastle Council for IT auditing. This arrangement will be kept under review on an annual basis.
- 5.2 In order to deliver the Annual Audit Plan at the required level of quality and professionalism, we strive to ensure the team have the necessary mix of skills and experience. All internal audit staff are either fully qualified CCAB Accountants and/or qualified Association of Accounting Technicians or undertaking professional studies.

- 5.3 Our professional judgement has been applied in assessing the level of resources required to deliver the Annual Audit Plan. The level of resource applied is a product of:
- The complexity of the areas to be reviewed;
  - Factors such as number of locations, number and frequency of transactions; and
  - Assurance that can be brought forward from previous audits and other internal and external reviews carried out.
- 5.4 Staff development needs are continually assessed to ensure we maintain the optimal level and mix of skills required to deliver a highly professional and added value internal audit service.

## **6. Our Performance Management**

- 6.1 The standards for 'proper practice' in relation to internal audit are laid down in the Public Sector Internal Audit Standards and we will continually ensure compliance with these professional standards through a combination of internal and external reviews; with the outcomes reported to the Joint Independent Audit Committee. Examples of this include:
- Internal self-assessments by the Internal Audit Manager;
  - Customer satisfaction questionnaires;
  - Reliance placed on our work by external auditors, where applicable;
  - CIPFA benchmarking information; and
  - External assessment every five years by a recognised, qualified and independent assessor.
- 6.2 To achieve the planned coverage for 2024/25, deliver a high standard of customer care and demonstrate effectiveness of the Service, we have well established internal performance targets based on best professional practice. The following indicators will be reported to the Committee on a quarterly basis:

<b>Performance Indicator</b>	<b>Target</b>
Actual hours against planned hours	97.25%
Draft audit reports issued within 17 working days following the completion of audit fieldwork	100%
Number of audit recommendations implemented	100%
Customer satisfaction levels	95%

## AGENDA ITEM 10 – Appendix C

### Internal Audit Plan 2024/25 - 2026/27

Risk	Frequency	Audit Area	2024/25	2025/26	2026/27
		<b>Police &amp; Crime Commissioner</b>			
High	Annual	Treasury Management	80	80	80
High	Annual	Grant Distribution	50	50	50
		<b>Chief Constable</b>			
		<b>Digital Policing Audits</b>			
High	Annual	DP Security - Application & Data; Cyber; Infrastructure	60	60	60
High	Annual	DP Resilience (incl. Cloud Computing & Data Centre)	60	60	60
Medium	Biennial	DP Information Management	60		60
Medium	Biennial	ITIL Configuration and Change Management	60		60
Medium	Biennial	DP Governance and Risk Management	40		40
Medium	Biennial	Patch Management		40	
Medium	Biennial	Hardware Asset Management		60	
Medium	Biennial	Software Asset Management		60	
		<b>Departmental Audits</b>			
Annual	Annual	Police Charities Fund	40	40	40
Medium	Biennial	Asset Management		100	
Medium	Biennial	Fleet Management	70		70
Medium	Biennial	People Services & Development		100	
Medium	Biennial	Legal & Insurance Arrangements	90		90
Medium	Biennial	Firearms Licencing	90		90
		<b>Theme Based Audits</b>			
High	Annual	Property	120	120	120
High	Annual	Programme/Project Management	40	40	40
High	Biennial	Vetting	70	70	70
		<b>Combined Areas</b>			
		<b>Financial Systems</b>			
High	Annual	Creditors	70	70	70
High	Annual	Procurement	70	70	70
High	Annual	Payroll & Pensions	100	100	100
High	Annual	Main Accounting System	50	50	50
High	Annual	Budgetary Control	50	50	50
Medium	Annual	Employee Claims		60	
Ad-hoc	One off	Pension Remedy	70		
Medium	Biennial	Debtors	70		70
		<b>Other Combined Areas</b>			
High	Annual	Governance	50	50	50
High	Annual	Information Governance & Data Security	80	80	80
High	Annual	Annual Governance Statement - Review of Managers' Assurance	100	100	100
Medium	Biennial	Cash Advances & Income Arrangements	60		60
Medium	Biennial	Risk Management & Business Continuity Arrangements		90	
Medium	Biennial	Health & Safety	60		60
Medium	Biennial	Performance Management & Data Quality	60		60
Medium	Biennial	VAT		50	
Medium	Biennial	Complaints		100	
Medium	Biennial	Counter Fraud & Corruption Arrangements		60	
Medium	Biennial	Equality & Diversity	50		50
Medium	Biennial	Key Partnerships - NEROCU	50		50
		<b>Other</b>			
		<b>Sub Total</b>	<b>1,920</b>	<b>1,810</b>	<b>1,850</b>
		Follow Up & Contingency	70	70	70
		General Advice, Consultancy & Systems Review	150	150	150
		Joint Independent Audit Committee - Preparation & Support	120	120	120
		<b>Total Hours</b>	<b>2,260</b>	<b>2,150</b>	<b>2,190</b>

<b>Joint Independent Audit Committee</b>	<b>26 February 2024</b>
<b>Annual Governance Review – Assurance Framework 2023/24</b>	
<b>Report of: Gail Thompson, Deputy Head of Finance</b>	

## **1. PURPOSE**

- 1.1 Each financial year a review of the effectiveness of the system of internal control is undertaken and Annual Governance Statements (AGS's) are prepared for both the Police and Crime Commissioner (PCC) and the Chief Constable (CC).
- 1.2 The following sets out the processes to be undertaken to review the systems of internal control and prepare the draft AGS's for presentation to the Joint Independent Audit Committee (JIAC) for review.

## **2. RECOMMENDATION**

- 2.1 The Committee are asked to agree the approach and assurance framework for the production of an Annual Governance Statement for each of the PCC and CC for 2023/24.

## **3. BACKGROUND**

- 3.1 The Accounts and Audit Regulations 2015 require that the PCC and CC each conduct a review of the effectiveness of the systems of internal control, and prepare individual Annual Governance Statements.
- 3.2 The review of evidence informing the production of the AGS's will be undertaken by the Joint Governance Group (JGG), who will prepare the statements covering 2023/24 for review and approval by the JIAC.
- 3.3 The draft AGS's will then be reviewed by the JIAC before approval by the PCC and CC. The statements will then accompany the Annual Statements of Account for each organisation.

## **ASSURANCE FRAMEWORK**

- 3.4 The assurance framework is made up from a number of sources that provide assurance on governance arrangements, and controls, that are in place to achieve each organisations strategic objectives.
- 3.5 The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance based around a framework that sets out the steps by which assurance should be gathered to enable the production of an Annual Governance Statement for both the PCC and CC.
- 3.6 In preparation, it will be necessary to review evidence from the following sources of assurance that the systems of internal control are operating as planned:
  - **The system of internal Audit**
    - Review of the effectiveness of Internal Audit
    - Review of the effectiveness of Joint Independent Audit Committee
    - Internal Audit Annual Report
  - **Senior Managers Assurance Statements**
  - **Primary and Thematic Assurance**
    - Governance Arrangements

**OFFICIAL – SENSITIVE**

- Financial Controls - An assessment of the role of the CFO in accordance with best practice.
- Views of the External Auditor
- HMICFRS and other external inspectorates.
- The legal and regulatory framework.
- Risk management arrangements.
- Performance management and data quality
- CIPFA Financial Management Code self-assessment
- Other 'Thematic' sources of assurance, including:
  - Business Planning
  - Partnership arrangements and governance
  - Digital Policing Arrangements
  - Fraud, Corruption and Money Laundering
  - Wellbeing

3.7 In addition, any other sources of assurance which may be highlighted as a result of discussions with the External Auditor.

**CONSIDERATIONS**

3.8 The following sections outline how suitable assurance will be obtained from the above identified sources of assurance:

**3.9 The system of internal audit**

3.9.1 The Internal Audit Service, provided under a support agreement with Gateshead Council, is responsible for ensuring that the key systems, both financial and non-financial, of both bodies are subject to regular audit as part of the risk based internal audit plan.

3.9.2 In addition, a review of the effectiveness of internal audit is required under the Accounts and Audit Regulations 2015. This is defined by CIPFA as “a framework of assurance available to satisfy a local authority that the risks to its objectives, and the risks inherent in understanding its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation”. This review will also include evaluating the effectiveness of the Joint Independent Audit Committee.

3.9.3 Assurance in this area will be provided through the overall independent opinion of the Internal Audit Manager based on the work undertaken by the Internal Audit Service during the year and reported to the Joint Independent Audit Committee in the Internal Audit Annual Report 2023/24.

**3.10 Senior Managers**

3.10.1 All Heads of Department and Area Commanders for the Force and the Chief of Staff of the OPCC will complete a self-assessment assurance statement detailing the level of assurance they feel they can place on their key control and governance processes. The JIAC will receive a report giving the overall opinion of senior managers on the adequacy of arrangements they have in place

**3.11 Governance arrangements**

**OFFICIAL – SENSITIVE**

- 3.11.1 The PCC and CC have responsibilities for governance within the Office of the Police & Crime Commissioner (OPCC) and the Force in their own right. This means that there will be two freestanding processes within the Police Service for ensuring good governance. In most respects the principles and implementation will be the same for the PCC and the CC. There may be however, areas specific to each corporation sole which will need to be reflected.
- 3.11.2 The PCC and CC have established a Joint Internal Governance Group (JGG) which meets on four times per year and whose work is fully aligned with that of the JIAC. The Group is resourced by individuals who have the appropriate knowledge, expertise and levels of seniority to consider all necessary and mandatory governance requirements on behalf of both corporate bodies.
- 3.11.3 The permanent members of this Group are:
- Joint Chief Finance Officer
  - PCC Chief of Staff
  - Deputy Chief Constable
  - Head of Corporate Development
  - Deputy Head of Finance
  - Internal Audit Manager
- 3.11.4 This Group will:
- Consider the extent to which the organisations comply with the principles and elements of good governance set out in the framework
  - Identify systems, processes and documentation that provide evidence of compliance.
  - Identify the individuals or mechanisms responsible for monitoring and reviewing the systems, processes and documentation
  - Identify any governance issues that have not been addressed and consider how they should be addressed.
  - Identify the individuals who would be responsible for undertaking any actions that are required.
- 3.12 Financial controls**
- 3.12.1 Assurance will be sought from the Joint Chief Finance Officer (JCFO) to the PCC and CC, who is designated as the responsible officer for the administration of each body's financial affairs under section 151 of the Local Government Act 1972
- 3.13 Views of the external auditor and other external inspectorates**
- 3.13.1 The external auditor will issue a Joint Audit Findings Report for the PCC and CC Statements of Account and a Joint Auditor's Annual Report each year, reporting any significant issues arising from the audits of their financial statements and providing a review of the value for money arrangements for each body.
- 3.13.2 There are also a number of other external inspectorates, including HMICFRS, which report from time to time on management and governance arrangements within the Police Service.
- 3.14 HMRCFRS and other external inspectorates**

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- 3.14.1 In addition to the HMICFRS and external inspectorate reports presented at each JIAC meeting, an annual review will be undertaken summarising the activities during 2023/24.

**3.15 Legal and regulatory framework**

- 3.15.1 Assurance will be sought from the PCC's Chief of Staff and the CC's Head of Legal, who have a legal duty within their own bodies to ensure the lawfulness and fairness of decision-making and ensure compliance with established policies, procedures, laws and regulations.

**3.16 Risk management**

- 3.16.1 The PCC and CC have established a joint approach to the consideration and management of risk, which ensures that both bodies have management arrangements in place. Updates on risk are provided to JIAC at each meeting and assurance in this area will be provided in the Corporate Risk Management Annual Report for 2023/24.

**3.17 Performance management and data quality**

- 3.17.1 The performance management framework forms part of the assurance of senior managers on the key controls operating in their areas. In addition, there is a framework for reporting corporate performance management information, including oversight by the PCC. The Head of Corporate Development will provide assurance in respect of this framework.
- 3.17.2 A review of the activities of the Information Management Unit will be undertaken and assurance sought of the overall management of data including and internal and external audits of the procedures and processes in place

**3.18 CIPFA Financial Management Code self-assessment**

- 3.18.1 A self-assessment against the CIPFA FM Code will be undertaken. The Code is based on a series of principles supported by specific standards which are considered necessary to provide a strong foundation to manage the short, medium and long-term finances of a public body, manage financial resilience to meet unforeseen demands on services and manage unexpected changes in financial circumstances.

**3.19 Thematic assurance**

- 3.19.1 To supplement and enhance the specific functional assurance provided above, there are also a number of 'Thematic' areas from which assurance will be sort; on the internal control environment or governance arrangements for either body. These will be included in the evidence provided to support the Annual Governance conclusion:

**a) Business Planning**

The establishment, and adequacy, of business planning to inform strategic plans and the production of the annual 'Force Management Statement' (FMS). The FMS is a self-assessment that CC's prepare each year, covering: The demand the Force expects to face in the next four years; how the Force will change and improve its workforce and other assets to cope with that demand; how the Force will improve its efficiency to make sure the gap between future demand and future capability is as small as it can reasonably be; financial position of the Force to deliver its plans.

**b) Partnership arrangements and governance**

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Assurance is also required in respect of any significant partnership arrangements, as they are key to the delivery of each body's objectives. Each arrangement will be assessed against guidance produced by the Audit Commission (Bridging the Accountability Gap, 2005).

**c) Resourcing – People**

Assurance will be sought to provide an overview of how people resources (Officers and Staff) are managed and deployed to meet the strategic aims of the Force. Through workforce plans; monitoring and the Strategic Resourcing Board.

**d) Digital Policing**

Assurance will be sought as to the adequacy and robustness of Digital Policing systems, processes, controls and governance. This will be via assurances from the Chief Technology Officer.

**e) Fraud, Corruption and Money Laundering**

A review of any cases of Fraud, corruption or money laundering; as identified via the stated internal policies and procedures, to identify if any assurance risks exist.

**f) Wellbeing**

Wellbeing remains a Force priority. Activity to monitor and improve our workforce's wellbeing is led through the Wellbeing and People Plan which was substantially monitored and governed through the People and Organisational Justice Board for the 2023/24 financial year. Activity will be reviewed to ensure compliance with internal policies and procedures and to ensure alignment with priorities.

**4. CONSIDERATIONS**

<b>Government Classification Scheme</b>	Official
<b>Freedom of Information</b>	Non-exempt
<b>Consultation</b>	Yes
<b>Resource</b>	No
There are no additional financial considerations arising from this report.	
<b>Code of Ethics</b>	No
There are no ethics implications arising from the content of this report.	
<b>Equality</b>	No
There are no equality implications arising from the content of this report.	
<b>Legal</b>	No
There are no legal considerations arising from the content of this report.	
<b>Risk</b>	No
There are no additional risk management implications directly arising from this report.	



<b>Communication</b>	Yes
To be reported to the PCC and CC in-line with the Accounts and Audit Regulations 2015	
<b>Evaluation</b>	No