

## **JOINT AUDIT AND SCRUTINY PANEL**

**THURSDAY 11 FEBRUARY 2016 at 2.00 PM**

**Committee Room C, County Hall**

**West Bridgford**

**Nottingham NG2 7QP**

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### **Membership**

Stephen Charnock (Chair)

Leslie Ayoola

John Brooks

Peter McKay

Philip Hodgson

## **A G E N D A**

1. Apologies for absence
2. Declarations of interest by Panel Members and Officers (see notes below)
3. To agree the minutes of the previous meeting held on 10 December 2015
4. Strategic Risk Management Report (2015-16 Q3)
5. Business Continuity Management Report
6. Publication Scheme monitoring, review and assurance
7. Nottinghamshire Police Information Management Freedom of Information and Data Protection update
8. Assurance Mapping 2016-17

9. External Audit Plan 2016
10. Internal Audit progress report
11. Internal Audit Annual Plan 2016-17
12. Audit and inspection report
13. Precept and budget reports 2016-17
14. Work plan and meeting schedule

## **NOTES**

- Members of the **public are welcome to attend** to observe this meeting
- For **further information** on this agenda, please contact the Office of the Police and Crime Commissioner on 0115 9670999 extension 801 2005 or email [nopcc@nottinghamshire.pnn.police.uk](mailto:nopcc@nottinghamshire.pnn.police.uk)
- A **declaration of interest** could involve a private or financial matter which could be seen as having an influence on the decision being taken, such as having a family member who would be directly affected by the decision being taken, or being involved with the organisation the decision relates to. Contact the Democratic Services Officer: [alison.fawley@nottsc.gov.uk](mailto:alison.fawley@nottsc.gov.uk) for clarification or advice prior to the meeting.

**NOTTINGHAMSHIRE POLICE AND CRIME COMMISSIONER**  
**County Hall, West Bridgford, Nottingham, NG2 7QP**

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**MINUTES**  
**OF THE MEETING OF THE**  
**NOTTINGHAMSHIRE POLICE AND CRIME COMMISSIONER**  
**JOINT AUDIT & SCRUTINY PANEL**  
**HELD ON THURSDAY 10 DECEMBER 2015**  
**AT COUNTY HALL,**  
**NOTTINGHAM NG2 7QP**  
**COMMENCING AT 2.00 PM**

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**MEMBERSHIP**

(A - denotes absent)

Mr Stephen Charnock (Chair)  
A Mr Leslie Ayoola  
Mr John Brooks  
Dr Phil Hodgson  
Mr Peter McKay

**OFFICERS PRESENT**

Paddy Tipping	Police and Crime Commissioner
Charlotte Radford	Chief Finance Officer, OPCC
Chris Eyre	Chief Constable, Notts. Police
Brian Welch	Mazaars
Simon Lacey	KPMG (External Audit)
Andrew Cardoza	KPMG
Alison Fawley	Democratic Services, Notts. County Council

**1) APOLOGIES FOR ABSENCE**

Apologies were received from Leslie Ayoola and Paul Dawkins

**2) DECLARATIONS OF INTERESTS BY MEMBERS AND OFFICERS**

None

### **3) MINUTES OF THE PREVIOUS MEETING**

The minutes of the last meeting held on 24 September 2015, having been circulated to all Members, were taken as read and were confirmed and were signed by the Chair subject to the following amendments:

- A correction to the spelling of Andrew Cardoza's name.
- Agenda item 4 - External Audit of the Accounts 2014-15 (ISA260) was introduced by Simon Lacey.

### **4) IPCC INVESTIGATIONS, RECOMMENDATIONS AND ACTIONS**

The Chief Constable introduced the report which informed Panel Members of complaint and conduct matters that had been referred by Nottinghamshire Police to the IPCC between 1 April – 30 September 2015 and the relevant recommendations and actions.

During discussions the following points were made:

- Changes to legislation would mean that in future officers under investigation would not be allowed to resign or retire until the outcome of the investigation were known. This was not expected to have a big impact in Nottinghamshire as there were only a small number of cases where officers retired/resigned during investigation.
- In response to a question about historic abuse allegations, the Chief Constable informed the panel of the work that had been ongoing since 2010 and that so far around there had been around 450 allegations of behaviours from victims. The allegations covered a wide range of behaviours but there were very few allegations of serious sexual offences. Collecting and linking evidence was a difficult and slow process and needed to be to the standard of proof required by the Court.
- The PCC explained that although he was clear that victims should be heard, there was a need to maintain the integrity of both criminal and civil investigations and that local work could not begin until criminal investigations had finished.
- Panel members requested that future reports on IPCC investigations included data regarding emerging themes to give more context.
- The Chief Constable invited Panel members to attend a PSD meeting.

#### **RESOLVED 2015/038**

That the Panel had received assurance from the processes in place relating to IPCC investigations.

### **5) FORCE IMPROVEMENT ACTIVITY – LESSONS LEARNED MONITORING**

The Chief Constable introduced the report which informed Panel members of force improvement activity, lessons learned monitoring and the

implementation of learning from the IPCC 'lessons learned' bulletins during the period April – September.

During discussion the following points were made:

- The effectiveness of lessons learned communications was evident in the marked changes in officer behaviour and from feedback from trainers delivering group training sessions.
- Data was reviewed to identify any repetitive behaviours.
- To ensure that lessons learned were embedded through the Force, investment had been made in decision making process training and a recent draft report from HMIC was positive that the PROUD values were owned by the Force and had given staff a framework to operate through.

#### **RESOLVED 2015/039**

That the report be noted.

#### **6) PROFESSIONAL STANDARDS CONFIDENTIAL REPORTING PROCEDURE**

The Chief Constable introduced the report which informed Panel members of the professional standards confidential reporting procedure and outlined how the Force managed and dealt with staff who made a report concerning breaches of professional standards.

During discussion the following points were made:

- A Panel member was invited to attend a Professional Standards meeting.
- Comparative data for Nottinghamshire performance compared to other Forces would be brought to a future meeting.

#### **RESOLVED 2015/040**

That the Panel had received assurance from the processes in place relating to confidential reporting.

#### **7) ANTI FRAUD AND CORRUPTION POLICY – REVIEW OF COMPLIANCE UPDATE (APRIL – SEPTEMBER 2015)**

The Chief Constable introduced the report which informed the Panel of the level of compliance against the East Midlands Strategic Commercial Unit (EMSCU) Fraud and Corruption policy for the period April – September 2015.

During discussions the following points were noted:

- There had been no inappropriate contracts during the period.

- The Panel discussed the merits of a mystery shopper approach to validate assurance particularly with lower level staff. The Chief Constable would be willing to test out the idea but was confident with the systems in place that had been tested by HMIC approximately two years ago.
- The introduction of MFSS had seen a change in how pay related payments were authorised and processed. The new system was auditable but work was still in progress for some elements of reconciliation. Any inappropriate claims for mileage or overtime would be dealt with through conduct procedures.
- The availability and content of reports from MFSS would be discussed with the new Director of Finance in the New Year.
- MFSS financial controls is also an area of work on the internal audit plan.

#### **RESOLVED 2015/041**

That it be noted that:

- 1) That EMSCU's Commercial Director had received no reports of any fraudulent activity following any audit of procurement activity undertaken by the Force.
- 2) That EMSCU's Head of Procurement Services (to which the Policy directs any individual wishing to report any suspicion of fraudulent activity) had advised that there had been no reports of any fraudulent activity in relation to procurement activity undertaken within Nottinghamshire Police.
- 3) That EMSCU's Head of Supplier Services had written to Suppliers to re-iterate the Force position in relation to Gifts, Gratuities and Hospitality. The relevant Force procedure stated that Police Officers and Staff should not accept the offer of any gift, gratuity, favour or hospitality as to do so might compromise their impartiality or give rise to a perception of such compromise.
- 4) That EMSCU's Commercial Awareness training programme which was launched in December 2013 was being delivered on an on-going basis, included content on the prevention of fraud and corruption in the procurement process.
- 5) EMSCU had included reference and guidance to Conflicts of interests and Gifts and Hospitality on procurement documents in relation to suppliers notifying EMSCU if they had any 'relationship' with any member of the Forces. Links to the code of Ethics had also been included.

**8) EXTERNAL AUDIT ANNUAL AUDIT LETTER**

Andrew Cardoza introduced the report which provided Panel members with a copy of the Annual Audit Letter – the final stage in the Statement of Accounts 2014-15 process.

During discussions the following points were made:

- An unqualified conclusion was issued for the Police and Crime Commissioner's (PCC) and Chief Constable's (CC) arrangements to secure value for money for 2014-15.
- An unqualified opinion was issued for the financial statements for the PCC (which incorporated the financial statements of the CC) and the separate financial statements of the CC.
- An additional fee of approximately £2,000 would be incurred due to additional work required to complete the audit. Staff absence and the changes to staffing in Financial Services had been contributory factors but work was ongoing to ensure consistency across financial systems for 3 Forces and that processes were in place to ensure timely compliance with audit requirements.

**RESOLVED 2015/042**

That the External Annual Audit Letter be recommended to the Police and Crime Commissioner and Chief Constable for approval.

**9) EXTERNAL AUDIT PROGRESS AND TECHNICAL UPDATE 2014-15**

Simon Lacey introduced the report which summarised the progress on external audit work during 2015-16 and provided information on the planning for the audit of the 2015-16 accounts. A technical update was also provided.

**RESOLVED 2015/043**

That the report be noted.

**10) VERBAL UPDATE ON REGIONAL ASSURANCE WORK**

Charlie Radford updated the Panel on the work of Baker Tilly in respect of assurance for all regional collaborations and innovation work.

During discussions the following points were made:

- The mapping of assurance work was a difficult and detailed process but a template was available for assurance work.

- A full report on assurance mapping would be brought to a future Panel meeting.

**RESOLVED 2015/044**

That the verbal update be noted.

**11) POLICE AND CRIME COMMISSIONER UPDATE REPORT – TO AUGUST 2015**

The Police and Crime Commissioner introduced the report which provided the Panel with an overview of current performance, key decisions and his activities to August 2015.

During discussions the following points were made:

- The Commissioner had been heavily involved in discussions with the Home Office concerning changes to the funding formula but changes were not likely to be brought in before April 2017.
- The Settlement Announcement was that there would be no cut overall to Police budgets. However the budget for 2016-17 would be tight as savings of £20 million would have to be made.
- The details of the proposed Devolution deal for Nottinghamshire and Derbyshire were not yet available but would need full discussion of the implications for policing and lessons may be learned from other authorities.

**RESOLVED 2015/045**

That the report be noted.

**12) INTERNAL AUDIT PROGRESS REPORT**

Brian Welch introduced the report which provided Panel members with an update on progress against the internal audit plan and the findings from audits completed to date.

During discussion the following point was made:

- An additional piece of work on Payment Processes and Procedures had been added to the previously agreed plan and recommendations from the report had been actioned.

**RESOLVED 2015/046**

That the Panel had received assurance from the audits being undertaken and planned.



**13) AUDIT AND INSPECTION REPORT**

The Chief Constable introduced the report which provided Panel members with an update on progress against recommendations arising from audits and inspections which had taken place within the force.

**RESOLVED 2015/047**

1. That the progress made against audit and inspection recommendations be noted.
2. That details of forthcoming audits and inspections be noted.

**14) APPOINTMENT OF EXTERNAL AUDITORS FOR 2018-19**

Charlie Radford introduced the report which informed Panel members of the need to consider in appropriate time the appointment of External Auditors from 2018-19.

**RESOLVED 2015/048**

That the report be noted.

**15) WORK PLAN AND MEETING SCHEDULE**

**RESOLVED 2015/049**

That the report be noted.

The meeting closed at 4.15pm

CHAIR



<b>For Information</b>	
<b>Public/Non Public*</b>	<b>Public</b>
<b>Report to:</b>	<b>Joint Audit &amp; Scrutiny Panel</b>
<b>Date of Meeting:</b>	<b>11 Feb 2016</b>
<b>Report of:</b>	<b>DCC &amp; Chief Executive</b>
<b>Report Author:</b>	<b>Martin Bakalarczyk, T/Planning and Policy Officer</b>
<b>E-mail:</b>	<b>Martin.Bakalarczyk@nottinghamshire.pnn.police.uk</b>
<b>Other Contacts:</b>	<b>Julie Mair, T/Head of Corporate Development</b>
<b>Agenda Item:</b>	<b>4</b>

## **STRATEGIC RISK MANAGEMENT REPORT (2015/16 QUARTER 3)**

### **1. Purpose of the Report**

- 1.1 To provide the Joint Audit and Scrutiny Panel with an up to date picture of strategic risk management (to the end of 2015/16 Quarter 3) across Nottinghamshire Police (the Force) and the Nottinghamshire Office of the Police and Crime Commissioner (NOPCC).

### **2. Recommendations**

- 2.1 That the Joint Audit and Scrutiny Panel notes the current approach to strategic risk management and considers the assurance that this report provides as to the effectiveness of those arrangements within the Force and the NOPCC.

### **3. Reasons for Recommendations**

- 3.1 A Strategic Risk Management Report is provided to the Joint Audit and Scrutiny Panel every six months to enable the Panel to consider the effectiveness of risk management within the Force and NOPCC, as part of their wider scrutiny of corporate governance arrangements.

### **4. Summary of Key Points**

#### **Risk management policy and process**

- 4.1 The Force and the NOPCC have agreed to set a joint policy for the management of risk, in line with the Cabinet Office approved Management of Risk (M\_o\_R) approach.
- 4.2 The Force and NOPCC will use risk management in their decision making in future:
- Each portfolio lead sets a risk management strategy for their area of responsibility, including risk appetite and tolerance levels and the risk management activities they expect to take place
  - Portfolio and programme boards maintain strategic risk registers; divisions, departments and projects maintain operational risk registers
  - The Force Executive Board and the Audit and Scrutiny Panel receive regular reports on strategic risk management, highlighting current High and Very High risks

## Strategic risk registers


4.4 Copies of the following strategic risk registers are appended to this report:


Appendix I – Strategic Force Risk Register  
 Appendix II – Strategic Information Risk Register  
 Appendix III – Strategic NOPCC Risk Register


4.5 All risks within the Force's and NOPCC's risk registers are classified according to one of the following impact categories:


- Crime and community safety
- Operational efficiency & effectiveness
- Judicial proceedings
- Reputation
- Finances
- Compliance
- Life and safety
- Environment


4.6 The tables below provide an evaluation of the overall level of risk exposure present in each of these categories; the current trend; a summary of those specific risks (both threats and opportunities) which are currently assessed as having a High or Very high risk rating; and the planned to response to those risks. The risk relating to budget is reflected in the risk registers of both the NOPCC and the Force.


Risk type	Finances		
Overall risk exposure	Very High	Trend	
Current top risks	Rating	Risk response plans	
Financial forecasting indicates higher spending than income. The Force currently anticipates that £9.3m of reserves will have to be utilised to balance the budget for the year end 2015/16. Reduction in resources spending will impact upon current and future activities and service delivery.	VH	Reduce impact: <ul style="list-style-type: none"> <li>• Use of reserves</li> <li>• Scenario modelling to enable accurate impact forecast</li> <li>• Savings plans reviewed and revised</li> <li>• Cost base reduction</li> <li>• Strategic Alliance</li> </ul>	
Failure of appeal against A19 tribunal decision	H	Appeal process; contingent liability in accounts for 2015/16 (NOPCC)	


Risk type	Operational efficiency & effectiveness		
Overall risk exposure	High	Trend	
Current top risks	Rating	Risk response plans	
Unable to engage in pursuit due to unavailability of trained TAC advisors	H	Decision required to prioritise pursuit TAC advisor training Review of driver training	
Mechanical or electrical failure at the Bridewell forces closure & temporary loss of custody provision	H	Business case for replacement / upgrade; custody business continuity plans to divert to neighbouring forces	
Non-networked IT equipment not supported by Force IS team fails; essential information is not available (SEIU and DIEU)	H	Risks to be reviewed by IS and InfoSec to develop appropriate risk management plans	


Risk type	Compliance		
Overall risk exposure	High	Trend	
Current top risks	Rating	Risk response plans	
Design of custody cell basins, water dispensers and air vent grilles does not meet requirements of APP, resulting in a detained person being placed in a non-compliant cell	H	Review requirements, prepare business cases & install replacement fixtures	

Risk type	Crime & community safety		
Overall risk exposure	Medium	Trend	
Current top risks	Rating	Risk response plans	
No risks currently rated High or Very high	N/A	N/A	

Risk type	Judicial proceedings		
Overall risk exposure	Medium	Trend	
Current top risks	Rating	Risk response plans	
No risks currently rated High or Very high	N/A	N/A	

Risk type	Life & safety		
Overall risk exposure	Medium	Trend	
Current top risks	Rating	Risk response plans	
No risks currently rated High or Very high	N/A	N/A	

Risk type	Reputation		
Overall risk exposure	Medium	Trend	
Current top risks	Rating	Risk response plans	
No risks currently rated High or Very high	N/A	N/A	

Risk type	Environment		
Overall risk exposure	Low	Trend	
Current top risks	Rating	Risk response plans	
No risks currently rated High or Very high	N/A	N/A	

### **Closed strategic risks**

4.7 The following strategic risks have been closed since the previous report:

<b>Risk description</b>	<b>Date closed</b>	<b>Reason for closure</b>

## **5 Financial Implications and Budget Provision**

- 5.1 The only current financial implications for the Force associated with the implementation of Risk Management come from the cost of membership of the public sector risk management association, Alarm. The annual subscription for the Force risk practitioner costs £160.

## **6 Human Resources Implications**

- 6.1 Providing professional advice on risk management is the responsibility of one Strategic Support Officer within the Planning and Policy team (Business and Finance department), who is trained as an M\_o\_R Registered Risk Practitioner and who is also responsible for advising on business continuity management. In the absence of a current post holder these roles are being fulfilled by the remaining members of the team
- 6.2 General responsibility for managing risk forms an integral part of the job descriptions of individuals throughout the Force.

## **7 Equality Implications**

- 7.1 There are no known equality implications associated with the implementation of the Risk Management Policy.
- 7.2 Where a particular risk is identified that could have an impact on the Force's or NOPCC's equality objectives that risk will be managed in line with the Risk Management Policy.

## **8 Risk Management**

- 8.1 One of the main aims of the Risk Management Policy is to achieve consistent application of risk management principles and techniques across all areas of the Force and NOPCC.
- 8.2 If the Force and NOPCC do not practice effective risk management within their decision making there is a risk of non-compliance with the principles set out in the Joint Code of Corporate Governance. This risk was identified in the Force's Annual Governance Statement 2014 and is currently being managed within the Business and Finance department risk register, with a risk rating of Medium.

## **9 Policy Implications and links to the Police and Crime Plan Priorities**

- 9.1.1 The Force and Office of the Police and Crime Commissioner have agreed to set a joint Risk Management Policy based on the adoption of the M\_o\_R approach.
- 9.1.2 An understanding and appreciation of strategic risk is important in determining the priorities in the Police and Crime Plan, and subsequently informing the development of effective strategies, policies and plans to address those priorities. It is expected that the Risk Management Policy will lead to improved understanding of strategic risk and therefore impact positively on the achievement of Police and Crime Plan objectives.

## **10 Changes in Legislation or other Legal Considerations**

- 10.1 The preparation and publication of an annual governance statement in accordance with the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 for authorities to prepare a statement of internal control. This includes the requirement to have "effective risk management systems in place".
- 10.2 A review of the Force's monthly Horizon Summary report has not identified any forthcoming changes in legislation that would affect the Force's and NOPCC's risk management arrangements.
- 10.3 Where potential changes in legislation or other legal considerations represent a significant threat or opportunity for the Force or the NOPCC these are evaluated and managed in line with the Risk Management Policy.

## **11 Details of outcome of consultation**

## **12. Appendices**



12.1 **Appendix I** – Strategic Force Risk Register, 2015/16 Quarter 3

12.2 **Appendix II** – Strategic Information Risk Register, 2015/16 Quarter 3

12.3 **Appendix III** – Strategic NOPCC Risk Register, 2015/16 Quarter 3





## Risk Register



<b>Business area</b>	Force
<b>Responsible officer</b>	Deputy Chief Constable (DCC)
<b>Period</b>	Quarter 3, 2015/16



Identifier	Category	Risk description	Owner / Manager	Proximity	Probability	Impact	Rating	Trend	Response plan	Risk rating confidence
NPF 0016	Operational efficiency & effectiveness	<p><b>NEW</b> DIEU has suffered equipment failure of its CCTV video identification recording facility. The provision of this equipment is a requirement of PACE/case-law. Equipment was supplied by an external contractor so unsupported by Information Services or contents managed in accordance with Force requirements. Lack of a robust equipment/IT solution may render prosecutions ineffective where conduct of ID parade is key evidential requirement.</p> <p><b>Update: Solution purchased and installed through INS. Awaiting confirmation from risk owner that risk removed before closing.</b></p>	Superintendent Head of Crime Support	Daily	High	High	High (16)	↔	<ul style="list-style-type: none"> <li>Prioritise use of remaining stable equipment for cases where ID evidence is critical and heavily relied upon</li> <li>Replace ageing equipment (business case to be developed)</li> <li>Information Services to investigate/provide in-house long term solution and ensure information is managed in accordance with Force standards</li> </ul>	Reasonable

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NP 0015	Finances	Financial forecasting indicates higher spending than income. The Force currently anticipates that £9.3m of reserves will have to be utilised to balance the budget for the year end 2015/16. Reduction in resources spending will impact upon current and future activities and service delivery.	Head of Finance	Daily	Very High	Very High	Very High (25)		Reduce impact: <ul style="list-style-type: none"> <li>• Use of reserves</li> <li>• Scenario modelling to enable accurate impact forecast</li> <li>• Savings plans reviewed and revised</li> <li>• Cost base reduction</li> <li>• Strategic Alliance</li> </ul>	Substantial
NPF 0014	Crime & community safety	Due to a shortage of trained pursuit TAC advisors, and inability to provide training through EMOSS to increase capacity, a vehicle pursuit has to be abandoned when it would have been beneficial to continue. <b>Update: Risk to be reassessed as part of wider review of driver training.</b>	Ch Insp Contact Management / T/Insp Contact Management	Daily	Med (4)	High (4)	High (16)		Reduce the probability: <ul style="list-style-type: none"> <li>• <i>Decision to prioritise TAC advisor training is being pursued.</i></li> <li>• <i>Review of driver training</i></li> </ul>	Reasonable



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NPF 0011	Compliance	Design of custody cell basins, water dispensers and air vent grilles does not meet requirements of APP, resulting in a detained person being placed in a non-compliant cell	Head of EMCJS / Head of Custody (North)	Daily	Very high (5)	Medium (3)	High (15)		Avoid the risk: • Prepare business case for replacement works (Assets dept) • Complete installation of replacement fixtures (Assets dept)	Substantial
NPF 0003	Finances	The Force's appeal against the employment tribunal ruling on use of Reg A19 fails, resulting in the award of compensation to c100 former officers. <b>Update: Hearing not to be heard until summer 2016.</b>	DCC / Head of East Midlands Police Legal Services	Summer 2015	Med (3)	Very high (5)	High (15)		Avoid the risk: • Appeal process (EMPLS)  Contingency plan: • Contingent liability in accounts for 2015/16 (NOPCC)	Reasonable
NPF 0006	Operational efficiency & effectiveness	Closure of Bridewell custody following mechanical or electrical failure, resulting in significantly reduced custody provision	Head of EMCJS / Head of Custody (North)	Next 2 years	Med (3)	High (4)	High (12)		Reduce probability: • Business case for replacing ageing equipment (Assets dept)  Reduce impact: • Custody business continuity plan to divert to other forces (EMCJS)	Substantial




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NPF 0002	Operational efficiency & effectiveness	Current BEAT system is only compatible with Blackberry mobile devices, so when stocks of Blackberrys run out the Force is unable to provide replacements which removes the mobile data capability of operational officers. <b>Update: Contracted with HCL for replacement to BEAT software. Planned for delivery before Jan/Feb 2016 (before critical date). Risk to be lowered to medium as probability reduced to 2.</b>	Head of Information Services / Solutions Manager	Apr 2016	Med (2)	High (4)	Medium (8)		Avoid the risk <ul style="list-style-type: none"> <li>Upgrade existing BEAT system to be "device agnostic" (IS dept)</li> <li>Purchase alternative mobile devices (IS dept)</li> </ul>	Reasonable
NPF 0007	Life & safety	Clogging of air ducting at the Bridewell impedes fire detection and containment measures, resulting in a fire safety incident which endangers the lives of officers, staff, detained persons and visitors	Head of EMCJS / Head of Custody (North)	Next 2 years	Low (2)	Very high (5)	Med (10)		Avoid the risk: <ul style="list-style-type: none"> <li>Prepare business case for replacement fixtures or cleaning existing ducting (Assets dept)</li> </ul>	Reasonable

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NPF 0001	Operational efficiency & effectiveness	Force telephony infrastructure is nearing the end of its operational life, increasing the probability of critical failure resulting in temporary loss of internal & external communications capability. <b>Update: Project commenced</b>	Head of Information Services / Infrastructure & Service Delivery Manager	2016/17	Med (3)	Med (4)	High (12)		Reduce probability: <ul style="list-style-type: none"> <li>Replace Force-wide &amp; control room telephony (IS dept)</li> </ul> Reduce impact: <ul style="list-style-type: none"> <li>Contact Management business continuity plans to divert calls to other forces (CM dept)</li> </ul>	Reasonable
NPF 0012	Life & safety	Design of custody cell basins, water dispensers and air vent grilles creates a potential ligature point, resulting in an incident which endangers the life of a detained person	Head of EMCJS / Head of Custody (North)	2015	Very low (1)	Very high (5)	Low (5)		Avoid the risk: <ul style="list-style-type: none"> <li>Prepare business case for replacement works (Assets dept)</li> <li>Complete installation of replacement fixtures (Assets dept)</li> </ul>	Reasonable
NPF 0010	Environment	Excessive fuel spillage at one of the Force's underground storage tanks sites that does not have a fuel interceptor (Ollerton, Hucknall, Oxclose Lane & Sutton in Ashfield) results in pollution of the local watercourse	Head of Assets / Building Surveyor	Next 12 months	High (4)	Very low (1)	Low (4)		Reduce the probability: <ul style="list-style-type: none"> <li>Review long term options for bunkered fuel sites (Assets dept)</li> </ul> Contingency plan: <ul style="list-style-type: none"> <li>Spillage response measures in place - spill kits, notices (Assets dept)</li> </ul>	Reasonable



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NPF 0013	Life & safety	The design of stainless steel WC pans in custody (70+ cells) enables a detained person to secure a ligature under the rim, resulting in an incident which endangers their life	Head of EMCJS / Head of Custody (North)	2015	Very low (1)	Very high (5)	Low (5)		Assess the risk: • Review the facilities and recommend whether the risk should be accepted or avoided (Health & safety, Assets and Custody)	Substantial
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## Closed risks

Identifier	Risk description	Reason for closure	Date closed	Closed by



## Appendix II




## Risk Register

<b>Business area</b>	Information
<b>Responsible officer</b>	DCC as Senior Information Risk Owner (SIRO)
<b>Period</b>	Quarter 3, 2015/16


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Identifier	Category	Risk description	Information Asset Owner / Delegate	Proximity / Frequency	Probability	Impact	Rating	Trend	Response plan	Risk rating confidence
INF 0006	Operational efficiency & effectiveness	The Sexual Exploitation Investigation Unit (SEIU) has several standalone computers containing at least 13.5TB of digital information (including indecent images of children and related reports, BIL4); as this information is not backed up to the Force network equipment failure could result in permanent loss of evidential and intelligence information which impedes future serious crime investigations	Head of Public Protection / Det Insp, SEIU	2015	Med (3) u/k	Very high (5)	High (15)		Reduce the probability: <ul style="list-style-type: none"> <li>IS and InfoSec, with the IAD, to review the cause of the risk &amp; develop a risk management plan</li> </ul>	Limited
INF 0007	Operational efficiency & effectiveness	The Sexual Exploitation Investigation Unit (SEIU) has digital information (including indecent images of children and related reports, BIL4) stored on external hard drives kept at Holmes House; damage to or failure of those devices could result in permanent loss of evidential and intelligence information which impedes future serious crime investigations	Head of Public Protection / Det Insp, SEIU	2015	Med (3) u/k	Very high (5)	High (15)		Reduce the probability: <ul style="list-style-type: none"> <li>IS and InfoSec, with the IAD, to review the cause of the risk &amp; develop a risk management plan</li> </ul>	Limited



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NOTTINGHAMSHIRE POLICE

Identifier	Category	Risk description	Information Asset Owner / Delegate	Proximity / Frequency	Probability	Impact	Rating	Trend	Response plan	Risk rating confidence
INF 0017	Operational efficiency & effectiveness	Control room operator error, or issues with the interface between Vision and Compact IT systems, results in information relating to missing persons reports not being made available when required by coordinators and divisional officers (approx. 1 in 4)	Head of Public Protection / Missing Persons Manager	Daily	Very high (5)	Med (3)	High (15)	NEW	Reduce the probability: <ul style="list-style-type: none"> <li>IS and EMSCU to engage the supplier to review the interface &amp; identify cause</li> <li>CM to communicate correct recording of missing persons incidents to control room operators?</li> </ul>	Substantial [BC1]
INF 0005	Judicial process	The Digital Image Evidence Unit (DIEU) has digital information (ie. CCTV, BIL 3) stored on standalone computers; as this information is not backed up to the Force network equipment failure could result in permanent loss of evidential information which impedes the prosecution of crime	Head of Crime Support / DIEU Manager	2015	Med (3) u/k	High (4)	High (12)		Reduce the probability: <ul style="list-style-type: none"> <li>IS and InfoSec, with the IAD, to review the cause of the risk &amp; develop a risk management plan</li> </ul>	Limited




-NOT PROTECTIVELY MARKED-  
NOTTINGHAMSHIRE POLICE

Identifier	Category	Risk description	Information Asset Owner / Delegate	Proximity / Frequency	Probability	Impact	Rating	Trend	Response plan	Risk rating confidence
INF 0016	Life & safety	A supervisor using the DMS system accesses the sensitive personal data (specifically information about health and absence) of another employee who they do not have line management responsibility for and which they are not authorised to do, potentially causing distress to an individual and in breach of the Data Protection Act	Head of HR & OD / Senior HR Partner	Daily	Med (3) u/k	Med (3)	Med (9)		Reduce the probability: • IAD to review the SyOps for DMS	Limited [BC2]
INF 0018	Finances	Because EMCHRS-OHU do not share information on new starters' personal requirements, Contact Management is unable to plan for reasonable adjustments to be made, including application for funding to Access to Work, resulting in unnecessary costs and potential disruption to operations	Head of Contact Management / Ch Insp Contact Management	2016	High (4)	Low (2)	Med (8)	NEW	Avoid the risk: • HR to liaise with OHU regarding process to facilitate availability of information	Reasonable [BC3]

-NOT PROTECTIVELY MARKED-  
NOTTINGHAMSHIRE POLICE


Identifier	Category	Risk description	Information Asset Owner / Delegate	Proximity / Frequency	Probability	Impact	Rating	Trend	Response plan	Risk rating confidence
INF 0013	Crime & community safety	Technical failure results in temporary loss of Vision command & control IT system in the Force control room, compromising availability of information that impacts on service levels, management of response to incidents, public safety and reputation	Head of Contact Management / Business Systems Development Manager (CM)	Daily	Low (2)	High (4)	Med (8)		<p>Reduce the probability:</p> <ul style="list-style-type: none"> <li>Force core network replaced on 9 June – should improve resilience of control room ICT</li> </ul> <p>Contingency plan:</p> <ul style="list-style-type: none"> <li>Established control room business continuity plans</li> <li>Northern control room provides back-up site for longer-term interruptions</li> </ul>	Reasonable
INF 0011	Life and safety	Sensitive personal information of a registered violent or sexual offender is disclosed to an individual or group in order to reduce risk of harm, but outside the scope of the MAPPA Guidance 2012, compromising its confidentiality and putting the offender at risk of harm	Head of Public Protection / Det Insp DPMU	Monthly	Very low (1)	Very high (5)	Low (5)		<p>Avoid the risk:</p> <ul style="list-style-type: none"> <li>Disclosure form to be revised in line with MAPPA Guidance 2012 &amp; formally registered as a Force Form</li> </ul>	Reasonable

-NOT PROTECTIVELY MARKED-  
NOTTINGHAMSHIRE POLICE

Identifier	Category	Risk description	Information Asset Owner / Delegate	Proximity / Frequency	Probability	Impact	Rating	Trend	Response plan	Risk rating confidence
INF 0012	Compliance	Employees' personal information, stored on the Cyclops IT system hosted by Leicestershire Police, is accessed without authorisation by Leicestershire Police, Derbyshire Constabulary or GSA employees, in breach of the Data Protection Act	Head of HR / Senior HR Manager	Daily	Very low (1)	High (4)	Low (4)		Reduce the probability: <ul style="list-style-type: none"> <li>Set up a data processing agreement with Leicestershire Police &amp; Derbyshire Constabulary</li> <li>Is data processing included in the contract with GSA?</li> </ul>	Limited [BC4]
INF 0014	Compliance	Personal information obtained via CCTV at Force premises is disclosed to an unauthorised person, compromising its confidentiality in breach of the Data Protection Act	Head of Assets / Building Surveyor	Next 12 months	Very low (1)	High (4)	Low (4)		Reduce the probability: <ul style="list-style-type: none"> <li>Policy &amp; disclosure form to be produced to advise &amp; support Assets dept staff in management of CCTV information</li> </ul>	Reasonable
INF 0001	Operational efficiency & effectiveness	Audio / video recordings stored on discs / removable media are passed to CPS and then lost within their offices, accidentally compromising availability of evidential information that needs to be re-sent, causing delays to the judicial process & impacting on day to day work of the DIEU	Head of Crime Support / DIEU Manager	Daily	Low (2)	Low (2)	Low (4)		Reduce the probability: <ul style="list-style-type: none"> <li>Staff handbook detailing Force processes now in use</li> <li>Working group with CPS to address on-going issues</li> </ul>	Substantial [BC5]



-NOT PROTECTIVELY MARKED-  
NOTTINGHAMSHIRE POLICE

Identifier	Category	Risk description	Information Asset Owner / Delegate	Proximity / Frequency	Probability	Impact	Rating	Trend	Response plan	Risk rating confidence
INF 0004	Judicial proceedings	With limited back-up capability at Holmes House, equipment failure accidentally compromises the availability of information assets accessed through DIU IT systems, which impacts on the provision of evidence and reduces the efficiency of the judicial process	Director of Intelligence / DIU Manager	Before Sept 2015	Very low (1)	High (4)	Low (4)		Reduce the probability: <ul style="list-style-type: none"> <li>Temporary storage solution set up by IS (no back-up facility)</li> <li>Project to relocate DIU to FHQ &amp; utilise back-up capability / IS support (delayed until Sept 2015)</li> </ul>	Reasonable [BC6]

-NOT PROTECTIVELY MARKED-  
NOTTINGHAMSHIRE POLICE

**Closed risks**

Identifier	Risk description	Reason for closure	Date closed	Closed by
INF 0003	With only a short term storage solution in place, equipment failure results in accidental compromise to availability of evidential information contained within the Airwave & telephony archive, impacting on the efficiency and effectiveness of the judicial process	Storage issues resolved to enable retention in line with Force policy; risk reduced to acceptable level	March 2015	IRMG
INF 0015	A complaint is made to the ICO for not completing a Subject Access Request [DPA 6389/14] in accordance with the Data Protection Act, resulting in an enforcement notice; the required HR file is believed to be stored at Iron Mountain in one of approx. 300 un-catalogued boxes	Risk assessed as Low due to no response from holding letters sent; risk accepted	April 2015	IRMG
INF 0010	System security vulnerabilities within Windows XP following expiry of MS support enable an external hacker to deliberately compromise the confidentiality, integrity and / or availability of multiple Force information assets	Windows 7 project completed; risk considered minimal and acceptable	June 2015	IRMG
INF 0009	Continued use of Windows XP results in the national accreditor denying the Force permission to connect to the national Public Services Network (PSN), removing access to valuable information assets which reduces operational efficiency and effectiveness	Windows 7 project completed; risk avoided	June 2015	IRMG
INF 0008	A user who has been inactive for more than 6 months, and therefore should have had their access suspended in accordance with the PNC User Manual, accesses information on the Police National Computer (PNC), compromising its confidentiality	Business objects search now set up & in use by system administrators to manage user access in line with PNC Manual	June 2015	System Administrator / IRMG

## Appendix III



## Strategic Risk Register

<b>Business area</b>	Nottinghamshire Office of the PCC (NOPCC)
<b>Responsible officer</b>	Chief Executive
<b>Period</b>	Quarter 3, 2015/16



## Strategic Risk Register

Identifier	Function	Risk description	Owner	Proximity	Probability	Impact	Rating	Trend	Response plan	Risk rating confidence
PCC 004	Finance	The Force currently anticipates that £9.3m of reserves will have to be utilised to balance the budget for the year end 2015/16.	Chief Finance Officer	June 2016	Med (5)	Very high (5)	Very High (25)		Reduce probability & impact: <ul style="list-style-type: none"> <li>• Increase use of reserves</li> <li>• Development &amp; delivery of an efficiency savings plan for 2015/16</li> <li>• Independent assurance review</li> <li>• Monthly monitoring by CFO/PCC</li> </ul>	Limited
PCC 001	Crime & Community Safety	Increase in recorded Crime and ASB from changes in the recording rules	Head of Strategy and Assurance	Jun 2016	Low (2)	Very High (5)	Med (10)		Reduce probability: <ul style="list-style-type: none"> <li>• Police &amp; Crime Plan priorities for prevention &amp; early intervention;</li> <li>• Crime and ASB control strategies</li> <li>• Weekly and monthly monitoring</li> </ul>	Limited
PCC 002	Finance	Government review of Comprehensive Spending Review available to police, victims and community safety in 2015/16 could reduce funding	Chief Finance Officer	Jun 2016	Low (2)	Very high (5)	Med (10)		Reduce probability: <ul style="list-style-type: none"> <li>• Independent review of community safety and victim services</li> <li>• Independent assurance view of Force budget</li> <li>• Review and re-commission services to achieve greater efficiencies</li> </ul>	Limited



## Strategic Risk Register

Identifier	Function	Risk description	Owner	Proximity	Probability	Impact	Rating	Trend	Response plan	Risk rating confidence
PCC 005	Finances	The Home Office review of Police & Crime funding formula results in Nottinghamshire Police receiving a smaller settlement than it does at present	Chief Finance Officer	tbc	Low (2)	High (4)	Med (8)	↔	Reduce probability: <ul style="list-style-type: none"> <li>PCC's CFO involvement through PaCCTS;</li> <li>Lobbying Government for a better deal on funding formula, police grant, precept and community safety fund</li> </ul>	Limited



## Strategic Risk Register

Closed risks				
Identifier	Risk description	Reason for closure	Date closed	Closed by
PCC 003	The Force is unable to reduce expenditure by £12.7m during 2014/15 and exceeds its annual budget	Merged with risk PCC 004 relating to 2015/16	April 2015	Kevin Dennis



## Strategic Risk Register

### Appendix – explanatory note

The risk category should be drawn from the following list:

- Crime & community safety
- Operational efficiency & effectiveness
- Judicial process
- Finances
- Reputation
- Life & safety
- Compliance
- Environment

The following definitions and criteria have been used to describe and assess the risks recorded in this risk register:

Probability	Score	Definition
Very high	5	Extremely likely to occur (>90% chance)
High	4	More likely to occur than not (66-90% chance)
Medium	3	As likely to occur as not (36-65% chance); or unknown
Low	2	Unlikely to occur (11-35% chance)
Very low	1	Extremely unlikely to occur (1-10% chance)



## Strategic Risk Register

Impact	Score	Definition
Very high	5	Significant, lasting or permanent impact on objectives
High	4	Significant, temporary or noticeable, lasting impact on objectives
Medium	3	Noticeable, temporary or minor, lasting impact on objectives; or unknown
Low	2	Minor, temporary or minimal, lasting impact on objectives
Very low	1	Minimal, temporary impact on objectives

When assessing financial impact the following criteria have been used:

Impact	Score	Definition
Very high	5	£x,000,000s (millions)
High	4	£x00,000s (hundreds of thousands)
Medium	3	£x0,000s (tens of thousands)
Low	2	£x,000s (thousands)
Very low	1	£x00s (hundreds)





## Strategic Risk Register

Probability is multiplied by Impact to give the overall Rating, which is colour coded, dependent upon whether the risk represents a threat (negative impact) or opportunity (positive impact) using the matrices below:

Impact	V high (5)	5	10	15	20	25
	High (4)	4	8	12	16	20
	Medium (3)	3	6	9	12	15
	Low (2)	2	4	6	8	10
	V low (1)	1	2	3	4	5
		V low (1)	Low (2)	Medium (3)	High (4)	V high (5)
Probability						

**Threat scoring matrix**

**Opportunity scoring matrix**

Impact	V high (5)	25	20	15	10	5
	High (4)	20	16	12	8	4
	Medium (3)	15	12	9	6	3
	Low (2)	10	8	6	4	2
	V low (1)	5	4	3	2	1
		V low (5)	Low (4)	Medium (3)	High (2)	V high (1)
Probability						

### Confidence rating

The Confidence rating that is applied to each risk represents an evaluation of the source information used to assess the risk, as follows:

- Substantial – risk scoring is based on a significant amount of reliable data and / or intelligence
- Reasonable – risk scoring is based on some data and / or intelligence, but there are gaps or issues with reliability
- Limited – risk scoring is based on professional judgement alone



<b>For Information</b>	
<b>Public/Non Public*</b>	<b>Public</b>
<b>Report to:</b>	<b>Joint Audit &amp; Scrutiny Panel</b>
<b>Date of Meeting:</b>	<b>11 Feb 2016</b>
<b>Report of:</b>	<b>DCC</b>
<b>Report Author:</b>	<b>Martin Bakalarczyk, T/Planning and Policy Officer</b>
<b>E-mail:</b>	<b><a href="mailto:martin.bakalarczyk@nottinghamshire.pnn.police.uk">martin.bakalarczyk@nottinghamshire.pnn.police.uk</a></b>
<b>Other Contacts:</b>	<b>Julie Mair, T/ Head of Corporate Development</b>
<b>Agenda Item:</b>	<b>5</b>

## **BUSINESS CONTINUITY MANAGEMENT REPORT (2015/156)**

### **1. Purpose of the Report**

- 1.1 To provide the Joint Audit and Scrutiny Panel with an up to date picture of business continuity management within Nottinghamshire Police.

### **2. Recommendations**

- 2.1 That the Panel notes the current state of business continuity management within the Force and receives assurance as to the effectiveness of those arrangements and future plans for improvement.

### **3. Reasons for Recommendations**

- 3.1 A report on business continuity management is provided to the Joint Audit and Scrutiny Panel every year to enable the Panel to consider the effectiveness of the Force's arrangements, as part of their wider scrutiny of corporate governance.

### **4. Summary of Key Points**

#### **Business continuity policy and strategy**

- 4.1 The Force has in place a Business Continuity Policy (PS 170) and Strategy (CS 040), which were both revised during 2013 to align them with the international standard for business continuity management (ISO 22301).
- 4.2 The Association of Chief Police Officers (ACPO) has recommended 13 critical functions for police forces, which have been adopted by the Force as the basis of its Business Continuity Strategy. Those functions are (in no particular order):
- Receipt of 999 calls
  - Command and control
  - Response to emergency calls
  - Major incident response
  - Crime investigation
  - Management of operational intelligence and information
  - Maintenance of public order
  - Security and protection
  - Custody management

- Critical case progression and management
- Community policy (reassurance)
- Communications and media handling
- Health, safety and welfare of officers and staff

4.3 Current Force policy requires all divisions and departments to maintain their own business continuity plans, based on a structured corporate approach that is built around planning for each of four specific risks:

- Severe winter weather
- Pandemic influenza
- Industrial action
- Fuel shortage

4.4 Since the introduction of changes to the business continuity planning process approximately half of the Force's business areas have prepared updated plans. The most comprehensive and routinely tested plan is that belonging to Contact Management, which provides for the continuation of emergency call handling in the event of a loss of essential ICT, staffing or premises. The command and control system used by the control room is also prioritised by Information Services within their disaster recovery plans.

4.5 The Force's current policy and strategy are to be reviewed, for several reasons: the main aspects of each have been in place for several years; circumstances have changed substantially both in terms of external risks and the internal structures of the Force and the commencement of Strategic Alliance.

4.6 The principal changes in policy under consideration involve a refocus of the Force's business continuity plans on critical functions (as opposed to all divisions and departments) and a simplification of planning documentation (to a more flexible and pragmatic approach that supports improved communication to stakeholders). This approach could then be supported by the provision of general business continuity advice to employees, relevant both to their working lives and their personal lives.

### **Business continuity test and exercise**

4.7 Each plan owner is required to carry out at least one test of their business continuity plan every year and record the outcome of that test.

4.8 Contact Management regularly test their business continuity plan to ensure continuity of service following system failure, including testing of fall-back systems and sites.

4.9 In June 2014 members of the Force's Business Continuity Forum took part in Exercise Candle, a table top exercise based on an incident of industrial action and resultant civil unrest involving power station workers. Where necessary, business continuity plans were updated following a review of the exercise.

4.10 In September 2014, members of the regional business continuity forum organised Exercise Oceanus, designed to test the business continuity arrangements of the East Midlands Special Operations Unit (EMSOU) and

specifically plans for the loss of access to Titan House. The exercise was coordinated by the Business Continuity Manager from Derbyshire Constabulary. The main learning points from the exercise were as follows:

- The EMSOU management team were able to respond in a coordinated and effective manner to each of the challenges posed during the exercise
- There was an absence of formally documented business continuity plans, which should be rectified as soon as practicable

- 4.11 In November 2015, Operation Astral Climb was implemented and a Strategic Command Centre (SCC) was activated utilising office space at Force Headquarters occupied by the Business and Finance department, thereby excluding police staff from their usual place of work. This required activation of the Business and Finance business continuity plan to ensure service was maintained during the exercise.

## **5 Financial Implications and Budget Provision**

- 5.1.1 There are no direct financial implications associated with business continuity management within the Force. However, if the Force wishes to provide basic business continuity training to specific individuals the typical cost of introductory training is likely to be around £1,000.

## **6 Human Resources Implications**

- 6.1 Professional support for business continuity management is provided by one Strategic Support Officer within the Planning and Policy team (Business and Finance department).
- 6.2 General responsibility for business continuity management forms an integral part of the job descriptions of individuals managing critical functions within the Force.

## **7 Equality Implications**

- 7.1 There are no known equality implications associated with the implementation of business continuity management within the Force.

## **8 Risk Management**

- 8.1 Business continuity management is closely linked to the management of risk. Whilst the Force will maintain business continuity plans for its critical functions in order to meet its statutory obligations, an awareness and assessment of current risks will enable those plans to take account of changing circumstances and will therefore lead to better and more effective business continuity plans.

## **9 Policy Implications and links to the Police and Crime Plan Priorities**

- 9.1 See Section 4 above for an overview of current policy and proposed changes relating to business continuity management.

- 9.2 There is no specific reference to business continuity management in the Police and Crime Plan.

## **10 Changes in Legislation or other Legal Considerations**

- 10.1 The Civil Contingencies Act 2004 places a statutory duty on all Category 1 responders (which includes the police) to maintain plans to ensure they continue to perform their functions in the event of an emergency, so far as is reasonably practicable. An emergency is defined as an event that threatens serious damage to human welfare, the environment or the security of a place in the United Kingdom. The qualification “so far as is reasonably practicable” means that in practice the Force is required to maintain plans for the continuity of its most critical functions to an acceptable level.
- 10.2 A review of the Force’s monthly Horizon Summary report has not identified any forthcoming changes in legislation that would affect current business continuity management arrangements.

## **11 Details of outcome of consultation**

## **12. Appendices**

- 12.1 None.

<b>For Information</b>	
<b>Public/Non Public*</b>	<b>Public</b>
<b>Report to:</b>	<b>Joint Audit and Scrutiny Panel</b>
<b>Date of Meeting:</b>	<b>11 February 2016</b>
<b>Report of:</b>	<b>Police &amp; Crime Commissioner</b>
<b>Report Author:</b>	<b>Business Support Manager</b>
<b>E-mail:</b>	<b>Lisa.Gilmour@nottinghamshire.pnn.police.uk</b>
<b>Other Contacts:</b>	
<b>Agenda Item:</b>	<b>6</b>

\*If Non Public, please state under which category number from the guidance in the space provided.

## **PUBLICATION SCHEME MONITORING, REVIEW AND ASSURANCE**

### **1. Purpose of the Report**

- 1.1 The purpose of this report is to provide the Joint Audit and Scrutiny Panel (the Panel) with assurance that the Nottinghamshire Office of the Police and Crime Commissioner is working in full compliance of the Freedom of Information (FOI) Act 2000 and The Elected Local Policing Bodies (Specified Information) Order 2011.
- 1.2 The FOI Act 2000 provides public access to information held by public authorities. It does this in two ways:
  - Public authorities are obliged to publish certain information about their activities; and
  - Members of the public are entitled to request information from public authorities.
- 1.3 The Elected Local Policing Bodies (Specified Information) Order 2011 ("the 2011 Order") specifies information which must be published by a Police and Crime Commissioner.<sup>1</sup>

### **2. Recommendations**

- 2.1 That the panel notes the report.

### **3. Reasons for Recommendations**

- 3.1 The Panel have a responsibility to ensure that the Commissioner and Chief Constable discharge their legal obligations and responsibilities.
- 3.2 The public also hold Commissioners to account through being able to benchmark their performance and vote accordingly in elections. To help the public fulfil this role there are a number of separate pieces of information that Commissioners must publish to comply with The Elected Local Policing Bodies (Specified Information) Order 2011 such as data on salaries and contracts.

<sup>1</sup> [Elected Local Policing Bodies \(Specified Information\) Order 2011](#)

- 3.3 The CoPaCC monitors police governance in the United Kingdom.
- 3.4 The CoPaCC team undertook a review of England and Wales Police and Crime Commissioners' compliance with The Elected Local Policing Bodies (Specified Information) Order 2011.
- 3.5 In November 2015 the Nottinghamshire Office of the Police and Crime Commissioner was informed that a Quality Mark had been awarded as the CoPaCC review confirmed a high level of performance.
- 3.6 Appendix A, the CoPaCC Transparency Quality Mark Certificate provides assurance to the Panel that the information required to be published by the Commissioner is available and easily accessible to members of the public.

#### **4. Summary of Key Points**

- 4.1 The Office of the Police and Crime Commissioner received 46 requests for information between the period of 1 January – 31 December 2015. Details of the requests are published on the Police and Crime Commissioner's website and are detailed in Appendix B.
- 4.2 100% of the requests for information were acknowledged within 5 working days.
- 4.3 100% of the requests for information were responded to within the 20 working days deadline.
- 4.4 The most common requests for information are regarding the Police & Crime Commissioner's staffing and expenses.
- 4.5 For the same period in 2014, the Office of the Police and Crime Commissioner received 49 requests for information.
- 4.6 The Office of the Police and Crime Commissioner is fully compliant with the Elected Local Policing Bodies (Specified Information) Order 2011. The information is detailed on the Police and Crime Commissioner's website via the follow website address:
- <http://www.nottinghamshire.pcc.police.uk/Get-in-touch/Freedom-of-Information/Publication-Scheme.aspx>
- 4.7 The Order is reviewed by the Business Support Manager on at least a quarterly basis to ensure information is up to date and accurate.

#### **5. Financial Implications and Budget Provision**

- 5.1 None



<b>6. Human Resources Implications</b>
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6.1 None

<b>7. Equality Implications</b>
---------------------------------

7.1 None

<b>8. Risk Management</b>
---------------------------

8.1 None

<b>9. Policy Implications and links to the Police and Crime Plan Priorities</b>
---------------------------------------------------------------------------------

9.1 None

<b>10. Changes in Legislation or other Legal Considerations</b>
-----------------------------------------------------------------

10.1 None

<b>11. Details of outcome of consultation</b>
-----------------------------------------------

11.1 None

<b>12. Appendices</b>
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12.1 Appendix A CoPaCC Transparency Quality Mark Certificate

Appendix B Nottinghamshire Police & Crime Commissioner Freedom of Information requests January – December 2015.

<b>13. Background Papers (relevant for Police and Crime Panel Only)</b>
-------------------------------------------------------------------------

13. N/A

NB

See guidance on public access to meetings and information about meetings for guidance on non-public information and confidential information.





**CoPaCC**

# **Transparency Quality Mark 2015**

Office of the  
Police and Crime Commissioner for

**NOTTINGHAMSHIRE**

Bernard Rix  
CEO, CoPaCC

**CoPaCC**   **Policinginsight**



# Freedom of Information Requests Received

APPENDIX B

1 January - 31 December 2015

Request Ref	Request Subject (Keywords)
008941/15	Breast Ironing in the UK
008792/15	Firework incidents
008585/15	The cost of responding to FOI requests
008226/15	Nottingham City Council Late Night
007858/15	OPERATION XERES
007629/15	PCC Research Enquiry
007626/15	Excessive and Violent Police Behaviour
007579/15	PCC Election and Special Constables
006824/15	Seconded Officers
006295/15	Personal sensitive Information
005993/15	Provision of services to the community
005992/15	Repair and maintenance services of electrical and mechanical building installations
005689/15	Nottinghamshire Police Band
005688/15	Operation Animism
005536/15	CCTV in Nottingham Hackney Carriage vehicles
005340/15	Confederation of British Industry and its subsidiaries.
005220/15	Councillor Expenses
005192/15	PCC's position on cannabis users and growers
005088/15	Operation Hooper
004712/15	Tom Crawford
004590/15	Speeding Offence Charge
004515/15	Operation Hooper
004432/15	Commissioning of sexual violence/abuse services
004422/15	Special Constables
004384/15	Data on Gypsies and Irish Travellers?
003898/15	OPCC Staff and Running Costs
003896/15	Crimes being unattended, un-investigated by Mansfield Police Officers
003642/15	Reserves
003559/15	Jason Bernard Zadrozny
003427/15	OPCC Costs
003135/15	Request for Information
003042/15	Warrant cards for PCSOs
002971/15	Special Constables
002840/15	PCC Foreign Trips
002838/15	Victims Commissioning
002676/15	Hate Crime Funding
002217/15	Request for Information
001881/15	Correspondence with Home Office regarding Budget Cuts
001715/15	Police and Crime Plan Consultation Cost
001497/15	Anti Social Behaviour
001424/15	Discontinuation of car tax discs
001074/15	Shed Break-ins
000895/15	Police Complaints
000626/15	Personal sensitive Information
000437/15	Personal sensitive Information
000083/15	Rights and Recovery project



<b>For Information</b>	
<b>Public</b>	<b>Public</b>
<b>Report to:</b>	<b>Audit and Scrutiny Panel</b>
<b>Date of Meeting:</b>	<b>11<sup>th</sup> February 2016</b>
<b>Report of:</b>	<b>Deputy Chief Constable</b>
<b>Report Author:</b>	<b>Coryn Reynolds – Information Compliance Officer</b>
<b>E-mail:</b>	<b>coryn.reynolds@nottinghamshire.pnn.police.uk</b>
<b>Other Contacts:</b>	<b>Julie Mair – T / Head of Corporate Development Pat Stocker – Information Management Lead</b>
<b>Agenda Item:</b>	<b>7</b>

## **Nottinghamshire Police Information Management Freedom of Information and Data Protection update.**

### **1. Purpose of the Report**

- 1.1 To provide the Audit and Scrutiny Panel with data on the legislative compliance of the Freedom of Information Act 2000 and Data Protection Act 1998.

### **2. Recommendations**

- 2.1 Members note the monitoring statistics for 2014 and 2015 in relation to information requests processed by Nottinghamshire Police in line with Freedom of Information and Data Protection legislation.

### **3. Reasons for Recommendations**

- 3.1 To enable the Audit and Scrutiny Panel to fulfil its scrutiny obligations to oversee and consider Freedom of Information and Data Protection Compliance.

### **4. Summary of Key Points**

- 4.1 Nottinghamshire Police registers annually with the Information Commissioners Officer in compliance with the Data Protection Act 1998 that requires every data controller (e.g. organisation, sole trader) who is processing personal information to register with the ICO, unless they are exempt.
- 4.2 Nottinghamshire Police as a public authority has a legal responsibility to respond to information requests received and processed in line with Freedom of Information Act (FOIA) and Data Protection legislation. These requests are processed and completed by the Information Compliance Team
- 4.3 The legislative deadlines for the Acts are:-
- Freedom of Information 20 working days
  - Data Protection Subject Access 40 calendar days

- 4.4 In the calendar year 2015 the Force has received 1170 valid Freedom of Information Act requests and 307 Data Protection Subject Access requests for local information from Force systems.
- 4.5 This is an increase of 9% for FOI and 42% for Subject Access in comparison to the previous reported figures in the same report of last year.
- 4.6 Nottinghamshire Police consistently appears in the upper quartile of all Forces with regard to the number of Freedom of Information requests received. No comparable national figures are collated for Data Protection Subject Access requests.

### **Information Compliance Team**

- 4.7 The Information Compliance Team is responsible for the operational day-to-day activities of the Data Protection and Freedom of Information compliance and disclosure functions including the co-ordination and administration of Court Orders served upon the Force.
- 4.8 Since August 2015 the team has comprised of 3 permanent FTE staff members including 1 Manager and 2 disclosure officers. This is a reduction of 1.8 FTE posts during the same reporting period in 2014, vacancies are being held awaiting the restructure of the wider Information Management team which was due as part of PBS and is now proposed to take place under DtF2 with an anticipated start date of March 2016. Further support to the team has been provided with a 0.5 FTE admin support and other members of the wider IM team taking some of the workload.
- 4.9 All team members liaise with Divisions and Departments across the Force to ensure that relevant material is disclosed in accordance with legislative requirements.
- 4.10 All members of the Information Compliance team have undertaken external training in Freedom of Information and Data Protection, which provides a formal recognised qualification.
- 4.11 Data Protection and Freedom of Information Performance data is monitored and managed by the Force Information Assurance Board (FIAB) on a quarterly basis; this board is chaired by the Deputy Chief Constable in her role as Senior Information Risk Owner (SIRO)

### **Freedom of Information**

- 4.12 The Force monitors compliance and provides quarterly statistics for Freedom of Information to the ACPO Central Referral Unit based in Hampshire. These



statistics are collated from all Forces including Police Scotland and the Metropolitan Police Service. Regional and national statistics are produced and circulated to all Forces on a quarterly basis. Results for Nottinghamshire can be seen in the attached chart at Appendix 1. References to the national position relates to the number of requests received during that period.

- 4.13 Freedom of Information Act requests have increased over the years since its inception ten years ago. All Forces have seen significant increases in FOIA requests and also the levels of complexity and the detailed numbers of questions asked.

## **Data Protection**

- 4.14 The Information Compliance team processes Data Protection Subject Access requests for information held by Nottinghamshire Police.
- 4.15 The information requested from the 'data subject' can vary between accessing incidents, crime reports and statements to interview tapes, CCTV images, information held by the Professional Standards Department, Human Resources, and Child Abuse Investigation Unit etc.
- 4.16 The main research is conducted by the Information Disclosure Officers, but the team also relies on specific departments and Officers obtaining information and supplying this to them. All documentation is then collated by the team, read and redacted of third party data and any exemptions applied in accordance with the rights of access to information under the Data Protection Act 1998, prepared for disclosure and sent to the applicant.
- 4.17 The length and complexity of each disclosure varies dependent on the applicant's involvement with Nottinghamshire Police. Obtaining CCTV footage, tape recorded interviews and dealing with large volume disclosures that require all information to be manually read and redacted, impacts on time taken to prepare the paperwork ready for disclosure. Whenever possible partial disclosures are made to the applicant before the deadline is reached.
- 4.18 There continues to be a significant increase to the number of Subject Access requests received, the results of which can be seen in the attached chart at Appendix 2. This increase is in part as a result of personal subject access being requested instead of other chargeable paths being used and also a National Injury Pension Review has resulted in many ex-officers requesting their personal files.

## **Court Orders**

- 4.19 The Information Compliance Team also have the responsibility for disclosures to Court orders which can be received from any court in the UK and Ireland for Child

Care, Private and Family Proceedings. In 2015 Nottinghamshire Police received 310 valid Court orders for disclosure; this is an increase of 30% on the number of orders received in 2014. Nottinghamshire Police figures for Court Orders 2014/15 can be seen in the attached chart at Appendix 3.

- 4.20 In all cases the Judge will determine a deadline for the Force to respond by, this can vary from less than 24 hours to several weeks. Failure to comply without the proper notification to the Court can result in an Officer being summoned to Court. In October 2013 there were changes to the time period for Child Care proceedings which reduced the time from an average of 52 weeks to a recommended 26 weeks; this placed more time pressures on the Local Authorities and the Courts which continues to introduce increasingly challenging response times for the team.

### Other Information requests

- 4.21 The Information Compliance Team also have the responsibility for many other types of disclosure, all of which have to comply with the principles of the FOI and DP legislation but may have different timescales. (See table below)

**Table of Data Protection General Requests**

Category	Description	Time scale
Insurance	Validation of details in relation to crimes for insurer to settle claim	30 working days
Home Office	UK Border Agency and Immigration requiring confirmation and details of Police involvement for those wishing to stay in the country	40 calendar days
Housing Confirmation	Local and Social housing requiring confirmation of the reason given by the person who has presented to them as homeless.	5 working days
Housing General	As above but require more specific detail	40 calendar days
Insurance Appendix E	Insurance companies requiring information in relation to a claim that they believe is fraudulent	40 calendar days
NHS	General Medical Council, Nursing Midwifery Council require details of a registered practitioner who has been involved with the police to consider their fitness to practice	40 calendar days
Legal proceedings	Private legal proceedings such as a personal injury claims	40 calendar days

Police	Request from other forces for information held by Nottinghamshire Police	No set timescale as soon as is practicable
Section 29 of the DPA	Requests from other prosecuting bodies such as DWP, local authorities and RSPCA	40 calendar days
Request total 2014	<b>446</b>	
Request total 2015	<b>415</b>	

## Income Generation from Information requests

4.22 The Information Compliance Team generate income from some types of information request. (See table below)

Income £	2014	2015
<b>SAR</b>	£1,727.10	£2,200.00
<b>Court</b>	£19,774.12	£16,856.15
<b>Insurance</b>	£11,219.50	£12,766.65
<b>Private Civil</b>	£3,875.95	£5,133.70
<b>DP Gen</b>	£1,427.10	£2,237.90
	<b>£36,296.67</b>	<b>£39,194.40</b>

## 5. Financial Implications and Budget Provision

5.1 There are no direct financial implications

## 6. Human Resources Implications

6.1 There are no direct human resource implications

## 7. Equality Implications

7.1 There are no equality implications

## 8. Risk Management

8.1 Not meeting the Forces legislative obligations under the Acts.

## **9. Policy Implications and links to the Police and Crime Plan Priorities**

9.1 N/A

## **10. Changes in Legislation or other Legal Considerations**

10.1 There are no legislation changes

## **11. Details of outcome of consultation**

11.1 Information Management in relation to Freedom of Information and Data Protection compliance is monitored through the Force Information Assurance Board (FIAB)

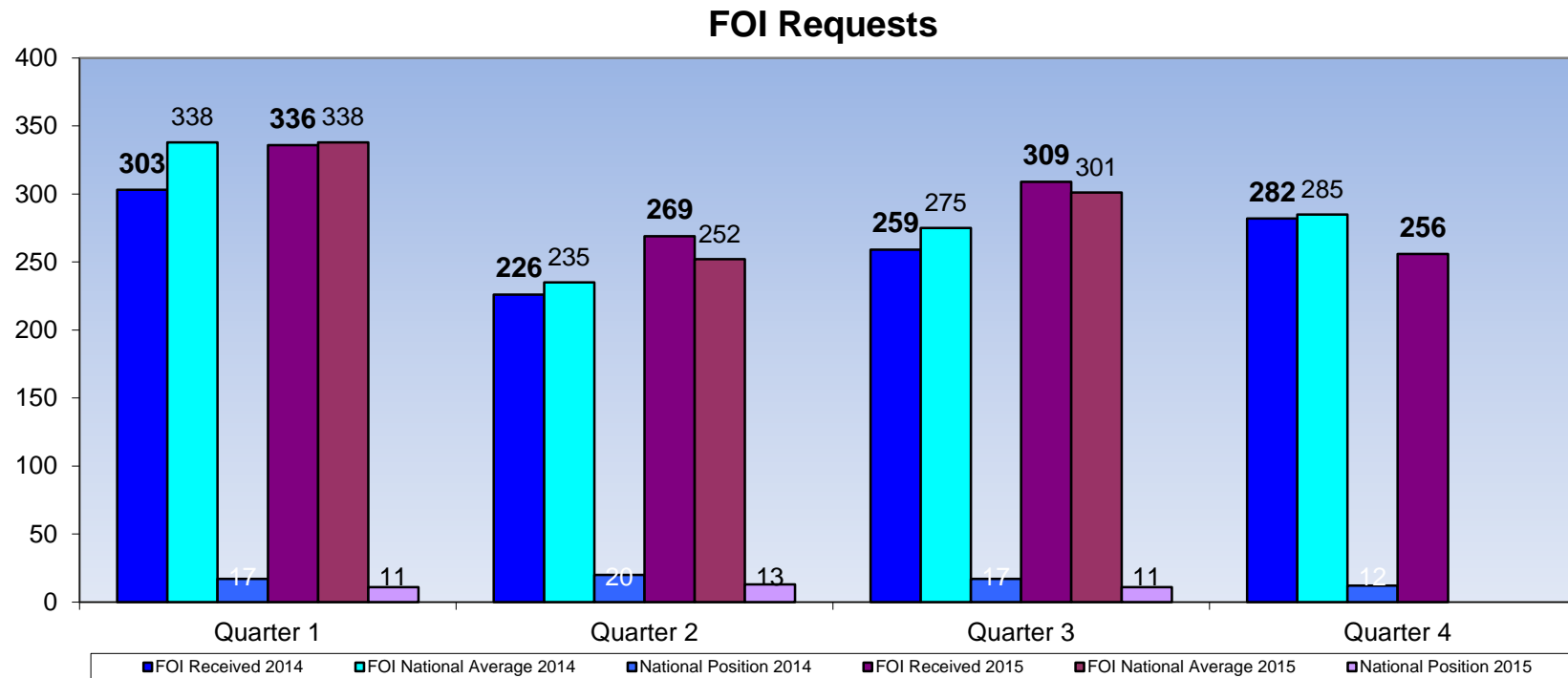
## **12. Appendices**

12.1 Appendix 1 – FOI Requests

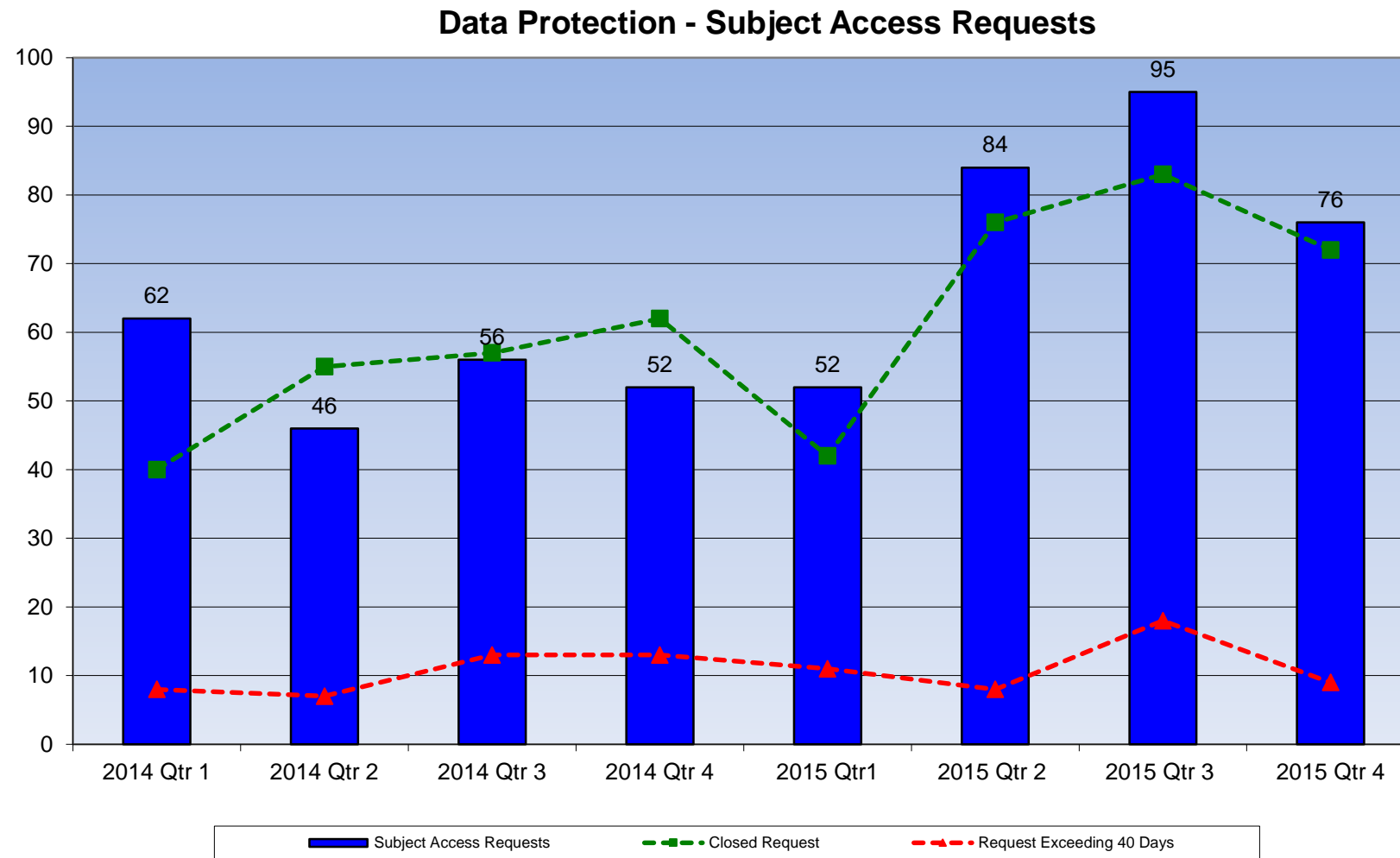
12.2 Appendix 2 – Subject Access requests

12.3 Appendix 3 – Court Orders

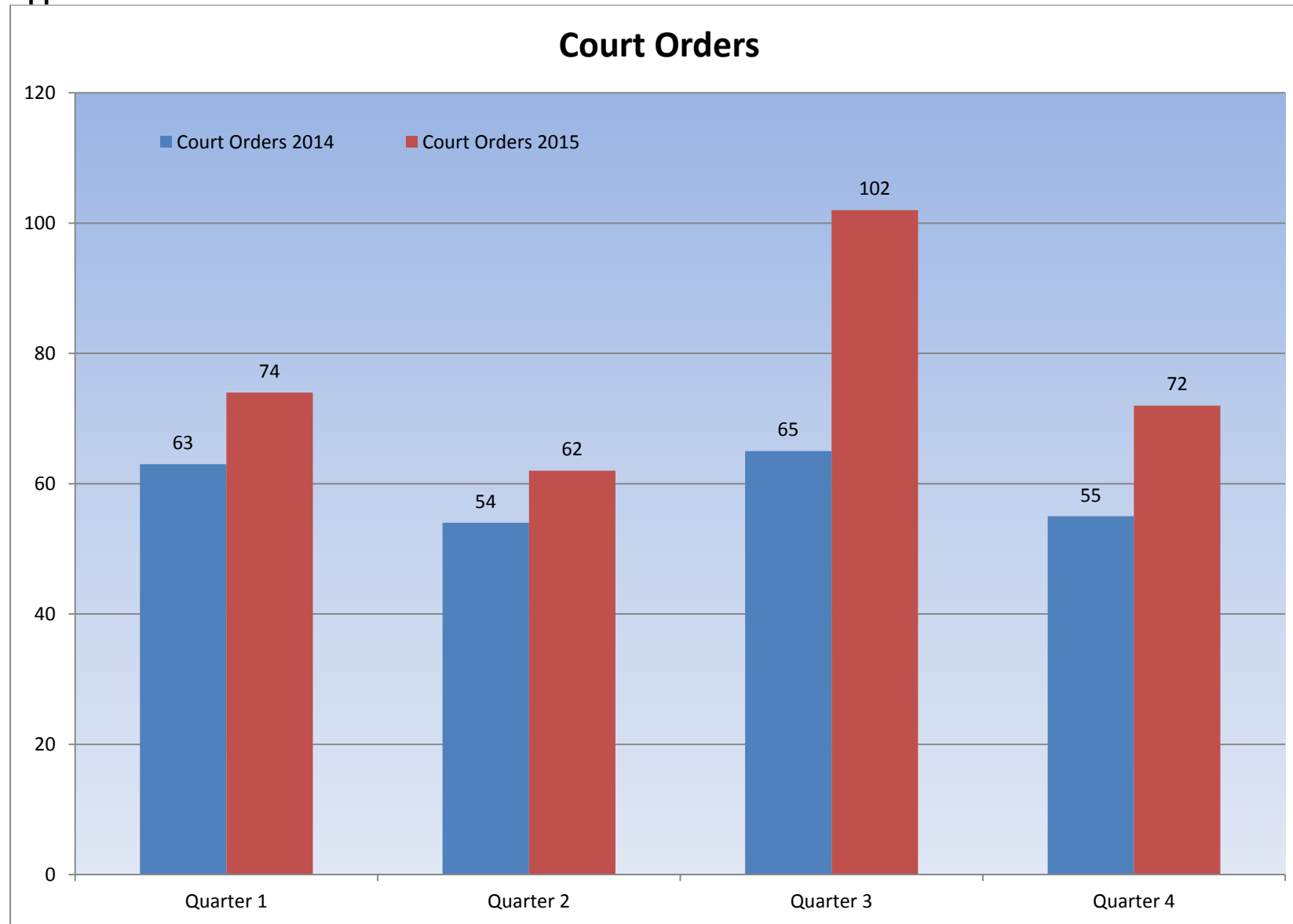
**Appendix 1 Freedom of Information Act Requests (national quarter 4 2015 National Average currently not available)**



## Appendix 2 – Subject Access Requests



### Appendix 3 – Court Orders







<b>For Decision</b>	
<b>Public/Non Public</b>	Public
<b>Report to:</b>	Audit and Scrutiny Panel
<b>Date of Meeting:</b>	11th February 2016
<b>Report of:</b>	Julie Mair, Temp. Head of Corporate Development
<b>Report Author:</b>	Natalie Baker, Strategic Support Officer
<b>E-mail:</b>	natalie.baker@nottinghamshire.pnn.police.uk
<b>Other Contacts:</b>	Julie Mair, T/Head of Corporate Development Martin Bakalarczyk, T/Planning & Policy Officer
<b>Agenda Item:</b>	8

## **ASSURANCE MAPPING 2016/17**

### **1. Purpose of the Report**

- 1.1 To provide the Audit and Scrutiny Panel (the Panel) with an overview of assurance mapping for Q's 2 and 3 of 2015/16.

### **2. Recommendations**

- 2.1 That the Panel note the levels of assurance which have been used to inform Mazars' proposed Internal Audit Plan for 2016/17.

### **3. Reasons for Recommendations**

- 3.1 To provide the Panel with a 'dashboard view' of assurance levels throughout all areas of the Force.
- 3.2 To provide Mazars with a tool to inform the Internal Audit Plan for the financial year 2016/17, as required by the Public Sector Internal Audit Standards (PSIAS).

### **4. Summary of Key Points**

#### **Assurance Mapping – Methodology**

- 4.1 Assurance mapping has been used to provide a 'dashboard view' of levels of assurance against strategic risks, non-policing functions and policing functions. Assurance was assessed at two levels, referred to as 'lines of defence':
- The first level of assurance is provided by the Force's internal auditors and is evidenced by audit reports received in the last three years;
  - The second level of assurance is provided by inspectorates, such as HMIC, and is evidenced by inspection reports received in the last three years.

- 4.2 Each strategic risk, non-policing and policing function was assessed against each level of assurance and given a rating:
- None – No internal audit or external inspection has taken place in the last three years;
  - Limited assurance – this is an area of high to high/ medium risk, there is limited control or assurance currently provided;
  - Reasonable assurance – this is an area of medium risk, levels of controls and assurance are reasonable;
  - Substantial assurance – this is an area of low/ medium to medium risk, levels of control and assurance are substantial.
- 4.3 Please note, where a formal assurance rating has not been provided by the internal auditor or the inspectorate professional judgement has been applied. Please also note that where a report is still in draft, the assurance rating may be subject to change.
- 4.4 Once assurance was assessed at each level, each risk, non-policing function and policing function was considered, taking into account the two ratings, to determine whether the combined level of assurance was adequate. The level of assurance is only deemed adequate if the overall rating is either reasonable or substantial.
- 4.5 Where assurance is not deemed to be adequate yet no recommendation has been made for inclusion in the internal audit plan this will be considered as part of the internal review programme and the internal audit plan for 2017/18.

### **Further development**

- 4.6 Going forward, assurance maps will be reviewed and updated on a six monthly basis and reported to the Audit and Scrutiny Panel. They will be used as a tool to inform not only the Internal Audit Plan, but also an internal programme of review for the Force. The outcomes from assurance mapping could also inform a scrutiny agenda for the Audit and Scrutiny Panel.
- 4.7 A third level of assurance will also be introduced during the next quarter which will focus on management assurance, evidenced by internal review and self-assessment.

<b>5 Financial Implications and Budget Provision</b>
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- 5.1 There are no financial implications associated with assurance mapping. This exercise is carried out within normal budget provision.

<b>6 Human Resources Implications</b>
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- 6.1 There are no vetting implications associated with assurance mapping.

## **7 Equality Implications**

- 7.1 There are no equality implications associated with assurance mapping.

## **8 Risk Management**

- 8.1 Assurance mapping is used to inform the Internal Audit Plan. The findings from internal audits are likely to provide the Force with useful insight into risks through the identification of specific vulnerabilities. It is the responsibility of lead officers for each audited area to consider the audit findings and their implications in terms of risk management.

## **9 Policy Implications and links to the Police and Crime Plan Priorities**

- 9.1 It is likely that findings from specific audits will have implications for Force policy and practice in the audited business area. Where that is the case, the lead officer or manager is responsible for preparing an appropriate action plan, with the support of the Planning and Policy team, to be managed as part of the Force's established audit and inspection reporting process.
- 9.2 There are no specific references to internal audit amongst the Police and Crime Plan priorities.

## **10 Changes in Legislation or other Legal Considerations**

- 10.1 Relevant Internal Audit Standard Setters (RIASSs) set the standards for internal audit within the public sector. For police forces, the RIASS is the Chartered Institute of Public Finance and Accountancy (CIPFA) and the mandatory requirements for internal audit are contained within the Public Sector Internal Audit Standards (PSIAS).
- 10.2 There are no known future changes in legislation that are likely to impact on the internal audit plan.

## **11 Details of outcome of consultation**

- 11.1 There has been no consultation as part of this process; however, as the third level of assurance is developed during the next quarter, each divisional and departmental head will be consulted to inform the level of assurance.

## **12 Appendices**

- 12.1 Appendix A: Key Risk Controls Assurance Map  
Appendix B: Non Policing Functions Assurance Map  
Appendix C: Policing Functions Assurance Map



## Appendix A: Key Risk Controls Assurance Map

Strategic Risks		Governance/ Reporting	Risk rating	Lines of defence		Is the level of assurance adequate?	Recommended action
				Internal Audit	External Inspection		
				This level of assurance is provided independently by the Force's internal auditors and is evidenced by audit reports provided in the last 3 years.	This level of assurance is provided by Inspectorates, such as HMIC, and is evidenced by Inspection reports in the last 3 years.		
Force Strategic Risks	NPF0001:Force telephony infrastructure is nearing the end of its operational life, increasing the probability of critical failure resulting in temporary loss of internal & external communications capability.	Force Telephony Project Board  Transformation Board	Medium	None	None	No	None
	NPF0002: Current BEAT system is only compatible with Blackberry mobile devices, so when stocks of Blackberrys run out the Force is unable to provide replacements which removes the mobile data capability of operational officers.	Mobilising the Workforce Strategic Board	High	None	None	No	None
	NPF0003: The Force's appeal against the employment tribunal ruling on use of Reg A19 fails, resulting in the award of compensation to c100 former officers.	Standards and Integrity Board	High	None	None	No	None
	NPF0006: Closure of Bridewell custody following mechanical or electrical failure, resulting in significantly reduced custody provision.	Strategic Custody Group (Regional)	High	None	Reasonable: HMIP/ HMIC, Visit to Police Custody Suites in Nottinghamshire, March 2013 Limited: HMIC, The Welfare of Vulnerable People in Custody, March 2015	No	As there are a number of risks of this nature it is recommended that the management of collaborative risk as part of the Internal Audit Plan 2016/17.
	NPF0007: Clogging of air ducting at the Bridewell impedes fire detection and containment measures, resulting in a fire safety incident which endangers the lives of officers, staff, detained persons and visitors. -	Strategic Custody Group (Regional)	Medium	None	Reasonable: HMIP/ HMIC, Visit to Police Custody Suites in Nottinghamshire, March 2013 Limited: HMIC, The Welfare of Vulnerable People in Custody, March 2015	No	As there are a number of risks of this nature it is recommended that the management of collaborative risk as part of the Internal Audit Plan 2016/17.
	NPF0010: Excessive fuel spillage at one of the Force's underground storage tanks sites that does not have a fuel interceptor (Ollerton, Hucknall, Oxclose Lane & Sutton in Ashfield) results in pollution of the local watercourse.	Assets Department SMT	Low	None	None	No	None
	NPF0011: Design of custody cell basins, water dispensers and air vent grilles does not meet requirements of APP, resulting in a detained person being placed in a non-compliant cell.	Strategic Custody Group (Regional)	High	None	Reasonable: HMIP/ HMIC, Visit to Police Custody Suites in Nottinghamshire, March 2013 Limited: HMIC, The Welfare of Vulnerable People in Custody, March 2015	No	As there are a number of risks of this nature it is recommended that the management of collaborative risk as part of the Internal Audit Plan 2016/17.
	NPF0012: Design of custody cell basins, water dispensers and air vent grilles creates a potential ligature point, resulting in an incident which endangers the life of a detained person.	Strategic Custody Group (Regional)	Low	None	Reasonable: HMIP/ HMIC, Visit to Police Custody Suites in Nottinghamshire, March 2013 Limited: HMIC, The Welfare of Vulnerable People in Custody, March 2015	No	As there are a number of risks of this nature it is recommended that the management of collaborative risk as part of the Internal Audit Plan 2016/17.

Strategic Risks	Governance/ Reporting	Risk rating	Lines of defence		Is the level of assurance adequate?	Recommended action
			Internal Audit	External Inspection		
			This level of assurance is provided independently by the Force's internal auditors and is evidenced by audit reports provided in the last 3 years.	This level of assurance is provided by Inspectorates, such as HMIC, and is evidenced by Inspection reports in the last 3 years.		
NPF0013: The design of stainless steel WC pans in custody (70+ cells) enables a detained person to secure a ligature under the rim, resulting in an incident which endangers their life.	Strategic Custody Group (Regional)	Low	None	Reasonable: HMIP/ HMIC, Visit to Police Custody Suites in Nottinghamshire, March 2013 Limited: HMIC, The Welfare of Vulnerable People in Custody, March 2015	No	As there are a number of risks of this nature it is recommended that the management of collaborative risk as part of the Internal Audit Plan 2016/17.
NPF0014: Due to a shortage of trained pursuit TAC advisors, and inability to provide training through EMOpSS to increase capacity, a vehicle pursuit has to be abandoned when it would have been beneficial to continue.	Force Training Priorities Panel	High	None	None	No	None
NPF0015: Financial forecasting indicates higher spending than income. Additional uncertainty pending CSR and funding formula. Current saving plans unlikely to enable balance of budget before year end March 2016 requiring use of reserves. Reduction in resources spending will impact upon current and future activities and service delivery.	Transformation Board	High	Limited: Mazars, Savings Programme, August 2015 (Assurance rating may be subject to change following accuracy check)	Reasonable: HMIC, PEEL Efficiency, October 2015	No	Due to the high level risk and the overall judgement of 'limited assurance' following the last audit of this area it is recommended a follow up audit of the controls and processes in place in respect of the Savings Programme is included in the Internal Audit Plan 2016/17.
	Force Executive Board			Reasonable: HMIC, PEEL Valuing the Police 4 (Revisit), October 2014		

#### Levels of Assurance\*

None	No assurance process undertaken.
Limited	Mazars - Limited HMIC - Requires Improvement / Inadequate
Reasonable	Mazars - Satisfactory HMIC - Good
Substantial	Mazars - Significant HMIC - Outstanding

\* Please note assurance levels are not consistently provided by inspectorates and are therefore the result of professional judgement having read the report and any recommendations made.

Appendix B: Non-Policing Functions Assurance Map

Non-Policing Functions		Governance/ Reporting	Lines of defence		Is the level of assurance adequate?	Recommended action
			Internal Audit	External Inspection		
			The third line of defence is assurance provided by the Force's internal auditors, and is evidenced by audit reports received in the last 3 years.	Third line of defence is the level of assurance given by Inspectorates, such as HMIC, and is evidenced by reports received in the last 3 years.		
Managing Assets, Building and Equipment	Estates	Transformation Board  Force Executive Board	Substantial: Baker Tilly, Estates Management, November 2013	None	Yes	None
	Procurement	EMSCU Board	Limited: Mazars, Procurement, October 2015 <i>(Assurance rating subject to change following accuracy check)</i>	None	No	Due to the overall judgement of 'limited assurance' following the last audit of this area it is recommended a follow up audit of the controls and processes in place in respect of Procurement is included in the Internal Audit Plan 2016/17.
Managing Finance	Financial Savings / Efficiency	Transformation Board  Force Executive Board	Limited: Mazars, Savings Programme, August 2015 <i>(Assurance rating subject to change following accuracy check)</i>	Reasonable: HMIC, PEEL Valuing the Police 4 (Revisit), October 2014  Reasonable: HMIC, PEEL Efficiency, October 2015	No	Due to the overall judgement of 'limited assurance' following the last audit of this area it is recommended a follow up audit of the controls and processes in place in respect of the Savings Programme is included in the Internal Audit Plan 2016/17.
	Key Financial Controls	Force Executive Board	Reasonable: Baker Tilly, Key Financial Controls, February 2015	None	No	Key Financial Controls are included in the Internal Audit Plan as a mandatory audit.
			Limited: Core Financials: MFSS, October 2015 <i>(Assurance rating subject to change following accuracy check)</i>	None		
	Computer and ICT Use	Transformation Board  Five Force IT Governance Board	None	None	No	None
Management Information and ICT Systems	Information Management	Force Information Assurance Board  Force Executive Board	Reasonable: Baker Tilly, Information Management Arrangements, May 2014  Limited: ICO, Data Protection Audit, December 2013	Reasonable: HMIC, Building the Picture, July 2015  None	No	It is recommended that compliance with aspects of the Data Protection Act not audited by the ICO in 2013 are scoped for audit in 2016/17.
Managing Organisation	Risk Management	Force Executive Board	None	None	No	A gap in assurance has been identified as an audit has not taken place of this area since Q4 2012/13. Since then a new procedure has been implemented and it is recommended a further review of the risk management framework and governance takes place in order to provide assurance that it reflects effective and robust mechanisms.
	Environmental Management	Environmental Management Board (TBC)	Substantial: Baker Tilly, Environmental Policy, December 2013	None	Yes	None
	Business Continuity	Force Executive Board	Reasonable: Baker Tilly, Business Continuity and IT Disaster Recovery, July 2014	None	Yes	None
	Corporate Governance	Force Executive Board	Reasonable: Mazars, Joint Code of Corporate Governance, August 2015	None	Yes	None
Managing People	Attendance and Sickness	Professional Standards, Integrity and Ethics Board	Substantial: Baker Tilly, Absence Management, March 2014	None	Yes	None
	Discipline and standards	Standards and Integrity Board	None	Reasonable*: HMIC, Integrity Matters, January 2015	Yes	An audit of complaints management was agreed as part of the 2015-19 Internal Audit Strategy for 2016/17.
				HMIC, PEEL Legitimacy, May 2015 <i>(Awaiting agreed actions)</i>		
				Reasonable: HMIC, Police Integrity and Corruption, June 2014		
	Equality and Diversity	Equality Diversity and Human Rights Board	Substantial: Baker Tilly, Equality and Diversity, October 2013	None	Yes	None
	Health and Safety	Strategic Health and Safety Group	Substantial: Baker Tilly, Health and Safety, December 2013	None	Yes	None
	Recruitment, Selection and Promotion	TBC - MFSS Performance Meeting	Reasonable: Baker Tilly, Workforce Planning, October 2013	HMIC, PEEL Leadership, May 2015 <i>(Awaiting final report)</i>	No*	*Although an audit of Workforce Planning took place in 2013/14, it is recommended a wider audit of 'Recruitment, Selection and Promotion' is scoped. No internal assurance has taken place in this area since 2012/13.
	Volunteering	The Force Volunteer Board	Reasonable: Baker Tilly, Volunteering, January 2015	None	Yes	None

Levels of Assurance\*

None	No assurance process undertaken.
Limited	Mazars - Limited HMIC - Requires Improvement / Inadequate
Reasonable	Mazars - Satisfactory HMIC - Good
Substantial	Mazars - Significant HMIC - Outstanding

\* Please note assurance levels are not consistently provided by inspectorates and are therefore the result of professional judgement having read the report and any recommendations made.





Appendix C: Key Policing Functions Assurance Map

Key Policing Functions		Governance / Reporting	Lines of defence		Is the level of assurance adequate?	Recommended action
			Internal Audit	External Inspection		
			The second line of defence is assurance provided by the Force's internal auditors, and is evidenced by audit reports received in the last 3 years.	Third line of defence is the level of assurance given by Inspectorates, such as HMIC, and is evidenced by reports received in the last 3 years..		
Apprehending and Detaining	Detention and Custody	Strategic Custody Group	None	Reasonable: HMIC, Visit to Police Custody Suites in Nottinghamshire, March 2013	No	None
				Limited*: HMIC, The Welfare of Vulnerable People in Custody, March 2015		
	Stop and Search	Force Performance Board	None	Reasonable: HMIC, Stop and Search Powers 2, December 2014	Yes	None
Evidence and Intelligence	Evidence	Force Performance Board	None	Limited*: CJI, Achieving Best Evidence in Child Sexual Abuse Cases, December 2014	No	None
	Intelligence	Force Performance Board	None	Reasonable: OSC, Covert Surveillance, July 2013	Yes	None
Investigating and Detecting	Investigating and Detecting	Force Performance Board	Limited: Baker Tilly, Victims Code - Demonstrating Compliance, March 2015	Reasonable: OSC, RIPA Compliance, July 2013	No	None
			Limited: Mazars, Victim's Code - Demonstrating Compliance, Sept 2015	Limited*: HMIC: Undercover Policing, October 2015		
			Reasonable: Mazars, Proceeds of Crime Act, July 2015 (Awaiting final report - Assurance rating subject to change)	Reasonable: HMIC, Interim Crime Inspection, 2014		
				Reasonable*: Real Lives, Real Crime: A Study of Digital Crime and Policing, July 2015		
				HMIC, Effectiveness OCG, August 2015 (Awaiting final report)		
Prosecution and Case Management	Prosecuting and Case Management	Regional	None	Reasonable*: CJI, The Provision of Charging Decisions, May 2015	Yes	None
				Reasonable*: HMIC/ CJI, Witness for the Prosecution: Identifying Victim and Witness Vulnerability in Criminal Case Files, June 2014		
Preventing and Protecting	Preventing	Force Performance Board	Substantial: Mazars, Integrated Offender Management, September 2015	Reasonable: HMIC, Interim Crime Inspection, 2014	Yes	None
				Reasonable*: HMIC, Core Business, Making the Best Use of Police Time, 2014 (Preventive Policing)		
	Public Protection	Force Performance Board	None	HMIC Inspection 21st Century Child Exploitation (2013/14) (No report)	No	None
				Reasonable: HMIC, Nottinghamshire Police's Approach on Tackling Domestic Abuse, 2014		
				Reasonable: HMIC, Honour Based Violence and Vulnerability Phase 1, March 2015		
				Reasonable*: HMIC, Online and on the Edge, Real Risks in a Virtual World, July 2015		
				Reasonable: Inspection of Multi-Agency Public Protection Arrangements, November 2014		
				Limited: HMIC, PEEL Effectiveness, Vulnerability, October 2015		
				Reasonable: HMIC, Child Protection Inspections, September 2014		
				HMIC, In Harm's Way, The Role of the Police in Keeping Children Safe, February 2015		

Key Policing Functions		Governance / Reporting	Lines of defence		Is the level of assurance adequate?	Recommended action
			Internal Audit	External Inspection		
			The second line of defence is assurance provided by the Force's internal auditors, and is evidenced by audit reports received in the last 3 years.	Third line of defence is the level of assurance given by Inspectorates, such as HMIC, and is evidenced by reports received in the last 3 years..		
Reporting and Recording	Reporting & Recording	Force Performance Board	Reasonable: Baker Tilly, Crime Recording Follow Up, March 2015	Reasonable: HMIC, Crime Data Integrity, Making the Victim Count, November 2014	Yes	None
	Partnerships and Collaboration	Force Performance Board	Limited: Baker Tilly, Partnerships, April 2015	None	No	Actions resulting from the audit of Partnerships which took place during 2015/16 will be included in the Follow Up audit.
Strategic Policing Requirement	Collaboration	East Midlands PCC Board	None	Reasonable: HMIC, Working Together, July 2013	Yes	An audit of collaboration governance is recommended to take place during 2016-17, there are a number of risks linked to governance of information assurance and risk management.
	Terrorism	Force Performance Board	None	Substantial: HMIC, Strategic Policing Requirement, November 2014	Yes	None
	Civil Emergencies	Force Performance Board	None	Substantial: HMIC, Strategic Policing Requirement, November 2014	Yes	
	Serious and Organised Crime	Force Performance Board	None	Reasonable: HMIC, Regional Organised Crime Unit (ROCU), May 2015	Yes	
	Public Order	Force Performance Board	None	Substantial: HMIC, Strategic Policing Requirement, November 2014	Yes	
	Large-scale Cyber Incidents	Force Performance Board	None	Limited: HMIC, Strategic Policing Requirement, November 2014	No	
	Roads Policing	Force Performance Board	None	None	No	None
Support Services, Tools and Equipment	Armed Policing	Force Performance Board	None	NPIA, Inspection Firearms Training License, April 2013 <i>(No report available)</i>	No	None
	ICT and Equipment	Transformation Board Five Force ICT Governance Board	None	National Police Information Risk Management Team Inspection: Nottinghamshire Police IL3 ( & 4) Network (2013)  National Police Information Risk Management Team Inspection: Nottinghamshire Police IL4 Network (2013/14)	No	None
Deployment and Resources	Deployment & Resources	Force Performance Board	Reasonable, Baker Tilly, Volunteering, October 2014	Reasonable*: HMIC, Core Business, Making the Best Use of Police Time, 2014 (Police Attendance and Freeing Up Police Time)	Yes	None

**Levels of Assurance\***

None	No assurance process undertaken.
Limited	Mazars - Limited HMIC - Requires Improvement / Inadequate
Reasonable	Mazars - Satisfactory HMIC - Good
Substantial	Mazars - Significant HMIC - Outstanding

\* Please note assurance levels are not consistently provided by inspectorates and are therefore the result of professional judgement having read the report and any recommendations made.

For Information and Decision	
<b>Public/Non Public*</b>	<b>Public</b>
<b>Report to:</b>	<b>Audit and Scrutiny Panel</b>
<b>Date of Meeting:</b>	<b>11<sup>th</sup> February 2016</b>
<b>Report of:</b>	<b>Chief Finance Officer</b>
<b>Report Author:</b>	<b>Charlotte Radford</b>
<b>Other Contacts:</b>	<b>Simon Lacey KPMG</b>
<b>Agenda Item:</b>	<b>9</b>

## EXTERNAL AUDIT PLAN 2016

### 1. Purpose of the Report

- 1.1 To provide members with the proposed External Audit Plan for 2016-17 covering the audit of the Accounts for 2015-16.

### 2. Recommendations

- 2.1 Members are requested to consider and approve the External Audit Plan attached at Appendix A.

### 3. Reasons for Recommendations

- 3.1 This complies with good governance, financial regulations and audit regulations.

### 4. Summary of Key Points

- 4.1 The External Auditor has assessed the required time to complete the audit for the accounts for 2015-16.
- 4.2 The one significant change to the proposed plan relates to the calculation of materiality. This has been reduced from 2% to 1.5% for the proposed audit.

### 5. Financial Implications and Budget Provision

- 5.1 None as a direct result of this report. The External Audit fees for the Force and OPCC accounts have been budgeted for within the OPCC budget.

### 6. Human Resources Implications

- 6.1 None

### 7. Equality Implications

- 7.1 None

## **8. Risk Management**

- 8.1 Any change of the financial management system is always identified as a risk. To mitigate this and the fact that the closure of accounts process is being brought forward in 2017; a soft close of the accounts is planned.

## **9. Policy Implications and links to the Police and Crime Plan Priorities**

- 9.1 None

## **10. Changes in Legislation or other Legal Considerations**

- 10.1 None

## **11. Details of outcome of consultation**

- 11.1 Not applicable

## **12. Appendices**

A – External Audit Plan



# External Audit Plan 2015/2016

Nottinghamshire Office for the Police and Crime Commissioner  
and Nottinghamshire Chief Constable

February 2016

## Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2015/16, which provides stability in terms of the accounting standards the bodies need to comply with.

### Materiality

Materiality for planning purposes has been based on last year's expenditure and set at £3.4m for both the Police and Crime Commissioner and Chief Constable.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £170k for both the Police and Crime Commissioner and Chief Constable.

### Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- The introduction of MFSS and new financial system (Oracle) from April 2015 to generate the 2015/16 financial statements for the first time; and
- Joint collaboration assurance statements.

### Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- Generation of the Financial Statements.

See **pages 3 to 5** for more details.

## Value for Money Arrangements work



The National Audit Office has issued new guidance for the VFM audit which applies from the 2015/16 audit year. The approach is broadly similar in concept to the previous VFM audit regime, but there are some notable changes:

- There is a new overall criterion on which the auditor's VFM conclusion is based; and
- This overall criterion is supported by three new sub-criteria.

Our risk assessment is ongoing and we will report VFM significant risks during our audit.

See **pages 6 to 8** for more details.

## Logistics



Our team is:

- Andrew Cardoza – Director
- Simon Lacey – Audit Manager
- Anita Pipes – Assistant manager

More details are on **page 9**.

Our work will be completed in four phases from January to September and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 10**.

Our fee for the audit of the Police and Crime Commissioner is £35,220 (£46,960 2014/2015) and our fee for the audit of the Chief Constable is £15,000 (£20,000 2014/2015). See **page 9**.

## Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2015/16 presented to you in April 2015 2015, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement):* Providing an opinion on your accounts; and
- *Use of resources:* Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

## Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

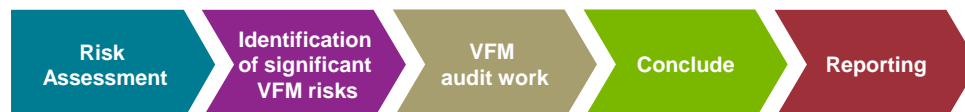
## Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



## Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 6 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2015/16 [and the findings of our VFM risk assessment].



## Financial Statements Audit Planning

Our planning work takes place during January to February 2016. This involves the following key aspects:

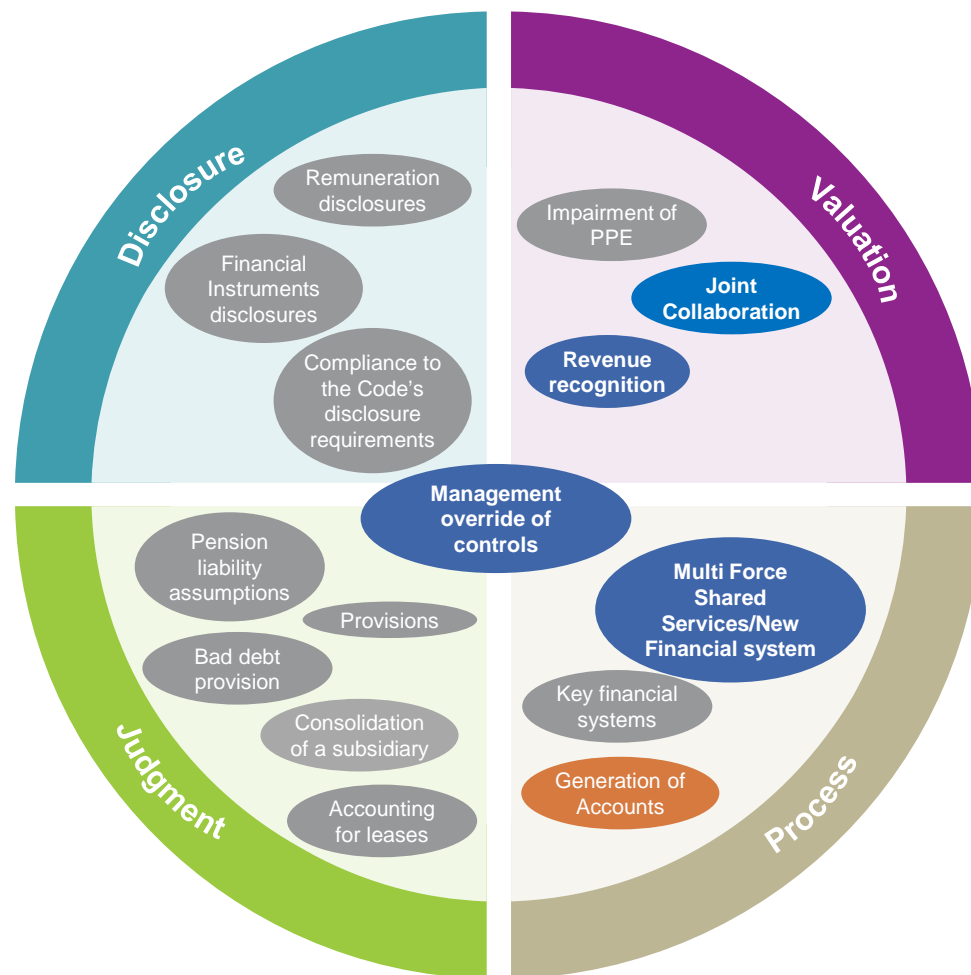
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

### Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for the PCC/CC as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.





## Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

### Multi Force Shared Service – New Financial System

- The financial statements for the PCC/CC will be generated using information from the Multi Force Shared Service (MFSS) in 2015/16 for the first time. Internal Audit have identified current weaknesses within financial systems operated through MFSS for the generation of financial information. The financial statements will also be prepared using a new financial system (Oracle) for the first time. There is an increased risk that this could have an impact on the audit approach and the degree of substantive testing that would be required.
- We will review the controls and output from MFSS financial systems in place that generates information to compile the financial statements. We will review work undertaken by the finance staff to prepare for the use of Oracle to generate the financial statements.

### Assurance over Regional Collaboration Accounts and Transactions

- The level of collaborative work with other forces across the East Midlands has increased significantly over the past few years. This level of collaboration brings with it the need to ensure that appropriate governance arrangements are in place for each arrangement and that the necessary assurances are held over the completeness and accuracy of the financial information being provided to the PCC and CC for consolidation into its accounts.
- We will review your governance arrangements over each aspect of regional collaboration and, more specifically, over the assurances you have sought in respect of the completeness and accuracy of the year end figures consolidated into your financial statements.

## Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

### Generation of the Financial Statements

- Over the last two years we have incurred additional audit time to complete the audit due to the completion and quality of working papers and the availability of staff. We have met with Senior Officers to review requirements and identify future needs. The CC accounts will also become the responsibility of a new S151 officer.
- We will continue to work with Senior Officers and finance staff through our interim visit and our prepared by client list to identify required working papers. We will also review the Senior Officers quality review of working papers to support the accounts submitted for audit.

## Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £3.4m for both the Police and Crime Commissioner and the Chief Constable, which equates to 1.5 percent of the 2014/15 group gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision which is £2.5m.

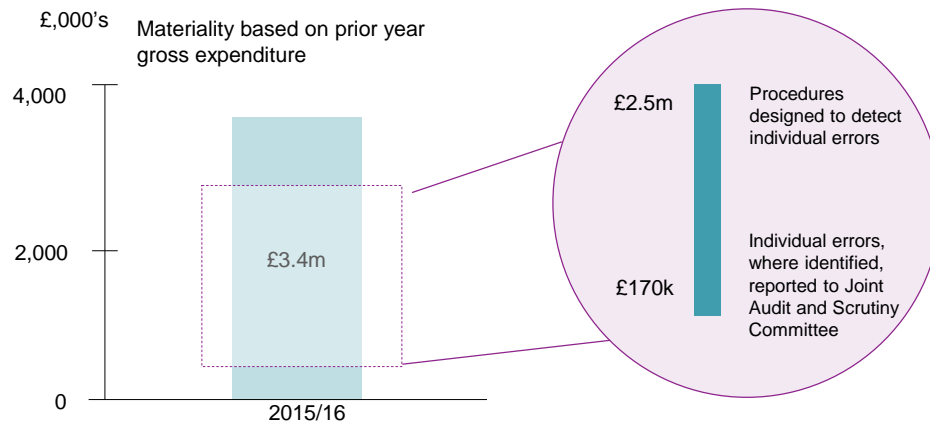
## Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Joint Independent Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

For both the Police and Crime Commissioner and the Chief Constable we propose that an individual difference could normally be considered to be clearly trivial if it is less than £170k.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Joint Audit and Scrutiny Committee to assist it in fulfilling its governance responsibilities.



## Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the Police and Crime Commissioner and Chief Constable 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria. These sub-criteria provide a focus to our VFM work. The diagram to the right shows the details of this criteria.

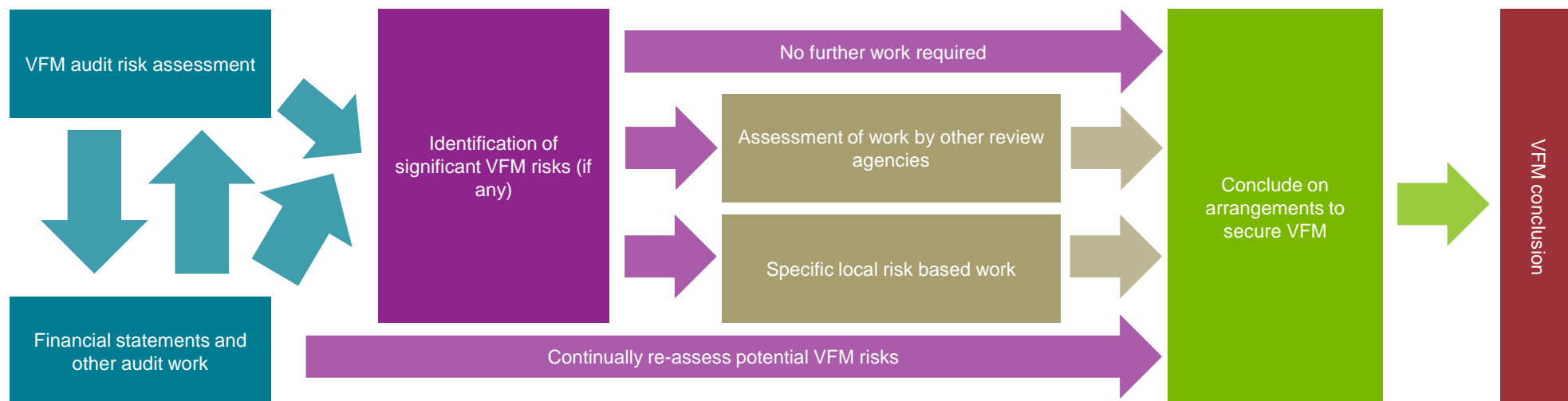
### Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Informed  
decision  
making

Sustainable  
resource  
deployment

Working  
with  
partners  
and third  
parties



VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Police and Crime Commissioner and Chief Constable. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> <li>■ The Police and Crime Commissioner and Chief Constable's own assessment of the risks it faces, and its arrangements to manage and address its risks;</li> <li>■ Information from the Public Sector Auditor Appointments Limited VFM profile tool;</li> <li>■ Evidence gained from previous audit work, including the response to that work; and</li> <li>■ The work of other inspectorates and review agencies.</li> </ul>
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the organisational control environment, including the financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant 'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Police and Crime Commissioner and Chief Constable and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> <li>■ Considering the results of work by the Police and Crime Commissioner, Chief Constable, inspectorates and other review agencies; and</li> <li>■ Carrying out local risk-based work to form a view on the adequacy of the arrangements for securing economy, efficiency and effectiveness in its use of resources.</li> </ul>

VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> <li>■ Meeting with senior managers;</li> <li>■ Review of minutes and internal reports; and</li> <li>■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.</li> </ul>
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Police and Crime Commissioner and Chief Constable's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the arrangements for securing VFM), which forms part of our audit report.</p>



### Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

#### Budget Performance and MTFS

Nottinghamshire PCC/CC along with other police forces face ongoing financial pressures to achieve desired priorities. Despite the settlement announcements the PCC/CC continue to face reductions in resources for 2015/16. This is reflected within the MTFS which is currently showing a shortfall in savings during 2015/16 of £9m against an in year target of £11m. Shortfalls in savings will have to be met from earmarked and general fund reserves which impact on the financial viability of the PCC/CC and the ability to meet future shortfalls in savings.

We will review financial information provided through the MFSS for budget reporting, savings plans and the future MTFS. We will also review this against external reviewers such as the HMIC.

#### Strategic Alliance

- The final business case for the Strategic Alliance is due to be signed in March 2016 and will change the way in which the PCC/CC deliver its services. There are long term beneficial aims for the Strategic Alliance but the PCC/CC will need to monitor the delivery plans in the short term to ensure they are affordable and current priorities continue to be delivered.
- We will review the development of the Strategic Alliance and the impact on financial plans and performance, considering the views of external inspectorates.

### Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2015/16 have not yet been confirmed.

### Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team will continue to be led by Andrew Cardoza, with Simon Lacey and Anita Pipes providing continuity at a day to day level. Appendix 2 provides more details on specific roles and contact details of the team.

### Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the Deputy Chief Finance Officer and the *Joint Audit and Scrutiny Committee*. *Our communication outputs are included in Appendix 1.*

### Independence and Objectivity

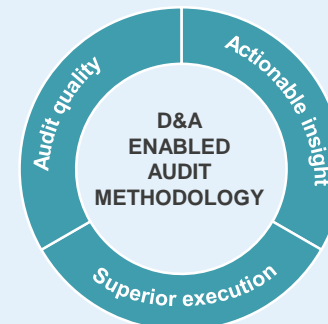
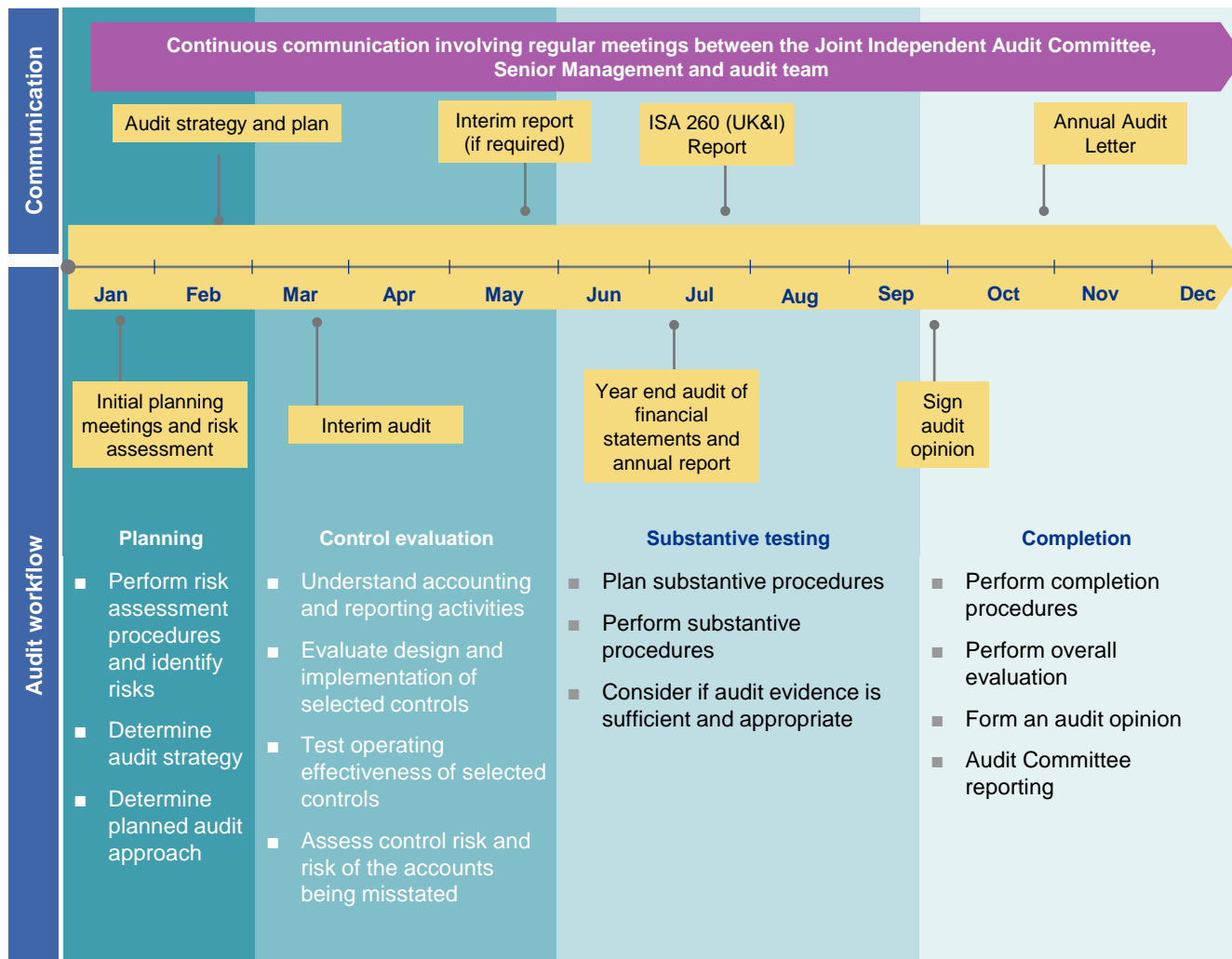
Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

### Audit fee

*Our Audit Fee Letter 2015/2016* issued to you in April 2015 first set out our fees for the 2015/2016 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

**Police and Crime Commissioner** - The planned audit fee for 2015/16 is **£35,220**. This is a reduction in audit fee, compared to 2014/2015, of £11,740 (25%).

**Chief Constable** - The planned audit fee for 2015/16 is **£15,000**. This is a reduction in audit fee, compared to 2014/2015, of £5,000 (25%).



## Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as non pay expenditure and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.



Your audit team has been drawn from our specialist public sector assurance department. Our audit team consists of a mix of new and existing staff to enable both a fresh perspective to be made whilst ensuring a consistency in day to day staff involved in your audit



Name	Andrew Cardoza
Position	Partner/Director
	<p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Joint Audit and Scrutiny Panel and Chief Finance Officers.'</p>

**Andrew Cardoza**

Director

0121 232 3869

[andrew.cardoza@kpmg.co.uk](mailto:andrew.cardoza@kpmg.co.uk)



Name	Simon Lacey
Position	Manager
	<p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with Andrew to ensure we add value.</p> <p>I will liaise with the S151 officers and other Executive Directors.'</p>

**Simon Lacey**

Manager

0115 9454484

[simon.lacey@kpmg.co.uk](mailto:simon.lacey@kpmg.co.uk)



Name	Anita Pipes
Position	Assistant Manager
	<p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p>

**Anita Pipes**

Assistant Manager

0115 945 4481

[anita.pipes@kpmg.co.uk](mailto:anita.pipes@kpmg.co.uk)

### Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Police and Crime Commissioner and Chief Constable.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work; and
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

### Confirmation statement

We confirm that as of February 2016 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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This report is addressed to the Police and Crime Commissioner/Chief Constable and has been prepared for the sole use of the Police and Crime Commissioner/Chief Constable. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment’s website ([www.psaa.co.uk](http://www.psaa.co.uk)).

External auditors do not act as a substitute for the audited body’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact Andrew Cardoza, the engagement lead to the Police and Crime Commissioner/Chief Constable, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG’s work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to [Andrew.Sayers@kpmg.co.uk](mailto:Andrew.Sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA’s complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk) by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.



<b>For Information / Consideration</b>	
<b>Public/Non Public*</b>	<b>Public</b>
<b>Report to:</b>	<b>Audit and Scrutiny Panel</b>
<b>Date of Meeting:</b>	<b>11<sup>th</sup> February 2016</b>
<b>Report of:</b>	<b>Chief Finance Officer</b>
<b>Report Author:</b>	<b>Charlotte Radford</b>
<b>Other Contacts:</b>	<b>Brian Welch</b>
<b>Agenda Item:</b>	<b>10</b>

## **INTERNAL AUDIT PROGRESS REPORT**

### **1. Purpose of the Report**

- 1.1 To provide members with an update on progress against the Internal Audit Annual Plan and the findings from audits completed to date.

### **2. Recommendations**

- 2.1 Members are recommended to consider the report and where appropriate make comment or request further work in relation to specific audits to ensure they have adequate assurance from the work undertaken.

### **3. Reasons for Recommendations**

- 3.1 This complies with good governance and in ensuring assurance can be obtained from the work carried out.

### **4. Summary of Key Points**

- 4.1 The attached report details the work undertaken to date and summarises the findings from individual audits completed since the last progress report to the panel.

### **5. Financial Implications and Budget Provision**

- 5.1 None as a direct result of this report.

### **6. Human Resources Implications**

- 6.1 None as a direct result of this report.

### **7. Equality Implications**

- 7.1 None as a direct result of this report.

## **8. Risk Management**

- 8.1 None as a direct result of this report. Recommendations will be actioned to address the risks identified within the individual reports and recommendations implementation will be monitored and reported within the audit and inspection report to this panel.

## **9. Policy Implications and links to the Police and Crime Plan Priorities**

- 9.1 This report complies with good governance and financial regulations.

## **10. Changes in Legislation or other Legal Considerations**

- 10.1 None

## **11. Details of outcome of consultation**

- 11.1 Not applicable

## **12. Appendices**

- 12.1 Appendix A – Internal Audit Progress Report

Office of the Police & Crime Commissioner for Nottinghamshire and  
Nottinghamshire Police

Internal Audit Progress Report 2015/16

January 2016

Presented to the Audit & Scrutiny Panel meeting of: 11<sup>th</sup> February 2016

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03 Performance

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A2 Internal Audit Plan 2015/16

A3 Definition of Assurances and Priorities

A4 Contact Details

A5 Statement of Responsibility



## 01 Introduction

- 1.1 The purpose of this report is to update the Audit & Scrutiny Panel as to the progress in respect of the Operational Plan for the year ended 31<sup>st</sup> March 2016. The plan was considered and approved by the Audit & Scrutiny Panel at its meeting on 9<sup>th</sup> June 2015.
- 1.2 The Police and Crime Commissioner and Chief Constable are responsible for ensuring that the organisations have proper internal control and management systems in place. In order to do this, they must obtain assurance on the effectiveness of those systems throughout the year, and are required to make a statement on the effectiveness of internal control within their annual report and financial statements.
- 1.3 Internal audit provides the Police and Crime Commissioner and Chief Constable, through the Audit & Scrutiny Panel, with an independent and objective opinion on governance, risk management and internal control and their effectiveness in achieving the organisation's agreed objectives. Internal audit also has an independent and objective advisory role to help line managers improve governance, risk management and internal control. The work of internal audit, culminating in our annual opinion, forms a part of the OPCC and Force's overall assurance framework and assists in preparing an informed statement on internal control.
- 1.4 Responsibility for a sound system of internal control rests with the Police and Crime Commissioner and Chief Constable and work performed by internal audit should not be relied upon to identify all weaknesses which exist or all improvements which may be made. Effective implementation of our recommendations makes an important contribution to the maintenance of reliable systems of internal control and governance.
- 1.5 Internal audit should not be relied upon to identify fraud or irregularity, although our procedures are designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control will not necessarily be an effective safeguard against collusive fraud.
- 1.6 Our work is delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).

## 02 Summary of internal audit work to date

- 2.1 We have issued four final reports since the last progress report to the Panel, these being in respect of Integrated Offender Management, Victims Code of Practice, Proceeds of Crime and Procurement. Management are currently considering their responses with regards a further two draft audit reports; these beings in respect of the Core Financials and the Savings Programme, the latter of which is an additional piece of work to the agreed plan.
- 2.2 The following table is provided provides a summary of assurances, including the number and categorisation of recommendations, in each report issued to the date. Further details, and scheduled work for the rest of the year, are provided in Appendix A1.

Auditable Area	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Joint Code of Corporate Governance	Final	Satisfactory			2	2
Core Financials	Draft	Limited	5	6	2	11
Payment Processes & Procedures	Final	Limited	1	2		3
Integrated Offender Management	Final	Satisfactory		1	2	3
Victims Code of Practice	Final	Limited	2	6	2	10
Savings Programme	Draft	Limited	2	3		5
Proceeds of Crime	Final	Satisfactory		2	2	4

Auditable Area	Report Status	Assurance Opinion		Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Procurement	Final	Local - Limited	EMSCU – Limited	3	7	1	11
Total				13	27	11	51

- 2.3 As part of the Core Financials audit, Internal Audit were also requested to carry out additional testing in respect of the use of credit cards and the process for claiming expenses due to concerns about the robustness of the current controls in place. Separate memorandums were provided to the OPCC Chief Financial Officer with regards the findings and these are being discussed at a meeting being held on 28<sup>th</sup> January to address the Core Financials audit.
- 2.4 The scope and fieldwork dates in respect of Social Impact & Value and Commissioning have been agreed and both are due to start shortly.
- 2.5 As reported in the last progress report, Baker Tilly had been commissioned to undertake assurance mapping exercises across a number of regional collaboration arrangements, the output of which would inform the internal audit plan. At the time of writing we have not had sight of the output from this work. However, the OPCC Chief Finance Officer group have requested that Internal Audit, in the meantime, undertake regional audits in the following areas:
- Officers in kind
  - Forensics
  - Covert Payments
  - Terms of Reference for the PCC Board

Audit are currently in discussions to agree the scope of each audit, with the aim of carrying out the work as part of the 2015/16 audit plan.

## 03 Performance

- 3.1 The following table details the Internal Audit Service performance for the year to date measured against the key performance indicators that were set out within Audit Charter. This list will be developed over time, with some indicators either only applicable at year end or have yet to be evidenced.

No	Indicator	Criteria	Performance
1	Annual report provided to the ASP	As agreed with the Client Officer	N/A
2	Annual Operational and Strategic Plans to the ASP	As agreed with the Client Officer	Achieved
3	Progress report to the JIAC	7 working days prior to meeting.	Achieved
4	Issue of draft report	Within 10 working days of completion of final exit meeting.	87% (7/8)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (6/6)
6	Follow-up of priority one recommendations	90% within four months. 100% within six months.	N/A
7	Follow-up of other recommendations	100% within 12 months of date of final report.	N/A
8	Audit Brief to auditee	At least 10 working days prior to commencement of fieldwork.	100% (11/11)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (1/1)

## Appendix A1 – Summary of Reports

Brief outlines of the work carried out, a summary of our key findings raised and the assurance opinions given in respect of the reports that have yet to be presented to the Audit & Scrutiny Panel are provided below:

### Victims Code of Practice

Assurance Opinion	Limited
Recommendation Priorities	
Priority 1 (Fundamental)	2
Priority 2 (Significant)	6
Priority 3 (Housekeeping)	2

Our audit considered the following risks relating to the area under review:

- The requirements as set out in the Code of Practice for Victims of Crime are being complied with.
- Policies and procedures have been put in place to support officers in complying with the code. Such guidance should include, but not be limited to, guidance in respect of:
  - Needs assessments
  - Crime reporting work sheets
  - Referral mechanisms
  - Communications with the victim
  - Personal statements
  - Complaints procedures
- Performance information is available, and provided to the appropriate forum, in respect of compliance with the Code and action plans put in place to address areas of improvement.
- Recommendations raised as a consequence of the 2014/15 internal audit have been implemented and are being consistently applied.

In reviewing the above risks, our audit considered the following areas:

- Compliance with requirements of the Code
- Policies and procedures
- Performance Information
- Follow up of the previous recommendations raised

We raised two fundamental (priority 1) recommendations which should be address immediately. Details of the finding, recommendation and response are detailed below:

Recommendation 1	All victims should be provided with the Victim Information Pack and/ or referred to the information available on the Nottinghamshire Police Victim website. Confirmation that this information has been communicated should be recorded on the VCOP working sheet within the CRMS.
Finding	<p>Victims are entitled to receive a clear explanation of what to expect from the criminal justice process. The VCOP working sheet requires officers to confirm they have either provided the Victim with a Victim Information Pack (VIP) or referred them to Nottinghamshire Police Victim website.</p> <p>Audit testing identified that in fourteen out of twenty-five cases the officer had not confirmed this information had been provided or the referral had been made.</p>
Response	Performance information is available to highlight those crimes where there is no working sheet attached. Work is ongoing to build this into the DPR document, and a performance slide figures as a standing slide within divisional monthly OPR packs. Work is ongoing to develop a force dashboard that will sit within Business Objects that will allow information to be available down to officer level in relation to non-compliant crimes, and will also contain a function to generate an automatic email to officers when crimes are so deficient. This will allow regular supervisory overview and will further enhance compliance with the code. A communication strategy will be implemented once new amendments to the code are known, and this will further drive compliance with the code. Current work in relation to the introduction of Niche should see the completion of the needs assessment as mandatory once the details of the victim have been entered on the system, thereby ensuring compliance with the code.
Timescale	6 months- dependent upon the introduction of Niche.

Recommendation 2	The reports detailing officers who are still to complete the Victims Code training should be located and the system for following up non compliance established to provide assurance that all officers are adequately trained to ensure compliance with the Code.
Finding	<p>At the previous audit a recommendation was made to formally monitor key training relating to the Victims Code and reminders sent on a periodic basis to those individuals who have not completed the training.</p> <p>The management response to this recommendation was that compliance is monitored with regular reports being produced and completion/ non completion reports sent to BCU/ Department Leads.</p> <p>At the time of the current audit information was requested to confirm the number of officers who were required to complete this training but had not yet done so. It was found that the system for recording e-learning progress could only provide information on those officers who had completed the training rather than 'non-completers'. The Learning &amp; Development Team were working to resolve this, however, given this information was not available, testing could not be undertaken to confirm that compliance was being monitored given that non completion reports are not being issued.</p>
Response	Training data has previously been available in relation to officers who have, and have not, completed the VCOP e-learning. This data was included within the monthly team packs sent out to supervisors and has also been monitored through the force training panel. Once the data becomes available again, this process will meet the objective of identifying those officers who have not completed the e-learning.

**Timescale**

As the training data becomes available again.

Furthermore, we raised six priority 2 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- A VCOP working sheet should be maintained for each crime involving a victim. Officers should be reminded of the importance of creating and maintaining this working sheet which should be evidenced within the CRMS system.
- Needs assessments should be carried out with all victims of crime and results recorded on the VCOP working sheet within the CRMS system. This should then be used as the basis of support provision for the victim going forward.
- Preferred method and frequency of contact should be established with each victim of crime to enable them to be updated on the progress of any ongoing investigation. This should be recorded on the VCOP working sheet and evidence maintained that updates have been provided in line with this request.
- The VIP should be reviewed and updated to incorporate the Right to Review procedure and information in respect of participation of the Restorative Justice scheme. (It is noted that a further update to the Victims Code of Practice is due later in 2015 and therefore it is practical to await this publication prior to review and update of the VIP to establish whether any additional areas require review).
- Officer should be reminded that when updates are provided to victims, acknowledgement should be made within the 'aggrieved updated' box on CRMS to support the update and prevent this being escalated via performance management information.
- All victims should be considered for referral to specialist agencies in addition to Victim Support Services. These referrals and proactive support provided should be evidenced within the CRMS system.

Management accepted the recommendations and have put in place plans to address the issues by July 2016.

## Core Financials

Assurance Opinion	
Limited	
Recommendation Priorities	
Priority 1 (Fundamental)	5
Priority 2 (Significant)	6
Priority 3 (Housekeeping)	2

Our audit considered the following risks relating to the area under review:

- Clearly defined policies and/or procedures are not in place resulting in ineffective and inefficient working practices.
- Systems and data entry restrictions are not in place which could lead to inappropriate access to the systems and data.
- There are errors in accounting transactions posted on the General Ledger resulting in inaccurate financial information.
- Inaccurate cash flow information regarding investments and borrowings is produced which could result in inappropriate levels of cash held within the Force.

- The purchasing process is not complied with by staff which could lead to fraudulent transactions that go undetected.
- An ineffective debt management process is in place which could lead to irrecoverable income and inappropriate write off of debt.
- Payments to staff are inaccurate resulting in financial losses for the Force, administrative burdens and where the employee loses out, loss of reputation.

In reviewing the above risks, our audit considered the following areas:

- General Ledger
- Cash, Bank and Treasury Management
- Payments and Creditors
- Income and Debtors
- Payroll
- Service Delivery

We raised five fundamental (priority 1) recommendation which should be address immediately. These related to the following:

- Segregation of duties should be introduced into the process for creating or amending supplier details within Oracle.

In addition, new suppliers should only be set up upon receipt of an approved new supplier form and this should include key details that then can be verified by MFSS, for example identification of directors of the company so the reputation and current financial status of the company can be verified.

Consideration should be given to reviewing a sample of new suppliers set up since the implementation of MFSS processes to ensure appropriate checks have been made.

- Negotiation should take place between the Nottinghamshire Office of the Police & Crime Commission, Nottinghamshire Police and MFSS to establish how the current authorisation limits, as agreed within the scheme of delegation, can be embedded into the current purchasing process.

All approval of purchases should then be in line with the agreed Scheme of Delegation and Financial Regulations.

- The Purchasing Process and controls/ access within Oracle system should be reviewed to ensure that at least two members of staff are involved in the ordering, receipt and payment approval process for goods and services which exceed the value of £250.
- Leaver notifications should be submitted by managers within the Force at the point the employee makes their resignation. MFSS should liaise with HR to ensure that notifications are forwarded to them at the earliest opportunity.

MFSS should ensure that service requests are timely allocated to Payroll to allow records to be updated and the Payroll closed.

Payroll Officers should implement adequate checking processes to ensure that all requests for unpaid leave are actioned in a timely manner.

- The Force should review its expense policy to ensure it remains fit for purpose and includes clear guidance on all categories of expenses and which are appropriate to be claimed through the self serve systems. The review should also ensure that authorised limits for categories of expenditure remain valid.

Consideration should also be given to instructing staff to provide uploaded receipts for all claims made to instil further accountability in the self serve process and ensure claims identified through the spot check processes are not delayed through missing receipts.

Following review and update, the policy should be reissued to all officers and staff to ensure awareness and



compliance. This should include consequences for staff who breach the policy.

Overpayments made to staff who have claimed invalid or inappropriate rates for expenses should also be recouped by the Force.

Furthermore, we raised six priority 2 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- The implementation of the interface for the Payroll system should be progressed.

In the interim, and for the purpose of actioning starters, leavers and variations, Payroll should introduce 'checklists' to identify and confirm that all key details (including staff and officer grade, contracted hours and personal details) have been correctly input to the system prior to the payroll run.

- Payments should not be made on a proforma invoice as this is not a valid VAT document to support the accounting transaction. Clarification should be provided to MFSS to ensure these payments are not made going forward. .

If advance payments and proforma invoices are accepted in certain circumstances, a list detailing these approvals should be produced and provided to MFSS and any variations to this approved on a case by case basis.

- Responsibility for debt recovery processes on migrated debtor accounts should be clarified and a dedicated review undertaken of the status of each invoice to ensure there is an agreement and a recovery plan going forward between MFSS and the retained force.
- Debtor performance information should be requested/ provided every six months to enable the Force to assess the effectiveness of their debt recovery process and to identify any potential large value write offs prior to year end.

In addition, sufficient guidance and training, where applicable, should be provided to the Force to enable them to be able to access local aged debt reports when required.

- MFSS process maps and desk instructions should be subject to review and update where necessary, following which they should be subject to this process at least annually. Any revisions to instructions should be communicated to all relevant staff.
- MFSS should ensure that invoices put on hold due to a mismatch in the VAT rate of the invoices are reviewed and cleared by staff on a timely basis.

Management should ascertain whether categories of expenditure (rather than the supplier as a whole) can be set with a default VAT code to prevent these rejections.

In addition, consideration should be given to assigning key categories of suppliers with a zero rated VAT percentage to ensure invoices placed on hold are kept to a minimum.

A meeting has been scheduled for 28<sup>th</sup> January to discuss the issues coming out of the report.

## Appendix A2 Internal Audit Plan 2015/16

Auditable Area	Planned Fieldwork Date	Draft Report Date*	Final Report Date*	Target ASP	Comments
<b>Core Assurance</b>					
Joint Code of Corporate Governance	Aug 2015	A - Sept 2015	A - Nov 2015	Dec 2015	Final report issued.
Financial Controls – MFSS	Oct / Nov 2015	P - Nov 2015	A - Dec 2015	Feb 2016	Meeting 28 <sup>th</sup> Jan to discuss the draft.
Financial Controls – PBS	Postponed	Postponed	Postponed	Postponed	Due to Strategic Alliance developments, audit postponed.
<b>Strategic &amp; Operational Risk</b>					
Integrated Offender Management	Sept 2015	A - Oct 2015	A - Jan 2016	Dec 2015	Final report issued.
Social Impact / Value	Feb 2015	P - March 2016	P - March 2016	April 2016	Deferred from Q3 to allow further discussion of the scope. Start date agreed.
Proceeds of Crime	July 2015	A - Sept 2015	A - Jan 2016	Dec 2015	Final report issued.
Commissioning	Feb 2016	P - March 2016	P - March 2016	April 2016	Scope and start date agreed.
Code of Practice for Victims of Crime	Sept 2015	A - Oct 2015	A - Dec 2015	Feb 2016	Final report issued.
<b>Collaboration</b>					
Procurement	Aug 2015	A - Oct 2015	A - Jan 2016	Dec 2015	Final report issued.
Collaboration	On-going	On-going	On-going	On-going	See paragraph 2.5.
<b>Other</b>					
Payments Processes & <a href="#">PP</a> rocedures	July 2015	A - Sept 2015	A - Oct 2015	Dec 2015	Final report issued.

<b>Auditable Area</b>	<b>Planned Fieldwork Date</b>	<b>Draft Report Date*</b>	<b>Final Report Date*</b>	<b>Target ASP</b>	<b>Comments</b>
Savings Programme	Aug 2015	A - Sept 2015	P - Nov 2015	Dec 2015	Draft report issued; currently discussing response. Meeting 28 <sup>th</sup> Jan to discuss the draft.
Follow-up of Recommendations	Q4	P – March 2016	P - March 2016	April 2016	A report will be presented at the next meeting of the ASP which provides an update on the implementation of audit recommendations.

\* P – Planned Date; A – Actual Date

## Appendix A3 – Definition of Assurances and Priorities

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
<b>Significant Assurance:</b>	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
<b>Satisfactory Assurance:</b>	While there is a basically sound system of internal control, there are weaknesses, which put some of the Organisation's objectives at risk.	There is evidence that the level of non-compliance with some of the control processes may put some of the Organisation's objectives at risk.
<b>Limited Assurance:</b>	Weaknesses in the system of internal controls are such as to put the Organisation's objectives at risk.	The level of non-compliance puts the Organisation's objectives at risk.
<b>No Assurance</b>	Control processes are generally weak leaving the processes/systems open to significant error or abuse.	Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Definitions of Recommendations	
Priority	Description
<b>Priority 1 (Fundamental)</b>	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
<b>Priority 2 (Significant)</b>	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
<b>Priority 3 (Housekeeping)</b>	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

## Appendix A4 - Contact Details

### Contact Details

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## A5 Statement of Responsibility

### **Status of our reports**

*The responsibility for maintaining internal control rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy of the internal control arrangements implemented by management and perform testing on those controls to ensure that they are operating for the period under review. We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone are not a guarantee that fraud, where existing, will be discovered.*

*The contents of this report are confidential and not for distribution to anyone other than the Office of the Police and Crime Commissioner for Nottinghamshire and Nottinghamshire Police. Disclosure to third parties cannot be made without the prior written consent of Mazars LLP.*

*Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work. Chartered Accountants in England and Wales to carry out company audit work.*

<b>For Decision</b>	
<b>Public/Non Public*</b>	<b>Public</b>
<b>Report to:</b>	<b>Audit and Scrutiny Panel</b>
<b>Date of Meeting:</b>	<b>11<sup>th</sup> February 2016</b>
<b>Report of:</b>	<b>The Chief Finance Officer</b>
<b>Report Author:</b>	<b>Charlotte Radford</b>
<b>Other Contacts:</b>	<b>Julie Mair, Brian Welch</b>
<b>Agenda Item:</b>	<b>11</b>

## **INTERNAL AUDIT ANNUAL PLAN 2016-17**

### **1. Purpose of the Report**

1.1 To inform members of the proposed plan of work for 2016-17.

### **2. Recommendations**

2.1 Members are requested to consider and approve the audit plan for 2016-17 attached at **Appendix A**.

### **3. Reasons for Recommendations**

3.1 This complies with good governance and financial regulations

### **4. Summary of Key Points**

4.1 The internal auditors have met with the OPCC and force to agree the plan proposed at **Appendix A**. This plan for 2016-17 has been established based upon meeting statutory requirements for auditing key financial systems, the need to audit systems where there has been a significant change in year and other audit requests based upon risks within the strategic risk register and advisory audits required to ensure the smooth running of both legal entities.

### **5. Financial Implications and Budget Provision**

5.1 None as a direct result of this report.

### **6. Human Resources Implications**

6.1 None as a direct result of this report.

### **7. Equality Implications**

7.1 None as a direct result of this report.

## **8. Risk Management**

8.1 The risk register has been used in the production of this internal audit plan.

## **9. Policy Implications and links to the Police and Crime Plan Priorities**

9.1 The work of internal audit supports all of the Police & Crime Plan priorities.

## **10. Changes in Legislation or other Legal Considerations**

10.1 The internal changes to systems and processes have been considered as part of this plan.

## **11. Details of outcome of consultation**

11.1 The OPCC and Force were part of the process for producing this plan.

## **12. Appendices**

12.1 **Appendix A** – Internal Audit Plan 2016-17





# Office of the Police & Crime Commissioner for Nottinghamshire and Nottinghamshire Police

## Draft Internal Audit Plan 2016/17

January 2016

This report has been prepared on the basis of the limitations set out on page 10.

This report and the work connected therewith are subject to the Terms and Conditions of the Framework Agreement dated 21 April 2015 between The Police and Crime Commissioner for Nottinghamshire and Mazars LLP and Order Form dated 12 May 2015 between Police and Crime Commissioner for Nottinghamshire and Mazars LLP. This report is confidential and has been prepared for the sole use of Police and Crime Commissioner for Nottinghamshire. This report must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law, we accept no responsibility or liability to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

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## 1. Introduction

- 1.1 An annual proposed Internal Audit Operational Plan has been prepared on behalf of the Police and Crime Commissioner for Nottinghamshire and Nottinghamshire Police (the OPCC and Force) for the period 1 April 2016 to 31 March 2017.
- 1.2 As part of fulfilling the Joint Audit & Scrutiny Panel's (JASP) responsibilities, the JASP require assurance that it is focusing its attention on the key risks to the OPCC and Force and that it is receiving timely and effective assurance with regards the management of those risks. As Internal Audit is a one source of this assurance, Internal Audit have reviewed the OPCC / Force Risk Register with the aim of identifying where the OPCC / Force obtains this assurance and that the Internal Audit plan is suitably focused and aligned with other sources of assurance. The results of this exercise were considered when drawing the audit plan.
- 1.3 **Appendix A** contains our proposed **Annual Audit Plan 2016 – 2017**.

## 2. The Scope and Purpose of Internal Audit

- 2.1 Internal Audit's primary role is to provide the organisation's management with independent assurance on the effectiveness of the internal control systems that contribute to the achievement of the organisation's business objectives. In so doing, this will support the OPCC and Force in signing the Annual Governance Statement. It is also Internal Audit's role to provide the OPCC and Force with assurance that they have in place effective processes for the management of risk.
- 2.2 In drawing up the internal audit work programme it should be noted that:
- The OPCC and Force are accountable for internal control. The OPCC and Force are responsible for maintaining a sound system of internal control that supports the achievement of the organisation's objectives, and for reviewing its effectiveness;
  - The system of internal control is designed to manage rather than eliminate the risk of failure to achieve these objectives;
  - The system of internal control can therefore only provide reasonable and not absolute assurance of effectiveness; and
  - The system of internal control is based on an on-going risk management process designed to identify the principal risks to the achievement of the organisation's objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.

2.3 As set out in the Audit Charter, Internal Audit fulfils its role by:

- Coordinating assurance activities with other assurance providers (such as the external auditors and HMIC) such that the assurance needs of the OPCC and Force, regulators and other stakeholders are met in the most effective way.
- Evaluating and assessing the implications of new or changing systems, products, services, operations and control processes.
- Carrying out assurance and consulting activities across all aspects of the OPCC and Force's business based on a risk-based plan agreed with the Joint Audit & Scrutiny Panel (JASP).
- Providing the Police & Crime Commissioner and Chief Constable with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls associated with the management of risk in the area being audited.
- Issuing periodic reports to the JASP and Senior Management Team summarising results of assurance activities.
- Re-enforcing an anti-fraud, anti-bribery and anti-corruption culture within the OPCC and Force to aid the prevention and detection of fraud.
- Assisting in the investigation of allegations of fraud, bribery and corruption within the OPCC and Force and notifying management and the JASP of the results.
- Assessing the adequacy of remedial action to address significant risk and control issues reported to the JASP. Responsibility for remedial action in response to audit findings rests with line management.

## 3. Approach

- 3.1 As part of fulfilling the Joint Audit & Scrutiny Panel's (JASP) responsibilities, the JARAP require assurance that it is focusing its attention on the key risks to the OPCC and Force and that it is receiving timely and effective assurance with regards the management of those risks. As Internal Audit is a one source of this assurance, Internal Audit have reviewed the OPCC / Force Risk Register with the aim of identifying where the OPCC / Force obtains this assurance and that the Internal Audit plan is suitably focused and aligned with other sources of assurance. The results of this exercise were considered when drawing the audit plan.

- 3.2 The Assurance Framework provides a top-down identification and analysis of the assurance needs of the JASP, and aims to provide a co-ordinated view of the activity of the various assurance providers and therefore the right combination of direct, risk and independent assurance activities as shown below:



- 3.3 In drawing up the operational audit plan, the assurance review of the OPCC / Force risk register identified where the OPCC / Force obtained assurance it was managing its key risks, with the aim of aligning the Internal Audit plan with other sources of assurance. Audit were supported by management in conducting this review. The review was carried out through discussions with appropriate staff and review of documents to confirm the adequacy of the assurance processes in place. In particular, the review consisted of:

- Reviewing the key strategic risks (OPCC and Force) that the JASP require assurance on.
- Using the 'three lines of defence' model referred to above, considering the key sources of assurance that the risks are being effectively managed.
- Identifying and agreeing gaps in assurance.
- Agreeing whether the gaps should be addressed and, if so, whether Internal Audit were the appropriate source of that assurance.

In determining Internal Audit's current and future role in the 'assurance landscape', it should be noted that Internal Audit has a wider remit than purely focusing on just those risks set out in the OPCC / Force Strategic Risk Register, and is required to provide assurance on the systems of internal control, risk management and governance arrangements. For this reason, we also considered other key areas of assurance, including those relating to Finance, Governance, Procurement, Information Technology and Risk Management.

- 3.4 Through a focused approach to assurance, the internal audit service can be utilised to provide the right level of assurance, it can avoid unnecessary use of its finite resources and it can support the OPCC and Force in maintaining an effective Assurance Framework. Internal Audit, through its support for the Assurance Framework, should:
- support the OPCC and Force in managing its risks through the establishment (and, more importantly, the maintenance) of an Assurance Framework that is fit for purpose;
  - look to other sources of assurance and assurance providers, including third party assurance, to supplement the resources of the internal audit team;
  - work along side other assurance providers, such as External Audit, to more effectively provide assurance and avoid duplication; and
  - through risk-based auditing, focus internal audit resource on what is really important to each organisation.
- 3.5 Further to the above risk identification process, it should also be remembered that Nottinghamshire have recently agreed to become part of a Strategic Alliance with the Police Forces in Leicestershire and Northamptonshire, whilst also form part of the wider East Midlands Policing Region and, as such, collaborate on a wide variety of services. The aim will therefore be to, wherever possible, align the audit plans across the Strategic Alliance / region in order to secure efficiencies through collaborative auditing.

## 4 External Audit Consultation

- 4.1 We liaise closely with your external auditors in preparing, and then delivering, a co-ordinated approach to the provision of assurance.
- 4.2 We speak regularly with the External Auditors to consult on audit plans; discuss matters of mutual interest; discuss common understanding of audit techniques; methods and terminology; and to seek opportunities for co-operation in the conduct of audit work. In particular, we will offer the External Auditors the opportunity to rely on our work where appropriate, provided this does not prejudice our independence.
- 4.3 Internal audit forms a significant part of the organisation's governance arrangements and it is therefore also important that Internal and External Audit have an effective working relationship. To facilitate this relationship we included in the Audit Charter liaison arrangement with the external auditors under the Public Internal Audit Standards. The key principles behind this agreement are:
- a willingness and commitment to working together;
  - clear and open lines of communication; and
  - avoidance of duplication of work where possible.

## Appendix A – Annual Audit Plan 2016-17

AUDITABLE AREA	PROPOSED TIMING	JASP	PLAN DAYS	RISK REF / CAT.	Commentary on Coverage
<b>Core Assurance</b>					
<p>Core Financial Systems Assurance:</p> <ul style="list-style-type: none"> <li>• General Ledger</li> <li>• Payroll</li> <li>• Cash &amp; Bank</li> <li>• Payments &amp; Creditors</li> <li>• Income &amp; Debtors</li> </ul>	Oct 2016		25	Core	<p>To provide assurance with regards the adequacy and effectiveness of the systems of internal control in operation to manage the core financial systems. The scope of the work will include, but not be limited to:</p> <ul style="list-style-type: none"> <li>• Policies and procedures</li> <li>• Access controls</li> <li>• Amendments to standing data</li> <li>• Reconciliations</li> <li>• Authorisation routines</li> <li>• Reporting</li> </ul>
Risk Management	May 2016		8	Core	<p>To provide assurance that risk management arrangements are in place and contribute to the effective management of risk.</p>
Procurement Follow-up	November 2016		10	Core	<p>To provide assurance that sound controls are in place and value for money is being sought in respect of the procurement of goods and services. The audit will cover both local / under £25k expenditure, and the use of national procurement frameworks, and the use of the East Midlands Strategic Commercial Unit (EMSCU) for expenditure above £25k.</p> <p>An audit took place in 2015/16 for which the Force received limited assurance. It was determined weaknesses in the systems of internal controls are such to put the Organisation's objectives at risk. The area will revisited to provide assurance that recommendations previously made have been implemented satisfactorily.</p>

AUDITABLE AREA	PROPOSED TIMING	JASP	PLAN DAYS	RISK REF / CAT.	Commentary on Coverage
Strategic & Operational Risk Assurance					
Implementation of DMS	May 2016		12	INF0016	To conduct a post implementation review of the Duty Management System (DMS) following its implementation in April 2015 to provide assurance that effective controls are in place for the rostering of officers, that access is restricted specific individuals and that the objectives of the system are being realised.
Savings Programme Follow-up	Sept 2016		6	NPF0015	<p>An audit of controls and processes in place in respect of the Savings Programme took place in 2015/16 for which the Force received limited assurance. It was determined that there is significant room for improvement in the risk management of the savings programme and the delivery of the Force efficiency targets.</p> <p>To provide assurance with regards the systems and controls in place to manage the Savings Programme. The audit scope would include procedures for delivering the savings programme; justification for savings projections; challenge and approval; monitoring and delivery; actions taken to address shortfalls; and lessons learnt and taken forward for the 2016/17 programme.</p>
Human Resources	Jan 2017		8	Request	To provide assurance of arrangements in place concerning selection, internal promotion, including acting and temporary posts. Also to determine what controls are in place concerning recruitment of women and individuals from BME communities.
Data Protection Act Compliance	Aug 2016		14	INF0011 & INF0014	<p>Review the Force's compliance with aspects of the Data Protection Act, including:</p> <ul style="list-style-type: none"> <li>• Data protection governance, and the structures and procedures to ensure DPA compliance;</li> <li>• Staff data protection training and awareness;</li> <li>• Records management – the processes for managing both electronic and manual records containing personal data;</li> <li>• FOI requests.</li> </ul>
Data Quality	Dec 2016		8	Various	To provide assurance with regards the accuracy and completeness of recorded data.



AUDITABLE AREA	PROPOSED TIMING	JASP	PLAN DAYS	RISK REF / CAT.	Commentary on Coverage
Effective Audit & Scrutiny	June 2016		8	Request	To provide assurance that there is an effective audit and scrutiny function in place to provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting and annual governance process, as set out in the <i>Audit Committees / Practical Guidance for Local Authorities and Police, 2013 Edition</i> .
<b>Strategic Alliance &amp; Collaboration</b>					
Strategic Alliance	Ongoing		7	Various	Resources have been set aside within the three Forces' audit plans to support the implementation of the Strategic Alliance. This may take the form of advice or specific audits and may involve governance arrangements, project assurance and specific testing in areas of change. A similar resource has been set aside in the Northamptonshire and Leicestershire plans to address what would be joint work across the three Forces.
Collaboration	Sept 2016 & Jan 2017		10	Various	Resources have been allocated across each OPCC / Force in order to provide assurance with regards the systems and controls in place to deliver specific elements of regional collaboration. The intention would be to carry out audit reviews across the region.  Consideration will be given to assessing whether the area of collaboration is delivering against its original objectives and what arrangements are in place, from an OPCC / Force perspective, for monitoring and managing the service.
<b>Other</b>					
Audit Management	Ongoing		14		This includes audit planning, production of progress and annual reports, and attendance at progress and JASP meetings.
Follow Up of Recommendations			5		To provide assurance that management have implemented audit recommendations.
Contingency			5		Time set aside for ad hoc requests.
<b>TOTAL</b>			<b>140</b>		

## Appendix B – Levels of Assurance & Opinions

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
<b>Significant Assurance:</b>	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
<b>Satisfactory Assurance:</b>	While there is a basically sound system of internal control, there are weaknesses which put some of the Organisation's objectives at risk.	There is evidence that the level of non-compliance with some of the control processes may put some of the Organisation's objectives at risk.
<b>Limited Assurance:</b>	Weaknesses in the system of internal controls are such as to put the Organisation's objectives at risk.	The level of non-compliance puts the Organisation's objectives at risk.
<b>No Assurance:</b>	Control processes are generally weak leaving the processes/systems open to significant error or abuse.	Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Definitions of Recommendations	
Priority	Description
<b>Priority 1 (Fundamental)</b>	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
<b>Priority 2 (Significant)</b>	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
<b>Priority 3 (Housekeeping)</b>	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

## Appendix C – Contact Details

### Contact Details

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## Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

**Mazars LLP**

**London**

**January 2016**

This document is confidential and prepared solely for your information. Therefore you should not, without our prior written consent, refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

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<b>For Information</b>	
<b>Public/Non Public</b>	<b>Public</b>
<b>Report to:</b>	<b>Joint Audit and Scrutiny Panel</b>
<b>Date of Meeting:</b>	<b>11<sup>th</sup> February 2016</b>
<b>Report of:</b>	<b>Julie Mair, Temp. Head of Corporate Development</b>
<b>Report Author:</b>	<b>Beverly Topham, Strategic Support &amp; Review Officer</b>
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<b>Other Contacts:</b>	<b>Amanda Froggatt, Strategic Support Officer</b>
<b>Agenda Item:</b>	<b>12</b>

## **AUDIT AND INSPECTION REPORT**

### **1. Purpose of the Report**

- 1.1 To provide the Audit and Scrutiny Panel with an update on progress against recommendations arising from audits and inspections which have taken place within the force.
- 1.2 To inform the Panel of the schedule of planned audits and inspections.

### **2. Recommendations**

- 2.1 That the Panel notes the progress made against audit and inspection recommendations.
- 2.2 That the Panel takes note of forthcoming audits and inspections.

### **3. Reasons for Recommendations**

- 3.1 To enable the Panel to fulfil its scrutiny obligations with regard to the Force's response to audits and inspections.
- 3.2 To keep the Panel informed about forthcoming audits and inspections.

### **4. Summary of Key Points**

- 4.1 The actions referred to in this report are the result of recommendations made by the Force's internal auditors and external inspectorates, including Her Majesty's Inspectorate of Constabulary (HMIC). They are managed through the Force Activity Plan process and updated on a monthly basis.
- 4.2 Appendix 1 'Audit, Inspection and Review Status Report Quarter 3 2015/16' provides a summary of forthcoming audits and inspections that the Force is currently aware of.
- 4.3 Appendix 2 'Audit and Inspection Actions Update Report Quarter 3 2015/16' provides details of specific actions arising from audits and inspections that are either off target, at risk of being off target, proposed for closure, closed or new actions.

## **Overdue Actions**

4.4 There are currently no actions showing as 'off target'.

## **Actions at risk of being Overdue**

4.5 There are no actions showing as 'at risk' of being overdue.

## **5 Financial Implications and Budget Provision**

5.1 There are no direct financial implications. If financial implications arise from recommendations raised from audits, inspections and reviews, these implications are considered accordingly. Where an action cannot be delivered within budget provision, approval will be sought through the appropriate means.

## **6 Human Resources Implications**

6.1 There may be policy implications in relation to the actions listed:

- Firearms Licensing: Targeting the Risk.
- Integrated Offender Management

## **7 Equality Implications**

7.1 There may be equality implications arising from the following reviews of policy and process:

- Witness care unit review.
- Child protection and vulnerability in custody.
- Provision of Charging Decisions
- Integrated Offender Management

## **8 Risk Management**

8.1 None of the current actions are addressing specific risks on the Force's risk register. There are also no new risks arising from any of the agreed actions.

8.2 Some current actions involve the completion of formal reviews of specific business areas. It is possible that some or all of these reviews will identify and evaluate significant risks, which will then be incorporated into the Force's established risk management process.

## **9 Policy Implications and links to the Police and Crime Plan Priorities**

- 9.1 There are likely to be policy implications in relation to the following action:
- Detention of children review.
- 9.2 The following actions relate to aspects of current Police and Crime Plan priorities:
- Witness care unit review.
  - Detention of children review.

## **10 Changes in Legislation or other Legal Considerations**

- 10.1 There are potential legal implications arising from the following actions:
- Detention of children review.

## **11 Details of outcome of consultation**

- 11.1 Following receipt of a final audit or inspection report a member of the Planning and Policy team consults with the Force lead and other responsible stakeholders to plan appropriate actions in response to each relevant recommendation, or to agree a suitable closing comment where no action is deemed necessary.
- 11.2 All planned actions are added to the Force's action planning system, 4Action, for management and review until completion.

## **12. Appendices**

- 12.1 Appendix 1: Audit and Inspection Status Report Q3 2015/16
- 12.2 Appendix 2: Audit and Inspection Actions Update Report Q3 2015/16





## Appendix 1: Current and forthcoming audits and inspections. Quarter 3 2015/16

### Current Audits and Inspections

Date	Scrutiny Body	Title	Update
June 2015 (Regionally led)	HMIC	Regional Organised Crime Unit (ROCU)	Management comments received. Majority of actions will be managed regionally. Local actions will be monitored through 4action.
29th June 2015 - 3rd July 2015	HMIC	PEEL - Effectiveness Vulnerability (National and Local)	Out for management decision of actions
Dec-15	HMIC	Increasingly Everyones Business: A progress report on the police response to Domestic Abuse.	Out for management decision of actions
September 2015	HMIC	PEEL - Legitimacy	Awaiting final report
September 2015	HMIC	PEEL - Effectiveness	Awaiting final report
23rd July for 8 days	MAZARS	Proceeds of Crime Act	Out for factual accuracy check and management comment
17th August 2015 for 14 days	MAZARS	Procurement	Awaiting final report from Mazars

24th September for 10 days	MAZARS	Savings Programme	Out for factual accuracy check and management comment
26th September (in force 2nd - 6th November) for 18 days	MAZARS	Financial Controls-MFSS	Out for factual accuracy check and management comment
December 2015 (in force for 7 days)	MAZARS	Victims Code of Practice	Recommendations entered onto and managed through 4action.

#### **Forthcoming Audits, Inspections and Reports**

<b>Date</b>	<b>Scrutiny Body</b>	<b>Title</b>	<b>Update</b>
tba	MAZARS	Financial Controls-PBS	Delayed and yet to be scoped due to strategic alliance
Q4	MAZARS	Social Impact and Value	OoPCC report. Delayed now programmed for quarter 4
January 27th 2016	HMIC	Insight visit	To give specific feedback on the case file review as part of the effectiveness vulnerability inspection.

**Audit and inspection thematic reports**

Date	Scrutiny Body	Title	Update
July 2015	HMIC	In Harms Way. The Role of the Police in keeping children safe	Out for factual accuracy check and management comment
December 2015	HMIC	The depths of dishonour: Hidden voices and shameful crimes.	Out for factual accuracy check and management comment
October 2015	CJJI	A Follow-up Inspection of Multi-Agency Public Protection Arrangments	Management comments collated. No activity / actions.
May 2015	CJJI	Joint Inspection of The Provision of Charging Decisions.	Recommendations entered onto and managed through 4action.

Appendix 2: Audit and Inspection Actions Update Report

Quarter 3:  
2015/16

NB. Actions include those arising from recommendations highlighted by audit or inspection

Summary	Current	Previous	Trend
Action(s) off target	0	2	↓
Action(s) at risk of being off target	0	0	→
Action(s) proposed for closure	0	1	↓
New Action(s)	18	13	↑
Total closed action(s)	13	38	↓
Total actions	31	54	↓

RAG Key

On target to deliver within constraints, including target completion date, budget and resource allocated. It is also anticipated that any expected efficiency savings will be met. No further action required at this time.

At risk: It is anticipated that there will be some slippage from the original target completion date and / or other constraints such as budget, available resource or expected efficiency saving. To be highlighted to the Portfolio Board as an issue for monitoring.

Off target: Target date and / or other constraints such as budget or available resource have been exceeded, or it is anticipated that an expected efficiency saving will not be met. Issue to be highlighted to the Portfolio Board and corrective action sought to meet business objectives.

Action(s) off target						
Target date	Action	Manager Responsible	Source originator.	Source title	Action Status	Action update
No actions off target						
Action(s) at risk of being off target						
Target date	Action	Manager Responsible	Source originator.	Source title	Action Status	Action update
No actions at risk of being off target						
Proposed for closure.						
No actions proposed for closure						

Closed Actions

31/08/2015	<p>Action:</p> <p>Undertake a review (jointly with children's social care services and other relevant agencies) of how it manages the detention of children. This review should include, as a minimum, how best to:</p> <p>a) improve custody staff awareness of child vulnerability and child protection;</p> <p>b) improve risk assessments to reflect the needs of children and the support they require at the time of detention and on release;</p> <p>c) ensure that all staff act within the law so that all children are only detained when absolutely necessary and for the absolute minimum amount of time;</p> <p>d) assess at an early stage the likely need for secure or other accommodation, and work with children's social care services to achieve the best option for the child;</p> <p>e) ensure that children detained under section 136 of the Mental Health Act are only detained in police custody as a last resort, for a minimum amount of time, are regularly checked and receive the services of the mental health nurse; and</p> <p>f) ensure specific additional consideration is given to using family members as appropriate adults for children detained under section 136 of the Mental Health Act, and parental support and personal attendance at the custody suite are encouraged.</p>	T/Insp Jane Stubbs	HMIC	National Child Protection Sept 2014	Closed	<p>Update 15/12/2015 Ch Insp P Baker Custody North:</p> <p>c) ensure that all staff act within the law so that all children are only detained when absolutely necessary and for the absolute minimum amount of time</p> <p>All Custody Sergeants have been briefed and the following forms part of the amended EMCJS Custody Procedure  "Children and Young People should only be detained in Custody when absolutely necessary; Custody staff must be rigorous in their questioning of the arresting officer to ensure the authorisation of detention is essential. This must be fully document and their continued detention regularly reviewed to ensure they are detained for the absolute minimum amount of time." A monthly audit of 10% of the Children and Young people detained in Custody will take place to ensure the principle is being adhered to.</p> <p>d) assess at an early stage the likely need for secure or other accommodation, and work with children's social care services to achieve the best option for the child</p> <p>The link forms part the EMCJS procedures  <a href="http://intranet.leics.emrn.pnn.police.uk/cms/admin/files/uploads/Regionalguidelinesonthedetentionofchildreninpolicecustody.pdf">http://intranet.leics.emrn.pnn.police.uk/cms/admin/files/uploads/Regionalguidelinesonthedetentionofchildreninpolicecustody.pdf</a>  It sits on the website in it's own section for the Detention of Children along side the chapter on Authorised Professional Practice and contains the following:</p> <p>"The custody officer will prompt the OIC to inform the Local Authority at an early stage if there is an expectation that a child will be remanded into police custody, as this facilitates the process of providing accommodation. The table overleaf provides a summary of the roles and responsibilities required when dealing with children detained in police custody."</p> <p>All staff have been provided with the link and the message contained with in it.</p> <p>DCC Fish Scrutiny 29/12/2015: Ch Insp Phil Baker update noted and accepted. I support closure.</p>
	<p>Action:</p> <p>Develop with the help of planning and policy (and inked to work on Child Sexual Exploitation) an action plan to improve CSE investigations, paying particular attention to:</p> <p><input type="checkbox"/> improving staff awareness, knowledge and skills in this area of work;</p> <p><input type="checkbox"/> ensuring a prompt response to any concern raised;</p> <p><input type="checkbox"/> undertaking risk assessments that consider the totality of a child's circumstances and risks to other children; and</p> <p><input type="checkbox"/> improving the oversight and management of cases (to include auditing of child abuse and exploitation investigations to ensure that standards are being met).</p>	DI Peter Quinn	HMIC	National Child Protection Sept 2014	Closed	<p>DCC Fish Scrutiny 30/10/15 - CSE strategy agreed at FEB.</p> <p>The accompanying action plan will be managed by ACC Torr through Public Protection Meetings. Agreed to close action.</p>
4/1/2016	<p>Action:</p> <p>(a) Police Forces should ensure, within three months, that: all violent offenders managed at MAPPA level 2 and 3 are allocated a named police offender manager.</p> <p>(b) Neighbourhood policing teams are made fully aware of Registered Sex Offenders (RSO) living within their policing areas.</p>	Supt Helen Chamberlain	CJJI	A Follow-up Inspection of Multi-Agency Public Protection Arrangements	Closed	<p>No action required.</p> <p>(a) All level 2/3 cases will now have a named police officer. If it is a Registered Sex Offender, the MOSOVO team will allocate a named officer.</p> <p>In Domestic Violence (DV) cases DV officers will be the named officer. YOT officers will be the named officers for youth managed at these levels. The Integrated Offender Management Team have agreed to provide named officers to manage their cases. This relates to named officers allocated to all level 2/3 cases.</p> <p>Level 3 Mappa cases will always have a MOSOVO or DV named officer</p> <p>In terms of level 2, if the named officer is not from the MOSOVO team, DV teams or Vanguard teams, the IOM will allocate a named police officer to these cases. In the unlikely event that the IOM team cannot assist then MOSOVO would allocate a member of staff to manage the level 2 nominal</p> <p>(b) There is a user guide on how to retrieve this information on the Public Protection page on the intranet under the Dangerous Person's Management Unit section. Officers can access a step by step user guide on how to search for an RSO in their area. This user guide will be republished.</p> <p>DCC scrutiny 29/12/2015 Supports no action required.</p>
31/1/2016	<p>Action: Review immediately the operation of the witness care unit in relation to the updating of victims. If required, the force should implement an action plan to ensure service improvement.</p>	Janet Carlin	HMIC	Crime Inspection 2014 Nottinghamshire Police.	Closed	DCC Fish Scrutiny: 05/01/2016: Report from Witness Care Manager scrutinised. Support completion.
03/12/15	<p>The primary objective of the inspection is to ensure that the system in place for acquiring communications data is sufficient for the purposes of the Act and that all relevant records have been kept; ensure that all acquisition of communications data has been carried out lawfully and in accordance with the Human Rights Act (HRA), Chapter 2 of Part I of RIPA and its associated Code of Practice (CoP); and, provide independent oversight to the process and check that the data which has been acquired is necessary and proportionate to the conduct being authorised.</p>	Ch Supt Helen Jebb	Interception of Communications Commissioners Office	Inspections under Chapter 2 of Part 1 of RIPA	Closed	DCC Fish approval 03/12/2015. No activity to take forward.

30/11/2015	An audit of Key Financial Controls was undertaken as part of the approved internal audit periodic plan for 2014/15.	David Machin	Baker Tilly	Key Financials	Closed	No actions to take forward as recommendations superseded due to organisational change. All actions implemented.
31/8/2015	Action: Benchmark our capability against the 'Digital Crime and Policing' study published by HMIC. If necessary develop an action plan on any gaps identified against the threat, harm proportionality and cost.	D Supt Mark Pollock	HMIC	Real lives, real crimes. Digital Crime and Policing	Closed	15/12/2015: DCC Fish supports completion. Mark Pollock closing comments noted.
30/11/2015	Action: Provide a response of this HMIC report to DCC Fish.	Ch Supt Helen Jebb	HMIC	Witness for the prosecution: Identifying victim and witness vulnerability in criminal case files.	Closed	Response to DCC Fish sent on 11/11/2015 from Helen Jebb and Julia Debenham. No actions to take forward. DCC Fish Scrutiny 24/11/2015 supports completion.
08/12/2015	Action: Regional Criminal Justice Board (RCJB) to respond on behalf of policing. Sara Virr ( Business Manager for RCJB) is providing this response.	Ch Supt Julia Debenham	CJJI	Working in step? Local criminal justice partnerships.	Closed	DCC Fish Scrutiny 08/12/1025. Leah Johnsons comment noted. DCC Fish supports completion.
31/01/2016	Action: The Force to provide a written response to the recent HMIC inspection “Building the Picture: An Inspection of Police Information Management” to update HMIC on our own forces position against the six force recommendations. It is important to note some significant National and Regional proposals and initiatives that will have a direct effect on the management of some Nottinghamshire Police Information Systems in the short and medium term.	Pat Stocker (Information Security Manager)	HMIC	Building the Picture: An Inspection of Police Information Management.	Closed	DCC Fish Scrutiny 08/12/2015: HMIC have been sent a response. DCC Fish is satisfied with the governance and activity around these recommendations
30/11/2015	Baker Tilly have undertaken a review to follow up progress made by the Nottinghamshire Office of the Police and Crime Commissioner and Nottinghamshire Police Force to implement previous internal audit recommendations.	Martin Bakalarczyk	Baker Tilly	Follow Up	Closed	Staff members responsible for the implementation of recommendations were interviewed to determine the status of agreed actions. Where appropriate, audit testing has been completed to assess the level of compliance with this status and the controls are in place.  DCC Fish supported completion of original activity on various dates.
31/05/16	Action: EMCJS to carry out a review and research into what costs or delays would be incurred to engage with partners and the CPS to record the rationale and information on: - take no further action or - proceed by way of an out of court disposal.  To include the following information: • the decision-maker’s application of the full Code for Crown Prosecutors test; and • in relevant cases, consideration of the gravity matrix, and, that wherever possible, that record is included on the MG3 form.	Ch Supt Julia Debenham	CJJI	Provision of Charging Decisions	Closed	Update Leah Johnson 11/12/2015: Discussed at Prosecution Team Performance Meeting and decision is not to adopt this as it was overly bureaucratic.  The MG3 is intended for charging matters and would involve the OIC relating the facts and evidence of the offence in detail in writing along with details of persons and events required for the form for no benefit and that this form must take approx.. 20 minutes. to complete. Notts record the NFA decision on the system at no opportunity cost to the officer and this is reportable as it is on a system – the MG3 would not be therefore the approach as it is bureaucratic for the OIC and is of no benefit to the force. Proposed for closure.  DCC Fish Scrutiny 13/01/2016. Supports completion.
31/12/2015	Action: Present the new NCALT package to the Training Panel for a decision to adopt for local delivery.	Ch Supt Julia Debenham	CJJI	Provision of Charging Decisions	Closed	Update 04/01/2016 Leah Johnson via email to BT: Presented by Terri Mitchinson and agreed at the Training Priorities Panel for March /April go live and to be launched by EMCHRS. Leah Johnson has written the communication for the intranet. The force lead is CH Supt Jebb. Proposed for closure.  DCC Fish Scrutiny 13/01/2016. Supports completion.
New Actions						
31/3/2016	Action: Review and develop a scorecard through the VOLT and the regional EMCJS process. Update the procedure to make reference to the scorecard and communicate the changes.	Ch Supt Julia Debenham	CJJI	Provision of Charging Decisions	On Target	No update.
30/4/2016	Action: Discuss with the CPS Management Information lead and incorporate in the re write of the Prosecution Team Performance Meeting (PTPM) data. This will be formally launched at the regional PTPM Conference on 8th March 2016 with a go live date of April 2016. Incorporate locally.	Ch Supt Julia Debenham	CJJI	Provision of Charging Decisions	On Target	Update will not be available until April.
31/02/2016	Action: Re-write the Firearms Licensing Procedure to include information on the effective audit and monitoring process as required by the Authorised Professional Practice (APP)	D Supt Mark Pollock	HMIC	Firearms Licensing: Targeting the Risk	On Target	Update David White via telephone conversation to BT (13/01/2016: Procedure sent to Martin Bakalarczyk for formatting. Procedure to be sent out for final consultation, prior to publication.

30/4/2016	<p>Action: Work is currently in the testing phase between the force and the service provider.</p> <p>Action (13.1): Complete tests on a link between VISION and the National Firearms Database so that officers know in advance that firearms are at a given location.</p> <p>Action (13.2): Update the Firearms Licensing Procedure to make reference to dispatching, risk assessments their use of power and when appropriate to seize firearms and certificates.</p> <p>Action (13.3): Communicate the new procedure through weekly orders.</p>	D Supt Mark Pollock	HMIC	Firearms Licensing: Targeting the Risk	On Target	Update: Delays occurring due to information not forthcoming from CAPITA our external provider. This cannot progress until extract received. IS chasing.
31/5/2016	Action: Within three months, all chief constables should review the demand placed on their firearms licensing department to ensure it has the capacity to meet this demand and provide an efficient and effective service at all times	D Supt Mark Pollock	HMIC	Firearms Licensing: Targeting the Risk	On Target	Update 24/12/2015: Currently business case being prepared to establish staffing to fill vacancies - delay in this area due to Strategic Alliance considerations which were announced week ending 25th December - work in progress
30/4/2016	Action:- Superintendent to work with Management Information to develop an effective performance management framework, to monitor the activity and impact of the IOM scheme. A full performance protocol and framework needs to be agreed, introduced and evaluated.	Supt Adrian Pearson	Mazars	Integrated Offender Management	On Target	<p>Update 12/01/2016: A system has been developed by Management Information to monitor the activity and impact of the IOM scheme. With the IOM department for testing and further development.</p> <p>There is a national piece of work in progress to utilise the IDIOM system to provide near real time reoffending data for the IOM cohorts. Locally MI have developed a method of creating cohorts which can in the future be checked through IDIOM to identify specific IOM performance. The data will be harvested from admission/selection meetings from Q1 2016 onwards. It is hoped that this will provide a short to medium term solution whilst the longer term project around IDIOM is done.</p>
30/4/2016	Action:- Staff to be briefed on the importance of recording the rationale for decision making. Dip sampling to be undertaken 3 monthly to ensure compliance	Supt Adrian Pearson	Mazars	Integrated Offender Management	On Target	Update David Cain 05/01/2016: This issue was raised during the audit. It was addressed immediately. A full rationale for selection and / or de-selection is now given by the chair of the IOM selection meeting and recorded contemporaneously. A plan is in place to transfer all police meetings and case management to the E-CINS platform for IOM.
30/4/2016	<p>Action:- Nottinghamshire Police to work with OPCC and partners to develop a public-facing strategic document to raise awareness and the positive impact of IOM.</p> <p>"IOM" is inherently a partnership approach, with Nottinghamshire Police and the OPCC significant contributors to it, but it remains firmly a multi-agency asset. Therefore, any strategy document needs to be positioned at that level, not at a single agency level</p>	Supt Adrian Pearson	Mazars	Integrated Offender Management	On Target	Update Adrian Pearson 05/01/2016: A full review of IOM has been on-going since April 2015, which is due to report in April 2016. The key issue in not making quicker progress has been the reality of the new Transforming Rehabilitation arrangements, specifically the National Probation Service and Community Rehabilitation Company. Centrally the new cohort of offences/offenders to be subject of the IOM approach has to be agreed by all parties, and has complicated interdependencies.
31/1/2016	Action:- Communication strategy incorporating the requirement of a Victim Personal Statement to be written and cascaded to relevant staff. Significant changes to be outlined and communicated via Weekly Order.	T/Ch Insp Andrew Goodall	Mazars	Victim Code of Practice	On Target	Update 24/12/15: NICHE will offer the ability to record this at the point of initial input on to the system. This will form part of the forthcoming communication strategy.
31/1/2016	Action:- Communication strategy incorporating the requirement for a needs assessment to be written and cascaded to relevant staff. Significant changes to be outlined and communicated via Weekly Order. Ensure victim figures are available and presented as part of the divisional OPR performance packs for monitoring and corrective action	T/Ch Insp Andrew Goodall	Mazars	Victim Code of Practice	On Target	Update 24/12/15: NICHE will offer the ability to record the victim needs assessment as part of the initial input on to the system. This has been re-enforced through module 4 of the NICHE training, and will be further re-enforced by the forthcoming communications strategy
30/6/2016	Action:- Contact EMCHRS and ensure they provide 6 monthly updates on who has completed Compliance with the Code Training. This to be circulated to Heads of Department for appropriate action.	T/Ch Insp Andrew Goodall	Mazars	Victim Code of Practice	On Target	Update 24/12/15: On-going. All officers undertaking module 4 of the NICHE training will receive/have received additional VCOP training.
31/1/2016	Action:- Communication strategy to be written regarding updating victims and cascaded to relevant staff. Significant changes to be outlined and communicated via Weekly Order	T/Ch Insp Andrew Goodall	Mazars	Victim Code of Practice	On Target	Update 24/12/15: Still awaiting formal notification of the new amendments to the code. Once received the communications message will be disseminated. NICHE will offer the ability to record contact detail.
31/3/2016	Action: Work to be undertaken to identify specialist agencies able to provide additional support to victims. This to be communicated via the Communication Strategy and reiterated in a Weekly Order	T/Ch Insp Andrew Goodall	Mazars	Victim Code of Practice	On Target	Update 24/12/15: A list of support agencies for the city has been compiled. Work is on-going to identify if there is a similar list for the County, and if not work will be needed to compile it. The intention will then be to identify the best way of ensuring universal access to the lists for all officers.
31/1/2016	Action: Work to be undertaken to identify specialist agencies for whom victims can be referred too. This to be communicated via the Communication Strategy and reiterated in a Weekly Order. Ensure Niche incorporates the requirement to record any specialist referrals.	T/Ch Insp Andrew Goodall	Mazars	Victim Code of Practice	On Target	Update 24/12/15: A list of support agencies for the city has been compiled. Work is on-going to identify if there is a similar list for the County, and if not work will be needed to compile it. The intention will then be to identify the best way of ensuring universal access to the lists for all officers.
31/1/2016	Action:- Communication strategy to be written regarding the necessity a Victims Code of Practice Working sheet and cascaded to relevant staff. Significant changes to be outlined and communicated via Weekly Order. Ensure victim figures are available and presented as part of the divisional OPR performance packs for monitoring and corrective action	T/Ch Insp Andrew Goodall	Mazars	Victim Code of Practice	On Target	Update 24/12/15: NICHE will offer the ability to record the victim needs assessment as part of the initial input on to the system. This has been re-enforced through module 4 of the NICHE training, and will be further re-enforced by the forthcoming communications strategy.

31/3/2016	Action: Review and update the Victim Information Pack in line with the new amendments. Outline amendments in Communication Strategy and publish on internet. Confirm changes via Weekly Order	T/Ch Insp Andrew Goodall	Mazars	Victim Code of Practice	On Target	Update 24/12/15: The VIP needs updating with the new code amendments (not yet formally known) as well as the detail with regard to Right to Review, to which this action refers. Once all new detail is known, the pack and website will be updated. NICHE will offer the ability to record the provision of a pack, or referral to the website.
31/1/2016	Action:- Communication strategy to be written incorporating the preferred method and frequency of contact and cascaded to relevant staff. Significant changes to be outlined and communicated via Weekly Order. Ensure victim figures are available and presented as part of the divisional OPR performance packs for monitoring and corrective action	T/Ch Insp Andrew Goodall	Mazars	Victim Code of Practice	On Target	Update 24/12/15: NICHE will offer the ability to record nature and frequency of contact. This will form part of the forthcoming communication strategy.
31/1/2016	Action: Review and update the Victim Information Pack in line with the new amendments. Outline amendments in Communication Strategy and publish on internet. Confirm changes via Weekly Order	T/Ch Insp Andrew Goodall	Mazars	Victim Code of Practice	On Target	Update 24/12/15: Still awaiting formal notification of the new code amendments. Once received these will be incorporated into the VIP, and added to the website. NICHE will offer the ability to record the provision of a pack, or referral to the website.



<b>For Information / Consideration</b>	
<b>Public/Non Public*</b>	<b>Public</b>
<b>Report to:</b>	<b>Audit and Scrutiny Panel</b>
<b>Date of Meeting:</b>	<b>11<sup>th</sup> February 2016</b>
<b>Report of:</b>	<b>Chief Finance Officer</b>
<b>Report Author:</b>	<b>Charlotte Radford</b>
<b>Other Contacts:</b>	
<b>Agenda Item:</b>	<b>13</b>

## **PRECPT AND BUDGET REPORTS 2016-17**

### **1. Purpose of the Report**

- 1.1 To provide members with the approved budgets and strategies for 2016-17 and the medium term.

### **2. Recommendations**

- 2.1 Members are requested to consider the attached reports and identify any areas that they would wish to scrutinise further during the year.

### **3. Reasons for Recommendations**

- 3.1 This complies with the principles of good governance.

### **4. Summary of Key Points**

- 4.1 The attached reports are the final version of reports approved by the Commissioner. They reflect the latest information which was tabled at the Police & Crime Panel on 1<sup>st</sup> February.
- 4.2 The final grant settlement report was laid before Parliament on 4<sup>th</sup> February. There were no changes in the revenue grant to that of the provisional report in December. The Capital grant has increased by £5k compared to the assumptions within the Treasury Management Strategy.

### **5. Financial Implications and Budget Provision**

- 5.1 These reports detail the financial planning of the Commissioner.

### **6. Human Resources Implications**

- 6.1 None as a result of these reports.

### **7. Equality Implications**

- 7.1 None

## **8. Risk Management**

- 8.1 Risks have been identified in relation to the level of reserves and plans have been put in place to address this risk over the medium term.

## **9. Policy Implications and links to the Police and Crime Plan Priorities**

- 9.1 These budgets support all Police & Crime priorities.

## **10. Changes in Legislation or other Legal Considerations**

- 10.1 None

## **11. Details of outcome of consultation**

- 11.1 Detailed within the Precept report.

## **12. Appendices**

- A. Precept Report 2016-17
- B. Budget Report 2016-17
- C. Medium Term Financial Plan 2016-2020
- D. Reserves Strategy
- E. Capital Programme 2016-2020
- F. Treasury Management Strategy



Nottinghamshire

**POLICE & CRIME COMMISSIONER**

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**Precept 2016-17**

February 2016

# **The Police & Crime Commissioner's**

## **Precept 2016-17**

### **Introduction**

The Nottinghamshire Police & Crime Commissioner is proposing a precept increase of 1.99% for the 2016-17 financial year.

This supports the budget report and the commitment to Rural Crime initiatives and Victims Services, a duty transferred to the Commissioner by the Ministry of Justice during 2014-15. Further priorities include crime prevention and partnership working, both vital to community safety.

### **Government Assumptions**

In providing the grant settlement figure in December the Government has made certain assumptions in relation to the total funding available for Policing.

Included within the Governments definition of no cuts to total funding in Real Terms the Government has already assumed the following:

- Precept will increase by 2% each year (slightly more for the bottom 10 precepting PCC's)
- The Council Tax base will increase by 0.5% each year

In broad terms this means if our tax base and precept increase following the above assumptions, there would be no cut or increase in our total funding.

However, there will be slight decreases in our actual allocation of main grant as there will be a shift in the proportion available at a national level to reflect the increase in top slicing for NICC, Counter Terrorism and other initiatives ran centrally, some of which can be bid for.

### **Future outlook**

The current Comprehensive Spending Review (CSR) period has been difficult with major cuts in grant funding, whilst costs continue to increase. Whilst the Government plans over the CSR to 2020 are better than anticipated, we still have a lot to achieve.

Costs continue to increase whilst funding reduces slightly. Together with the under delivery against the 2015-16 budget plans this requires significant savings to balance the 2016-17 budget. And for the two years following further efficiencies will be required to reduce base expenditure.

## **Strategic Alliance**

At a meeting of PCCs and Chief Constables on Thursday 17 December, it was agreed that there is a real potential for the creation of a single policing model for three forces – Nottinghamshire, Leicestershire and Northamptonshire.

As a result it was agreed that a more detailed business case will now be developed to define what such an Alliance could constitute, with an intention to introduce unified leadership, a single way of working, uniformity in systems, training, policy and procedures, to ensure a consistently high quality standard of service across the three forces.

The first phase of the Strategic Alliance will look at early alignment across the contact management departments by June 2017 and if the detailed business case proves viable, a full Alliance could be in place by 2020.

Where possible, the budgets for Leicestershire, Northamptonshire and Nottinghamshire have been prepared on common assumptions for Pay Awards, and inflation, creating a common baseline. Discussions continue nationally with the Home Office, PACCTS and the three forces/PCCs to determine common grant assumptions.

Work on the full Business Case which will be completed in Spring 2016 and this will include detailed work on the costs and timings of the Strategic Alliance, together with a preferred funding methodology.

Given these timescales, and that some investment is also subject to Innovation Fund Bids, it is not possible to include this information within the three PCC budgets or Precept reports for 2016/17. Therefore, in respect of Nottinghamshire, costs for Strategic Alliance work will be met from the Capital Programme once identified by the full Business Case and it is intended that an update will be provided on the Treasury Management Strategy and Capital Programme (including revenue consequences) to the June 2016 Police and Crime Panel meeting.

## **Supporting Reports**

The Budget Report and the Medium Term Financial Report on today's agenda details further the plans for 2016-17 and beyond.

The detailed budget for 2016-17, the Medium Term Financial Plan, the Reserves Strategy, the 4 Year Capital Programme and the Treasury Management Strategy are provided for information purposes to the Police & Crime Panel. These have been drawn together to support the Police and Crime Plan, which has been refreshed and which the panel have received and which is currently out for consultation.

## Process

When setting the budget and capital programme for the forthcoming financial year the Police and Crime Commissioner must be satisfied that adequate consideration has been given to the following:

- **The Government policy on police spending** – the current economic climate is improving and the forecast is better than anticipated. However, further efficiencies are required.
- **The medium term implications of the budget and capital programme** - the separate report sets out the Medium Term Financial Plan, which is regularly received and updated.
- **The CIPFA Prudential Code** - the separate Treasury Management Strategy report covers the CIPFA Prudential Code, which evaluates whether the capital programme and its revenue implications are prudent, affordable and sustainable. The implications of borrowing to finance the unsupported element of the capital programme are incorporated within the proposed revenue Budget for 2016-17 and the Medium Term Financial Plan.
- **The size and adequacy of general and specific earmarked reserves** - the current forecast of the general reserves at 31 March 2016 is £7 million. This is higher than the minimum 2% level in the approved reserves strategy and is considered by the Chief Finance Officer to be an adequate level for the year ahead. The Chief Finance Officer considers that all of the earmarked reserves set out in the Reserves Strategy, whilst not excessive are currently adequate to cover the purposes for which they are held and provide some robustness against the risks identified within the budget. It is noted that Nottinghamshire's reserves are the third lowest in the country.  
The Chief Finance Officer also confirms that the budgeted insurance provision is fully adequate to meet outstanding claims.
- **Whether the proposal represents a balanced budget for the year** - the assurances about the robustness of the estimates are covered in **Section 8** of this report. The proposals within this report do represent a balanced budget based upon an assumed 1.99% maximum increase in the Police & Crime Precept on the Council Tax.
- **The impact on Council Tax** - this is covered in **Section 7** of this report.
- **The risk of referendum** – the limit set for requiring a referendum is a 2% increase on the precept for all Police and Crime Commissioners. The proposed increase of up to 1.99% is just below the limit set (further detail is provided in **Section 6**).

## 1. COUNCIL TAX BASE

For 2016-17 the Billing Authorities continue with the local Council Tax Support Schemes introduced in 2013-14. There have not been any significant changes affecting the individual schemes, although collection rates continue to be higher than anticipated

The Billing Authorities are working hard to keep collection rates up and as a consequence all have seen an increase in estimated tax bases. This is also partly due to an increase in the number of new properties in each area.

The estimated tax base as notified by the unitary and district councils (Billing Authorities) has increased by 1.86% overall, constant with last year's increase of 1.83%.

<b>Tax base</b>	<b>Band D Properties 2015-16 No</b>	<b>Band D Properties 2016-17 No</b>	<b>Change %</b>
Ashfield	31,052.20	31,936.30	2.85
Bassetlaw	32,545.35	33,079.77	1.64
Broxtowe	32,400.60	32,806.55	1.25
Gedling	35,610.06	36,104.62	1.39
Mansfield	27,751.40	28,272.00	1.88
Newark & Sherwood	36,770.96	37,378.90	1.65
Nottingham City	61,047.00	62,091.00	1.71
Rushcliffe	39,923.10	40,959.60	2.60
<b>Total</b>	<b>297,100.67</b>	<b>302,628.74</b>	<b>1.86</b>

It is intended that any impact from a change between the estimated tax base and the actual tax base will be met from or will contribute to reserves. There is no impact for 2016-17.

## 2. COLLECTION FUND POSITION

Each billing authority uses a Collection Fund to manage the collection of the Council Tax. For 2016-17 the surplus continues to increase as collection rates are better than anticipated. A breakdown is provided in the table below:

Surplus/(deficit)	Collection Fund	
	2015-16 £	2016-17 ACTUAL £
Ashfield	114,087	98,418
Bassetlaw	105,189	142,071
Broxtowe	30,472	82,806
Gedling	83,253	105,007
Mansfield	46,542	69,066
Newark & Sherwood	0	28,857
Nottingham City	252,916	420,872
Rushcliffe	80,186	77,506
<b>Total</b>	<b>712,645</b>	<b>1,024,603</b>

It is intended that the surplus will be transferred to balances to contribute towards the reserves.

## 3. COUNCIL TAX FREEZE GRANT

For 2016-17 the Government has not offered a freeze grant equivalent to a 1.0% increase in the council tax. It has assumed that there will be a 2% increase in precepts across the Country.



#### **4. COUNCIL TAX LEGACY GRANT**

Council Tax Legacy Grant is received by Commissioners for each Policing area.

There is no change in the Legacy Grant for 2016-17 at £9.7m. This grant will be considered as part of the Funding Formula Review.

#### **5. CONSULTATION**

##### **APPROACH**

The Police and Crime Commissioner has a wide remit to cut crime and improve community safety in Nottingham and Nottinghamshire. Various consultation and engagement exercises were conducted in 2015/16 in line with the Commissioner's duty to consult local communities on their priorities and perceptions. This report presents a consolidated picture of the consultation and research methods employed and their headline findings in order to inform the Police and Crime Plan 2016/18, setting of the 2016/17 precept for policing and broader policy and planning activity.

##### **The consultation activities have included:**

- Evidence collected through the Nottingham City Council and the City's Crime and Drugs Partnership Annual Respect Survey and the Nottinghamshire County Council Annual residents Satisfaction Survey 2015.
- The Commissioner's online consultation questionnaire and public opinion poll.
- Focus groups commissioned in Nottingham (City), North Nottinghamshire (Worksop) and Nottinghamshire (Mansfield).
- Additional local public engagement activity in Nottingham and Nottinghamshire.

##### **KEY FINDINGS**

Public consultation and engagement activity undertaken in 2015 indicates that the proportion of residents supporting a rise in the council tax precept for policing remains marginally higher than the proportion that do not.

Around a quarter of respondents, however, were not sure whether they supported an increase in the precept or not. Residents aged 18 to 24 appear most uncertain as to whether they support increase.

Reflecting findings from previous years, Nottingham City residents are marginally more likely to not support an increase in their council tax precept. Those that do not support an increase predominantly feel that they already pay enough or cannot afford to pay more.

Qualitative research indicates that while many residents are prepared to pay more for policing, they also require greater transparency is required with regard to spending, service delivery and value for money.

Many residents also feel that that any rise in precept should be used to protect and increase visible local policing and improve efficiency and effectiveness.

While around three quarters of all respondents to local authority level surveys felt unsure as to where future financial savings to the police service should be made, there appears to be a commonly held view that efficiencies can be made through better prioritisation, reducing bureaucracy, improving the workforce balance and reducing the senior ranks/pay.

A significant proportion of respondents also supported reductions in the cost and role of the Police and Crime Commissioner/Office, better use of specials and volunteers and exploring opportunities for fundraising and revenue.

Reflecting national findings, burglary, youth-related ASB and drug use and dealing remain the most prevalent crime and community safety related concerns for local residents.

Support for the Police and Crime Commissioner's strategic priorities appears strong – most notably with regard to the priority of protecting, supporting and responding to victims, witnesses and vulnerable people.

## **KEY RECOMMENDATIONS**

The Police and OPCC should:

- Continue to inform, consult and engage local communities with regard to more detailed savings plans and their implications and understand the views of those who are most likely to feel unsure as to whether they would be prepared to pay more for policing (e.g. people aged 18 to 24).
- Further develop the profile of community issues and concerns, particularly through the use of segmentation tools and findings from other local engagement activity and neighbourhood level priority setting.
- Ensure community issues and concerns identified are used to inform approach to community reassurance and engagement, particularly in providing residents with the information and advice that they need to be safe and feel safe.
- Continue to ensure openness and transparency in demonstrating how value for money is being delivered. This appears to be key factor in securing public support for rises in the local council tax precept for policing.

- Continue to provide feedback to communities on the feasibility and cost/benefit of different saving options and planned activity, informed by public views presented via the 2015 consultation.
- Maximise opportunities to raise public awareness and understanding with regard to community and volunteering roles and opportunities, the role, activity and outcomes of the Police and Crime Commissioner and the way in which policing resources are used and prioritised.
- Consider opportunities to:
  - o Develop understanding of the level of increase that local residents support and explore views in respect of the referendum implications of a precept rise exceeding 1.99%
  - o Standardise question sets and develop a structured programme of public consultation and engagement activity in partnership with other agencies.
  - o Develop, co-ordinate and where possible consolidate research that explores fear and perception of crime and ASB and community priorities in order to deliver economies of scale and benchmarking opportunities.

## 6. COUNCIL TAX REFERENDUMS

The Localism Act 2011 requires authorities including Police & Crime Commissioners to determine whether their 'relevant basic amount of council tax' for a year is excessive, as excessive increases trigger a council tax referendum. From 2012-13 onwards, the Secretary of State is required to set out principles annually, determining what increase is excessive. For 2016-17 the principles state that, for Police and Crime Commissioners, an increase of more than 2% in the basic amount of council tax between 2015-16 and 2016-17 is excessive.

For 2016-17 the relevant basic amount is calculated as follows:

Formula:

$\frac{\text{Council Tax Requirement}}{\text{Total tax base for police authority area}}$	$= \text{Relevant basic amount of council tax}$
------------------------------------------------------------------------------------------	-------------------------------------------------

Nottinghamshire 2016-17 estimated calculation:

$\frac{£54,445,936.61}{302,628.74}$	$= £179.91$
	$(1.99\%)$

With a 2% increase the Band D equivalent charge would be £179.93.

This year the Referendum limit has been announced at the time of settlement notifications. It has been set at 2% for 2016-17.

## 7. **RECOMMENDATION ON THE LEVEL OF POLICE & CRIME PRECEPT ON THE COUNCIL TAX**

As discussed in the Budget report resources have been allocated to support the police and crime plan. In assessing appropriate spending levels, consideration has been given to the significant unavoidable commitments facing the Police & Crime Commissioner including pay awards, and pension liabilities. Due regard has been given to the overall cost to the local council tax payer. Consideration has also been given to the projected value of the available reserves and balances and the medium term financial assessment (both reported separately).

The Commissioners proposed spending plans for 2016-17 result in a Police & Crime Precept on the Council Tax of £179.91 for a Band D property, representing an increase of 1.99%.

For comparison purposes the Council Tax for Precepting Authorities is always quoted for a Band D property. In Nottinghamshire by far the largest numbers of properties are in Band A.

To achieve a balanced budget with reduced grant income an increase in the Police & Crime Precept has been required. This is on top of significant budget reductions and efficiencies to be achieved in year.

The calculation of the Police & Crime Precept on the Council Tax is as follows:

	<b>2015-16 Budget £m</b>	<b>2016-17 Budget £m</b>	<b>Increase/ Decrease £m</b>
Budget	191.2	190.2	1.0 (-)
External Income	136.5 (-)	135.8 (-)	0.7 (+)
Collection Surplus	0.7 (-)	1.0 (-)*	0.3 (-)
Reserves	1.6 (-)	1.0 (+)*	2.6 (+)
<b>Precept</b>	<b>52.4 (-)</b>	<b>54.4 (-)</b>	<b>2.0 (-)</b>
Council Tax Base	297,100	302,629	5,474
Council Tax Band D	£176.40	£179.91	£3.51
Council Tax Band A	£117.60	£119.94	£2.34

\* Collection fund surplus/deficit total transferred to reserves

The overall Police & Crime Precept to be collected on behalf of the Police & Crime Commissioner for 2016-17 is:

	<b>£m</b>	
Budgeted Expenditure	190.2	+
Less income from:		
Police & Crime Grant	126.1	(-)
Legacy Council Tax Grant	9.7	(-)
Collection Fund surplus	1.0	(-)
Net contribution to/from Balances	1.0	(+)
Police & Crime Precept on the Council Tax	54.4	(-)

The resulting precept and Council Tax levels derived from the measures contained in this report are detailed below:

**Police & Crime element of the Council Tax**

<b>Band</b>	<b>2015-16 £</b>	<b>2016-17 £</b>
A	117.60	119.94
B	137.20	139.93
C	156.80	159.93
<b>D</b>	<b>176.40</b>	<b>179.91</b>
E	215.60	219.89
F	254.80	259.87
G	294.00	299.85
H	352.80	359.82

Amounts to be raised from Council Tax in each billing authority area 2016-17:

	<b>ACTUAL</b> Precept amount to be collected £	Collection Fund Surplus/(Deficit) £	Total amount due £
Ashfield	5,745,659.73	98,418.00	5,844,077.73
Bassetlaw	5,951,381.42	142,071.00	6,093,452.42
Broxtowe	5,902,226.41	82,806.00	5,985,032.41
Gedling	6,495,582.18	105,007.00	6,600,589.18
Mansfield	5,086,415.52	69,066.00	5,155,481.52
Newark & Sherwood	6,724,837.90	28,857.00	6,753,694.90
Nottingham City	11,170,791.81	420,872.00	11,591,663.81
Rushcliffe	7,369,041.64	77,506.00	7,446,547.64
<b>Total</b>	<b>54,445,936.61</b>	<b>1,024,603.00</b>	<b>55,470,539.61</b>

### **Collection Dates**

The dates, by which the Commissioners bank account must receive the credit in equal instalments, otherwise interest will be charged.

	£
<b><u>2016</u></b>	
20 April	5,547,054.00
26 May	5,547,054.00
01 July	5,547,054.00
05 August	5,547,054.00
12 September	5,547,054.00
17 October	5,547,054.00
21 November	5,547,054.00
<b><u>2017</u></b>	
03 January	5,547,054.00
02 February	5,547,054.00
09 March	5,547,053.61
	<b><u>55,470,539.61</u></b>

## **8. ROBUSTNESS OF THE ESTIMATES**

The Chief Finance Officer to the Police & Crime Commissioner has worked closely with Director of Finance (Strategic Alliance) to ensure assurance on the accuracy of the estimates can be provided. There have been weekly meetings between the Commissioner, Chief Constable and their professional officers.

2015-16 has proven to be a hard year in achieving the balanced budget set in February 2015. Errors in estimated budgets have been identified as the main cause for concern and therefore new controls have been required to ensure such errors would not recur in the future. Internal Audit has reviewed the problems that have occurred and the processes subsequently put in place by way of control.

The budget proposed within this report represents a balanced budget. To achieve this, the force has provided detail on how efficiencies and savings will be delivered. There are some potential risks to the full amount of savings being achieved and this will be monitored monthly, with alternative savings needing to be identified if the initial plans cannot be delivered. There are insufficient reserves to provide relief should the efficiency plan fail to be delivered.

The balanced budget is based upon the recommended 1.99% increase in Council Tax for 2016-17.





Nottinghamshire

**POLICE & CRIME COMMISSIONER**

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**Budget 2016-17**

February 2016

## **INTRODUCTION**

Since setting his first budget for 2013-14, which was itself challenging, the pressure on the Commissioner's budget has increased substantially. Over the last four years efficiency savings of £42.6m have been needed to deliver annual balanced budgets.

In 2012-13 and 2013-14 achieving efficiencies was comparatively easy and underspends in other areas also developed. But 2014-15 saw the start of it becoming increasingly difficult to achieve the required savings programme and an additional £2m was used from reserves (total over £4m) to balance the budget by the end of the year.

2015-16 has proved to be the toughest year to date. Efficiency programmes have not been delivered in full and in addition to this errors in the budget were identified during the year. This has resulted in an estimated £9.3m being required from reserves to balance the budget. This does not include any costs associated with the Voluntary Redundancy Scheme where payments may be required by the end of the year for which there is no budget provision or saving to offset.

2016-17 was always going to be a challenging year, not only were we expecting grant cuts against a picture of increasing usual costs (e.g. pay awards and price inflation), we were also planning for an estimated £3.5m cost pressure from the change in National Insurance contributions.

The Government Provisional Grant settlement was announced in December and this was much better than we had been planning for. The Final Settlement report will be lodged with Parliament on the 3<sup>rd</sup> February with debate in the House on the 10<sup>th</sup>. It will be the one of first occasions where English Votes for English Laws (EVEL) is applied.

In creating the budget for 2016-17 additional cost pressures of £11m have been identified and an efficiency plan of £12m has been developed. This is less than originally anticipated due to the better settlement and in part due to the increase in the council tax base which delivered £1m more than estimated.

Despite this much has been achieved and continues to be delivered:

- Real progress is being made with the implementation and review of plans to tackle challenging areas of performance.
- Reductions continue in key areas such as burglary, robbery and vehicle crime.
- The Force is implementing its far-reaching 'Delivering the Future' change programme, focusing on how it can improve every area of the business to become more efficient and effective.
- The Commissioner and Force have been working closely with regional forces and local partners to reduce cost and maintain service provision. Pivotal to this is the development of a Strategic Alliance with Leicestershire and Northamptonshire.

- Previous success at bidding for additional Innovation funding has resulted in 3 key projects being bid for 2016. These include the Strategic Alliance, E-Cins link to NICHE and Public Private Partnership Intelligence Collaboration (3PIC).
- Performance continues to improve and is on target for a small reduction by the end of 2015-16 compared with 2014-15.
- Resources provided to local partners and third sector organisations via the Commissioner's own funding streams are delivering real improvements in the support provided to victims; tackling issues such as domestic abuse, sexual exploitation of young people, hate crime and alcohol-related problems; and the reduction of crime and ASB within our communities.
- For the 2015-6 year the PCC had previously awarded contracts to Victim Support and Remedi to provide cope and recover support and restorative justice for victims. In addition, he awarded grants to Age UK and Integritas to support specific groups of vulnerable victims.
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- During 2015-6 the PCC co-commissioned new domestic abuse support services with Nottinghamshire County Council, awarding contracts to Nottinghamshire Women's Aid and WAIS. The new contracts began on 1 October 2016 and will run for three years.
- He also co-commissioned new domestic and sexual abuse support services in the city with Nottingham City Council and Nottingham Clinical Commissioning Group. Contracts have been awarded to WAIS, Equation and Nottingham Rape Crisis.
- The PCC is working closely with the clinical commissioning groups in the county and Nottinghamshire County Council with the aim of co-commissioning new sexual abuse support services in the county during 2016.
- A focus on early intervention and crime prevention is designed to see demand for services reduced.
- Rural crime continues to be a priority for the Commissioner and during the year a proactive Rural Crime Team of Special Constables was established and trained in specialist knowledge on how to tackle wildlife and rural crime issues. The Community Road Safety Programme has been extended to rural areas to tackle speeding problems and Automatic Number Plate Recognition (ANPR) cameras installed in Ashfield and imminently in Bassetlaw. The Commissioner has also developed a dedicated rural crime web site to help people who live in rural crime areas. Operations Traverse and Nebraska 3 are dedicated operations to tackling rural crime issues. Furthermore, the Commissioner has introduced rural crime performance measures and police response times so that he can be assured that residents living in rural communities are not disproportionately affected by any changes to police operating response models

- The importance of appropriate care for those in mental health crisis has been acknowledged by a wide range of partners, all of whom have signed up to the Mental Health Concordat. Fewer people suffering mental impairment are detained in custody suites - down 80% compared to 2014/15.
- Almost three quarters (74%) of all respondents to the Nottinghamshire Residents Satisfaction Survey reported feeling safe (either very or fairly safe) in their local area when outside after dark.
- Plans to redesign the police estate to make it more suitable for modern day needs are being implemented, reducing overheads and driving modernisation. In turn this work will increase officer visibility as the adoption of new technology becomes more widespread.

Throughout the year the Commissioner and the Deputy PCC have been out and about throughout the City and the County meeting and listening to members of the public, stakeholders and partners. The feedback from these visits helps to shape the refreshing of the Commissioner's Police and Crime Plan, for which this budget seeks to provide the appropriate resources.

The budget gap of £12m is being met through efficiencies identified by the force, which also include savings from regional collaboration, and the transformational change programme 'Delivering the Future'.

While a large percentage of these savings will be delivered in-year, more work is needed. The risks relating to the delivery of these efficiencies relate to dependency on regional partners; the rate at which change can be delivered; and the ability of the force to drive the full level of efficiencies needed in-house. Later on in this report, the proposed way forward is discussed in more detail.

## 1. **BUDGET 2016-17**

The Commissioner welcomed the new Comprehensive Spending Review and following Provisional Settlement announcement. The protection being given to policing by the Chancellor in the Settlement meant that the anticipated cuts in funding of 25-40% have not emerged.

However, there is still much to do. A standstill in funding means that savings are required to meet day to day increases in prices and pay. On top of this Nottinghamshire has to tackle the continuing impact of the 2015-16 budget shortfall.

### 1.1. **Funding Levels**

The provisional funding levels have been set by the Home Office and the Department of Communities and Local Government. This anticipated funding is shown below.

<b>Funding 2016-17</b>	2016-17 £m
<b>Core Grants and Funding</b>	
Police & Crime Grant	(126.1)
Council Tax Legacy Grant	(9.7)
<b>Sub-total Core Grants</b>	<b>(135.8)</b>
<b>Precept</b>	<b>(54.4)</b>
Collection Fund (surplus)/deficit	(1.0)
<b>Total Funding available</b>	<b>(191.2)</b>

Final confirmation of grant settlement has been laid before Parliament. There has been no change to the made since the provisional announcement in December.

The Referendum Limit was announced at the same time as the provisional settlement and is set at 2% for 2016-17.

No estimate for the use of reserves has been planned for 2016-17 as the levels of reserves held are becoming a risk to the financial viability of the organisation.

Collection fund surplus/deficits declared by Billing Authorities will be transferred to reserves and the tax base used to calculate the precept amount is based upon the final declarations from the Billing Authorities.

The precept figure above assumes that the Police & Crime Panel support the Commissioners decision to increase precept by 1.99%. The Home Office has assumed that there will be a 0.5% increase in the tax base and a 2% increase in the precept in calculating the grant amount.

The Home Office has indicated that further detail on the split between main grant for policing and top slicing will be made available for future years. This will assist greatly in planning further ahead. The Commissioner has led on making representations for multi-year settlements.

## 1.2 Summary Expenditure

The Commissioner is required to set a balanced budget each year for the following financial year.

With a reduction in grant income and increased pressures from inflation, pay awards and new responsibilities this inevitable means efficiencies have to be identified and delivered in order to balance the budget.

<b>Expenditure 2016-17</b>	<b>2016-17 £m</b>
Previous Expenditure	191.2
In year increases	11.0
<b>Sub-total Expenditure</b>	<b>202.2</b>
Efficiencies	(12.0)
Transfer to Reserves	1.0
<b>Total Net Expenditure</b>	<b>191.2</b>

National Insurance changes account for £3.5m and inflation increases account for £2m of the in year increases above. This is detailed further in the sections relating to expenditure.

Further detail on expenditure and efficiencies is provided later within this report.

At the time of writing this report we had submitted bids for Innovation Fund financing from the Home Office, building on successful bids in the previous three years and the transformational work underway. We will be notified in March as whether our local and regional submissions have been successful.

## 2. Budget breakdown

Annex 1 details the proposed expenditure budget for 2016-17. The proposed revenue budget is £190.2m.

<b>Net Expenditure Budget</b>	<b>2016-17 £m</b>	<b>Note</b>
Employee	156.8	2.1
Premises	6.0	2.2
Transport	6.5	2.3
Supplies & Services	14.9	2.4
Agency & Contract Services	13.1	2.5
Pensions	4.0	2.6
Capital Financing	5.7	2.7
Income	(4.8)	2.9
Efficiencies	(12.0)	3.2
Net Use of Reserves	1.0	2.8
<b>Total Net Expenditure</b>	<b>191.2</b>	<b>Annex 1</b>

### 2.1 Employee Related Expenditure

2014-15 saw the first year of a full recruitment freeze across Police Officer's, PCSO's and Police Staff. This Freeze will continue into 2016-17. This means that the implementation of the change programme "Delivering the Future" becomes key to the way in which we will work and the way in which we will deliver the service.

A pay award has been included in the budget at 1% payable from 1<sup>st</sup> September each year. Employee expenditure accounts for approximately 80% of the total expenditure budget.

Annex 2 details the budgeted staff movement between the current year and 2016-17. Annex 3 details the budgeted police officer, police staff and PCSO numbers for 2016-17.

### 2.2 Premises Related Expenditure

Over the past few years the Commissioners estate has been reduced in order to achieve efficiencies, but also to ensure resources are allocated based upon need and to facilitate planned changes in working arrangements. Such

changes will include remote working through better technologies ensuring officers are in the communities and not stations and hot-desking to ensure optimal use of the space available.

Premises related expenditure includes the provision of utility services to those properties and these are elements of the budget that are adversely affected by inflation. For 2016-17 inflation for gas and electricity has been budgeted at 2.0%.

## **2.3 Transport Related Expenditure**

The Force has in place a Public Finance Initiative (PFI) for the provision of police vehicles. This agreement ensures that there is always the required number of vehicles and driver slots. However, this is an expensive agreement and requires careful management to ensure the most advantageous service is obtained from the supplier. This continues to be monitored and efficiencies delivered.

## **2.4 Supplies and Services Expenditure**

This category of expenditure captures most of the remaining items such as insurance, printing, communications, information technology (IT) and equipment.

Some of the IT systems that the Force uses are provided through national contracts that the Home Office recharge the Force for. A recent notification from the Home Office sees the total cost of these systems increasing substantially again and we have been informed that total police grant will be top sliced in future for this expenditure.

For all other expenditure an inflation factor of 2.0% has been applied in 2016-17.

## **2.5 Agency & Contract Services**

This category of expenditure includes agency costs for the provision of staff, professional services such as internal and external audit and treasury management, and the costs associated with regional collaboration.

A breakdown of the costs associated with this classification is summarised below:

<b>Analysis of Agency &amp; Contracted Services</b>	<b>2016-17 £m</b>
Agency Costs	0.4
Collaboration Contributions	8.6
Community Safety Grant	3.4
Other partnership costs	0.6
<b>TOTAL</b>	<b>13.0</b>



The costs associated with the use of agency staff have been a concern for sometime and going forward will need to be very carefully managed and reduced.

Regional collaboration is shown as a joint authority as this is the basis of the collaboration agreements. The region has been challenged to deliver savings from across those projects already in place. Nottinghamshire's element of the regional budget is £8.6m for 2016-17. No savings have been assumed within this budget for collaboration or Innovation Projects.

The most significant area of transformation is the Strategic Alliance. This started initially as a transformation for business services with Northamptonshire and has expanded to include all parts of the service not currently within a collaboration arrangement and now includes Leicestershire.

The final business case for this major transformation is due in March and therefore any required changes to either the revenue or capital budget as a result of this will be reported within the first quarter of 2016-17.

## **2.6 Pensions**

This category includes the employer contributions to the two Police Pension Schemes in place and to the Local Government Pension Scheme (LGPS) for police staff.

There are two areas of increasing costs in relation to pensions. These are the employer contribution to the LGPS and the increasing number of medical retirements of police officers.

The impact of the change to employers' national insurance contribution rates for the state pension changes, have been included at £3.5m.

The budgeting for medical retirements remains an issue with the number of medical retirements and the associated costs increasing significantly above the original budget.

For 2016-17 there has been a cost pressure for the increase following the Actuarials report this totalled £463k and is incorporated within the figures given above.

## **2.7 Capital Financing Costs**

This relates directly to the value of the capital expenditure in previous years. The proposed capital programme for 2016-17 has been limited and the 2015-16 programme reduced in year. Priority has been given to projects where collaborative commitment has been made (e.g. Innovation fund projects).

This will assist in managing down the capital costs in the future. Slippage from this financial year will also need to be prioritised.

Currently, market rates are favourable and therefore the cost of borrowing is low. However, our advisors predict an increase in rates commencing in 2016-17.

In 2015-16 we undertook a review of the methodology for calculating MRP charges and this resulted in a significant saving in years and into 2016-17. This is included within the efficiencies.

## **2.8 Use of Reserves**

This has been used to finance transformational change and the cost of redundancy in the past few years. Now reserves themselves are becoming a scarce resource and these costs need to be met from the efficiency programmes themselves.

The surplus on the collection fund is notified too late for budget calculations and will therefore be transferred to reserves.

## **2.9 Income**

This is not a major activity for the Force. Income is currently received from other grants (e.g. PFI and Counter Terrorism), re-imbursement for mutual aid (where the Force has provided officers and resources to other Forces), some fees and charges (such as football matches and other large events that the public pay to attend) and from investment of bank balances short term.

# **3. Efficiencies**

During the last CSR period the force needed to deliver £42.6m in efficiencies. It is estimated that by the end of this financial year £32.7m will have been achieved. As reserves are now significantly low for an organisation of our size it is essential that efficiency targets are achieved particularly in 2016-17.

## **3.1 2015-16 Efficiencies**

As part of the 2015-16 budget the following efficiencies were required in order to set a balanced budget.

Each year achieving cuts in expenditure becomes harder and this year the prediction is that there will be a shortfall of just under £7.7m against the required savings. Any shortfall will need to be met from budget underspends or reserves.

The table below details the efficiencies planned and the forecast position for 2015-16:

<b>Efficiencies 2015-16</b>	<b>Original £m</b>	<b>Forecast £m</b>
Collaboration	1.8	1.0
Procurement	0.8	0.0
Estates & Fleet	1.2	0.2
Corporate Services	2.7	2.9
Operational Efficiencies	3.3	3.2
Income Generation	0.4	0.0
Commissioners Office	0.1	0.0
Other	0.7	0.2
<b>TOTAL</b>	<b>11.0</b>	<b>7.5</b>

The savings for the Commissioner's Office were offset in year by the transfer of budget from the Force for MARAC, the SARC and Prevent.

The total amount of efficiencies not being achieved is £3.5m. In addition to this additional cost pressures totalling £4.2m were identified during the year.

### **3.2 2016-17 Efficiencies**

In order to balance the budget for 2016-17 savings and efficiencies of £12.0m need to be delivered.

The efficiencies identified to deliver a balanced budget in 2016-17 are summarised in the table below:

<b>Efficiencies 2015-16</b>	<b>£m</b>
MRP	1.0
Reduction of officers and staff	5.0
Non Pay savings	1.7
Overtime reduction	0.3
Reduction of Acting Up	0.5
VR, DTF and shift review	3.5
<b>Total</b>	<b>12.0</b>

- 3.3** The Commissioner is of the view that achieving these efficiencies will be challenging. He has mapped out a programme of work and monitoring with the Force.
- 3.4** If these targets are not met the Commissioner will require the force to provide alternative in year savings plans.
- 3.5** The work on the Strategic Alliance has yet to be factored into these budget figures. However, it is anticipated from the initial business case that significant savings can be delivered, with a payback period of 3.8years.

## **4. External Funding**

There is an assessment of the financial risk in respect of external funding currently provided. In 2016/17 30 officers and 63 staff are funded externally and are not added within the expenditure and workforce plans. This could be an additional pressure in future years as funding pressures mount for partners.

If this external funding was to cease the Commissioner and the Chief Constable would consider the necessity for these posts and may decide not to fund from the already pressured revenue budgets.

In addition to these we have 44 Police Officers seconded out of the organisation in 2016-17. This compares with 47 seconded officers in 2015-16.

## 2016-17 Commissioner's Total Budget (£m)

	<b>Total Budget 2016- 17</b>
<b>Payroll</b>	
Police Pay & Allowances	102.0
Police Overtime	3.3
Police Staff Pay & Allowances	49.9
Police Staff - Overtime	0.6
Other Employee Expenses	1.0
	<b>156.8</b>
<b>Other Operating Expenses</b>	
Premises Running Expenses	6.0
Transport	6.5
Equipment, Furniture & Materials Expenses	0.5
Clothing, Uniform & Laundry	0.5
Printing & Stationery	
Comms & Computing	7.8
Miscellaneous Expenses	4.2
Supplies & Services	5.3
Agency & Contract Services	9.7
Pensions	4.0
Capital Financing	5.7
	<b>50.2</b>
<b>Total Expenditure</b>	<b>207.0</b>
<b>Income</b>	
Special Services	(0.3)
Fees, Reports & Charges	(0.3)
Other Income	(4.1)
Other Operating Income	(0.1)
	<b>(4.8)</b>
<b>Efficiencies</b>	<b>(12.0)</b>
<b>Net Use of Reserves</b>	<b>1.0</b>
<b>Total</b>	<b>191.2</b>

## Workforce Movements Budget 2015-16 v Budget 2016-17

	<b>2015-16 Budgeted Total FTE's</b>	<b>2016-17 Budgeted Total FTE's</b>	<b>Movements FTE's</b>
<b>Police Officers</b>			
Local Policing	1,306	1,269	(37)
Specialist Services	493	454	(39)
Corporate Services	42	39	(3)
Region	81	128	47
	<b>1,922</b>	<b>1,841</b>	<b>(81)</b>
<b>Police Staff</b>			
PCSO	253	228	(25)
Other Police Staff	1,221	1,312	91
	<b>1,474</b>	<b>1,540</b>	<b>66</b>
<b>TOTAL</b>	<b>3,396</b>	<b>3,381</b>	<b>(15)</b>

The above table implies a recruitment position for Police Staff however, this is not the case.

When the 2015-16 budget was prepared the Force was planning an alliance with Northamptonshire Police for all business service functions. This assumed 47 members of staff would retire or take redundancy. The PBS project was put on hold when the decision to consider a Strategic Alliance with Leicestershire and Northamptonshire started to be developed.

A decision was also taken to commence earlier than planned the recruitment of PIO's prior to the recruitment freeze. These were not included in the budget workforce at the time of the budget report in 2015 and were financed by the reduction in Police Officers.

## Workforce Plan FTE's

	2016-17				
	Local Policing FTE's	Specialist Services FTE's	Corporate Services FTE's	Region FTE's	Total FTE's
<b>Police Officers</b>					
Opening balance	1,306	493	42	81	<b>1,922</b>
Restructure					
Retirement /					
Leavers	(37)	(39)	(3)	(2)	<b>(81)</b>
Recruitment					
	<b>1,269</b>	<b>454</b>	<b>39</b>	<b>79</b>	<b>1,841</b>
<b>Police Staff</b>					
Opening balance	380	465	349	27	<b>1,221</b>
Restructure	21	23	47		<b>91</b>
Recruitment					
	<b>401</b>	<b>488</b>	<b>396</b>	<b>27</b>	<b>1,312</b>
<b>PCSOs</b>					
Opening balance	253				<b>253</b>
Recruitment/					
Leavers	(25)				<b>(25)</b>
	<b>228</b>				<b>228</b>
Opening Balance	1,939	958	391	108	<b>3,396</b>
Movement	(41)	(16)	44	(2)	<b>(15)</b>
Closing Balance	<b>1,898</b>	<b>942</b>	<b>435</b>	<b>106</b>	<b>3,381</b>







Nottinghamshire

**POLICE & CRIME COMMISSIONER**

**Medium Term Financial Plan**

**2016-17 to 2019-20**

February 2016

# **Commissioners**

## **Medium Term Financial Plan**

### **Introduction**

This document is part of the overall financial framework of the Police & Crime Commissioner. It builds on the budget proposed for 2016-17 and incorporates plans to meet changes in available financing with the need to meet current and future commitments.

Within the current economic climate the Government has made significant reductions in public sector finances.

The previous Comprehensive Spending Review (CSR) Nottinghamshire needed to deliver £42million in efficiencies in order to balance the budget and improve performance. Continuous achievement of these substantial cuts is proving more difficult as time progresses and 2014-15 and 2015-16 will see the efficiency targets not being achieved. The latest CSR announcement is better than had been anticipated, but still leaves much to be done to continue delivering a service within a balanced budget.

Whilst the cuts to grant funding are relatively small, costs continue to increase and with salary increases the pressure to deliver savings continues. For 2016-17 Nottinghamshire faces some significant pressures from changes in employer contributions for National Insurance and making up the budget gap from 2015-16, where reserves are being used to bridge a significant gap in achieving a balanced budget.

The settlement announcement covering next year and indicating funding over this CSR, includes assumptions in relation to precept increases and council tax base increases. The amounts that these increase by will be mirrored by a reduction in main grant. This is defined as being no reduction in real terms. However, in cash terms grant will reduce as the total amount available for main police grant is being reduced to finance Top Sliced expenditure (e.g. NPAS, NICC and Counter Terrorism) and Home Office new funding initiatives such as Police Transformation Fund.

A funding formula review had been started with the intention to bring a simplified approach to police funding in place for April 2016. However, this has now been delayed and will not be in place before April 2017.

Under the existing funding formula Nottinghamshire continues to lose over £10m per year. As the formula itself has never been fully implemented. Over the past 10 years

this amounts to over £100m that the Home Office formula says should have come to Nottinghamshire, but to protect those that would lose significantly has been used to protect over funded forces from significant loss. Therefore, any new formula needs to be clear from the onset as to when it would be fully implemented and all forces work towards what the formula indicates as being appropriate level of funding for the police area.

The latest settlement announcement assumes that Council Tax Precept will increase by 2% per annum and that the Tax Base itself will also increase by 0.5% per annum over the CSR period.

The Police & Crime Commissioner has produced a Police & Crime plan, which has been refreshed to include the feedback and comments made by stakeholders, partners and the public over the last 12 months.

The Police & Crime Plan is built upon the following 7 strategic priorities:

- Protect, support and respond to victims, witnesses and vulnerable people.
- Improve the efficiency, accessibility and effectiveness of the criminal justice process.
- Focus on those priority Crime types and local areas that are most affected by crime and anti-social behaviour.
- Reduce the impact of drugs and alcohol on levels of crime and anti-social behaviour.
- Reduce the threat from organised crime.
- Prevention, early intervention and reduction in re-offending.
- Spending your money wisely.

At the time of writing this report there was no clarity on the split between main grant and Top Slicing in the Home Office budget for policing. However, the Home Office has said that they are working on this and hope to provide clarity on the next 4 years shortly. This may be available when the final confirmation of the settlement is laid before Parliament in February.

## **Funding**

This year remains a significant challenge to funding for policing in Nottinghamshire. These are summarised as follows:

1. The amount of grant funding is reduced by £0.7m.
2. The Home Office assumption after accounting for a 2% precept increase and 0.5% tax base increase is that our total core funding available is £189.5m. The estimates within the precept report show that the tax base increase is just over 1.8% resulting in total funding available of £190.2m.
3. However, the cost pressures that we are also seeing are also having an adverse effect (i.e. pay wards of 1%, inflation at just over 1% and the impact of national insurance changes for the state pension estimated at £3.5m) especially as the funding available continues to reduce.
4. 2015-16 is the second year that the force has had difficulty in achieving a balanced budget, as a result of not achieving the efficiency plans. This shows how increasingly difficult it is becoming to deliver on average over £10m in savings each year. There is a possibility that the MTFP reserve will need to be utilised in full for 2015-16. This has a consequential impact on the budget for 2016-17.
5. The Commissioner at a local level and regional level continues to bid for additional funding being allocated by the Home Office from the Innovation Fund. We have previously been successful in relation to bidding for this additional funding. The criterion for such funding continues to tighten.
6. A Police Funding Formula Review is underway and the results of this will be incorporated from 2017-18 onwards.

The estimated funding for the Police & Crime Commissioner over the next four years (and compared with this year) is as follows:

<b><u>Funding Available</u></b>	<b>2015-16 £m</b>	<b>2016-17 £m</b>	<b>2017-18 £m</b>	<b>2018-19 £m</b>	<b>2019-20 £m</b>
Police & Crime Grant	126.8	126.1	123.4	120.7	118.1
Council Tax Legacy Grant*	9.7	9.7	9.7	9.7	9.7
Precept	52.4	54.4	55.8	57.2	58.6
Collection fund surplus/(deficit)	0.7	1.0**			
<b>TOTAL</b>	<b>189.6</b>	<b>191.2</b>	<b>188.9</b>	<b>187.6</b>	<b>186.4</b>

\*Legacy Grant is subject to review as part of the funding formula review

\*\*The surplus to be received in 2016-17 will be transferred to reserves

## **Investment**

The Police & Crime Commissioner has continued to support investment in many collaborative projects which should deliver significant savings or improve and change the way in which the policing service is provided.

Nottinghamshire is a significant partner in all regional collaborations and collaborations which go outside of the region. More recently the Commissioners of Nottinghamshire, Leicestershire and Northamptonshire have agreed to form a Strategic Alliance for all policing and support functions.

Key to many of the changes has been the need for significant investment in technology. This will ensure an on-going visible presence in neighbourhood policing and provide the training and equipment to meet the needs for all cyber related crime detection.

Investment continues to be made at a regional level and collaboration is well established within the East Midlands. Many specialist policing services such as major crime, roads policing and serious and organised crime are provided through regional teams.

The Commissioner has reduced the size of the police estate and invested in IT to ensure officers are out within our communities for longer.

Under the Commissioners wider remit of “and Crime” and Victims Services the Commissioner is investing in new ways of service delivery and crime prevention.

## **Savings and efficiencies**

The settlement this year and indications for the CSR period is better than anticipated. However, 2016-17 has significant pressures which need to be made in order to balance the budget.

Funding itself remains broadly at a standstill position although costs and salaries continue to increase and additional burdens from national insurance changes all total £10m approximately in new costs to be covered.

In addition to this pressures from 2015-16 will impact on 2016-17 also and these have been estimated as totalling £11m.

Further efficiencies will need to be delivered as the level of reserves diminishes and could affect financial viability. We currently hold the third lowest level of reserves across policing in England and Wales.

The table below summarises the savings plans currently in place for the next financial year:

<b>Efficiencies</b>	<b>2016-17 £m</b>
MRP	1.0
Reduction of Officers and Staff (DTF)	5.0
Non Pay savings	1.7
Reduction in acting up	0.5
Voluntary redundancy, DTF Business cases, Shift review	3.5
<b>Internal Efficiencies</b>	<b>12.0</b>

The Commissioner is conscious of the risks associated should the efficiencies and savings identified not be achieved in the year that they are required and that achieving them will be a challenge.

The Commissioner is mindful that should there be some slippage in implementing these efficiencies then further savings will need to be identified and delivered in year.

Following the estimated requirement for £9.3m of reserves in 2015-16 there is insufficient reserves available should the efficiency programme not be delivered in full. Plans to replace the reserves utilised over recent years are planned to commence in 2018-19.

## **Risks in the Medium Term**

### **Collaboration and Innovation**

As a region we have been collaborating for a numbers of years. This has provided resilience to teams so small it becomes difficult to deliver and effective service and in later years has delivered significant savings. As we continue to collaborate savings will continue to be generated. The budgeted figures include the costs of collaboration, but do not include and savings currently. This will continue to be monitored and updated as the true level of savings becomes known.

We have also been successful in obtaining Innovation Grant Funding to pump prime new areas of collaborations and new ways of working that will generate future savings. The costs associated with Innovation Projects have been included, but no savings have been estimated at this stage. This will continue to be monitored and updated as the level of potentials savings is realised.

## **Devolution**

At a local level the Commissioner is supportive of the Devolution agenda. However, the elections in May 2016 will be appointing a PCC for a further 4 years. How this is then incorporated into a timetable for devolution will need to be planned for appropriately.

## **Strategic Alliance**

The Commissioner and Chief Constables across three force areas: Nottinghamshire, Leicestershire and Northamptonshire; have agreed to enter into a Strategic Alliance for all of the elements of the service that are not currently within a collaboration agreement.

It is envisaged that this will bring a significant change to the way in which Policing is provided across the three counties and deliver the needed savings to balance future year's budgets.

The final business case for the Strategic Alliance is being prepared and will be available in March. There is much work from the financial view that needs to be done to support this and each Commissioner may need to finance their contribution in different ways (e.g. reserves/capital contributions/revenue contributions) the final plan will then require revised budgets to support this.

## **Funding Formula Review**

As mentioned previously the current funding formula review has been delayed and will not be in place before April 2017. It would not be prudent to assume that the indicative grant allocations provided in the Autumn 2015 will reflect the revised funding allocations in 2017. In fact because of the error made there will probably be a significant change.

Nottinghamshire has not seen a full implementation of the current funding formula and has had over £10m per annum withheld from the calculated amount of grant due (equivalent to £100m over the 10 years it has been in place). The Commissioner will continue to make the case that no matter what the finally agreed formula calculates; that there needs to be a clearly defined period for transition to full implementation.

## **Ministry Of Justice Funding**

At the time of writing the report we still awaiting confirmation of the allocation of funding for Victims for 2016-17. The Ministry is one of the smallest central Government departments and is having to deliver a 15% saving across all of its budget. In our budget we have assumed that the Victims budget will also be cut by 15%, but there is a risk that it could be higher in order to protect other parts of the Department.

## **Emergency Services Network**

The Home Office has been working on the costs associated with the new network, but there still remains a lack of clarity as to what it will mean at an individual force area.

We do know that:

- This is a long term project planned over 16 years with total costs of £4.9bn and projected savings of £3.3bn.
- The Police service will pick up 75% of the costs for England and Wales.
- The core element will cost £80m in 2016-17. It is anticipated that Forces will pay this and claim back through specific grants.
- Local costs for data connection, devices, installation in vehicles and transition costs will fall on the force.
- Dual running of Airwave until the system is functional will result in continued Airwaves costs. It does not pay to be one of the last forces to see the new system implemented.

This is an uncalculated impact on our budgets in future years.

## **Capital Grant**

Capital Grant allocations have not been provided to date. It is expected that the 40% reduction referred to in the provisional settlement announcement will be lower when finally settled.

## **Allocations of other Grants**

The allocations of other grants are still being worked on:

- Transformation fund might not be a bidding process
- Fire Arms – a national board has been set up and is assessing threat and Risk before the start of the financial year.
- Counter Terrorism allocations are being pressed for.



## **Expenditure**

Traditionally expenditure budgets are incrementally changed from the previous year's net expenditure to allow for inflation and savings. During 2013-14 the Commissioner had an independent review of the base budget undertaken. This review identified some areas where further efficiencies might be delivered and provided assurance on the areas that the force was already reviewing. During 2015 this review has been revisited and further recommendations have been made. If the settlement had been as estimated we would have had to see a significant reduction in staff and officers in order to balance the budget.

The expenditure requirements of the Force and the Office of the Police & Crime Commissioner are continuously reviewed and monitored to ensure value for money. The role and responsibility of the Commissioner is to set a balanced budget assured that the force has robust systems in place for producing a full budget.

During 2015-16 it became apparent that the force was not going to deliver a balanced budget and there would be a need for significant additional use of reserves at year end. At the time of writing this report further work was being undertaken to reduce the deficit in year, but the need for reserves to meet the budget gap is currently estimated at £9.3m.

Officers, staff and PCSO's account for almost 80% of budgeted net expenditure and as such are a major asset for the organisation. The pace at which police officers, PCSO's and staff leave the organisation can fluctuate year on year, but this is budgeted for.

There has also been a recruitment freeze in place since the summer of 2015. The revenue budget report details the assumptions made for budgeting purposes.

Inflation and pay awards provide a significant cost pressure. This is constantly reviewed for accuracy.

Total Net Expenditure requirements are provided below:

<b><u>Expenditure Summary</u></b>	2015- 16 £m	2016- 17 £m	2017- 18 £m	2018- 19 £m	2019- 20 £m
Previous year net expenditure	193.8	191.2	190.2	188.9	186.4
Net changes for pressures	8.4	11.0	3.3	2.8	3.0
<b>Net expenditure requirement</b>	<b>202.2</b>	<b>202.2</b>	<b>193.5</b>	<b>191.7</b>	<b>189.4</b>

## Summary

In conclusion there are robust plans in place to deliver savings both locally and regionally.

There is still work to do to achieve the required savings plans through to 2020, but the work started on transformation should enable balanced budgets to be set.

There is still a lack of clarity in relation to future budgets and the amount that would be top sliced before allocation to the individual forces. The amount of top slicing has been increasing significantly over recent years and between 2015-16 and 2016-17 is increasing from £159.6m to £218.4m.

The budgeted summary financial position is as detailed below:

	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
<b><u>Policing element</u></b>					
Net Expenditure	197.7	197.6	188.9	187.1	184.8
Savings efficiencies & reserves	(10.9)	(12.0)	(3.9)	(4.5)	(4.8)
<b>sub-total</b>	<b>186.8</b>	<b>185.6</b>	<b>185.0</b>	<b>182.6</b>	<b>180.0</b>
<b><u>Grants and Commissioning</u></b>					
Net Expenditure	4.5	4.6	4.6	4.6	4.6
Savings efficiencies & reserves	(0.1)				
<b>sub-total</b>	<b>4.4</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>
<b>Total net expenditure</b>	<b>191.2</b>	<b>190.2</b>	<b>189.6</b>	<b>187.2</b>	<b>184.6</b>
Grants	136.5	135.8	133.1	130.4	127.8
Precept	52.4	54.4	55.8	57.2	58.6
Collection Fund Surplus		1.0			
<b>Total Financing</b>	<b>189.6</b>	<b>191.2</b>	<b>188.9</b>	<b>187.6</b>	<b>186.4</b>
Contribution (from)/to Reserves incl above	(9.3)*	1.0			
Further (savings) required			0.7	(0.4)	(1.8)

\* The original budget for 2015-16 assumed a contribution from reserves of £1.6m. During the year the pressures have built and errors in budgeting identified. At the time of writing this report it is estimated that there will need to be a £9.3m contribution from reserves to balance to the budget. It could be slightly higher than this with an element being repaid in April 2016.

The Grants and Commissioning budget has now been increased by £219,000, being the transfer of service from the Force budget to the Commissioning budget for MARAC, SARC and Prevent.

## **Opinion**

The Commissioner is of the view that achieving the levels of efficiencies shown above will be challenging. It is planned that there will be monthly monitoring of performance against these targets. Any slippage in the achievement can no longer be met from reserves and new in year savings will be required in order to balance the budget. There are insufficient levels of reserves available to smooth budget shortfalls in year.

Where reserves are used it is expected that these would be repaid over the medium term. The Medium Term Financial Plan assumes repayment for the use of reserves to date will begin with £3m in 2018-19 and 2019-20.





Nottinghamshire

**POLICE & CRIME COMMISSIONER**

**Reserves Strategy 2016-17**

# **Reserves Strategy 2016-17**

## **Background**

1. The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Act require Precepting authorities (and billing authorities) in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
2. In England and Wales, earmarked reserves remain legally part of the General Reserve, although they are accounted for separately.
3. There are other safeguards in place that help to prevent Police & Crime Commissioners over-committing themselves financially. These include:
  - The balanced budget requirement (Local Government Act 1992 s32 and s43).
  - Chief Finance Officers duty to report on the robustness of estimates and adequacy of reserves (Local Government Act 2003 s25) when the Police & Crime Commissioner is considering the budget requirement.
  - Legislative requirement for each Police & Crime Commissioner to make arrangements for the proper administration of their financial affairs and that the Chief Finance Officer has responsibility for the administration of those affairs (section 151 of the Local Government Act 1972).
  - The requirements of the Prudential Code
  - Auditors will consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based.
4. These requirements are reinforced by section 114 of the Local Government Finance Act 1988, which requires the Chief Finance Officer to report to the Police & Crime Commissioner if there is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the Commissioner will not have the resources to meet its expenditure in a particular financial year. The issue of a section 114 notice cannot be taken lightly and has serious operational implications. Indeed, the Police & Crime Commissioner must consider the s114 notice within 21 days and during that period the Force is prohibited from entering into new agreements involving the incurring of expenditure
5. Whilst it is primarily the responsibility of the Police & Crime Commissioner and its Chief Finance Officer to maintain a sound financial position, external auditors will, as part of their wider responsibilities, consider whether audited bodies have

established adequate arrangements to ensure that their financial position is soundly based. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual Police and Crime Commissioners or authorities in general.

6. CIPFA's Prudential Code requires the Chief Finance Officers to have full regard to affordability when making recommendations about the Commissioners future capital programme. Such consideration includes the level of long-term revenue commitments. Indeed, in considering the affordability of its capital plans, the Commissioner is required to consider all of the resources available to it/estimated for the future, together with the totality of its capital plans and revenue forecasts for the forthcoming year and the following two years. There is a requirement for three-year revenue forecasts across the public sector and this is achieved through the Medium Term Financial Plan (MTFP). The Comprehensive Spending Review (CSR) has provided the Commissioner with details of proposed revenue grant for one year and capital grant settlement has yet to be announced. This provides limited ability to focus on the levels of reserves and application of balances and reserves.
7. CIPFA and the Local Authority Accounting Panel do not accept that there is a case for introducing a generally acceptable minimum level of reserves. Commissioners on the advice of their Chief Finance Officers should make their own judgements on such matters taking into account all relevant local circumstances. Such circumstances will vary between local policing areas. A well-managed organisation, for example, with a prudent approach to budgeting should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed. In assessing the appropriate level of reserves, a well-managed organisation will ensure that the reserves are not only adequate, but also are necessary.
8. Section 26 of the Local Government Act 2003 gives Ministers in England and Wales a general power to set a minimum level of reserves for authorities. However, the government has undertaken to apply this only to individual authorities in the circumstances where the authority does not act prudently, disregards the advice of its Chief Finance Officer and is heading for serious financial difficulty. This would also apply to Police & Crime Commissioners. This accords with CIPFA's view that a generally applicable minimum level is appropriate, as a minimum level of reserve will be imposed where an authority is not following best financial practice.

## **Current Financial Climate**

9. The pressures on public finances are currently forecast as improving. However, at the local level reducing expenditure to an affordable base whilst maintaining service at an acceptable level remains a challenge. Therefore, the ability to retain reserves for unforeseen events and circumstances becomes not only difficult, but something that requires careful consideration.
10. Whilst plans to reduce the base expenditure in line with the reduced income were initiated from 2008 the use of and level of reserves have fluctuated. The reserves increased when savings plans were being delivered ahead of the plan and recently have decreased as the need to use them to balance the budget has increased. Since 2014-15 the pressure to deliver the efficiencies required has increased and resulted in additional reserves being needed to balance the budget by the end of the financial year. In 2014-15 a further £2m was required and for 2015-16 it is estimated that a further £9.3m will be needed to balance the budget.
11. Nottinghamshire currently has the third lowest level of reserves for policing in England and Wales. Nottinghamshire has never been cash rich with in excess of £10m per annum being withheld in the funding formula floors mechanism.
12. The Medium Term Financial Plan identifies risks in achieving the required savings to ensure balanced budgets over future years.

## **Types of Reserve**

13. When reviewing the medium term financial plans and preparing the annual budgets the Commissioner should consider the establishment and maintenance of reserves. These can be held for four main purposes:
  - A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves.
  - A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves.
  - A means of building up funds often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately, but remain legally part of the general reserve.
  - The economic climate and the safety of the Commissioner's financial assets. This would link closely with the Treasury Management and Prudential Code Strategy.



14. The Commissioner also holds other reserves that arise out of the interaction of legislation and proper accounting practice. These reserves are not resource-backed and cannot be used for any other purpose, are described below:
- The Pensions Reserve – this is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes.
  - The Revaluation Reserve – this is a reserve that records unrealised gains in the value of fixed assets. The reserve increases when assets are revalued upwards, and decreases as assets are depreciated or revalued downwards or disposed of.
  - The Capital Adjustment Account – this is a specific accounting mechanism used to reconcile the different rates at which assets are depreciated under proper accounting practice and are financed through the capital controls system.
  - The Available-for-Sale Financial Instruments Reserve – this is a reserve that records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets.
  - The Financial Instruments Adjustment Reserve – this is a specific accounting mechanism used to reconcile the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under proper accounting practice and are required by statute to be met from the General Fund.
  - The Unequal Pay Back Pay Account – this is a specific accounting mechanism used to reconcile the different rates at which payments in relation to compensation for previous unequal pay are recognised under proper accounting practice and are required by statute to be met from the general fund.
  - Collection Fund Adjustment account – this is specific to the changes in accounting entries relating to the Collection Fund Accounts held by the Billing Authorities.
  - Accumulated Absences Account – this account came into being with the implementation of IFRS and represents the value of outstanding annual leave and time off in lieu as at 31<sup>st</sup> March each year.

15. Other such reserves may be created in future where developments in local authority accounting result in timing differences between the recognition of income and expenditure under proper accounting practice and under statute or regulation, such as the Capital Grants Unapplied.
16. In addition the Commissioner will hold a Capital Receipts Reserve. This reserve holds the proceeds from the sale of assets, and can only be used for capital purposes in accordance with the regulations.
17. For each earmarked reserve held by the Commissioner there should be a clear protocol setting out:
  - The reason for/purpose of the reserve
  - How and when the reserve can be used
  - Procedures for the reserves management and control
  - A process and timescale for review of the reserve to ensure continuing relevance and adequacy
18. When establishing reserves, The Commissioner needs to ensure compliance with the Code of Practice on Local Authority Accounting and in particular the need to distinguish between reserves and provisions.

## **Nottinghamshire Police & Crime Commissioner's Reserves**

19. This document aims to provide an over-arching strategy that defines the boundaries within which the approved budget and Medium Term Financial Plan (MTFP) operate.

### **The General Reserve**

20. It has previously been established that General Reserves will be maintained at a level above the minimum of 2.0% of the total net budget.
21. The purpose of this reserve is to provide for any unexpected expenditure that cannot be managed within existing budgets. Such expenditure would be one-off and resulting from an extraordinary event.
22. Similarly the General Reserve should be set at a prudent and not excessive level, as holding high level of reserves can impact on resources and performance. As such the maximum level of General Reserves is 5.0% of the total net budget.

23. Authorisation to finance such expenditure must be obtained in advance from the Commissioners Chief Finance Officer, in accordance with the scheme of delegation and the protocol between the Chief Constable and the Chief Finance Officer. Where time permits the request should be supported by a business case.
24. As the net budget position changes the level of General Reserve must be monitored to ensure the minimum level is maintained.
25. **Appendix A** details the elements that make up the current General Reserves balance and the levels of risk attached to each of these elements. These are indicative and may not be exhaustive as new risks emerge. This does not include the Jointly Controlled Operations general reserve of £0.075m.

### **Earmarked Reserves**

26. Unlike General Reserves earmarked reserves have been identified for specific areas of expenditure where there are anticipated costs that can only be estimated. It is therefore prudent for the Commissioner to identify such areas of expenditure and set aside amounts that limit future risk exposure (e.g. balancing budget shortfalls in the MTFP).
27. Such expenditure usually arises out of changes in policy or where the organisation is working in collaboration with other forces to provide a specific service (for example Private Finance Initiative (PFI)).
28. Expenditure relating to earmarked reserves has to specifically relate to the purpose of the reserve.
29. **Appendix B** details for each of the earmarked reserves that existed at the start of the 2015-16 financial year and their estimated balance by 31<sup>st</sup> March 2016.

Details of those available for use in 2016-17 are given below:

### **Medium Term Financial Plan (MTFP) Reserve**

30. The medium term financial plan of the Commissioner is under constant review and changes as new and reliable information becomes available.
31. The original purpose of this reserve was to alleviate financial pressure on the budgets in future years.

32. The support from this reserve is only one-off support and as such cannot be used to finance on-going commitments.
33. The use of this reserve has been reviewed following the Comprehensive Spending Review and it now be utilised to finance the cost of organisational changes and as an investment to facilitate new savings. In addition to this the reserve will also be utilised smooth budget pressures as they arise. Any costs associated with A19 will also be met from this reserve.
34. The Precept and Budget Reports that will be approved in February 2016 show an estimated need of £9.3m from reserves to balance the budget in 2015-16 including the agreed use of reserves of £1.6m. It is agreed that the MTFP reserve would meet the additional expenditure pressures in 2015-16. This puts the organisation at serious financial risk.
35. In addition to this there will be a slight timing difference in relation to the Voluntary Redundancy Scheme currently in place. Some payments will need to be made in March 2015 which should be financed from the savings that will be generated. The savings themselves will not be realised until the new financial year. It has been agreed that reserves will meet the cost of these redundancies and pension strains in this financial year. The equivalent value of savings generated in 2016-17 will be transferred back to reserves in April.
36. All reserves will be utilised with the agreement of the Police & Crime Commissioner in the ways identified in this strategy and supported by a detailed business case.
37. It is expected that the use of reserves will be paid back over the medium term, although until now this has proved difficult to achieve. Plans have estimated that payback of reserves will commence in 2018-19 at £3m per annum.
38. The Medium Term Financial Plan has a risk assessment in relation to achieving the efficiencies identified. As such this reserve may be used for balancing the accounts should the efficiencies not be realised.
39. **Appendix C** shows how the remainder of this reserve has been initially allocated over the next four years. It should be noted that there is a potential shortfall between budget and funds available in 2017-18, 2018-19 and 2019-20, depending on the level of further savings that can be achieved. No estimate has been included at this stage.

#### **Private Finance Initiative (PFI) Reserve**

40. This is a reserve for the equalisation of expenditure over the life of the contract. This is a statutory reserve to maintain.

### **PCC Reserve**

- 41. Initially, this reserve (PCC Transition) was set up as a prudent measure to cover the costs known and unknown associated with the transition from Police Authority governance to governance by the Police & Crime Commissioner. The costs were kept to a minimum and totalled £54k.
- 42. Subsequently, this reserve was used for Stage 2 transition costs. These amounted to £41k.
- 43. This reserve has now been earmarked for any cost associated with the PCC election in 2016 and any costs arising from Devolution over the next 4 years.

### **Grants & Commissioning Reserve**

- 44. It is intended that underspends on the OPCC budget and the Grants and Commissioning budget are transferred to here to provide for future needs in this growing area of work.

### **Drug Fund**

- 45. This minor reserve is received from court awards in drugs cases and is only used for initiatives that reduce drug related crime.

### **Jointly Controlled Operations (Regional Collaboration) Reserve**

- 46. There are a growing number of areas where collaborative working is undertaken with other Regional Policing areas. EMSOU is providing collaboration for specialised policing services, such as Major Crime and Forensics. Collaboration has also extended beyond Police Operation Services to include areas such as Legal Services, Procurement and Learning and Development.
- 47. The Police & Crime Commissioners meet to make decisions and agree further areas of collaboration. They would also approve the use of this reserve for regional activity.
- 48. The reserve exists to finance activities of regional collaboration above those identified within the annual budget.

### **Property Act Fund Reserve**

- 49. This reserve relates to the value of property sold where the Commissioner can retain the income for use in accordance with the Property Act.

### **Animal Welfare Reserve**

50. This reserve was established to support the policy for the welfare of animals specifically police dogs on retirement as working animals. There is a panel which meet with representatives from the Vets and the Force and to approve any claims against this fund. Any approved expenditure relating to on-going welfare as a result of work related injuries can then be paid from this fund. This reserve is for the Animal Welfare Retired Dogs Scheme and is for costs associated with the running of that scheme

#### **Tax Base Reserve**

51. Due to the timing differences between the PCC's budget being approved and the deadline for the Billing Authorities to notify us of the final tax base and any Collection Fund surplus or deficit this fund has been created.
52. This reserve will be utilised where the tax base reduces from the estimated figures provided by Billing Authorities to the declaration of the actual tax base, as this would create a shortfall in overall total funding.
53. This reserve will also be used to cover the PCC's portion of costs associated with the Single Occupier Discount Reviews undertaken periodically across the City and the County.

#### **Revenue Grants**

54. This reserve combines the small amounts of grant income on completed projects where the grant conditions do not require repayment. Cumulatively they create a sizeable reserve. The use of this reserve will be subject to evaluation of any risk of repayment and the submission of a business case.
55. This reserve is also used for on-going projects such as the Camera Safety Partnership Project.

#### **VAT Reserve**

56. This reserve was for a potential VAT liability in relation to a premises transaction. This reserve is no longer required and the balance will be transferred back to the MTFP reserve.

#### **Joint Operations Capital Reserve**

57. The region currently maintains a capital reserve of £0.249m. This cannot be used for revenue purposes.

## **Procedure for Use of Reserves**

59. The use of reserves requires approval of the Chief Finance Officer to the Commissioner and the Commissioner.
60. All requests should be supported by a business case unless there is an approved process for use, such as the Animal Welfare Reserve.
61. On occasion where an urgent request is being made this should comply with the protocol between the Chief Constable and the Chief Finance Officer to the Commissioner.

## **Monitoring**

62. The level of Reserves is kept under continuous review. The Commissioner receives reports on the levels of reserves as part of the Medium Term Financial Plan updates together with the Annual strategy in January and the out-turn position in June each year.

## **Risk Analysis**

63. Any recommendations that change the planned use of Reserves reported within the Annual Budget and Precept Reports will take account of the need for operational policing balanced against the need to retain prudent levels of Reserves.
64. However, there are significant risks, which affect the level of reserves to be maintained, and it is for this reason that a minimum level of 2% (with a maximum level of 5%) of total net budget has been set for the General Reserve.
65. The significant risks that have been considered, but which will also be kept under review are:
  - Current Employment Tribunals relating to A19.
  - The budget monitoring report highlights potential risks in being able to achieve the required efficiencies and savings during 2015-16. This may need to be supplemented by the use of reserves to smooth budget pressure.
  - The ability to seek financial assistance from the Home Office for major incidents has been diminished and can no longer be relied upon.

- The need to finance organisational change and redundancies will have an impact on the use of reserves, although this is also reducing in value and risk.
- The ability to recover significant overspends by divisions and departments would be very difficult in the current financial climate.
- The instability of the Financial Markets means that the investments we make with balances are currently exposed to greater risk. This is negated by the Treasury Management Strategy, but returns on investment have reduced significantly.
- There remains a gap in funding for the next 3 years and potentially beyond this.
- Should the Commissioner and Force be faced with two or more of the above issues at the same time then the reserves may be needed in full.
- Once utilised there is very little opportunity for reimbursing the level of reserves through precept due to referendum limits or grant, due to the impact it would have operationally.

### **CFO Opinion**

It is my opinion that the current level of reserves are not excessive especially when compared with the averages level of reserves held within all local authorities and within the police and crime sector. In fact, the need to use significant reserves in 2015-16 is a significant concern and this strategy now requires repayment of reserves from 2018-19 onwards.

The CLG has published local authority data on levels of reserves as part of the LA Revenue Expenditure and Financing England series. This is shown below and compared with Police & Crime Reserves and Nottinghamshire Police & Crime Reserves.

Type	Highest		NOPCC 2016-17
General Reserves	Met 6%	Average all types of LA 5%	3.7%
Earmarked Reserves	Average all types of LA 16%	Shire OPCC 11%	4.1%

Until recently small levels of overspend were smoothed through the use of reserves to finance them. But this is not sustainable and the force will need to work hard to deliver against the programme of efficiencies.

Once the total of earmarked reserves have been utilised the financial stability of the force becomes a significant risk.



## **STRATEGY REVIEW**

This strategy will be reviewed annually and the Police & Crime Commissioners approval sought.

During the year changes may occur in the MTFP, which affect this strategy. Such changes will be monitored by the Chief Finance Officer and reported to the Commissioner for approval.

**Charlotte Radford (CPFA)**  
**Chief Finance Officer**

**Appendix A**

**Reserves Risk Assessment**  
**2015-16**

**GENERAL RESERVE**

<b>RISK</b>	<b>IMPACT</b>	<b>PROBABILITY</b>	<b>Min £m</b>	<b>Max £m</b>	<b>Proposed for 2015-16 £m</b>
Major Incident(s) Unbudgeted expenditure	Any amount under 1% of net budget is to be funded by the authority. Amounts over 1% of net budget are subject to Home Office application approval	Single Incident amounting to less than 1% of net budget. <b>Medium</b> Multiple incidents amounting to over 1% of net budget. <b>Medium</b> Single incident amounting to over 1% of net budget. <b>Low</b>	2.1	4.2	4.2
Major Disaster (e.g. natural)	Operation policing affected and resources diverted. (e.g. through building being inaccessible and disaster recovery plan being auctioned)	<b>LOW</b>	0.5	1.0	0.5
Partnership Support	Funding for posts and PCSO's withdrawn. This has also been risk assessed as part of the budget assumptions.	<b>Medium to HIGH</b>	0.5	4.6	1.2
Counterparty failure	If invested balances were tied up in a process to recovery there would be an immediate impact on the revenue budget (possibly short term).	<b>LOW</b>	0.5	5.0	0.5
Employment Tribunals and other litigation	Direct impact on revenue budgets	<b>LOW</b> (A19 will be met from the MTFP Reserve)	0.1	0.5	0.1
Insurance	Emerging Risks and late reported claims	To date no claims of this type have affected the accounts. <b>Low to MEDIUM</b>	0.3	0.7	0.5
<b>TOTAL</b>					<b>7.0</b>

**Earmarked Reserves Assessment**

<b>RISK/RESERVE</b>	<b>PURPOSE</b>	<b>HOW AND WHEN IT WILL BE USED</b>	<b>Management and control</b>	<b>Review</b>	<b>Estimated Balance at 31.03.16 £m</b>
Medium Term Financial Plan (MTFP)	To provide against financial shortfalls identified within the MTFP	Smoothing peaks and troughs in financing the MTFP	Chief Finance Officer & Commissioner	Minimum twice annually	2.000
PCC Reserve	To cover cost associated with PCC transition and Stage 2 transition	During the year cost will be charged to a separate cost centre and will be charged to the reserve at year end.	Chief Finance Officer	On-going	0.487
Grants & Commissioning	To collate small balances within revenue accounts to provide funding for this growing area of work.	To meet specific requirements relating to Grants and Commissioning.	Chief Finance Officer	On-going	1.022
PFI reserve	To fund PFI related expenditure	Life cycle equalisation	Chief Finance Officer	Annually	0.330
JCO – Jointly Controlled Operations	To provide for unexpected expenditure relating to regional collaboration.	Decisions relating to the use of this fund follow the regional governance arrangements.	EM meeting of the PCC's.	Annually	1.277

Property Act Fund	Income from the sale of property act confiscations	To be determined by the Police & Crime Commissioner	PCC and CFO	Annually	0.123
Drug Fund	For use in reducing drug related crime	To be determined by the Police & Crime Commissioner	PCC and CFO	Annually	0.071
Revenue Grants	Balances on grants not required to be repaid	To be determined by the Police & Crime Commissioner	PCC and CFO	Annually	2.286
Animal Welfare	To set up a scheme for animal welfare on retirement as working animals	Scheme to be established in 2013-14	Set up November 2012.	During the year	0.019
Tax Base	To iron out fluctuations caused between estimated and actual tax base data. Also to assist with risk relating to the removal of redistributed business rates in future years.	Annually to balance the budget. Every 3-4 years to finance Single Person Discount Review	Chief Finance Officer	Annually	0.230
VAT	For a potential VAT liability now passed	Will be returned to the MTFP Reserve.	Chief Finance Officer	Annually	0.036
<b>TOTAL</b>					<b>7.881</b>

**Tables to show the use of General Reserves**

	2016-17			2017-18			2018-19			2019-20		
	01.04.16 balance £m	Use in year £m	01.04.17 balance £m	01.04.17 balance £m	Use in year £m	01.04.18 balance £m	01.04.18 balance £m	Use in year £m	01.04.19 balance £m	01.04.19 balance £m	Use in year £m	01.04.20 balance £m
<b>General Reserve</b>	<b>7.000</b>	<b>0</b>	<b>7.000</b>	<b>7.000</b>	<b>0</b>	<b>7.000</b>	<b>7.000</b>	<b>0</b>	<b>7.000</b>	<b>7.000</b>	<b>0</b>	<b>7.000</b>
<b>EMSOU general reserve</b>	0.075		0.074	0.074		0.074	0.074		0.074	0.074		0.074
<i>% of net budget</i>	3.7%			3.7%			3.7%			3.8%		

Tables to show the estimated use of Earmarked Reserves

	2016-17			2017-18			2018-19			2019-20		
<b><u>Earmarked Reserves</u></b>	01.04.16 balance £m	Use in year £m	31.03.17 balance £m	01.04.17 balance £m	Use in year £m	31.03.18 balance £m	01.04.18 balance £m	Use in year £m	31.03.19 balance £m	01.04.19 balance £m	Use in year £m	31.03.20 balance £m
MTFP	2.000	(3.500)	(1.500)	(1.500)		(1.500)	(1.500)	3.000** (0.003)	1.497	1.497	3.000**	4.497
PCC Reserve	0.487	(0.100)	0.387	0.387		0.387	0.387		0.387	0.387		0.387
Grants & Commissioning	1.022		1.022	1.022		1.022	1.022		1.022	1.022		1.022
PFI	0.330	0.036	0.366	0.366	0.036	0.402	0.402	0.036	0.438	0.438	0.036	0.474
JCO	1.277		1.277	1.277		1.277	1.277		1.277	1.277		1.277
Property Act Fund	0.123	0.028	0.151	0.151		0.151	0.151		0.151	0.151		0.151
Drug Fund	0.071	0.010	0.081	0.081		0.081	0.081		0.081	0.081		0.081
Revenue Grants	2.286		2.286	2.286		2.286	2.286		2.286	2.286		2.286
Animal welfare	0.019	(0.001)	0.018	0.018	(0.001)	0.017	0.017	0.003	0.020	0.020	(0.001)	0.019
Tax Base	0.230	1.025	1.255	1.255		1.255	1.255		1.255	1.255		1.255
VAT	0.036		0.036	0.036		0.036	0.036		0.036	0.036		0.036
<b>TOTAL</b>	<b>7.881</b>	<b>(2.502)</b>	<b>5.379</b>	<b>5.379</b>	<b>0.035</b>	<b>5.414</b>	<b>5.414</b>	<b>3.036</b>	<b>8.450</b>	<b>8.450</b>	<b>3.035</b>	<b>11.485</b>

\* Assumes payment will be met from remaining earmarked reserves until repayment is made.

\*\* Assumes repayment of reserves

The above estimates show the MTFP reserve potentially being negative. This means that the other reserves will need to be utilised to meet the shortfall.



Nottinghamshire

**POLICE & CRIME COMMISSIONER**

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**4 Year Capital Programme**  
**2016-2020**

## **1. Introduction**

The Commissioner is supportive of capital expenditure which improves the efficiency and effectiveness of the service provided to the public of Nottinghamshire.

The majority of capital expenditure relates to the buildings and IT systems.

There is however, recognition that better purchasing power and consistency of capital purchases can be achieved through regional collaboration. Over the past few years this is one area that has developed. This has been supported by the Home Office with capital and revenue funding being made available through the Innovation Fund.

### **Strategic Alliance**

In December 2015 the Commissioner's and Chief Constables of 3 regional forces agreed to create a Strategic Alliance. An initial business case outlined the potential operations and financial benefits that would arise from Alliance.

A final business case will detail the costs and benefits, with greater clarity on how each Commissioner will meet its required level of investment. Initial consideration of this is that Nottinghamshire would potentially prefer to make the majority of its contribution (42%) of the total investment from capital, but this will also depend on what preferences Leicestershire and Northamptonshire have.

The Capital Programme provided for 2016-17, whilst more detailed than the following years, is subject to change once the final business case is known and priority is given to the Strategic Alliance.

The costs of the Strategic Alliance have not been included in the programme attached.

## **2. Capital Programme 2016-17**

This programme is built upon the current priorities within the Force. Ensuring premises and equipment are fit for purpose, appropriately maintained and replaced at the end of their useful life.

It is currently estimated that there will be approximately £4million slippage from 2015-16 capital programme into 2016-17. The total programme in April will need to be prioritised against the need to finance the Strategic Alliance.



The proposed programme for 2016-17 is provided in Appendix A.

### **3. 4 Year Capital Programme**

It is normal practice to provide an indication of the capital programme for 2016-18 to 2019-20. With the understanding that this part of the programme will be subject to change following a detailed business case and affordability assessment.

Because the final Business Case for the Strategic Alliance will be the priority, departmental heads have only been asked to identify what they considers to be a priority in 2017-18. The assumption is that 100% of the capital programme in 2018-19 and 2019-20 will be prioritised to the Alliance Programme.

However, in the supporting Treasury Management Strategy it has been assumed that £4m per annum will be needed for capital purposes and that this will probably be for IT or short-life assets.

A proposed programme for the 4 years is provided in Appendix A.

### **4. Financing**

Capital expenditure is financed from capital grant, capital receipts, internal and external borrowing.

Capital grant has been reduced by 40% between 2015-16 and 2016-17 and it is estimated that this will be phased out completely over the next few years.

Capital receipts fluctuate depending on which property is for sale and how desirable the building is. Capital receipts are utilised to reduce MRP changes to the revenue account, therefore are offset against shortfall assets in the year after receipt.

Borrowing makes up the majority of capital financing. Some of this borrowing is "internal" from balances (eg reserves and provisions), but this is reducing as a greater demand is made to use reserves to meet revenue expenditure requirements.

External borrowing is taken at the best time to take advantage of low interest rates and based upon advice of our Treasury Management advisors. It is

currently anticipated that rates will increase in the Winter of 2016. This is included in the Treasury Management Strategy, which is provided as a separate report on today's agenda.

## **5. Revenue Implications**

Capital Expenditure does have revenue implications; generally these have the greatest impact in the year after the capital expenditure has been incurred. These costs reflect a depreciation cost and a cost of borrowing. Currently, the cost of borrowing is interest only, but at some point in the future the capital sum will need to be repaid. Depreciation is allocated over the life of the asset.

The Revenue budget for 2016-17 includes the estimated Minimum Revenue Pensions (MRP) based on expenditure prior to 1st April 2016, including an estimated cost of borrowing for existing borrowing and new borrowing planned in 2016-17.

The MTFP makes adjustments for significant changes in MRP and interest costs.

## Capital 4 Year Plan

### 2016-17 to 2019-20

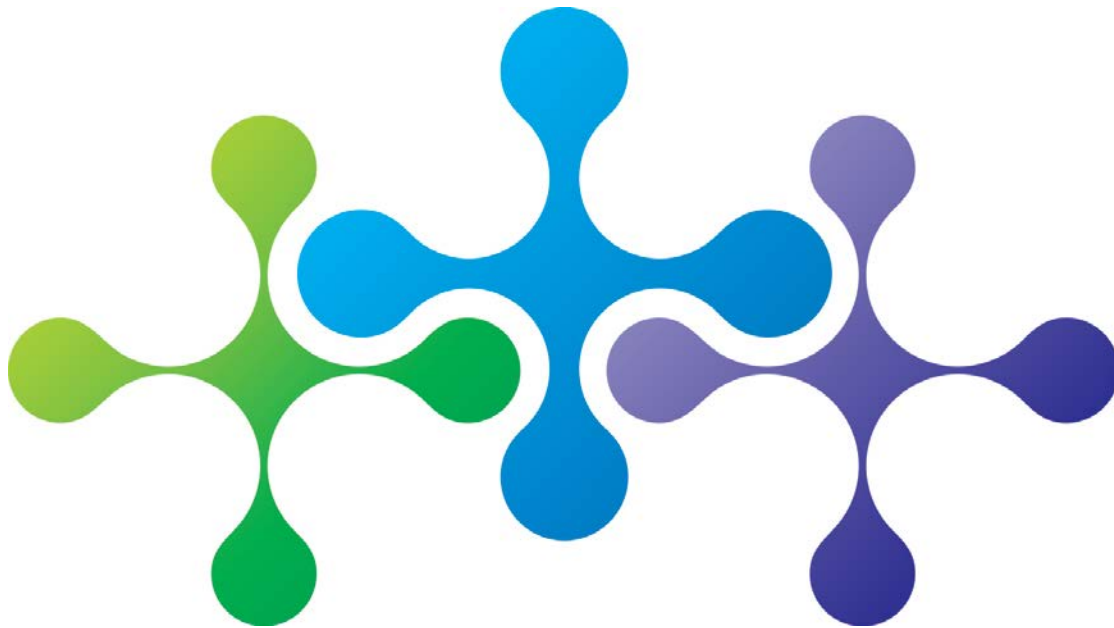
	2016/17 Proposed Budget	2017/18 Proposed Budget	2018/19 Proposed Budget	2019/20 Proposed Budget	Total Project Cost (inc prior years)
	£000	£000	£000	£000	£000
<b>Estates Projects</b>					
Automatic Gates/Barriers - various	200				200
Bridewell Refurbishment	500	3,500			4,000
Building Management replacement system	370				370
Bulwell Refurbishment	150				150
Bunkered Fuel Tank Works	225				225
Carlton - East Mids Ambulance Service Community Station	100				100
Custody Improvements	25	25			825
Digital Investigation Unit (DIU)/Cyber	180				180
Eastwood Police Station Replacement	870				878
FHQ Kennels	431				449
Lift replacement - Mansfield & Radford Road	55				66
Mansfield - Create open plan space	800				800
Newark - create open plan space	600				600
Oxclose Lane Refurbishment	400				400
West Bridgford 1st floor refurbishment	290				290
	5,196	3,525			9,533

### 2016-17 to 2019-20

	2016/17 Proposed Budget	2017/18 Proposed Budget	2018/19 Proposed Budget	2019/20 Proposed Budget	Total Project Cost (inc prior years)
	£000	£000	£000	£000	£000
<b>IS Projects</b>					
Integrated Command & Control System (ICCS) Replacement	500				500
Improvements to Digital Investigation Storage	200				200
Mobile Data Remote Working	350				361
Network Infrastructure Improvements	350				350
Regional Agile Working	350				350
Regional ANPR	99				99
Regional LAN Desk Merger development	258				258
Ring of Steel ANPR Cameras	210				210
Sharepoint Portal		50			50
Storage Solutions	100				100
	2,417	50			2,478

### 2016-17 to 2019-20

	2016/17 Revised Budget	2017/18 Revised Budget	2018/19 Proposed Budget	2019/20 Proposed Budget	Total Project Cost (inc prior years)
	£000	£000	£000	£000	£000
<b>Other Projects</b>					
Artemis Fleet Management					65
Bassetlaw/Broxtowe ANPR provision	25				25
Chief Officer Team vehicles	30				92
Firearms Cabinets & Access Storage	50				50
Northern Property Store Increased Storage	300				300
	405	0			532
Potential Programme in future years subject to BC			4,000	4,000	8,000
<b>Total Programme</b>	8,018	3,575	4,000	4,000	20,543



**The Nottinghamshire Office of the Police & Crime  
Commissioner**

**Treasury Management Strategy Statement**  
Minimum Revenue Provision Policy Statement and  
Annual Investment Strategy

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2016-2017

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# 1. INTRODUCTION

## 1.1 Background

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

The second main function of the treasury management service is the funding of the Commissioner's capital plans. These capital plans provide a guide to borrowing need, and longer term cash flow planning to ensure that the The Commissioner's Office can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans. If advantageous debt previously borrowed may be restructured to meet The Commissioner's Office risk or cost objectives.

The responsible officer for treasury management is Chief Finance Officer to the Police & Crime Commissioner (CFO).

CIPFA defines treasury management as:

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

## 1.2 Reporting requirements

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

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

- the capital plans, prudential indicators and borrowing plans.
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time).

- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators.
- an investment strategy (the parameters for managing investments )

**A mid-year treasury management report** – This will update the Commissioner with the capital position regarding capital, and amend prudential indicators as necessary. It also monitors whether the treasury activity is meeting the strategy and whether any policies require revision.

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

### **Scrutiny**

The responsibility for scrutiny lies with the Commissioner supported by the Audit and Scrutiny Panel. The above reports are reviewed at the Strategic Resources and Performance meetings of the Commissioner.

## **1.3 Treasury Management Strategy for 2016-17**

The strategy covers two main areas:

### **Capital issues**

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

### **Treasury management issues**

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

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

## **1.4 Training**

The CIPFA Code requires that the responsible officer ensures that relevant personnel receive adequate training in treasury management. This especially applies to the Commissioner who is responsible for scrutiny. Training for the Commissioner was delivered in March 2014 and the Chief financial Officer to the Commissioner (CFO) has attended relevant seminars during the year. The training needs of treasury management officers are periodically reviewed.

## **1.5 Treasury management consultants**

The The Commissioner's Office uses Capita Asset Services, Treasury solutions as its external treasury management advisors.

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

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



## 2. THE CAPITAL PRUDENTIAL INDICATORS 2015-16 – 2018-19

The Commissioner's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in prudential indicators, to give an overview and confirm capital expenditure plans.

### 2.1 Capital expenditure

This prudential indicator is a summary of the Commissioner's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

The Commissioner is asked to approve the capital expenditure forecasts, excluding other long term liabilities, such as Private Finance Initiatives (PFI) and leasing arrangements, which already include borrowing instruments.

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

<b>Capital Expenditure £m</b>	<b>2014-15 Actual</b>	<b>2015-16 Estimate</b>	<b>2016-17 Estimate</b>	<b>2017-18 Estimate</b>	<b>2018-19 Estimate</b>	<b>2019-20 Estimate</b>
Capital Programme	10.464	11.636	12.018	3.575	4.000	4.000
<b>Financed by:</b>						
Capital receipts	-1.552	-1.369	-2.149	-3.054	0.000	0.000
Capital grants	-1.767	-1.448	-0.869	-0.521	0.000	0.000
Capital contributions	-2.033	-1.300	0.000	0.000	0.000	0.000
Internal resources	0.000	0.000	0.000	0.000	0.000	0.000
<b>Net financing need</b>	<b>5.112</b>	<b>7.519</b>	<b>9.000</b>	<b>0.000</b>	<b>4.000</b>	<b>4.000</b>

### 2.2 The Commissioners borrowing need (Capital Financing Requirement)

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

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

The CFR includes any other long term liabilities (e.g. PFI schemes and finance leases). Whilst these increase the CFR, and therefore the borrowing requirement, these types of scheme include a borrowing facility and so the Commissioner is not required to separately borrow for these schemes.

The Commissioner is asked to approve the CFR projections below:

£m	2014-15 Actual	2015-16 Estimate	2016-17 Estimate	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate
<b>Capital Financing Requirement</b>						
<b>Total CFR</b>	52.717	58.095	64.261	60.899	61.578	61.298
<b>Movement in CFR</b>	-	5.378	6.166	-3.362	0.680	-0.280

<b>Movement in CFR represented by</b>						
£m	2014-15 Actual	2015-16 Estimate	2016-17 Estimate	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate
Net financing need for the year (above)	-	7.519	9.000	0	4.000	4.000
Less MRP/VRP and other financing movements	-	-2.141	-2.834	-3.362	-3.320	-4.280
<b>Movement in CFR</b>	-	5.378	6.166	-3.362	0.680	-0.280

N.B. The code does not require the reporting of downward estimated movements to CFR but information is included for completeness.

## 2.3 Minimum Revenue Provision (MRP) policy statement

The Commissioner's Office is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP). Additional voluntary payments are also allowed. (voluntary revenue provision - VRP).

Communities and Local Government regulations have been issued which require the Commissioner to approve an MRP Statement in advance of each year. A variety of options are available to the Commissioner, as long as there is a prudent provision.

### ***The Commissioner is recommended to approve the following MRP Statement:***

The Commissioner will set aside an amount for MRP each year, which is deemed to be both prudent and affordable. This will be after considering statutory requirements and relevant guidance from the DCLG

Repayments included in annual PFI or finance leases are applied as MRP.

## 2.4 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either capital finance or revenue purposes will reduce investments unless replaced by asset sales or revenue underspend. Detailed below are estimates of the year end resource balances and anticipated daily cashflow balances.

	2014-15 Actual	2015-16 Estimate	2016-17 Estimate	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate
Fund balances / reserves	23.247	14.956	11.429	11.464	14.500	17.535
Capital receipts	1.369	2.149	3.054	0.000	0.000	0.000
Provisions	2.463	2.463	2.463	2.463	2.463	2.463
Other	-3.754	-4.155	-4.155	-4.155	-4.155	-4.155
<b>Total core funds</b>	<b>23.325</b>	<b>15.413</b>	<b>12.791</b>	<b>9.772</b>	<b>12.808</b>	<b>15.843</b>
<b>Working capital*</b>	<b>-0.872</b>	<b>-4.410</b>	<b>-5.510</b>	<b>-3.337</b>	<b>-10.037</b>	<b>-17.300</b>
<b>(Under)/over borrowing</b>	<b>-10.124</b>	<b>-7.003</b>	<b>-3.281</b>	<b>-2.435</b>	<b>1.229</b>	<b>5.457</b>
<b>Expected investments</b>	<b>12.329</b>	<b>4.000</b>	<b>4.000</b>	<b>4.000</b>	<b>4.000</b>	<b>4.000</b>

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

## 2.5 Affordability prudential indicators

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

***The Commissioner is requested to approve the following indicators:***

## 2.6 Ratio of financing costs to net revenue stream

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

%	2014-15 Actual	2015-16 Estimate	2016-17 Estimate	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate
Ratio	1.9	1.8	2.4	2.8	2.8	3.5

The estimates of financing costs include commitments and a reasonable assessment of forthcoming capital proposals.

## **2.7 Incremental impact of capital investment decisions on council tax**

This indicator identifies the revenue costs associated with a reasonable assessment of forthcoming capital proposals, compared to the Commissioners existing approved commitments and current plans. The assumptions are based on current plans, but will invariably include some estimates, such as the level of Government support, which is not published over a three year period.

### **Incremental impact of capital investment decisions on the band D council tax**

<b>£</b>	<b>2015-16 Estimate</b>	<b>2016-17 Estimate</b>	<b>2017-18 Estimate</b>	<b>2018-19 Estimate</b>	<b>2019-20 Estimate</b>
Ratio	0.97	2.83	3.82	4.28	5.03

### 3. BORROWING

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

£m	2014-15 Actual	2015-16 Estimate	2016-17 Estimate	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate
<b>External Debt</b>						
Debt at 1 April	31.689	39.732	48.231	58.119	55.603	59.946
New Borrowing	12.000	17.068	13.908	1.659	5.677	5.178
Borrowing repaid	-3.957	-8.569	-4.020	-4.175	-1.334	-1.230
Movement in borrowing	8.043	8.499	9.888	-2.516	4.343	3.948
<b>Debt as at 31 March</b>	<b>39.732</b>	<b>48.231</b>	<b>58.119</b>	<b>55.603</b>	<b>59.946</b>	<b>63.894</b>
Capital Financing Requirement	52.717	58.095	64.261	60.899	61.578	61.298
Other long-term liabilities (OLTL)	-2.861	-2.861	-2.861	-2.861	-2.861	-2.861
Underlying Borrowing Need	49.856	55.234	61.400	58.038	58.717	58.437
<b>Under / (over) borrowing</b>	<b>10.124</b>	<b>7.003</b>	<b>3.281</b>	<b>2.435</b>	<b>-1.229</b>	<b>-5.457</b>
<b>Investments</b>						
Investments	12.329	4.000	4.000	4.000	4.000	4.000
Change in Investments	-3.273	-8.329	0.000	0.000	0.000	0.000
<b>Net Debt</b>	<b>27.403</b>	<b>44.231</b>	<b>54.119</b>	<b>51.603</b>	<b>55.946</b>	<b>59.894</b>

### 3.2 Current portfolio position

The Commissioners treasury portfolio position at March 2016, with forward projections is summarised below. The table shows the actual external debt against the underlying capital borrowing need (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.

Operational boundary £m	2015-16 Estimate	2016-17 Estimate	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate
Total	65.000	70.000	70.000	70.000	75.000

Within the prudential indicators there are a number of key indicators to ensure that activities operate within well defined limits. One of these is that the Commissioner needs to ensure that its gross debt does not (except in the short term), exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2015-2016 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The CFO reports that this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

### 3.3 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR.

The authorised limit for external debt. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Commissioner. 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.

***The Commissioner is requested to approve the following authorised limit:***

Authorised limit £m	2015-16 Estimate	2016-17 Estimate	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate
Total	75.000	80.000	80.000	80.000	85.000

### 3.4 Prospects for interest rates and economic background

The Commissioner's Office has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Commissioner to formulate a view on interest rates. The table below gives Capita's view (November 2015).

	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
01 December 2015	0.5	2.0	3.3	3.3
01 March 2016	0.8	2.6	4.0	4.0
01 June 2016	1.0	2.8	4.2	4.2
01 September 2016	1.0	2.9	4.3	4.3
01 December 2016	1.3	3.0	4.4	4.4
01 March 2017	1.3	3.2	4.5	4.5
01 June 2017	1.5	3.3	4.6	4.6
01 September 2017	1.8	3.4	4.7	4.7
01 December 2017	1.8	3.5	4.7	4.7
01 March 2018	2.0	3.6	4.8	4.8

UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country. The 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to still be positive. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a rebound in quarter 2 to +0.7% (+2.4% y/y) before weakening again to +0.5% (2.3% y/y) in quarter 3. The November Bank of England Report included a forecast for growth to remain around 2.5 – 2.7% over the next three years. This is influenced by strong consumer demand buoyed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero since February 2015 this year. Investment expenditure is also expected to support growth. However, worldwide economic statistics have distinctly weakened and the forecast was tempered by concerns for the potential impact on the UK.

The Inflation Report was notably subdued in respect of the forecasts for inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. However, once the falls in oil, gas and food prices over recent months fall out of the 12 month calculation of CPI, there will be a sharp increase from the current zero rate to around 1 percent in the second half of 2016. There is considerable uncertainty around how quickly inflation will rise in the next few years

and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate.

The American economy made a strongly improved after a weak first quarter's growth at +0.6% (annualised), to 3.9% in quarter 2 of 2015. It weakened again to 2.1% in quarter 3. The negative news in late August and in September about Chinese and Japanese growth and the knock on impact on emerging countries that are major commodity suppliers was the main reason for the Fed's decision at its September meeting to postpone a rate increase. However, the nonfarm payrolls figure for growth in employment in October was very strong and, together with a perception that global concerns have subsided, and this led to an increase of 0.25% in December.

In the Eurozone, the ECB announced in January 2015 a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.0% y/y) and +0.4% (+1.5% y/y) in quarter 2 and +0.3% in quarter 3. However, the recent negative Asian results have raised questions as to whether the ECB will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

During July, Greece finally capitulated to EU demands to implement a major programme of austerity and is now cooperating fully with EU demands. An €86bn third bailout package has since been agreed though it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the resistance of the Government to EU demands. The surprise general election in September gave the encumbeent Syriza government a mandate to stay in power to implement austerity measures. There remains major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so Greek exit from the euro may only have been delayed by this latest bailout.

- Investment returns are likely to remain relatively low during 2016/17 and beyond;
- Borrowing interest rates have been volatile during 2015 as alternating bouts of good and bad financial data have promoted optimism, and then pessimism, in financial markets. Gilt yields have continued to remain at historically low levels during 2015. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully monitored to avoid incurring higher borrowing costs in later times to



finance new capital expenditure and/or to refinance maturing debt. Balanced against this is the cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

### **Treasury Management limits on activity**

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

The indicators are:

Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments

Upper limits on fixed interest rate exposure. This gives a maximum limit on fixed interest rates;

Maturity structure of borrowing. These gross limits are sets a limit to reduce the exposure to large fixed rate sums falling due for refinancing, for both upper and lower limits.

***The Commissioner is requested to approve the following treasury indicators and limits:***

£m	2016-17	2017-18	2018-19	2019-20
<b>Interest rate exposures</b>				
	Upper	Upper	Upper	Upper
<b>Limits on fixed interest rates based on net debt</b>	100%	100%	100%	100%
<b>Limits on variable interest rates based on net debt</b>	100%	100%	100%	100%
<b>Limits on fixed interest rates:</b>				
• Debt only	100%	100%	100%	100%
• Investments only	100%	100%	100%	100%
<b>Limits on variable interest rates</b>				
• Debt only	50%	50%	50%	50%
• Investments only	100%	100%	100%	100%
<b>Maturity structure of fixed interest rate borrowing 2016-2017</b>				
	<b>Lower</b>		<b>Upper</b>	
Under 12 months	0%		30%	
12 months to 2 years	0%		40%	
2 years to 5 years	0%		50%	
5 years to 10 years	0%		70%	
10 years and above	0%		100%	

### **3.5 Policy on borrowing in advance of need**

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

Borrowing in advance will be made within the following constraints:

- It will be limited to no more than 50% of the expected increase in borrowing need (CFR) over the three year planning period; and
- Would not look to borrow more than 18 months in advance of need.

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

### **3.6 Debt rescheduling**

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

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

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

### **3.7 Municipal Bond Agency**

It is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to Local Authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board

(PWLB). The Commissioner intends to make use of this new source of borrowing as and when appropriate.

## **4. ANNUAL INVESTMENT STRATEGY**

### **4.1 Investment Policy**

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

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

The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these "uplifts" with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have "netted" each other off, to leave underlying ratings either unchanged or little changed. A consequence of these new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody's) Financial Strength rating withdrawn by the agency.

In keeping with the agencies' new methodologies, the rating element of our own credit assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used for Standard & Poor's, this has been a change in the use of Fitch and Moody's ratings. It is important to stress that the other key elements to our process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay have not been changed.

The evolving regulatory environment, in tandem with the rating agencies' new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. Where through the crisis, clients typically assigned the highest sovereign rating to their criteria, the new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. While this authority understands the changes that have taken place, it will continue to specify a minimum sovereign rating of AA-. This is in relation to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

It is important to stress that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution. They are merely reflective of a reassessment of rating agency methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In fact, in many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now. However, this is not universally applicable, leaving some entities with modestly lower ratings than they had through much of the "support" phase of the financial crisis.

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

## **4.2 Creditworthiness policy**

The primary principle governing the Commissioner's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, The Commissioner will ensure that:

- It 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

- 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 procedures also apply to the prudential indicators covering the maximum principal sums invested.

- 

The CFO will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to the Commissioner 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.

The minimum rating criteria has applied the lowest common denominator method of selecting counterparties and applying limits. This meant that the application of the Commissioners minimum criteria would apply to the lowest available rating for any institution. It is considered that by applying the highest available criteria would not significantly increase risk but may widen the pool of available counter parties. Credit rating information is supplied by Capita Asset Services our treasury consultants, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum Commissioner criteria will be suspended from use, with all others being reviewed in light of market conditions. As the banking sector has stabilised a slight relaxation of the counterparty criteria is proposed. This will still give quality counterparties while increasing the opportunities to invest. Where a change is proposed the existing criteria is shown in brackets.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

- Banks 1 - good credit quality – the Commissioner will only use banks which:
  - are UK banks; and/or
  - and have as a minimum the following Fitch, Moody's and Standard and Poors credit ratings (where rated):
    - Short term – F1
    - Long term – A-

- Banks 2 – Part nationalised UK banks – Lloyds Banking Group and Royal Bank of Scotland. These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.
- Banks 3 – The Commissioners own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- Bank subsidiary and treasury operation -. The Commissioner will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.

**The above are limited to £5m for up to 3 months under current market conditions. Where the financial markets start to make an improvement the duration of the investment can be increased with the CFO's prior approval, under delegated powers, to no more than 12 months.**

**Where the Bank is A rated (long term) this is limited to £3m (previously £2m) for up to 100 days.**

- Building societies will be used if it meets the ratings for banks outlined above.
- Money market funds with instant access – Limited to £7m in any one MMF, with delegated authority for the CFO to approve temporary increase to £10m.
- Enhanced money market funds with up to 7 day notice access - Limited to £3m in any one MMF, with delegated Authority for the CFO to approve temporary increase to £5m.
- UK Government (including gilts and the DMADF) - up to a limit of £10m up to 12 months.
- Local authorities, parish councils, other Police & Crime Commissioners etc - Limited to £5m with each for up to 2 years. The CFO under delegated authority can extend either the duration or the financial limit in specific cases.

**Country and sector considerations** - Due care will be taken to consider the country, group and sector exposure of the Commissioners investments. In part, the country selection will be chosen by the credit rating of the sovereign state in Banks 1 above. In addition:

- no more than 25%/£5m will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

**Use of additional information other than credit ratings.** Additional requirements under the Code require the Commissioner to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

**Time and monetary limits applying to all investments.** The time and monetary limits for institutions on the Commissioners counterparty list are as follows .

	Fitch Long term Rating (or equivalent)	Money and/or % Limit	Time Limit
Banks 1 higher quality	AAA	£5m	1 yr
Banks 1 medium quality	AA-	£5m	1 yr
Banks 1 medium/lower quality	A	£4m	6 month
Banks 1 Lower quality	A-	£3m (£2m)	100 days
Banks 2 – part nationalised	N/A	£5m	1yr
Banks 3 category – Commissioners banker (not meeting Banks 1)	AA	£5m	1 day
UK Govt - DMADF	AAA	Unlimited	6 months
Local authorities	N/A	£5m	2 yr
Enhanced money market funds with instant access	AAA	£5-10m	liquid
Enhanced money market funds with notice	AAA	£3-5m	liquid

***The Commissioner is requested to approve changes to the counterparty criteria as follows:***

- ***To use the highest available rating instead of the lowest common denominator.***
- ***To increase the value of investments in A- banks from £2 million to £3 million***



### 4.3 Country Limits

The Commissioner has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

#### Approved countries for investments -

*Based on lowest available rating*

AAA	AA	A	AA-
Australia Canada Denmark Germany Luxembourg Norway Singapore Sweden Switzerland	Finland Hong Kong Netherlands U.K. U.S.A.	Abu Dhabi (UAE) France Qatar	Belgium Saudi Arabia

### 4.4 Investment Strategy

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

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

- 2016-2017 1.00%
- 2017-2018 1.75%
- 2018-2019 2.00%

There are downward and upward risks to these forecasts but overall the main risk is that increases in Bank Rate occurs later.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next eight years are as follows:

- 2016-2017 0.90%
- 2017-2018 1.50%
- 2018-2019 2.00%
- 2019-2020 2.25%
- 2020-2021 2.50%
- 2021-2022 3.00%
- 2022-2023 3.00%
- Later years 3.00%

Because of the risk of interest rates not rising as quickly as indicated a lower rate will be used in the budgets.

**Investment treasury indicator and limit** - total principal funds invested for greater than 364 days. These limits are set with regard to liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

***The Commissioner is requested to approve the treasury indicator and limit:***

Maximum principal sums invested > 364 days				
£m	2015-16	2016-2017	2017-2018	2018-2019
Principal sums invested > 364 days	5.000	5.000	5.000	5.000

For its cash flow generated balances, the The Commissioner's Office will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

#### **4.5 Investment Risk Benchmarking**

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report.

**Security** - The Commissioners maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.06% historic risk of default when compared to the whole portfolio.

**Liquidity** – in respect of this area the Commissioner seeks to maintain:

- Bank overdraft - £0.5m maximum
- Liquid short term deposits of at least £2.0m available on instant access.
- Weighted average life benchmark is expected to be 1 month, with a maximum of 6 months.

**Yield** - local measures of yield benchmarks are:

- Investments – internal returns above the 7 day LIBID rate

#### **4.6 End of year investment report**

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

## **5. THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER**

The S151 (responsible) officer is the Chief Financial Officer to the Commissioner. ( CFO ) is responsible for the following:

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



<b>Consideration</b>	
<b>Public/Non Public</b>	<b>Public</b>
<b>Report to:</b>	<b>Audit and Scrutiny Panel</b>
<b>Date of Meeting:</b>	<b>11 February 2016</b>
<b>Report of:</b>	<b>The Chief Executive</b>
<b>Report Author:</b>	<b>Alison Fawley</b>
<b>E-mail:</b>	<a href="mailto:alison.fawley@nottsc.gov.uk">alison.fawley@nottsc.gov.uk</a>
<b>Other Contacts:</b>	
<b>Agenda Item:</b>	<b>14</b>

## **PANEL WORK PLAN AND MEETING SCHEDULE**

### **1. Purpose of the Report**

- 1.1 To provide the Panel with a programme of work and timetable of meetings

### **2. Recommendations**

- 2.1 To consider and make recommendations on items in the work plan and to note the timetable of meetings

### **3. Reasons for Recommendations**

- 3.1 To enable the Panel to manage its programme of work.

### **4. Summary of Key Points**

- 4.1 The Panel has a number of responsibilities within its terms of reference. Having a work plan for the Panel ensures that it carries out its duties whilst managing the level of work at each meeting.

### **5. Financial Implications and Budget Provision**

- 5.1 None as a direct result of this report

### **6. Human Resources Implications**

- 6.1 None as a direct result of this report

### **7. Equality Implications**

- 7.1 None as a direct result of this report

### **8. Risk Management**

- 8.1 None as a direct result of this report

## **9. Policy Implications and links to the Police and Crime Plan Priorities**

- 9.1 This report meets the requirements of the Terms of Reference of the Panel and therefore supports the work that ensures that the Police and Crime Plan is delivered.

## **10. Changes in Legislation or other Legal Considerations**

- 10.1 None as a direct result of this report

## **11. Details of outcome of consultation**

- 11.1 None as a direct result of this report

## **12. Appendices**

- 12.1 Work Plan and schedule of meetings

## JOINT AUDIT AND SCRUTINY PANEL WORK PLAN

30 June 2016			
1	Election of Chair		
2	(5) IPCC investigations, recommendations and actions (October - March)	6 monthly	Force
3	(36) Force Improvement Activity Lessons Learned monitoring, IPCC lessons learned report (April – September)	6 monthly	Force
4	(6) & (7) Whistle Blowing Policy and review of compliance (October - March) and Anti-Fraud and Corruption Policy - review of compliance update (October - March)	6 monthly	Force & OPCC
5	(35) Force Governance monitoring, assurance and improvement outcomes for decision making	6 monthly	Force
6	External Audit Annual Audit letter	Annually	OPCC CFO
7	Verbal update on regional assurance work	Annually	OPCC CFO
8	(11) Draft Audit Plan (Annual internal audit strategy and audit plan)	Annually	
9	(10) & (42) Force, PCC and Regional draft Annual Governance Statements	Annually	OPCC & Force
10	(39) Internal Audit Annual Assurance and Performance Report	Annually	OPCC CFO
11	(23 & 24) Statement of Accounts and Summary Statement of Accounts - <b>DRAFT</b>	Annually	OPCC & Force
12	Police and Crime Plan 6 month monitoring report	6 monthly	OPCC
	<b>Standard items:-</b>		
	Updates on scrutiny and other reviews	As required	OPCC & Force
	PCC Update report	Quarterly	OPCC
	(12) & (40) Internal Audit Progress Report	Quarterly	OPCC CFO
	(40) Audit & Inspection Report	Quarterly	ACO Resources



**15 September 2016**

1	<b>(23 &amp; 24)</b> Statement of Accounts and Summary Statement of Accounts	Annually	OPCC & Force
2	<b>(10 &amp; 42)</b> Annual Governance Statements	Annually	OPCC & Force
3	External Audit – Annual Governance report	Annually	OPCC CFO
4	<b>(43)</b> Risk report on monitoring and actions for mitigation update	6 monthly	OPCC & Force
5	Regional Collaboration Update	Annually	Force
6	HMIC Inspections and Recommendations	Annually	OPCC
7			
	<b>Standard items:-</b>		
	Updates on scrutiny and other reviews	As required	OPCC & Force
	PCC Update report	Quarterly	OPCC
	<b>(12) &amp; (40)</b> Internal Audit Progress Report	Quarterly	OPCC CFO
	<b>(40)</b> Audit & Inspection Report	Quarterly	ACO Resources