

**OFFICE OF THE NORTHAMPTONSHIRE POLICE AND CRIME COMMISSIONER  
&  
NORTHAMPTONSHIRE POLICE**

**JOINT INDEPENDENT AUDIT COMMITTEE  
11th September 2017 at 10.00am to 14.00pm**

**Greenwell Room, Wootton Hall, Northampton, NN4 0JQ**

**If you should have any queries in respect of this agenda, please contact Emily  
Evans on 03000 111 222 Ext 343437**

Members of the public, with the permission of the Chair of the Committee, may ask questions of members of the Committee, or may address the Committee, on an item on the public part of the agenda.

***Further details regarding the process for asking questions or making an  
address to the Committee are set out at the end of this agenda notice***

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<b>AGENDA</b>			
	Private Meeting of Committee Members with the Auditors (if required)	JB	09-45
1	Apologies for non- attendance	JB	10-00
2	Declarations of Interests	Members	10-05
3	Finance Update including an update on implementing the Finance Review	PD	10-05
4	Final Accounts / AGS / ISA 260	PD	10-20
5	External Audit – progress report	AC	10-35
6	Force Strategic Risk Register	RB	10-40
7	OPCC Strategic Risk Register	MS	10-45
8	Internal Audit – progress report	BW	10-50
9	Implementation of Audit Recommendations	RB	10-55
10	Announcements from the Chair a) Updates from JIAC members b) Other	JB	11-00
11	Minutes and Matters Arising from the previous meeting	JB	11-05
12	Matters Arising Action Log	JB	11-15
13	OPCC and CC governance framework	MS	11-20
14	Decision making protocol	JB	11-30
15	Estates Strategy	MS	11-40
16	Capital Programme incorporating the Estates Strategy	PD	11-50
17	Treasury Management (outturn 2016/17 and strategy for 2017/18)	PD	11-55
18	Reserves Policy including simplifying reserves	PD	12-05
19	MTFP	PD	12-10
20	Items to record / report to PCC + CC	JB	12-15
21	Forward Plan - updated	JB	12-20
22	OPCC Delivery Plan	MS	12-30
23	Agenda Plan for the next four meetings	JB	12-45
24	Date and venue of next meeting	JB	13-00

<b>AGENDA</b>			

25	<p>Such other business by reason of the special circumstances to be specified, the Chair is of the opinion is of sufficient urgency to warrant consideration.</p> <p><b><i>(Members who wish to raise urgent business are requested to inform the Chairman beforehand).</i></b></p>	JB	13-05
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26	<p>Resolution to exclude the public</p>	JB	13-15
	<p>Items for which the public be excluded from the meeting:</p> <p>In respect of the following items the Chair may move the resolution set out below on the grounds that if the public were present it would be likely that exempt information (information regarded as private for the purposes of the Local Government Act 1972) would be disclosed to them:</p> <p><i>“That under Section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that if the public were present it would be likely that exempt information under Part 1 of Schedule 12A of the Act of the descriptions against each item would be disclosed to them”.</i></p>		
27	Confidential items – any		

***Further details regarding the process for asking questions or making an address to the Committee***

**i. General**

Members of the public, with the permission of the Chair of the Committee, may ask questions of members of the Committee, or may address the Committee, on an item on the public part of the agenda.

**ii. Notice of questions and addresses**

A question may only be asked or an address given if notice has been given by delivering it in writing or by electronic mail to the Monitoring Officer no later than noon two working days before the meeting.

**Notice of questions or an address to the Committee should be sent to:**

Emily Evans  
Office of the Police and Crime Commissioner  
West Wing  
Police HQ  
Wootton Hall  
NORTHAMPTON  
NN4 0JQ

*or by email to:*  
*Emily.Evans@northantspcc.pnn.police.uk*

Each notice of a question must give the name and address of the questioner and must name the person to whom it is to be put, and the nature of the question to be asked. Each notice of an address must give the name and address of the persons who will address the meeting and the purpose of the address.

**iii. Scope of questions and addresses**

The Chair of the Committee may reject a question or address if it:

- Is not about a matter for which the Committee has a responsibility or which affects Northamptonshire;
- is defamatory, frivolous, offensive or vexatious;
- is substantially the same as a question which has been put or an address made by some other person at the same meeting of the Committee or at another meeting of the Committee in the past six months; or
- requires the disclosure of confidential or exempt information.

***Continued overleaf ...***

***Further details regarding the process for asking questions or making an address to the Committee (continued)***

**iv. Asking the question or making the address at the meeting**

The Chair of the Committee will invite the questioner to put the question to the person named in the notice. Alternatively, the Chair of the Committee will invite an address to the Committee for a period not exceeding three minutes. Every question must be put and answered without discussion but the person

to whom the question has been put may decline to answer it or deal with it by a written answer. Every address must be made without discussion.

**v. The Members of the Committee are:**

Mr J Beckerleg (Chair of the Committee)

Ms G Scoular

Mr M Pettitt

Mr A Knivett

**Martin Scoble**

**CHIEF EXECUTIVE & MONITORING OFFICER**

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COMMUNITY JUSTICE SECURITY



## July 2017 Report by the Chief Constable and the Head of Finance

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**Subject:** Revenue 2017/18 ear report

**Recommendations:** The PCC is asked to note:

- (i) the report
- (ii) the proposed use of carry-forwards
- (iii) the proposed use of other reserves
- (iv) the forecast capital position

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### **1.0 PURPOSE OF THE REVENUE REPORT**

1.1 *This report provides the Police and Crime Commissioner (PCC) with a forecast outturn for revenue expenditure of the Force for the year 2017/18.*

### **2.0 SUMMARY OF THE FINANCIAL POSITION**

2.1 *Table 1 shows the forecasted outturn position for the financial year. Explanations of notes 1 to 7 contains highlights of potential reductions in expenditure that could reduce this overspend slightly.*

*Table 1 - The 4<sup>th</sup> Month outturn position:*

Force Revenue Budget	Full year	Projected	Note
	Budget	Year end Variance	
	£m	£m	
Police Pay	66.9	-0.003	1
Crime & Local Policing	8.25	0.025	2
Operational Support	10.93	0.18	3
Transformational Programme	0.6	0.104	4
Business Support	18.51	-0.496	5
Collaboration and Regional	7.76	0.28	6
Other	2.71	-0.284	7
<b>Total</b>	<b><u>115.66</u></b>	<b><u>-0.194</u></b>	

- 2.2 *The budget provision for Police Officers is based on an average establishment of 1,239\* during 2017/18 (\*excluding 19 student officers posts). The Service Delivery Model (SDM) phase 1 is due to be completed in October. This process is reviewing the workforce mix of all Staff, Officers and PCSO's to ensure the optimum resourcing mix to meet demand and deliver the most effective and efficient service to Northamptonshire with the resources available.*
- 2.3 *The projected position for the end of July before transfers to/ from Reserves is £0.194m underspend. A negative change of £0.115m. There remains. However, within this figure there are significant variances and are detailed Appendix 1 in the report. The headline projected outturn figure of £0.194m is a net position. The split between over and under spend budget areas are as follows:*

<i>Overspend Budgets value</i>	<i>£1.433m</i>
<i>Underspend Budget value</i>	<i>£1.627m</i>
<i>Net</i>	<i>£0.194m underspend</i>

*The logical conclusion is that if budgets are expended as predicted throughout the financial year the £1.627m current projection of underspending budgets will be reduced significantly. If we assume that the overspend elements remain the same with the Force expend half of the current underspend and the overspend remain consistent, this would result in a revised outturn of £0.620m overspent.*

- 2.4 *After accounting of the in-year use of reserves of £0.095m, the net forecast underspend is projected to be £0.99m. However, as documented above, this could be somewhat of a false picture.*
- 2.5 *There will be call on a number of operational revenue requirements which will significantly impact. For example, there will continue to be a legitimate*

call on both the Estates and Transport revenue and these alone account for £0.380m of the projected underspending elements of the budget.

- 2.6 *At this stage of the financial year we have completed 4 months one quarter of the budget. Whilst we know that both the Transport and the Estates budget will consume their budget in excess of the current projections, it is unclear at what rate and as a consequence the projected overspend will increase. But I would anticipate the budget overspend to be in the region of £0.400m to £0.500m. As we progress through the financial year these projections will become clearer.*

### 3.0 **Budget analysis by Note**

*Detailed explanation and analysis of the Force budget as shown in Table 1 above. Please note, within the individual notes of this report there is a continuation of the 1<sup>st</sup> quarter reporting disclosure which continues to document the risk analysis of that particular budget. In addition, where applicable against each Note number / Budget area there are action point(s). Last revenue report there were a number of actions which the finance function are working on and as such will not be reported in this report. However if there are any these will be documented in this report.*

#### 3.1 **Note 1- Police Officers Pay and SDM Pay Budget**

*The projected police pay budget is £51.365m and the current projected outturn position is £0.494m underspend. However, this excludes the SDM revenue budget of £0.574m; this is projected to be overspend by £0.426m; that is, a net underspend of £0.068m*

*Whilst Finance have had initial discussions with Andrew Wilson (AW) regarding the SDM project timetable; the risk to the organisation with regard to the successful SDM implementation and the work pressures regarding completion and Oracle Fusion implementation remains the case. This will continue to be an issue and*

*It is essential that SDM funding is met from the existing approved revenue budget whilst also meeting the agreed savings target.*

*It is recognised however, there will be a time lapse between projected reductions in police officer pay budget with a corresponding expectation that the SDM cost will be in equilibrium. Currently, the net outturn position stands at £0.068m underspend; an improvement of £0.004m. However, this has to be carefully managed and reported upon. It is understood that*

*The workforce mix of all Staff, Officers and PCSO's must continue to be reviewed in alignment to the approved SDM business case and dependent upon timing of recruitment, retirements and resignation a 0.1% shift in assumptions could change the forecast by £0.1m.*

*The Police Pensions overspend is expected to be £0.065m; an adverse variance of £0.050m from last months report*

#### **RISK – Very HIGH**

*It is acknowledged that SDM continues to be a significant and fundamental change to operational policing for Northant's. This is the single biggest*

*financial risk facing the Force in terms of delivering operational requirement, whilst ensuring that this delivered within the agreed Police approved pay budget of £55.134m.*

*Due to closure commitments and holidays it has not been possible to undertaken detailed monitoring on SDM. However, it is our intention to have a process that will include a requirement for a formal assurance from AW that SDM is both within budget and within the agreed timeframe. By providing a separate assurance it will reduce the risk of material adverse variance on this material pay budget.*

The Police Pensions overspend is expected to be £0.065m an adverse movement of £0.050m since June report

Action - SDM is a critical project for the Force and as a result it is proposed that Finance have regular formal meetings with AW to review progress.

**3.1.1 Note 1 – PCSOS**

*The forecast has moved to a balanced position on a budget of £3.195; a positive movement of £0.010m*

**3.1.2 Note 1 - Specials and Volunteers Pay**

*The cash limited budget is £0.500m and the projected overspend outturn position is £0.018m.*

**3.1.3 Note 1 - Seconded Officers**

*This is a 'net nil' budget in which external seconded officers are recharged. The projected cost/ income is in the region of £0.091m. There is no change from the first quarter monitoring report*

**3.2 Note 2 – Crime & Local Policing**

*The total budget £8.248m – projected adverse outturn variance £0.025m*

Out of the 5 operational service headings, 4 are projected to be overspent at year end (see appendix 1 for detail); these are:

- Intelligence Directorate is projected to £0.100m overspent on a budget of £3.994m
- County Supt Command is £0.030m overspent on a budget of £0.427m.
- Investigations are projecting an overspend of £0.039m on a budget of £2.224m
- Similarly Northampton Supt. Command is projected to be £0.129m overspend based on a total revenue budget of £0.315m.

These overspends are primarily as a result of overtime payments and training costs.

Within the current reporting process, overtime budgets are in effect 'hidden' within the crime and local policing budgets (see 3.2 for further details).

Within the Crime and Local Policing budgets there is an operational contingency budget of £0.574m; of which £0.435m has already been

committed, leaving a balance of £0.139m.

Based on historical data approximately £0.140m will be used for serious crime/ murder investigations. Crime and Local Policing has accounted for approximately £0.099m and £0.123m on costs that have been approved under the banner of contingencies.

### **RISK – HIGH**

There are significant budget overspends relating to overtime payments in particular, Northampton and County Command, which have a combined projected overspend of £0.159m on a net budget of £0.742m. This is a significant overspend based on the first 3 months of the financial year and equates to 21.4% of total budget. Therefore, if the current demand volumes continue this will become a material variance for the Force.

## **3.3 Note 3 - Operational Support**

The total budget £10.996m – the overall projected outturn underspend variance of £0.227m

Both Control Room and Justice Department budgets are projecting underspend of £0.057m and £0.155m respectively. These are mainly within staffing element of the budgets. Professional Standards are reporting a projected underspend of £0.043m.

### **RISK – Low to MEDIUM**

Currently we are projecting a net £0.227m underspend. There are three budgets which combined projected underspend of £0.255m. This underspend will reduce as vacancies are filled. However, it is unclear at this stage of the financial cycle when and at what level of the underspend will reduce over the rest of the financial year. This reduction will ultimately have net negative impact on projected outturn position.

## **3.4 Note 4 – Transformation / Change programme**

The total budget is £0.603m and the projected overspend is £0.255m.

The transformation programme has a budget of £0.252m and currently is projected to be underspend by £0.030m. The 'change team' has a budget of £0.255m and is projected to overspend by £0.285m. It is understood that historically specific staffing costs have been charged to capital projects. However, these costs can no longer be justified as capital costs (mainly Niche) and now have to be regarded as revenue charge. This has resulted in the change budget now reflecting these costs.

These costs need to be reviewed in more detail to confirm their correct revenue placement, but in the meantime, the 'Change team' now is likely to cost £0.540m for the financial year.

Going forward, it is important there is an independent financial review of the protocol on the process to identify savings as part of the 'Operation Balance' and including formal reporting throughout the financial year. This is a key work stream and the finance function needs to provide the Force with the required assurance that any proposed budgeted reductions

are both reasonable and achievable within the agreed timeframe.

### **RISK – HIGH**

The rationale for having transformation programme / change team is to identify a more efficient method of operation, but the overarching aim must be to identify savings to achieve budget savings throughout all the Force's operations (including Police operational and capital budgets).

By concentrating on a narrow spectrum within the revenue budget (as documented in the 'Saving' narrative ref 5) will have a disproportionate and unrealistic and ultimately unachievable savings target.

The Change team must accurately reflect the change programme annual revenue cost. This is a significant standing cost and by their nature have to find at least their actual cost to break even.

## **2.6 Note 5 – Business Support**

*The total budget is £18.514m and the projected underspend £0.569m.*

Business Support Departments (BSD) are currently reporting significant underspends. In particular, Estates and Facilities is £0.476m of which £0.240m relates to staffing vacancies. And remainder relates to the repair and maintenance (R. & M.) budget. However, as the OPCC finalise the Estates Strategy and this will provide a clear direction on which assets will be released and which assets will be kept.

It is expected the majority of the R & M budget will be consumed during the rest of the financial year. But at this stage there is insufficient information to establish the scale of the projected expenditure. However, it is anticipated as known commitments will reduce underspend in the months ahead and future the projections will reflect this.

Similarly the current underspend of £0.180m in the Transport Dept. is likely to reduce as the Force continue to review and where applicable replace the vehicle fleet. It is likely that this current underspend will reduce during the financial year. But at this stage it is not quantifiable.

Financial Services is projecting an underspend of £0.126m. The majority of this underspend relates to staff vacancies. Again, it is anticipated that some of these positions will be advertised later during the financial year. When interview process is instigated the projected timeframes will become clearer and the projected outturn position will reflect this.

Similarly both News and Communications and Planning are reporting underspends of £0.058m and £0.032m respectively. But Executive Support are projecting a £0.037m overspend along with information Service Department of £0.038m.

### **RISK – Low - MEDIUM**

Currently Business support budgets are projecting an underspend of £0.569m. However, in my view at this stage it is somewhat of a false picture. It is anticipated that during the financial year both staffing cost will increase and as the new estates strategy will impact on the estates budget as repairs and maintenance programme will reduce the R & M

current surplus but at this stage, it is unclear how much will be spent, but one would assume that there is no reason to assume this level of underspend will continue in the next quarter.

## 2.7 **Note 5 – Collaboration and Regional**

*The total budget is £7.755m and the projected overspend by £0.408m.* Specialist Operations is projected to be £0.173m overspend and this relates to EMOPS. At this stage of the year this is our 'worst case' scenario. It is expected that this projection will reduce materially as we are provided with additional clarity from our Police Force colleagues.

Regional Operation is projected to be overspend by £0.085m. This is an under achievement of income within Northants and is a result of operational changes within the programme.

Multi Force shared Service is projected to be overspend by £0.150m. This is as a direct result of the agreed change to the method of cost allocation based on Head Count rather than FTE's.

### **RISK – Low - MEDIUM**

It is likely that the projected cost for some of the collaboration will reduce, but at this stage in the financial year, it is unclear on the precise value. In the forthcoming months we will endeavor to receive further clarity from our collaborative colleagues.

## 2.8 **Note 7 - Other Budgets**

*There is a net variance of £0.006m reported for the 1<sup>st</sup> quarter*

There are projected overspends amounting to £0.075m (external interest £0.025m and RCCO amounting to £0.050m). Whereas there are projected underspends in legal expenses of £0.050m and external interest underspend amounting to £0.019m.

## 3.0 – In year use of Reserves

*The proposed movements to or (from) reserves are as follows;*

In Year use of Reserves	As at June £m		Net Movement £m
Additional Pension Contribution	(0.015)		(0.015)
Transfers to Insurance Reserve Commands	0.50		0.50
<b>Total</b>	0.35		0.35

## 4.0 **Pay and Budgeted Overtime position**

*The Force have an approved total overtime budget of £2.6m. The year to date overtime payments amount to £1.2 and based on a linear progression this would project total overtime cost of £2.9m; an adverse variance of £0.3 for the financial year.*

## **RISK – High**

*This continues to be a high risk of significant overspend area for the Force*

### **5.0 Savings – Operation Balance**

*The current year budget had growth of £3.36m. However, within the MFTP there will be a requirement to achieve efficiency savings in future years. Obviously the size of the savings in 2018/19 will be dependent on the projected outturn. Based on a projection of £3m saving in the revenue budget in 2018/19, it is important to have a discussion on the potential impact based on the existing budget. Based on an estimated £3.0m the percentage reduction will be 2.59% on the total net budget of £115.66m. However, if these efficiencies are concentrated on support costs alone this will account for 13.74%.*

*Therefore it is essential that there is formal determination of whether there are any elements of the revenue budget that should be excluded from this process. It is Finance view that there are no excluded budgets.*

### **6.0 Carry forwards, unallocated growth, RCCO and use of reserves**

*Revenue Contributions to Capital Outlay (RCCO) are limited to planned use of Carry Forwards, Safer Roads Team contributions to vehicle replacements*

### **7.0 Proposed Carry-forwards into 2017/18**

*The Force is not currently proposing any carry forward requests.*

### **8.0 FINANCIAL IMPLICATIONS AND VFM**

*All financial implications are detailed above and the position is post approved reserves movements.*

**Paul Dawkins**  
Force CFO

**Simon Edens**  
Chief Constable

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## **EQUALITY, DIVERSITY AND HUMAN RIGHTS IMPLICATIONS**

*None*

## **HUMAN RESOURCES IMPLICATIONS**

*None*

## **ENVIRONMENTAL IMPLICATIONS**

None

**RISK MANAGEMENT IMPLICATIONS**

SDM and Operation Balance None

**Author:** Richard Jones – Finance Consultant

**Chief Officers Portfolio Holder:** Paul Dawkins – ACO Finance & Resources

Item No	Department	Cash Limit	Profiled	Expenditure	(Under)	Perf.	Forecast	Perf.
		2017/18	Cash Limit	To Date	Overspend		Variance	
		£000	£000	£000	£000		£000	
		(1)	(2)	(3)	(4)		(5)	
<b>POLICE OFFICERS &amp; PCSOs</b>								
1	Police Pay	51,365	12,874	12,544	(330)	●	(490)	●
2	Seconded Officers	0	0	91	91	●	0	●
3	PCSOS	3,195	826	683	(143)	●	10	●
3	Specials, Cadets & Volunteers	500	252	123	(129)	●	18	●
4	SDM	574	143	0	(143)	●	426	●
4	Police Pensions	11,261	4,323	6,909	2,586	●	15	●
	<b>Total Police / PCSP/ Cadets</b>	<b>66,895</b>	<b>18,418</b>	<b>20,350</b>	<b>1,932</b>		<b>(21)</b>	
<b>CRIME &amp; LOCAL POLICING</b>								
5	Crime & Local Policing Command	714	178	150	(28)	●	(38)	●
6	County Supt Command	427	107	116	9	●	30	●
7	Northampton Supt Command	315	79	120	41	●	129	●
8	Investigation Department	2,224	555	398	(157)	●	39	●
9	Intelligence Directorate	3,994	967	439	(528)	●	100	●
10	Operations Contingency	574	143	98	(45)	●	(139)	●
	<b>Total Crime and Local policing</b>	<b>8,248</b>	<b>2,029</b>	<b>1,321</b>	<b>(708)</b>		<b>121</b>	
<b>OPERATIONAL SUPPORT</b>								
11	Operational Support Command	37	9	(62)	(71)	●	7	●
12	Specialist Operations - Income	(25)	(6)	(14)	(8)	●	21	●
13	Force Control Room	4,652	1,163	1,179	16	●	(57)	●
14	Justice Department	4,484	1,122	943	(179)	●	(155)	●
15	Niche	173	43	172	129	●	0	●
16	Prevention and Community Protection	769	192	183	(9)	●	0	●
17	Safer Roads Team	(33)	(8)	(255)	(247)	●	0	●
18	Professional Standards Dept	873	218	250	32	●	(43)	●
	<b>Total Operational Support</b>	<b>10,930</b>	<b>2,733</b>	<b>2,396</b>	<b>(337)</b>		<b>(227)</b>	
<b>TRANSFORMATION PROGRAMME</b>								
19								
20	Transformation Programme	252	0	30	30	●	(30)	●
	Change Team	255					285	
21	Service Delivery	0	0	0	0	●		●
22	Business Intelligence	96	24	35	11	●	0	●
	<b>Total Transformation / Change</b>	<b>603</b>	<b>24</b>	<b>65</b>	<b>41</b>		<b>255</b>	
<b>BUSINESS SUPPORT</b>								
23	Corporate Services	54	13	86	73	●	179	●
24	Corporate Development Dept	515	129	112	(17)	●	(5)	●
25	Planning Department	511	128	132	4	●	(32)	●
26	News & Communications	444	111	49	(62)	●	(58)	●
27	Executive Support	313	68	128	60	●	37	●
28	Information Services Department	5,728	1,387	1,872	485	●	38	●
29	Human Resources	1,505	347	360	13	●	15	●
30	Procurement Department	437	109	48	(61)	●	2	●
31	Design & Print	1	0	9	9	●	37	●
32	Financial Services Department	882	243	229	(14)	●	(126)	●
33	Estates and Facilities	5,534	1,465	1,456	(9)	●	(476)	●
34	Transport Dept	2,590	642	596	(46)	●	(180)	●
	<b>Total Business Support</b>	<b>18,514</b>	<b>4,642</b>	<b>5,077</b>	<b>435</b>		<b>(569)</b>	
35	<b>Total - Devolved Budgets</b>							
<b>COLLABORATION &amp; REGIONAL</b>								
36	Specialist Operations	651	163	236	73	●	173	●
37	Forensic Investigation	2,178	544	181	(363)	●	4	●
38	Regional Operational Collaboration	2,283	571	(109)	(680)	●	85	●
39	Regional Support Collaboration	1,141	285	35	(250)	●	(4)	●
40	Tri-Force Collaboration	332	109	30	(79)	●	0	●
41	Multi Force Shared Service	1,170	292	44	(248)	●	150	●
	<b>Total Collaboration &amp; Regional Budget</b>	<b>7,755</b>	<b>1,964</b>	<b>417</b>	<b>(1,547)</b>		<b>408</b>	
<b>OTHER</b>								
43	Other Non-Devolved Budgets	396	101	40	(61)	●	0	●
44	Redundancy resulting from Restructuring	0	0	0	0	●	0	●
45	Levies	1,220	324	122	(202)	●	0	●
46	Legal Expenses	402	101	14	(87)	●	(50)	●
47	External Interest Payable	25	6	0	(6)	●	(19)	●
48	External Interest Receivable	(59)	(15)	2	17	●	25	●
49	Insurance Account	275	69	227	158	●	0	●
50	Budgets Returned to Centre	12	67	0	(67)	●	0	●
51	Unallocated Growth Bids	0	0	0	0	●	0	●
52	Pay & Prices	440	60	0	(60)	●	0	●
53	Savings Target	0	167	0	(167)	●	0	●
54	MRP & Gains and Losses	0	0	0	0	●	0	●
55	Budget Transfer to RCCO	0	0	0	0	●	50	●
56	Revenue Contribution to Capital	0	0	0	0	●	0	●
57	Specific Govt Grants	0	0	(1,885)	(1,885)	●	0	●
	<b>Total Other</b>	<b>2,711</b>	<b>880</b>	<b>(1,480)</b>	<b>(2,360)</b>		<b>6</b>	
59	<b>Total for Managing Finance</b>	<b>115,656</b>	<b>2,844</b>	<b>(1,063)</b>	<b>(3,907)</b>		<b>(27)</b>	





## **Report to the Joint Independent Audit Committee 11 September 2017**

### **Corporate Risk Summary Report**

#### **RECOMMENDATION**

The Committee is asked to note this report.

#### **1 PURPOSE OF THE REPORT**

- 1.1 This report provides the Joint Independent Audit Committee with an update on the status of risks recorded on the Corporate Risk Register.

#### **2 OVERVIEW**

##### **2.1 Corporate Risk Register**

- 2.2 There are currently twenty one risks recorded on the Corporate Risk Register. One risk is 'Very High' sixteen risks are 'High', three are 'Medium' and one is low.

The very high risk relates to;

- the implementation of the Oracle Fusion system.

The high risks relate to;

- the capacity of the Force to deliver the change programme,
- management and control of the e-cins system,
- the systems and controls in place to support the management of detained property,
- the reduction in funding to enable the Force to prepare for population growth,
- possible damage to the fibre optic cables during building work related to the new school,
- staffing levels in the Prisoner Investigation Unit,
- staff attrition as a result of uncertainty over the Strategic Alliance and Service Delivery Model,
- the reduction in grants for 2016/17,
- staffing levels in the Corporate Communications department;
- the High Tech Crime Unit failing to achieve ISO17025 accreditation,
- an abnormal number of staff leaving the FCR coupled with increased demand affecting the level and quality of service that the FCR can deliver,
- the possible national challenge to the new Police Pensions Scheme at an employment tribunal,
- slippage to the delivery of the Emergency Services Network,
- limited capability to monitor system use,

- the upload of data from Niche to PND,
- the transportation of detained property

The medium risks relate to;

- the reduction in partners resources meaning that the Force has to perform roles on their behalf,
- the quality of data being input into Niche affecting operational decision making,
- the management of digital data.

The low risk relates to;

- implementation of the changes to the Bail Act.

### **3 STATUS OF RISKS**

#### **3.1 New Risks**

Four new risks have been opened since the last JIAC which relate to:

- The potential delay in the implementation of the Oracle Fusion system which could result in financial penalties and the loss of operational benefits.
- A number of weaknesses, identified by an internal audit, in the systems and controls in place to manage detained property.
- Potential damage to the fibre optic cables during building work on the new school which would cause a loss of key systems,
- A reduction in staffing levels, coupled with increased demand, in the Corporate Communications Department.

#### **3.2 Increasing Risks**

No risks have increased since the last JIAC.

#### **3.3 Closed Risks**

One risk has been closed since the last JIAC. This related to the implementation of Niche which is now established and any ongoing issues will be managed as business as usual.

#### **3.4 Decreasing Risks**

No risks have decreased since the last JIAC.

- 3.5 The attached Monthly Risk Summary Report shows further details and the current status of all risks recorded on the Corporate Risk Register.

#### **EQUALITY, DIVERSITY AND HUMAN RIGHTS IMPLICATIONS**

None

#### **HUMAN RESOURCES IMPLICATIONS**

None

#### **RISK MANAGEMENT IMPLICATIONS**

This is the purpose of the report.

**ENVIRONMENTAL IMPLICATIONS**

None

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**Chief Officer Portfolio Holder:** Rachel Swann, Deputy Chief Constable

**Background Papers:** Monthly Risk Summary Report – August 2017

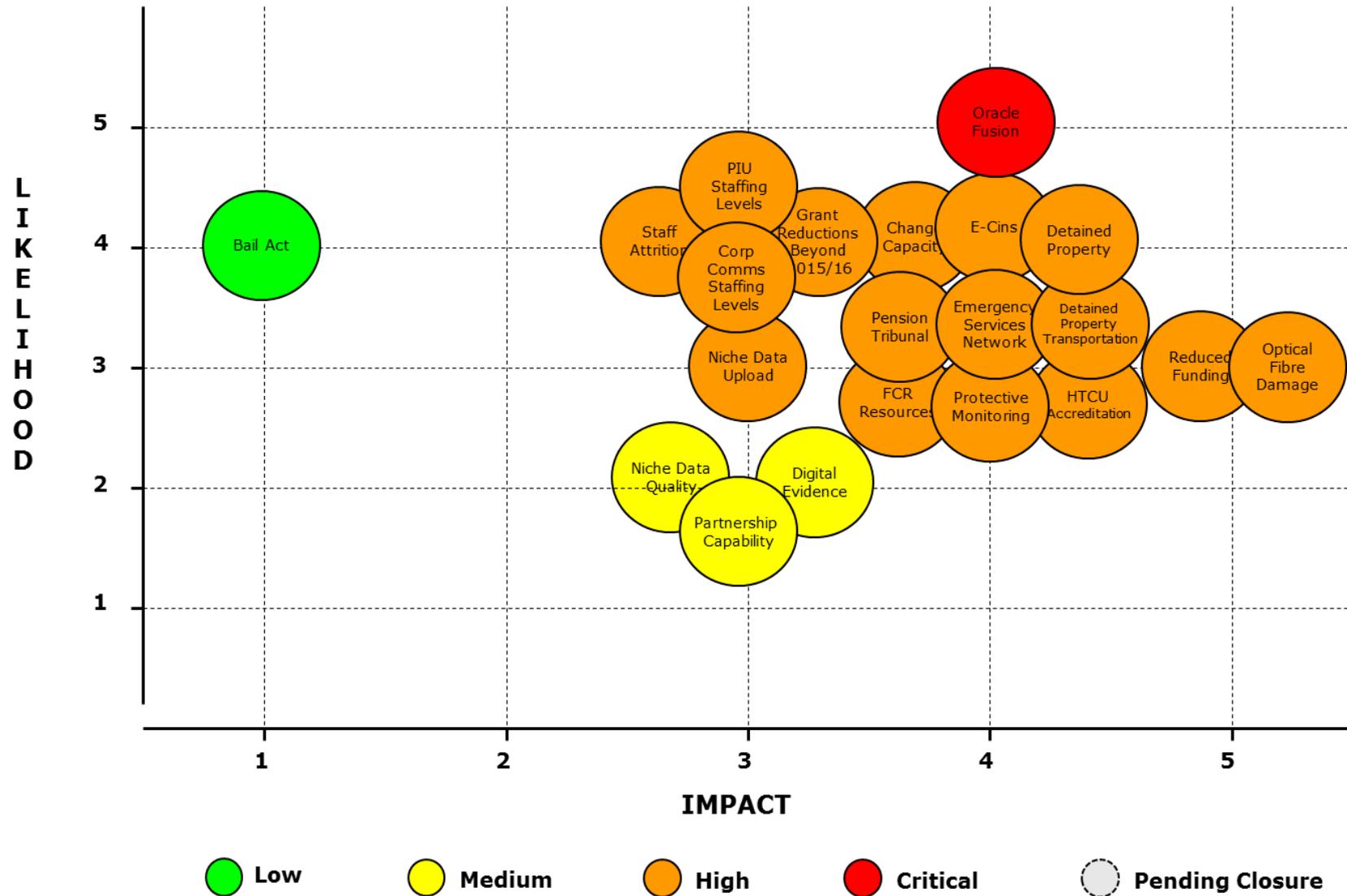


# Risk Management Monthly Summary Report

## August 2017

## Corporate Risk Register

There are currently twenty one open risks on the Corporate Risk Register. One is 'very high', sixteen are 'high', three are 'medium' and one is 'low'. The details of the Detained Property risk are excluded from this report due to operational sensitivity.



Summary details are below:-

Risk Ref.	Risk Score	L'hood	Impact	Description	Response Measures	Comments	Status
CR 96	20	4	5	The Fusion project (Op Quantum) not delivered within required timescales resulting in financial loss and a loss of operational benefits.	A three month plan has been developed by Grant Thornton to recover the current situation and enable implementation to be achieved within required timescales. The plan outlines the required level of resource and governance arrangements that will be required to successfully implement the project.	The project is currently 10-12 weeks behind schedule. No dedicated project resource currently in place in Force. No resource identified to manage BAU activity whilst staff are resourced to the project. Weak governance processes are undermining confidence in the project. Lack of buy in to the project still exists across forces. Impact of other projects has not been fully considered.	➔
CR 60	16	4	4	Reduced capacity and/or capability (i.e., financial, etc.) to deliver transformational changes that enable delivery of the force control strategy and the Police and Crime Plan could result in a failure to meet operational or financial targets.	The Change Delivery Team have restructured the programme to maximise efficiency and delivery, while increasing accountability. Some capital funds have been allocated to provide some of the needed resources. Other revenue funding options have been agreed to cover the Business Improvement Team. The SDM Full Business Case has been agreed to improve operation efficiency and effectiveness and there is a desire to proceed with a dynamic review after implementation.	There is a need to consolidate and avoid any non-essential change activity until we have landed SDM, Op Balance, Op Evolution, Oracle Fusion and the Community Safety review.	➔

Risk Ref.	Risk Score	L'hood	Impact	Description	Response Measures	Comments	Status
CR 87	16	4	4	The lack of centralised management and control of the e-cins system affects the accuracy and integrity of data held on the system leading to possible impact on investigations, non-compliance with regulations and potential reputational damage and loss of public confidence.	E-Cins is used by a number of partner agencies each of which is responsible for managing access to the system for their own users. There is currently no central oversight of user access so the Force is reliant on partners to vet, train and manage users appropriately.	Tim Driver has confirmed that through changes to the ISA to confirm that all user organisation are shared Data Controllers, and a rewording of the contract to confirm that Northants Police pay the bill on behalf of all user organisations in the County, it will be sufficient to confirm to the ICO that we are not the system owner, so will not be responsible for all data on the system. So far the ISA has been updated, but the contract is still in progress. The work to design a Programme Manager role is ongoing. The ISD System Admin team taking on responsibility for account management has been agreed and work is ongoing to introduce the arrangements. No date has yet been set for the National E-Cins User Group. 12/07/17 - No change - The role to recruit a manager for the system has yet to be advertised.	→
CR 95	16	4	4	An internal audit of the systems and controls in place to support the management of detained property identified a number of weaknesses that could lead to the loss of items and subsequent operational, financial and reputational impact.	Short term - additional resource for 6 months to address the key issues identified in the audit report. A business case to be produced for consideration by Chief Officers. Communication / training to officers on importance of correct recording and tracking of property on Niche. Long term - A more detailed business case to be prepared to outline a new operating model consistent with that recently introduced at Leicestershire.	The initial Business case to increase the establishment with 4 Property Officers for 6 months, to address the issues highlighted in the Mazars report and recent risk assessment, was agreed and the recruitment process is underway. The Change Board also agreed the independent review of Property towards a long term business case and permanent growth in the area of Property. We anticipate the review to commence in Sept/Oct.	→

Risk Ref.	Risk Score	L'hood	Impact	Description	Response Measures	Comments	Status
R 19	15	3	5	Less funding available, both from public and private sources to enable the force to prepare for population growth. Also changes in demand/ demographics from growth could result in increases followed by delayed Council Tax receipts.	The Commission is increasing council tax by 1.99%, if collection rates & the precept continues to increase & this is available to the Force to use for frontline policing, this reduces this associated risks.	Investment requirements to the Tri-Force Collaboration & delayed savings could result in pressures on ability to delivery uniform current service levels to increased demand and populous.	→
R 81	15	3	5	Building work relating to the new school accommodation at FHQ damages the optic and copper cable link to FHQ causing a loss of key systems.	Risk re-opened following decision to relocate new school to the Mereway site. This will require a further movement of the fibre optic cable to remove the risk of it being damaged during the construction work.	The order has been placed with Openreach and is being processed. We should be able to provide a high level timeline within the next three weeks.	↑
CR 93	12	4	3	A combination of decreased staffing levels and increased workload in the Prisoner Investigation Unit is making it difficult to manage caseloads leading to increased staff sickness and absence and a deterioration in service.	A review of staffing and workloads has been undertaken and meetings held with relevant departments to identify immediate solutions. Gold Group has been formed to resolve crisis level staffing. An action plan has been created identifying short and medium term actions. Financial approval has been given for recruitment of 25 additional LIO's, 6 Safeguarding Officers, 1 Risk Management Officer and 12 FTE equivalent of zero hour contract LLIO's to infill prior to the recruitment being fulfilled.	Actions taken by the Gold Group have partially established the PIU however there are still clearly inherent risks around staffing. Whilst we are in a slightly better place forward predictions show we could be back in a difficult place again with no available backfill until the FIT is advertised for. The gold group will therefore run until an undetermined date (possibly November) until FIT teams are in place and there is an uplift in staff.	→
CR 77	12	4	3	The announcement of the Strategic Alliance, subsequent ending of PBS Consultation and the development of a new Service Delivery Model places additional pressure on already under resourced departments and increases the threat of staff attrition due to uncertainty over the future.	Agree a retention strategy. Recruit temporarily to key posts. Share post holders across 2/3 forces.	The Strategic Alliance is no longer going ahead. Staff attrition is being tracked with the SDM and the leaver profile is currently within normal parameters. The risk remains open pending the introduction of new shift patterns and the flexible working review.	→

Risk Ref.	Risk Score	L'hood	Impact	Description	Response Measures	Comments	Status
CR 71	12	4	3	<p>Grant reductions for 2016/17 have been announced at 1.3% with beyond being forecast as 1.3%, however, there is still an unknown top slicing effect at the tail end of the Medium Term Financial Plan (MTFP), which could significantly increase this headline. The cumulative deficit for year 5 of our MTFP ranges from £6-12.2m.</p> <p>Tri-Force enabling services collaboration savings are still being formed up, however, investment costs are likely to delay benefits, which puts pressure on revenue budgets until then through capital charges.</p>	<p>Longer Term decisions are currently being reviewed to provide an affordable Organisational Design. The Tri Force enabling services collaboration should mitigate the impact in terms of consolidation, efficiency and integration opportunities.</p>	<p>Options for Officers and Staff through phases 1 and 2 of SDM need to be considered based on a proper consideration of threat, harm and risk, activity and demand analysis.</p> <p>With lead times and the scale of the changes required, it is likely that permanent savings needed for the tail end of the MTFP are unlikely to be identified through the first phases of the SDM project.</p>	→
CR 94	12	4	3	<p>A reduction in staffing levels in the Corporate Communications Department coupled with increased demand makes it difficult to manage workload leading to increased pressure on remaining staff and a deterioration of service.</p>	<p>Undertake a review/restructure of the department to fully understand demand and required resources.</p>	<p>The business case for the new structure is expected to be complete by the end of September. One new member of staff joined in July with a further one expected within the next 2/3 weeks.</p>	→

Risk Ref.	Risk Score	L'hood	Impact	Description	Response Measures	Comments	Status
CR 80	12	3	4	The Hi Tech Crime Unit fails to achieve ISO17025 accreditation by UKAS resulting in them possibly not being able to present evidence in court as experts leading to potential failure of prosecutions and associated risk of continued offending and reputational damage to the force and loss of public confidence.	Regional solutions are being developed for the legal entity and a quality management framework but it is not known at this stage whether these will be accepted by the accreditation body.	UKAS' first inspection is scheduled for 16th-18th October with a view to actions arising from their visit to be completed by January 2018 and Accreditation Grant February 2018 This will be for computer devices only. EMSOU have agreed a November 2017 deadline for Northants to submit our AC4 for mobile phones, however it is unlikely we will meet this deadline given the timing of the UKAS visit and our need to concentrate on the actions arising from it to secure our Accreditation Grant. The Forensic Science Regulator (FSR) is currently working with the Justice Sector to enforce a 'non-compliance' opening caption to all digital forensic MG11s and technical reports. This in effect will highlight as the first part of our evidence that we are not compliant with the Accreditation standards and / or the FSR Codes. Regionally no one will be compliant with the FSR Codes and therefore, even if UKAS have Accredited certain aspects of our work, everyone will have to say they are not complaint with FSR Codes. This could impact on the evidence in every one of the cases with a digital element and could result in increased failed convictions. Regional Leads will be liaising with the Head of EMCJS to identify options to rebut these attempts and to prepare CPS for the legal challenges that may arise should our non-compliance be identified in this manner	→

Risk Ref.	Risk Score	L'hood	Impact	Description	Response Measures	Comments	Status
CR 83	12	3	4	An abnormal number of staff leaving the FCR, coupled with increased seasonal demand and overspill demand from Leicestershire potentially resulting in insufficient capacity within the FCR to be able to effectively manage the call volumes being received. This could lead to a reduction in the level and quality of service provided to the public.	Bring the next intake of staff forward from October to August and fast track candidates currently going through the application process. Run a further recruitment drive in October. Approach Specials to identify any volunteers who might work in the FCR.	The risk is more valid now than ever before. Staff have been lost to the regulars in July and August meaning 10 have left in a short space of time. Recruitment intakes have continued but the numbers have barely kept up with attrition. We are currently going to run slightly under establishment in August until the next intake and although measures have been put in place to minimise this (using overtime where possible) with the introduction of new roles under the SDM it is likely to attract further staff from the FCR.	➔
CR 85	12	3	4	Following the introduction of the new Police Pensions Scheme in April 2015 a number of officers are pursuing claims in a national challenge at an employment tribunal on the grounds of discrimination. If successful the Force could face compensation payments and adverse publicity and damage to reputation	Legal services are providing a regional lead for the responses to this national action. Thus providing a co-ordinated single point of contact for all forces and responses. Leigh Day have already lodged several thousand claims on behalf of officers from across the country. A final batch of claims will be submitted in spring 2017. There is a desire to hear 8 test cases drawn from 12 forces from around the country and there is an expectation that one of the test cases may be from the East Midlands forces. Northants have volunteered to be a test case but it is not known yet whether we will be selected. EMPLS will be responsible for the legal work and costs will be shared between all 43 forces.	Following the decision in favour of the judges in January a decision has now been made in the firefighters case with the outcome being that the claims against the Fire Authority all failed. This is great news for the Forces as we are now entering into our proceedings with a Judgement that supports our position. We still await a detailed advice note from counsel.	➔

Risk Ref.	Risk Score	L'hood	Impact	Description	Response Measures	Comments	Status
CR 88	12	3	4	Slippage to the delivery of the Emergency Services Network (ESN) means that the Force will not be able to transition to the new service within the anticipated timescales leading to a significant financial impact in terms of the ongoing costs of extending the use of Airwave and the failure to realise anticipated benefits from ESN.	<p>Ongoing work with the regional co-ordination team and the Home Office to monitor and understand the impact of slippages.</p> <p>Lobby the Home Office to ensure that adequate coverage exists before migration to ESN.</p> <p>Monitor and renew Airwave contracts within timescales.</p>	Forces will not only be required to meet the costs of supporting their continued use of Airwave as well as the ESN costs if they fail to transition within the allotted time but there will also be a fee that will have to be paid which will be shared across all 3 Emergency Services (Police, Fire and Ambulance). A statement that was released from OCiP (Operational Communications in Policing) said: "Confirmed extension of Airwave post NSD (31st Dec 2019) incurs a fee of £3.64m per month per region."	→
CR 49	12	3	4	Limited capability to monitor systems use increases risk of misuse and potential reputational damage and loss of public confidence.	Introduce protective monitoring software to allow system use to be effectively and consistently monitored and audited.	A two force Business Requirements Document has been submitted to EMSCU on 07 July. Procurement are now progressing the necessary documentation.	→
CR 91	9	3	3	Crime and Intel data has yet to be uploaded to PND from all five EM forces. There is a risk that officers will not be able to satisfactorily complete searches for historical crime and intel data on nominal records without the data being resident in PND	Information from other EM forces that is not uploaded to PND would still be available from source e.g. Niche, however there is an inconvenience of processing two separate searches and combining the results (e.g. EM data from Niche and other force data from PND). Officers should be aware that all EM data is available from Niche and PND can still be used for acquiring crime and intel of other forces.	The upload of bulk data is continuing. Once this is complete a further upload of catch-up data for the past few months will commence. In August the Home Office are installing a new server which will enable daily incremental files to be uploaded from PND.	→

Risk Ref.	Risk Score	L'hood	Impact	Description	Response Measures	Comments	Status
CR 59	6	2	3	A reduction in partnership resources due to budgetary constraints means that the Police increasingly have to perform roles on behalf of partners which is diverting resources away from key policing functions.	Negotiation with partners to ensure commitment to providing adequate resources. Regional Service Level Agreement with EMAS to outline the standards and expectations of both services. Executive Group/COG to make decision on the position of the Force in relation to injured persons or transportation of injured persons as a result of EMAS non-attendance at scenes.	The health partners have now committed to and are recruiting dedicated mental health nurses based in our FCR who act as tac advisors as well as first responders and they are supported by a nurse and paramedic This has seen some good impacts upon police demand There are broader risks often seen in the out of hours child protection arena which we now take a firmer line on In relation to absent children from care homes we operated a policy where they would always be missing and this created work for us and the local authority did not always own their professional responsibility. This policy has been rescinded. This area will be explored further as part of the community safety review.	↓

Risk Ref.	Risk Score	L'hood	Impact	Description	Response Measures	Comments	Status
CR 82	6	2	3	The web form is the primary means of data input to Niche but lacks data validation consistently stringent enough to prevent input errors. Consequently the poor quality of some data being input to Niche compromises decision making and may affect operational activity.	<ul style="list-style-type: none"> <li>• Development of Niche Dashboard App by ISD (for operational use to more easily identify outstanding tasks).</li> <li>• Development Niche Performance Dashboard by Corporate Performance Team (to monitor the trend of resolving the most significant data quality issues e.g. missing OIC and task information).</li> <li>• Offer to ISD to bring in an additional System Administrator for 6 months (to help address the location data integrity issues).</li> <li>• Recruitment of an additional local Data Cleansing Clerks (to support wider data integrity checking and resolution).</li> <li>• Extension of 2 x IMU Officers to the end of the financial year to undertake monitoring and feedback to operational staff (SDM review will consider ongoing. additional resource requirements)</li> <li>• Recruitment of an Auditor role to dip sample PO7s etc.</li> <li>• Web form Optimisation (phase 1 complete but further enhancements required).</li> <li>• Programme Team going through process of rationalising, streamlining and simplifying workflows, tasking and OELs.</li> <li>• Regional sessions being convened to consider business rules and mandatory fields.</li> <li>• Programme Team and EMCHRS providing further Staff Training and support.</li> </ul>	A Niche data quality strategy and improvement plan is in place that seeks to address system issues that allow data quality errors in the first place as well as training users to improve user confidence and understanding in the system.	→

Risk Ref.	Risk Score	L'hood	Impact	Description	Response Measures	Comments	Status
CR 48	6	2	3	There is lot of complicated evidential data held in a number of different locations and formats with no appropriate policies over use. There is a danger of mis-management of the data which could result in evidential data being compromised or lost. The Force is also in breach of the Data Protection Act due to keeping records beyond the period that we are entitled to.	To have a central repository where all digital data is held and managed appropriately. This will need a policy and procedure document producing.	There is a Tri-Force proposal to build a central storage repository for 'aged' data, thereby decommissioning legacy / unsupported systems, enhancing MOPI compliance, reducing licence costs & making the data substantially more 'usable'. The timescales for this are not yet known.	➔
CR 92	4	4	1	Changes to the Bail Act lead to an increase in the number of suspects being released without bail, affecting public confidence, and an increased workload for inspectors and superintendents.	The new Bail Act comes into effect from 01 April 2017. The new regulations introduce the presumption that anyone entering custody will be released without bail conditions unless certain preconditions are met and authorisation is obtained by an Inspector or above. This may result in an initial increased workload for Inspectors having to assess bail applications. The 28 day bail limit may lead to an increase in the number of bail review meetings requiring a Superintendent to authorise any extension of bail. Evidence from pilots of the new process suggests that initially demand will be high until the new regulations are applied consistently. Public perception of suspects being released without bail could lead to a reduction in public confidence.	Implementation of the changes has been managed well and with few issues. More time will be needed to assess the impact on investigations.	➔

'Status' key - ↓ risk decreasing, ➔ no change, ↑ risk increasing



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

Internal Audit Progress Report 2017/18

August 2017

Presented to the Joint Independent Audit Committee meeting of: 11<sup>th</sup> September 2017

# Contents

- 01 Introduction
- 02 Summary and conclusions from Internal Audit work to date
- 03 Performance

## Appendices

- A1 Summary of Reports 2017/18
- A2 Internal Audit Plan 2017/18
- 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 Joint Independent Audit Committee (JIAC) as to the progress in respect of the 2017/18 Internal Audit Plan which was considered by the JIAC at its meeting on 19<sup>th</sup> June 2017.
- 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 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 three final reports in respect of the 2017/18 plan since the last progress report to the JIAC. These were in respect of Seized Property, the Victims Code of Practice and Fleet Management. Further details are provided in Appendix 1.

Northamptonshire 2017/18 Audits	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Audit Committee Effectiveness	Final	N/A <sup>1</sup>		7	4	11
Seized Property	Final	Limited	4	4		8
Victims Code of Practice	Final	Satisfactory		5	1	6
Fleet Management	Final	Satisfactory		4		4
<b>Total</b>			<b>4</b>	<b>20</b>	<b>5</b>	<b>29</b>

<sup>1</sup> Audit Committee Effectiveness – this audit aimed to assess the JIAC against best practice, such as the principles set out in the National Audit Offices (NAO's) good practice guide 'The Audit Committee Self-Assessment Checklist, 2012'. The objective of the audit was therefore to provide an action plan of areas to consider for driving best practice and not to provide an opinion on the adequacy and effectiveness of controls.

- 2.2 Fieldwork in respect of Procurement is in progress, whilst we are in the process of agreeing the scope of a number of audits that will be carried out over the coming months. These include Core Financial Systems, IT Strategy, Counter Fraud, Data Quality and Financial Planning. Further details are provided within Appendix A2.
- 2.3 Similarly to 2016/17, five specific areas have been identified in terms of the collaborative audits for 2017/18 and a lead officer (OPCC CFO) has been identified as a single point of contact. Four of the audits will adopt a similar scope to that of the 2016/17 audits and will look at the business plan and S22 agreement in terms of whether it is being delivered and is fit for purpose going forward; the scope will also include value for money considerations and arrangements for managing risk. The four areas of collaboration that will form the focus of these initial reviews are:
- EMCHRS Learning & Development
  - EMCHRS Occupational Health
  - EMSOU Forensic Services
  - Criminal Justice (EMCJS)

The fifth audit within the Collaboration plan relates to the Proceeds of Crime Act (POCA) and will review the arrangements in place across the region to manage cash and property seizures.

- 2.4 At the time of writing we have issued the draft report in respect of EMCHRS Learning & Development and await management's response. A summary of the final report will be reported within our next progress report to the JIAC.

## 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.

No	Indicator	Criteria	Performance
1	Annual report provided to the JIAC	As agreed with the Client Officer	N/A
2	Annual Operational and Strategic Plans to the JIAC	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.	100% (4/4)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (4/4)
6	Follow-up of priority one recommendations	90% within four months. 100% within six months.	Achieved
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% (6/6)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (1/1)

## Appendix A1 – Summary of Reports 2017/18

Below we provide brief outlines of the work carried out, a summary of our key findings raised and the assurance opinions given in respect of the final reports issued since the last progress report:

### Seized Property

Assurance Opinion	Limited
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Recommendation Priorities	
Priority 1 (Fundamental)	4
Priority 2 (Significant)	4
Priority 3 (Housekeeping)	

Our audit considered the following area objectives:

#### Policies, Procedures and Training

- Policies and procedures are in place to ensure that cash / property detained is dealt with in accordance with relevant legislation and the Force's policies and procedures.
- Suitable training is provided to officers and staff to ensure they are aware of requirements when dealing with seized and found property.
- An appropriate insurance policy for the handling, retention and movement of cash / property is in place.

#### Receiving and Recording

- Cash is counted in a secure and controlled environment, with an appropriate level of independent verification.
- Cash / property initially seized or received is accurately recorded on the property system in line with relevant procedures.
- Appropriate mechanisms are in place to accurately record the movement and disposal of cash / property.

#### Security Arrangements

- Cash / property is stored securely, with restricted and controlled access to nominated officers and staff.
- Cash / property is transported securely by the appropriate number of authorised officers or staff in line with procedural and insurance requirements.

#### Disposal of Property

- Physical cash / property is only retained by the Force for the necessary period of time.
- Cash / property is disposed of in an appropriate manner and evidence of the reasons for, and method of, disposal is retained for confirmation.
- Authorised officers or staff provide approval for the disposal of cash / property in line with relevant procedures.

#### Property Management

- An appropriate safe audit regime is in place to identify breaches of agreed procedure and confirm cash / property stored.
- Mechanisms for monitoring the cash / property stored and disposed of at the Force are in place.

We raised four priority 1 recommendations of a fundamental nature that require addressing. These are set out below:

<p>Recommendation 1</p>	<p>Officers should be reminded to ensure property is checked in and out correctly whenever property has been moved from the temporary locations.</p>
<p>Finding</p>	<p><u>Property Tracking on NICHE</u></p> <p>Review of five Cash Valuables held within the Central Property Store identified that there were discrepancies in the audit trail in three cases. This included property being moved to a temporary location for further enquiries. The property was taken out of temporary storage, moved to Sheffield, and returned, for testing. This trip was not recorded on NICHE, with there being no trail of the property leaving the temporary store.</p> <p>Review of the Temporary store in Kettering identified eight cases (10%) where property was not available in the temporary store as per the record held on Niche. A further 14 items were in the temporary store which were not logged onto Niche.</p> <p>Review of a Collection Shelf in Weston Favell identified eight (23%) cases where property was not available which had been assigned to this location on NICHE.</p>
<p>Response</p>	<p>When Niche was implemented, all officers attended a training program which provided instructions and guidance regarding their use of property in Niche. As with other areas of Niche, there have been difficulties for some officers in adopting the correct processes. The Property team regularly sends out guidance notes and instructions to officers to assist and avoid future errors and will continue to monitor and do so. In addition, the Niche training team (Melissa Willis) will include this area within their regular NICHE training updates to officers and staff. The DP Team Leader will continue to make use of our Forcenet &amp; Force orders to remind officers of their obligations in respect of property.</p>
<p>Timescale</p>	<p>Tina Britten – Property team leader – force wide broadcasts &amp; links to Niche training to ensure accommodates needs highlighted in this report.</p> <p>Ongoing Daily/weekly tasks. Or Monthly training activity.</p>

<p>Recommendation 2</p>	<p>The Central Detained Property Team should complete a full audit of the Safe and Strong room. This should include ensuring items stated on NICHE to be held within the Strong room are available, and to ensure items have been placed in the correct and appropriate locations.</p> <p>The safe / strong room should then be periodically audited / reconciled to ensure accuracy back to the underlying records held on NICHE.</p>
<p>Finding</p>	<p><u>Strong Room Safe Audit</u></p> <p>In discussion with the Property Team Leader it was confirmed that the last audit to be completed on the Safe / Strong room was in 2015, however this was not a full scale audit / reconciliation where the whole safe had been reconciled.</p> <p>Review of a Property Management System Report (Pre-NICHE March 2016) identified 59 pages of property stated to be held within the Cash/Valuables Safe dated between 2002 and 2016. Review of six items from this list confirmed that three could not be located; including a set of coins from 2002. It was also identified that one of the three identified items was located within an incorrectly labelled box - a Kettering item, within a Corby labelled box.</p>
<p>Response</p>	<p>The safe/strong room is within a secure and covert building with restricted access, which reduces the level of risk highlighted.</p>

	<p>A recent business case was agreed to recruit 4 additional staff on fixed term contracts (FTC), initially for 6 months, to enable the elements of this report to be addressed, including a full audit of the safe/strong room &amp; all temp &amp; bulk stores.</p> <p>The business case for a permanent change to the Property team establishment will be progressed with the Northants Police Change Board in August. This will ensure that the temporary solution is embedded as a long term solution.</p>
Timescale	<p>Kelly Connor / Kelly Wayman -Senior managers / Tina Britten – Property team leader.</p> <p>Review and Permanent changes requested via change board, requested to be implemented within 6 months, whereby additional staff are in place and completing the required tasks on a permanent basis. Alternatively the force will extend the FTC until the long term changes are implemented.</p>

Recommendation 3	<p>Temporary Storage Locations should be reviewed and audited during the collection and delivery runs.</p>
Finding	<p><u>Temporary Storage Audit</u></p> <p>Review of three temporary stores identified two stores which had significant discrepancies to the underlying records held on Niche. In one case the location report from Niche indicated 80 items were present in the location, yet eight of which could not be located within the temporary store. A further 14 items were held within the store, but not assigned to the store on NICHE.</p> <p>In the second location the report stated 35 items should be available, eight of which could not be found.</p>
Response	<p>A recent business case was agreed to recruit 4 additional staff on fixed term contracts , initially for 6 months, to enable the elements of this report to be addressed, including a full audit all temp stores.</p> <p>The business case for a permanent change to the Property team establishment will be progressed with the Northants Police Change Board in August. This will ensure that the temporary solution is embedded as a long term solution.</p> <p>Northants will adopt a complete review, similar to that completed recently at Leicestershire Police. The New Leicester model included a property courier role that would complete collections and audit the temp stores during their visits. This role has been proposed as part of the business case and recommended review of Northants property roles.</p>
Timescale	<p>Kelly Connor / Kelly Wayman - Senior Managers / Tina Britten – team leader.</p> <p>Review and Permanent changes requested via change board, requested to be implemented within 6 months, whereby additional staff are in place and completing the required tasks on a permanent basis. Alternatively the force will extend the FTC until the long term changes are implemented.</p>

<p>Recommendation 4</p>	<p>Cash held within the Central Property Safe should be counted for insurance and safeguarding purposes.</p> <p>Where cash has been seized under POCA or PACE and is not be counted, this should be made clear on the NICHE record and exhibit bag where possible.</p>
<p>Finding</p>	<p><u>Cash Count - Insurance Policy</u></p> <p>The safe within Central Property Store currently contains large quantities of cash that have not been counted, but are defined as "Quantity of Cash" or "Large Quantity of Cash". Review of the insurance policy, and discussion with the legal secretary, confirmed that the Force are not covered for uncounted cash, ie only for that which the Force are able to prove was lost. Additionally, the cash that was held was not clearly identified as being held under either POCA or PACE, or for any other reason, which may have explained why the cash had not been counted.</p>
<p>Response</p>	<p>The Central safe/strong room is within a secure and covert building with restricted access, which reduces the level of risk highlighted.</p> <p>A recent business case was agreed to recruit 4 additional staff on fixed term contracts, initially for 6 months, to enable the elements of this report to be addressed, including a full audit of the safe/strong room, including the counting of money held, for insurance purposes.</p> <p>Instructions will be disseminated on a regular basis, to ensure cash seized under POCA or PACE that is not counted, will be made clear on the NICHE record and exhibit bag where possible.</p>
<p>Timescale</p>	<p>Kelly Connor / Kelly Wayman - Senior managers / Tina Britten – team leader.</p> <p>Review and Permanent changes requested via change board, requested to be implemented within 6 months, whereby additional staff are in place and completing the required tasks on a permanent basis. Alternatively the force will extend the FTC until the long term changes are implemented.</p> <p>Ongoing training &amp; broadcasts will continue on a Daily /weekly / monthly basis, or via the Monthly NICHE or force training activity, to include instructions re cash seized under POCA/PACE</p>

We also raised four priority 2 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- The Force should ensure that all staff are aware of the procedure for confirming the disposal of property, including the return to owner procedure. Namely, the initiation of a task for disposal by the Central Detained Property Team on NICHE.  
Training should also include the process for moving property from temporary storage.
- Property should be disposed of in a timely manner after the authorised destroy request has been submitted to the Central Property Team.
- Cash and banking should be completed on a periodic basis, with two officers counting the amounts to be banked. Once banked, the amount banked against the property item on NICHE should be recorded for continuity.
- The Detained Property Policy, Procedure and Annexes should be reviewed and updated on a regular basis to ensure their accuracy and fitness for purpose. Updates should also include the Web Form Guidance for Police Officers in Adding Exhibits and Checking Property In and Out.

Management confirmed that all actions had either been implemented or will be completed by the end of August 2017.

### Victims Code of Practice

<b>Assurance Opinion</b>	<b>Satisfactory</b>
<b>Recommendation Priorities</b>	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	5
Priority 3 (Housekeeping)	1

An audit of Victims Code of Practice was carried out as part of the 2016/17 Internal Audit Plan, following which a limited assurance opinion was given. This audit focused on the follow up of agreed recommendations and management actions made as a consequence of the previous audit, these being:

- Written acknowledgment to those who have reported a crime.
  - Records in respect of offering victims access to victims support.
  - Providing officers with sufficient training in respect of VCOP to enable them to effectively carry out their duties.
  - Provision of a dedicated Right to Review Policy where the decision is not to prosecute.
  - The transfer of data from Niche to the Victims Support system.
  - Dip sampling as a means of confirming that key requirements of the process have been adhered to and so that poor performance can be addressed.
  - Targets in respect of ensuring that victims are referred to support work on a timely basis.
- The scope for the audit is concerned with assessing whether the OPCC and Force has put in place adequate and appropriate policies, procedures and controls to address the above issues that were previously raised.

We raised five priority 2 recommendations where we believe there is scope for improvement within the control environment. These relate to the following:

- The Force should establish an effective process for providing written acknowledgement to victims in line with the VCOP requirements.

Consideration should include the possibility of emails with electronic versions of booklets attached.

The Force should ensure that evidence of the written acknowledgement is maintained to confirm compliance with VCOP.

- The Force and OPCC should review how the right to review entitlement is communicated to victims and how this is effectively recorded to document compliance with VCOP.

The information booklet should be updated and include the right to review entitlement.

- A process should be introduced whereby the number of records transferred from the Niche system to the Victim Support providers are reconciled to ensure referrals do not 'drop out' as part of the data transfer process.
- The dip sampling process should be supported by a documented methodology to include - frequency, required approach, sample selection/ size, evidence of checks and action to be taken where issues have been identified.

The OPCC should ensure that suppliers are complying with the DIP sampling requirements.

- A review of how Child Victims are recorded in Niche should take place to ensure the correct information is recorded and appropriate referrals to victim support services are made.

Once this is agreed, it should be appropriately communicated to Niche users.

We also raised one priority 3 recommendation of a more housekeeping nature with regards the reporting capabilities of Niche.

Management have confirmed that all agreed actions will be completed by 30<sup>th</sup> September 2017.

## Fleet Management

<b>Assurance Opinion</b>	<b>Satisfactory</b>
<b>Recommendation Priorities</b>	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	4
Priority 3 (Housekeeping)	-

Our audit considered the following area objectives:

- There is a comprehensive and approved Fleet Management Strategy in place which is aligned with the strategic and medium / long term objectives of the OPCC and Force.
- Delivery of the Fleet Management Strategy is supported by an agreed implementation plan and there are robust monitoring arrangements in place.
- An effective maintenance programme is in place that supports the objective that fleet vehicles are available when and where required.
- The maintenance programme is supported by an effective schedule of inspections and services.
- The Force utilises a robust fleet management system upon which a complete and up to date record of vehicles is maintained.
- Procurement arrangements in respect of the Force's vehicle fleet demonstrate the principles of best value.
- Budget control processes ensure that actual spend is in accordance with the approved budget.

- Management information is available to enable effective monitoring of performance against the Fleet Management Strategy and delivery the maintenance programme.

We raised four priority 2 recommendations where we believe there is scope for improvement within the control environment. These relate to the following:

- The Force should ensure that the Transportation Strategy is approved at the appropriate forum. Once the Strategy has been ratified, an appropriate implementation plan should be put in place. This should include details of how the principles of the Strategy will be achieved by the Force.
- Once the Strategy and Implementation Plan have been established, an appropriate monitoring process should be put in place to measure performance against the Strategy. Performance should be reported to the appropriate Force and OPCC forums on a regular basis to provide assurance that the Strategy is being achieved.
- The Transport Team should ensure they are complying with contract procedure rules when they are procuring commissioning of vehicles especially if any over £10k, as these require three quotes.

The Transport Team should document the process that should be followed for the procurement of vehicles, including the commissioning process, that clearly demonstrates how value for money has been achieved

- The Transport Team should liaise with Procurement to review how the external providers of maintenance services costs could be reduced through implementation of a framework contract.

Management have confirmed that all agreed actions will be completed by December 2017.

## Appendix A2 Internal Audit Plan 2017/18

Auditable Area	Planned Fieldwork Date	Actual Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
<b>Core Assurance</b>						
Core Financial Systems	Oct 2017				Dec 2017	
Audit Committee Effectiveness	April 2017	April 2017	May 2017	June 2017	June 2017	Final report issued.
Procurement Follow-up	Sept 2017				Dec 2017	Agreed start date 4 <sup>th</sup> Sept.
<b>Strategic &amp; Operational Risk</b>						
Information Technology Strategy	Oct 2017				Dec 2017	
Data Quality	Nov 2017				Mar 2018	
Counter Fraud Review	Oct 2017				Dec 2017	
Financial Planning	Nov 2017				Dec 2017	To agree scope across the three forces.
Seized Property	May 2017	May 2017	May 2017	July 2017	June 2017	Final report issued.
Estates Management	Feb 2018				Mar 2018	
Victims Code of Practice	June 2017	June 2017	June 2017	July 2017	Sept 2017	Final report issued.
Crime Management Process	Feb 2018				Mar 2018	
Fleet Management	July 2017	July 2017	July 2017	Aug 2017	Sept 2017	Final report issued.

Auditable Area	Planned Fieldwork Date	Actual Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
<b>Collaboration</b>						
EMCHRS Learning & Development	Aug 2017	Aug 2017	Aug 2017		Dec 2017	Draft report issued.
EMCHRS Occupational Health	Oct 2017				Dec 2017	
EMSOU Forensic Services	Sept 2017				Dec 2017	
Criminal Justice (EMCJS)	Dec 2017				Mar 2018	
POCA	Jan 2018				Mar 2018	

## 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 Northamptonshire and Northamptonshire 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.*

**NORTHAMPTONSHIRE POLICE AND CRIME COMMISSION and  
NORTHJAMPTONSHIRE CONSTABULARY**

**JOINT INDEPENDENT AUDIT COMMITTEE**

**MINUTES OF MEETING HELD ON  
19 June 2017  
(Excluding Exempt Items)**

**PRESENT**

**Audit Committee Members**

J Beckerleg (Chair)  
M Pettit  
T Knivett

**Northamptonshire Police and Crime Commission**

M Scoble	Chief Executive
E Evans	Governance Assistant

**Northamptonshire Police**

R Baldwin	Force Risk and Continuity Advisor
P Dawkins	Force Chief Financial Officer
G Ashton	Chief Inspector (Corporate Development)
R Jones	Head of Finance and Asset Management

**Auditors**

A Cardoza	KPMG
B Welch	Mazars

**1. Apologies for non-attendance**

Apologies were received from G Scoular and R Swann.

**2. Declarations of Interest**

Members recorded the same interests as for previous meetings.

JB will discuss the publication of the register of members' interests further with MS with the intention that these will be published on the website.

### 3. Finance Update 2017-18

#### Update

PD provided a brief update on the closure of the 2016/17 accounts. The draft statement of accounts were not available for the meeting but PD explained the technical reasons for the delay. The accounts would be circulated on 19 June 2017. The Committee would then be able to review and comment on them before they are sent to the auditors.

PD noted the issues and challenges encountered in 2016/17 including the use, for the first time, of the Chartered Institute of Public Finance and Accountancy (CIPFA) reporting tool. He summarised the measures in place to mitigate any delays next year. In 2017/18 the closure timetable had been brought forward but familiarity with the reporting tool should help to achieve this new deadline.

There was a discussion around the related governance documents that had yet to be produced. MS offered assurance that all of the additional governance documents would be provided once they have been completed. He explained that drafting well thought out documents that met operational requirements was a time consuming process. Also some documents were dependent of others (for example, a major element of the capital programme is driven by the estates strategy which is being produced). It was noted that extending the time scale for providing these documents could create additional risk.

MP noted his disappointment with the documents provided and that the draft accounts had not been provided. JB also noted disappointment that accounts were not provided prior to the meeting and suggested that this was bad planning.

PD offered reassurance. He noted that the JIAC's expectations regarding the draft accounts were different to those of the other audit committees which he supported.

It was **agreed** that the expectations of the committee are that accounts will be provided prior to the accounts going to the external auditors. This would allow the members to review the accounting policies and to pass any concerns to the auditors.

JIAC members explored whether there was sufficient capacity in the finance team to undertake the various tasks current and sought assurance regarding recruitment of permanent members of staff. PD provided updates on the recruitment timetable. Key appointments would be made over the coming months to strengthen the team. MS noted the timetable for recruiting the new CFO. MP noted that there were risks involved in staffing issues and PD provided reassurance.

Dates for closedown in 2018 were discussed and it was noted that this should inform the future JIAC meeting dates. PD **agreed** to send dates once available.

MS noted that RS has been reviewing governance documents via the Change Board to manage risks effectively. TK was in agreement that the change board process was effective, however he noted that there were some concerns regarding budgets. MS **agreed** that he would talk to RS directly.

It was suggested that there should be a discussion between MP and PD regarding the medium term plan process, budget prioritisation and programme funding, probably towards the end of July. This would enable MP to get the detail that he had requested.

**ACTION:** PD to arrange a meeting with MP.

**ACTION:** MS to discuss with RS the how robust the funding arrangements were.

**ACTION:** PD and EE to discuss the timescales for JIAC meetings in 2018 to fit with the drafting of the 2017/18 accounts.

**ACTION:** MS/PD to circulate narrative elements of the Annual Accounts 2016/17 to JIAC

#### **4. HMIC Reviews**

##### **Update**

JB introduced the topic and explained that he had requested a summary of the position rather than the detailed monitoring statement that had been presented to the Force Change Board. GA provided a brief summary of developments and progress made since the last meeting.

GA noted frustrations that some of the Areas for Improvement (AFIs) identified 12 months ago had not been addressed. A mechanism for "calling to account" outstanding AFIs was still being discussed.

There was some discussion regarding the role of the Gold Group and GA explained its purpose in tackling the AFIs and simplifying the process.

MP drew attention to HMIC 2016 report and requested clarification regarding a specific point raised regarding terrorism being reported to the Force Control Room. GA described additional training and spot checks which had been carried out by HMIC, who had since reported significant improvements. GA provided reassurance that ongoing training was taking place to maintain the service level.

It was noted that some clarification may be required on the status of AFIs and GA hoped to circulate a more detailed version of previous document.

**ACTION:** GA to circulate the 'hot debrief' document following the most recent HMIC visit to JIAC members.

It was **agreed** that going forward a report will be provided to the JIAC members every six months setting out the overall position, progress overall on addressing the AFIs and recent developments.

JB noted thanked GA for the assurance provided.

## **5. MFSS – update on new arrangements, governance and assurance**

PD introduced the report. MS requested clarification regarding the HMIC inspection and MFSS which GA provided.

It was noted that additional resourcing would be required to successfully implement Fusion. MP highlighted information given to the JIAC that suggested that breaches in the MFSS governance arrangements had been made and it was suggested that an audit of governance should be undertaken. PD provided assurance that a review was underway and that updates would be provided once available.

Clarification regarding MFSS and its performance was requested. PD clarified that the Force had not implemented all aspects of the MFSS functionality which had resulted in performance issues and some misplaced criticism of MFSS. It was advised that there were financial implications for MFSS if they did not meet targets.

JB welcomed the strategic direction and suggested a review of the business case and the figures later in 2016 as the change programme progressed.

## **6. Announcements from the Chair**

JB introduced the summary of the workshop (circulated) and noted the benefits JIAC members get from the workshop programme.

JB advised of attendance at the Force Assurance Board and noted that it was a useful session focussing on ensuring good governance was taking place.

TK commented positively on his experiences of the Change Board.

JB advised that he had written to CIPFA and HMIC to establish whether they could utilise feedback from the audit committee and whether it would be feasible to establish a national forum for audit committees. It was suggested that a discussion with the local HMIC lead might be helpful.

**ACTION:** MS to arrange meeting with Leila Board.

## **7. Minutes and Matters Arising from the previous meeting**

The minutes were approved subject to removing the document tracking.

## **8. Matters Arising Action Log**

There were two items outstanding from the meeting on 5 December 2016:  
Item 10 – Information about the internal investment of cash balances when the external return was higher PD; and  
Item 15 – production of a Force Governance framework RS / MS {Note: this is now intended to be a combined document with the PCC governance framework}.

In respect of the meeting on 6 March all actions were discharged except:  
Item 3 – information on the risk scoring strategy RB;  
Item 4 – MS to provide updated capital programme;  
Item 8 – MS and MP to discuss some questions raised around the appointment of new external auditors;  
Item 10 – PD to circulate latest financial update report to JIAC members;  
Item 15 – RB to review the consistency between the Force and OPCC risk registers;  
and  
Item 15 – RB to provide a summary of the recommendations outstanding at the start of each report (on the internal audit recommendations).

## **9. Internal Audit review of the Effectiveness of JIAC**

JB thanked BW for his work on the internal audit review of the effectiveness of JIAC and the facilitated session with JIAC members to decide actions to be taken. These form part of the JIAC actions for 2017/18.

BW gave brief summary of the audit which had been previously circulated. There were no further questions.

## **10. JIAC Terms of Reference review, committee self- assessment and committee Annual Report**

JB noted that this report had been widely circulated to JIAC members and officers and comments had been invited. JB advised that he had tried to incorporate the internal audit recommendations into the annual report.

MS suggested presenting this to the Police and Crime Panel. It was **agreed** that this would be helpful and a date would be identified.

JB that the 'Governance Issues' document designed as a progress checklist, would continue to be developed.

## **11. Draft annual accounts 2017-18**

RJ provided draft accounts to the committee and delivered a brief summary of the 3 different sets of accounts.

### **Challenges**

RJ noted problems with the CIPFA closedown tool and explained the technical issues that had been encountered. It was advised that this had caused a short delay. RJ noted that despite this, he felt it had been a success and that deadlines would be met in 2018. RJ noted hard work of the finance team. Feedback would be given to CIPFA for them to address next year.

JB expressed thanks to the staff involved and requested AC's views. AC reported that his staff had discussed the reporting tool and was satisfied with its operation. He would provide feedback once draft accounts become available.

## **Summary**

RJ requested feedback on the draft sets of accounts from committee members and requested this within 2-3 days. JB noted urgency and asked JIAC members to provide feedback as soon as possible.

### **12. Internal Audit – progress report**

BW introduced report and gave a brief summary. There had been good progress in relation to the 2016/17 programme.

### **13. Internal Audit – Annual report**

BW introduced key points within the report. BW noted that there are lots of positive areas, however there were 4 areas of limited assurance which needed to be addressed going forward.

MS noted thanks to BW and advised that the areas of limited assurance will be addressed.

It was noted that there were challenges regarding regional collaborations and there was discussion regarding this. MS advised that a number of regional posts were being created to provide better co-ordination and therefore more assurance in relation to decision making across the collaborations.

BW advised of a regional audit regarding Proceeds of Crime Act activity which was due to take place in 2017/18.

### **14. Internal Audit – Revised Draft Internal Audit Plan 2017-18**

The Internal Audit Plan for 2017-18 had been revised in the light of feedback from JIAC members following the last meeting. MP asked for the words 'budget prioritisation' to be included in the Financial Planning audit.

There was a discussion about how the organisations prioritise spending to ensure spending the appropriate amounts on the right things. JIAC was seeking assurance that there was a process for ensuring that public money is directed at those functions and projects most concerned with effective policing and the needs of the public and not the particular interests of a particular decision maker. MS explained the potential tensions involved in carrying out the police and crime plan when the inspectorate may have different and conflicting priorities. BW agreed that the prioritisation process was to be a part of the internal audit.

The revised plan **was agreed**.

### **15. Implementation of Audit recommendations**

RB introduced report and advised of progress made since the previous meeting.

JB requested clarification regarding outstanding recommendations where progress has not been made over a significant time period. RB advised that these require further information which had not been provided and cannot therefore be progressed,

MS provided clarification regarding the Chief Officer Team (COT) and COT/OPCC meetings.

JB thanked BW for the revised programme,

#### **16. External Audit – progress report – Verbal Update**

AC gave an update on the interim work. Although there were minor issues he was not aware of any major problems affecting the audit.

#### **17. External Audit – Fee letter**

AC presented fee for next year and advised that it had remained the same as in 2015/16. The fee **was agreed**.

#### **18. Force Strategic Risk Register**

RB gave update on risks which have been resolved and a summary of new risks which have been added since the previous report. He advised of action plans for each.

There were concerns regarding delays in the implementation of the Emergency Services Mobile communications Network were noted.

It was noted that there was a risk assessment taking place regarding the multi-force shared service (MFSS).

#### **19. OPCC Strategic Risk Register**

There was no OPCC risk register.

MS suggested that the purpose of the committee was not to discuss the individual risks and invited comments from the members. MP noted that it was useful to see the risk and that this was important. TK advised that discussing the risks helped to give an overview and understanding of the process.

JB advised that the committee should be seeking assurance that a risk management framework existing and, on a sample basis, testing to see that it was working in practice. Discussing the risk register provided greater assurance but was needed for each meeting.

It was **agreed** that the two risk registers would be reviewed at every other meeting.

## **20. OPCC and CC Governance Framework**

MS gave update of progress made since last meeting and advised that a draft would be made available to JIAC members for comment.

## **21. Assurance Summary including items for escalation to the Commissioner and / or the Chief Constable**

The items for escalation – essentially a number of the key governance documents - were discussed under the Forward plan.

The key documents which were missing were:

- Governance Framework (joint document covering both OPCC and Force)
- Estates Strategy
- MTFP
- Capital Programme incorporating the Estates strategy
- Treasury Management (outturn 2016/17 and strategy for 2017/18)
- Reserves Policy including simplifying the reserves
- Accounts 2016-17
- HR policies
- Decision making protocol
- WH decisions

The draft accounts had been circulated and the version for recommendation would be made available at the September meeting of the Committee.

Officers provided re-assurance that these documents were being developed but that required some time to allow for consultation.

## **22. OPCC Delivery Plan**

MS advised of new OPCC delivery plan and explained the purpose and importance of the delivery plan in incorporating the objectives of the Police and Crime Plan.

JB queried governance of the programme of work to achieve the objectives of the Police and Crime Plan and MS provided clarification.

**ACTION:** MS to circulate delivery plan.

## **23. Agenda Plan for Next Four Meetings**

JB tabled a draft forward plan which sought to reduce the number of items on the each agenda but also to determine when a number of key documents which underpinned the governance of the two organisations would be available. He requested feedback and proposed timescales.

For the following items:

- Governance Framework (joint document covering both OPCC and Force)
- Estates Strategy
- MTFP
- Capital Programme incorporating the Estates strategy
- Treasury Management (outturn 2016/17 and strategy for 2017/18)
- Reserves Policy including simplifying the reserves
- Accounts 2016-17
- Decision making protocol

MS suggested that September was achievable and this was **agreed**.

The formal decision, if taken, around the changes on the Wootton Hall site, would be documented shortly.

The production of the HR policies would be targeted for the December meeting.

MP requested assurance that there was a decision making process behind creating the capital programme, MTFP and accounts. MS provided assurance that there had been a shift in how the Force and OPCC work together to create the budget.

It was agreed that HMIC and risk registers would be presented to alternate meetings of the Committee rather than every time.

TK pointed out that some of the work to confirm these governance documents could be handled between meetings.

#### **24. Date and Venue for Next Meeting**

It was **agreed** that it will not be necessary to have a meeting in July.

The next meeting would take place on Monday 11 September 2017 at 10-00 am.

#### **25. Any Other Urgent Business**

MP requested clarification regarding the PCC assuming responsibility for the Northamptonshire Fire and Rescue Service. MS provided a brief update on the preparation of the business case and the consultation which had just started.

#### **29. Confidential Business**

There was no confidential business

## Joint Independent Audit Committee

### Matters Arising Action Log

Action	Status	Who	Comment
PD to arrange a meeting with MP.	Complete	Paul Dawkins	
MS to discuss with RS the how robust the funding arrangements were.	Complete	Martin Scoble	
PD and EE to discuss the timescales for JIAC meetings in 2018 to fit with the drafting of the 2017/18 accounts.	In Progress	Emily Evans	
MS/PD to circulate narrative elements of the Annual Accounts 2016/17 to JIAC.	Not done	Martin Scoble	Will form part of the Accounts presentation to JIAC (Sept).
GA to circulate the 'hot debrief' document following the most recent HMIC visit to JIAC members.	Complete	Gary Ashton	
MS to arrange meeting with Leila Board.	In Progress	Martin Scoble	Email sent to Leila Board 22.08.2017.
Information on the risk scoring strategy to be provided.	Unknown	Richard Baldwin	
MS to provide updated capital programme.	Complete	Martin Scoble	
MS and MP to discuss some questions raised around the appointment of new external auditors.	Complete	Martin Scoble	Update on progress provided to JIAC by PD.
PD to circulate latest financial update report to JIAC members.	Unknown	Paul Dawkins	
RB to review the consistency between the Force and OPCC risk registers.	Unknown	Richard Baldwin	
RB to provide a summary of the recommendations outstanding at the start of each report.	Unknown	Richard Baldwin	

MS to arrange for Annual Report to be presented at Police and Crime Panel.	Complete	Martin Scoble	Panel have agreed to receive report. MS including report on Panel agenda in Sept 2017.
MS to circulate OPCC delivery plan.	Complete	Martin Scoble	Item on the Sept 2017 JIAC agenda.

## **Annual Governance Statement (AGS) for Northamptonshire Police Force 2016/17**

**The position is as at 31 March 2017, including plans for financial year 2016/17.**

### **1. SCOPE OF RESPONSIBILITIES**

Northamptonshire Police Force ('the Force'), must ensure that its business is conducted legally and that public money is safeguarded, accounted for and used economically, efficiently and effectively. The Force has a legal duty to secure continuous improvement in the way which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Force is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Force has adopted a Code of Corporate Governance, which is consistent with the principles of CIPFA/ SOLACE Framework: Delivering Good Governance in Local Government. A copy is on the OPCC website at [www.northantspcc.org.uk](http://www.northantspcc.org.uk) or can be obtained from the CFO, Northamptonshire Office of the Police & Crime Commissioner, Force Headquarters, Wootton Hall, Mereway, Northampton, NN4 0JQ. This statement explains how the Force has complied with the Code and also meets the requirements of Accounts and Audit (England) Regulations 2011, Regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

Throughout the period the organisation also ensured that its management arrangements conformed with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010) and its assurance arrangements are in line with the CIPFA statement on the Role of the Chief Internal Auditor (2010). This also includes having effective arrangements in place for the function of the Monitoring Officer.

### **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework comprises the systems, processes, culture and values by which the Force is directed and controlled, as well as the activities through which it accounts to, engages with and leads its communities. It enables the Force to monitor the achievement of the strategic objectives, articulated in the Police and Crime Plan, and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Force's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework is in place at the Force at the year-end 31 March 2016 and up to the date of approval of the Statement of Accounts.

### **3. THE GOVERNANCE FRAMEWORK**

For the period of 1 April 2015 until 31 March 2016 Northamptonshire Police worked with the OPCC as set out under the Police Reform and Social Responsibility Act 2011 (PRSRA) and the Policing Protocol Order 2011. Under the PRSRA the Force became a corporation sole, therefore the Chief Constable continues to be responsible for all operational policing matters, the direction and control of police personnel, and for putting in place proper arrangements for the governance of the Force. The Chief Constable is required by statute to appoint a person to be responsible for the proper administration of the Force financial affairs (S151 officer). The post that holds this responsibility is the ACO Finance and Resources. The PCC holds the Chief Constable to account for his policing responsibilities and it follows that the PCC must be satisfied that the Force has mechanisms in place for the maintenance of good governance, and that these operate in practice. The Joint Independent Audit Committee (JIAC) oversees the governance arrangements to ensure robustness and transparency of the frameworks.

### **Our vision is:**

“To Make Northamptonshire the Safest Place in the Country”

### **Objectives and Targets**

The Police and Crime plan was first published in March 2013 and refreshed within 2014 and it set out the strategy for policing the area and the vision for Northamptonshire Police Force until 2017. The strategic outcomes we desire are:

- A reduction of at least 40% in violent crime
- There will be a focus on eradicating drugs and reducing acquisitive crime
- Anti-social behaviour will be robustly and intelligently tackled
- Northamptonshire will have a more visible police Force
- Northamptonshire will be a secure place
- Northamptonshire will have the safest roads

These outcomes enabled the Force to focus our resources on the key strategic themes:

- Reducing all Crime
- Increase our resolution rate
- Reduce Violence against the person
- Reduce Serious and Acquisitive crime volumes
- Protecting Vulnerable People

### **Monitoring Performance**

Within Force, the Executive Group (All Chief Officers and the Departmental Commanders), supported by the Strategic Tasking and Coordination Group will shape and coordinate and monitor strategic delivery of both the policing services and organisational development. Monitoring within the Force is through the Chief Officers' Team (COT) and the supporting meetings chaired by a Chief Officer:

- Strategic Tasking and Co-Ordination Group is chaired by the Chief Constable (CC).
- Both the Deputy (DCC) and Assistant Chief Constables (ACC's), Departmental Commanders and appropriate Department Heads attend these quarterly meetings to examine performance against the organisation's strategic assessment and control strategy, making strategic resourcing decisions based on intelligence and performance and the resources available.
- Monthly Performance and Tasking is chaired by the Deputy Chief Constable.
- All operational Commanders and Superintendents, appropriate HR, Finance and Organisational Delivery leads attend these monthly meetings, where performance is scrutinised and issues are tasked to be resolved.
- Strategic Workforce Planning is chaired by the Deputy Chief Constable.
- The ACC, Departmental Commanders, Head of Organisational Delivery, Senior HR Business Partner, Unison, Acting Head of Finance, and the Police Federation attend

these meetings. This body scrutinises and leads how the organisation plans and delivers a workforce fit for delivering the policing objectives in the future.

- The Transformation Board is chaired by the DCC and CFO for the OPCC and has oversight of the transformational change programmes in the Force, with includes Estates, Agile technology, Specials and Volunteers, the Service Delivery Model and has oversight on work within Interoperability.
- The Interoperability Board is chaired by the ACC and delivers the integration of the Force and Northamptonshire Fire and Rescue, improving our service to our community.

Her Majesty's Inspectorate of Constabulary (HMIC) also continuously monitors the Force performance against other Forces and carries out inspections of the Force for themes agreed with the Home Secretary.

### **Measuring the quality of services for users**

The OPCC carries out telephone surveys with victims of crime and also undertakes a general public attitude survey, which measures the opinions of members of the public about policing across the County. The victim surveys now incorporate all Hate Crimes, in order to get broader feedback on quality of service beyond Racist Incident/Crime victims. The Force has also undertaken programmes of consultation with other groups of service-users, including domestic abuse, child abuse and serious Road Traffic Collision victims and families, in order to provide an insight into quality of service beyond the standard groups normally covered by the telephone surveys. Individual Safer Community Teams are concentrating on priorities set by their local communities. The results of these are monitored by the Monthly Performance and Tasking meeting.

**The Force's Professional Standards Department also sends out surveys to complainants and monitors the feedback obtained.**

### **Risk Management**

The Force continues to implement and embed risk management arrangements across the organisation.

The DCC has established a Professional Standards and Security Board to ensure Force risks are monitored and mitigated. All commands and departments maintain their own risk registers. The corporate risk register is presented to the Chief Officer Group on a quarterly basis, for discussion and awareness, and at every meeting of the Independent Audit Committee for independent oversight and assurance.

### **Roles and Responsibilities**

**The Force ensures that staff and officers work together, with clearly defined functions and roles, to achieve a common purpose, through the schemes of delegation approved by the OPCC.**

### **The Force has in place:**

- A framework of statutory and local delegated powers, procedures and regulations
- Officers and staff allocated to PCC meetings to present reports and answer questions as appropriate. For example, the Director for Resources Transformation and Governance (OPCC) and the ACO for Finance & Resources (CC) meet regularly to discuss finance, budget planning, the Force change programme and contracts. Written reports about Finance are given to the OPCC bi-monthly.

- A designated liaison officer between the Force and the OPCC providing a single point of contact
- Effective and professional communications for the Force and the OPCC via the Communications Department including reactively and proactively representing the OPCC interests to the media.
- Well publicised codes of conduct for both officers and staff with the code of conduct for officers regulated by police regulations and an effective disciplinary process for breaches of Code of Conduct, managed by the Professional Standards Department.

## **Compliance**

The Force will ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

The Chief Constable and Force S151 Officer (ACO Finance & Resources), have legal and professional responsibilities in this respect, assisted by assurances from internal and external audit. The Joint Independent Audit Committee undertakes the core functions of an audit committee as defined by CIPFA.

During 2014-15 the Statement of Accounts were closed 6 months late in March 2016 and this is recognised as an issue in the governance procedures, that is being addressed.

During 2015-16 the Force had 12 assurance reviews: 1 significant, 4 satisfactory, and 5 limited assurances and due to the type of audit, 2 'no opinion'. These will be the focus for areas of improvement during 2016/17. There are checks and balances built into the financial procedures to ensure that expenditure is lawful, and this is underpinned by financial regulations which apply to each officer and employee of the Force. Departmental Heads and the relevant process groups are responsible for ensuring the Force policies and procedures are lawful. There were also 4 collaborative arrangement audits, of which one was satisfactory, 1 significant and due to the type of audit 2 'no opinion';

Having reviewed all of the Internal Audit reports for the year, the Force is actively looking to improve processes where possible. The main focus of work over the forthcoming year will be;

- Work with the East Midlands region, including East Midlands Strategic Commercial Unit (Procurement) to ensure the Governance and financial framework is improved;
- To ensure that work between the Force and it's Multi Force Shared Services (MFSS) is improved, including reviews of Service Level Agreements in each direction of work between Force and MFSS to enable more effective controls and processes; and
- The documentation for and around the safeguarding of detained property is improved.
- Officers and staff employed by the Force are expected to adhere to the highest standards of conduct and personal behaviour. The requirements of officers are set out in Schedule 2 of the Police (Conduct) Regulations 2012. The requirements of Police staff are set out in the Police Staff Council Standards of Professional Behaviour document.

The Force has internal procedures managed by Professional Services Department for complaints by both officers and staff, and for members of the public to use. The Force is also regulated by the Independent Police Complaints Commission (IPCC), an external body that has the power to investigate the Force.

A Public Interest Disclosure (whistle-blowing) policy is in place to protect any employee who may wish to raise concerns of public interest.

## **REVIEW OF EFFECTIVENESS**

The Force has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Force who have

responsibility for the development and maintenance of the governance, the head of internal audit's Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

The governance between the Force and the OPCC has continued to be refined as has the Force framework to ensure the governance remains robust and effective. This has included the Scheme of Consent and a review of leadership and membership of all strategic meetings, and the outcomes being achieved by the Force.

For 2016/17 Mazars (internal audit) concluded that for the Chief Constable:

Our overall opinion is that generally adequate and effective control and governance processes were in place to manage the achievement of the organisation's objectives. We have, however, identified weaknesses in respect of risk management, financial controls and some other operational areas that require addressing.

### **SIGNIFICANT GOVERNANCE ISSUES IN 2016/17**

There were 2 significant governance issues during 2016/17, which were the handling cash and bank and Officers in Kind between regional collaborations. However, the Force will continually try to improve the governance framework both within the Force, the links with partners and the linking into the OPCC, and the regional governance framework.

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Simon Edens  
Chief Constable of Northamptonshire Police Force

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Paul Dawkins  
ACO Finance & Resources  
Northamptonshire Police Force  
On behalf of the senior officers Northamptonshire Police Force



# Annual Governance Statement for Group Statement of Accounts 2016/17

## **BACKGROUND AND FRAMEWORK**

The organisational powers and arrangements in place within the police service, relating to governance, are unique and any governance framework needs to take this into account. This is clearly recognised in the Chartered Institute of Public Finance and Accounting (CIPFA) document - *"Delivering good governance – Guidance notes for policing bodies in England and Wales, 2016"*.

In 2007, CIPFA developed with the Society of Local Authority Chief Executives (Solace) a framework – *"Delivering good governance in local government"*. This was subsequently reviewed in 2015 and an updated edition was published in April 2016. This review and subsequent updated version takes into account significant changes in legislation and arrangements since the 2007 edition, including The Police Reform and Social Responsibility Act 2011.

This framework recognises that no two organisations are the same and as such allows an organisation to test its governance structures against a set of principles. These principles can be summarised as:

- Ethics and integrity
- Openness and stakeholder engagement
- Defining outcomes
- Delivering interventions
- Managing risk and monitoring performance
- Demonstrating effective accountability

## **WHAT IS GOVERNANCE**

Governance as defined in the 2016 framework is:

*"Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and delivered."*

Good governance is not only about rules, policies and procedures but should also incorporate a spirit of good governance as an integral part of the culture of the organisation, its values and the expected behaviours.

Senior leaders have a significant responsibility not only to ensure that good governance arrangements are properly codified and documented but also that the proper culture exists so that the concept of good governance, including transparency and openness, is effectively conveyed throughout their organisation.

## **ANNUAL GOVERNANCE STATEMENT**

It is a requirement on each public body to prepare an annual governance statement. This is intended to provide an assessment of how effectively it has complied with its own governance arrangements and the principles set out in the framework.

This governance statement provides a high level overview. It comments on the effectiveness of governance arrangements over 2016/17 and makes proposals to improve processes, or mitigate issues or risks identified.

The statement contains a section in relation to each of the summarised principles contained on page 2.

## **Ethics and integrity**

The Police and Crime Commissioner (PCC) and the newly appointed Chief Executive to the Office of the Police and Crime Commissioner (OPCC) have made clear statements setting a high expectation in relation to openness, transparency and standards of ethical behaviour. This includes an agreement to adhere to the College of Policing (CoP) Code of Ethics as the basis for how the OPCC and staff behave.

Overt support for this stance has been secured with the provision of an OPCC senior staff member to sit on the Force internal ethics committee, with administrative support being provided by the OPCC to the external committee. Values have been included as an overarching element of the published Police and Crime Plan.

Her Majesty's Inspectorate of Constabulary (HMIC), in granting a 'GOOD' rating for the Force in relation to Legitimacy in the 2016 Police Efficiency, Effectiveness and legitimacy (PEEL) inspection stated that the Force have made good efforts in transmitting and communicating its values to the wider workforce. These were considered positive steps but the alignment between the code of ethics and the published OPCC code of conduct was not complete.

There have been changes in this period to the overall decision making processes within the OPCC, particularly relating to significant financial decisions and contract awarding and management. This has resulted in a streamlined process that aids understanding and provides greater transparency. All such decisions are subject to publication via the OPCC website.

The OPCC Corporate Governance Framework, including the Scheme of Governance, has been reviewed and now more closely aligns with that of the Force. This is in the process of being agreed and will include clear references to the code of conduct and the range of required documentation for good governance, especially relating to financial management.

All posts in the OPCC have defined role and job descriptions but currently there are no effective and formal performance appraisal processes in place to support these. HR policies and procedures are currently being reviewed by a senior staff member in the OPCC.

By its nature, the OPCC commissions a range of services and, in the coming months, a number are due for review or recommissioning. This creates an opportunity to ensure the ethical values of the PCC and OPCC are reflected in commissioning and contracts that deliver parts of the business.

**Recommendation 1** – To review the current published code of conduct against the CoP code of ethics to ensure consistency of approach in OPCC

**Recommendation 2** – Complete the review of the Corporate Governance Framework.

**Recommendation 3** - Complete the formal review of existing HR policies, practices and procedures and consider recommendations made.

**Recommendation 4** – Undertake a review of commissioning and contracts to ensure the values of the OPCC are included in how these services are procured and delivered.

## **Openness and stakeholder engagement**

The Commissioner's purpose is set out in statute. The vision for Northamptonshire policing<sup>1</sup> is set out in the Police and Crime Plan 2017 - 2021. The Police and Crime Plan was formally published in February 2017 after endorsement by the Police and Crime Panel. The Plan is the foundation of the Commissioner's activity and has been widely shared internally and externally. The Police and Crime Plan sets out the strategic direction of the PCC's activities and is underpinned with a delivery plan that details how these are to be achieved. The delivery plan has also been shared as part of an open relationship with the Police and Crime Panel and the Joint Independent Audit Committee (JIAC). Part of this new open relationship has included presentations and briefings outside of the formal panel structure, to aid Members' understanding of the operating environment within the OPCC.

The aspirations set out in the Police and Crime Plan, particularly the overarching aspiration of "making a safer Northamptonshire" have been widely shared, internally and externally. The consultation in relation to the Police and Crime Plan was wide ranging and inclusive across local communities, partners and the Force. This has been effective in delivering one of the key recommendations from the 2015/16 annual governance statement, which was:

*"Engage with stakeholders including the public to inform the setting of a new vision under the new Police and Crime Commissioner, to then be enshrined within the new Police and Crime Plan."*

The OPCC website provides information on the activities of the Office and the Commissioner himself. It is used to publish a wide range of policy and information, making this easily accessible to the public. These include a register of requests received under the Freedom of Information Act 2000, minutes of accountability board meetings and staff grades and salary bands.

The purpose and vision of the Commissioner have been and continue to be promoted. This includes the activities required or planned to deliver it. The promotion methods have been wide ranging but have included:

- The OPCC website and social media
- Commissioner attending regular speaking engagements from local to national
- Engagement with a wide range of stakeholders
- Inclusion of precept charges and police and crime plan activity in council tax leaflets
- Publication of an annual report

The OPCC undertakes regular customer and victim survey activities, ensuring that these can then be used to inform service delivery by the Force and services which the PCC has commissioned. These are captured not only on an ongoing basis but also in an annual report and assessment.

The OPCC currently manages and is further developing the Independent Advisory Group structure used by the Force. This development is being undertaken with the IAG chairs and includes the creation of a database of community advisors that can be called upon to provide general advice or on specific matters when required.

Changes in some personnel in 2016-17 have provided a catalyst to reshape how the OPCC delivers engagement and communications, underpinned through a developing comprehensive communications strategy and plan.

There is widespread and effective communication and engagement with service users that includes victim surveys, the consultation on the Police and Crime Plan and the significant survey undertaken in relation to young people's use of the internet; these will be formalised by the developing structured communication and engagement strategy.

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**Recommendation 5** – Complete OPCC communications strategy and forward plan for community and stakeholder engagement to better inform and deliver strategic outcomes.

### **Defining outcomes**

The widespread public and internal consultation that took place in relation to the now agreed Police and Crime Plan has secured support for the outcomes that the Commissioner expects to see during this term of office. This year the OPCC has started to develop a more robust performance framework to measure success against the objectives that are contained within this plan. Support is being provided for this from the Institute for Public Safety, Crime and Justice.

The PCC supports a number of collaborative arrangements, especially with other Forces and emergency services in the East Midlands region, aimed at better delivering positive outcomes. A number of these relate to issues contained within the national Strategic Policing Requirement. The Commissioner has a statutory responsibility to consider the national requirement and collaborative working enables him to respond in an efficient and cost effective manner.

Many of the collaborative arrangements, notably those in relation to major crime and serious and organised crime, have been reviewed and favourably commented upon by Her Majesty's Inspectorate of Constabulary. These are covered by formal agreements, with arrangements having developed incrementally over recent years. There is some scope for a review of overall governance arrangements in relation to collaborative services to make sure that they meet the needs of local people and Commissioner, both now and in the future.

The OPCC has worked on the development of a medium term financial plan with the Force, which supports the delivery of specified outcomes in the Police and Crime Plan. Grants for financial support are administered independently, via a community foundation, with resources being allocated in line with the anticipated delivery against the objectives of the Police and Crime Plan.

Activity of the OPCC is subject to regular scrutiny from the Joint Independent Audit Committee as well as a regime of bespoke audit inspections. The JIAC annual report should be produced through the Chair and actions/recommendations identified with agreed actions plans determined. The annual report should also be provided to the Police and Crime Panel. Whilst this is not a statutory requirement it does tie up assurance and scrutiny functions to aid transparency and accountability.

A series of high level strategic plans have been agreed between the OPCC and the Force in relation to the individual elements of the Police and Crime Plan. These provide clarity and aid delivery. These plans are jointly shared by OPCC and Force leads. The Commissioner recognises that key to successful deliver of outcomes is the provision of appropriate resources to support this. This has taken place and specific comment on this is made below.

**Recommendation 6** – Complete full performance framework for defined outcomes in the Police and Crime Plan.

**Recommendation 7** – Consider review of regional collaboration appropriateness and optimisation. Internal Audit have done a lot of work to review the overall governance arrangements, which can be developed to see if the collaborations meet the identified needs and provide VFM.

**Recommendation 8** – In conjunction with the Force develop an annual financial timetable to aid the planning, delivery and transparency of financial decisions and forecasts/modelling.

**Recommendation 9** – Evaluate the performance and outcomes from the Community Foundation community granting mechanism.

**Recommendation 10** – Recommendations and subsequently agreed actions from the JIAC annual report taken forwards along with annual report being presented to the Police and Crime Panel.

### **Delivering interventions**

The Commissioner, in consultation with the Chief Constable and others, has constructed a medium term financial plan that projects government grants and local precept options to provide some confidence and clarity to the force along with allowing for the delivery of the key objectives in the Police and Crime Plan. The plan includes reasonable assumptions made by the PCC in relation to future government funding streams, a change in the balance between central and local funding and precept charges. This is supported by financial and other monitoring arrangements to ensure financial resources are used effectively to deliver value for money whilst delivering the desired operational outcomes. However, the awaited new government funding formula for policing remains outstanding and is in doubt due to recent national events. It has been widely recognised that Northamptonshire has been under resourced from the current formula, therefore, if there is no change to the formula that under-funded gap will progressively increase.

It is recognised and accepted by the PCC that previous planning within the OPCC has not been robust, transparent or conducted in a collaborative manner with key partners, including the Force. This situation has now been rectified and there is a new sense of trust and mutually agreed objectives along with constructive communication to allow delivery.

The decision to vacate Force Headquarters at Wootton Hall is one such example of where poor assumptions and planning led to a decision that was not open or transparent and is in the process of being reversed due to its unaffordability. Before May 2016 there was a complete lack of a coherent Estates Strategy or realistic capital programme to enable informed decision making. This situation is in the process of being rectified. A draft Estates Strategy is being developed in concert with the force and JIAC to ensure that the operational policing requirement is fully supported by the enabling infrastructure whilst being transparent and appropriate.

For the first time the OPCC has developed a comprehensive Delivery Plan that sits underneath the Police and Crime Plan as a mechanism to drive work against established objectives and also allow for resource and effort prioritisation. This is an ambitious undertaking that the PCC is using to provide detailed direction and also allow the Police and Crime Panel, public and partners to scrutinise and provide feedback.

The PCC has a busy series of commitments that are scheduled through his diary. This can be viewed on the OPCC website. The principal aim of commitments within the PCC's diary is to delivery on his Police and Crime Plan, which includes engaging with the public and partners.

The PCC recognises the requirement for effective infrastructure to be in place to support the operational delivery of his strategic objectives. To this end, the PCC has appointed a technology lead, to work with the Force and other regional and national partners to deliver an ICT strategy that enables more effective and efficient operational outcomes.

Risk management is mentioned elsewhere but over this period the OPCC has developed a business continuity plan, in conjunction with the internal audit recommendations, to restore and/or maintain services in the case of emergency, loss of staff, premises or other service interruption.

A variety of consultation methods are undertaken so that the Commissioner can understand the needs of service users and consider if the delivery of services or indeed the objectives need to change.

The OPCC has started to construct a shared performance reporting regime with the Force that ensures that all decisions in relation to the Police and Crime Plan and progress against it are made using a single, shared data set. The Institute for Public Safety, Crime and Justice (IPSCJ) has been commissioned to assist in the production of an appropriate performance framework. The Police and Crime Plan has a detailed delivery plan to allow for progress tracking to be undertaken.

Both the Force and the OPCC have been using Multi-Force Shared Services (MFSS) for the delivery of financial and human resource transactions. The engagement with and the utility of MFSS has been poor and mis-understood. Equally the governance and accountability of the service has also been underperforming. The current PCC and OPCC have recognised this gap in service delivery and accountability and are taking tangible steps to address and improve both service delivery, accountability and transparency. Additionally, the PCC is involved in negotiations to update the ICT systems that support MFSS to make the systems more effective and efficient. This is expected to bring both improved capabilities for Northamptonshire but also to attract additional organisations to MFSS and improve value for money.

**Recommendation 11** – Complete performance monitoring and reporting framework with IPSCJ.

**Recommendation 12** – Complete the operational needs driven Estates Strategy, which will then inform the development of the capital programme.

### **Managing risk and monitoring performance**

Transparency is a fundamental principle of how the PCC and OPCC should conduct themselves. Throughout this financial year, especially in the last 6 months, significant steps have been taken to improve internal and external communications, which includes visibility and transparency of OPCC policies and procedures, PCC decisions, the reality of previous decisions and the direction of travel for the current PCC to deliver his Police and Crime Plan. The Police and Crime Panel have been briefed in detail on a range of issues to ensure that panel members are aware of the background to subsequent decisions that the PCC has made in order that they are able to perform their statutory function. Additionally, the PCC has held separate briefings for the panel Chair and Vice Chair along with regular briefings for councillors at Force HQ and numerous engagement events every week.

The Joint Independent Audit Committee (JIAC) has rightly sought clarification and assurance on numerous areas of business. That assurance has previously been limited due to limited or incomplete information being provided. This situation is being reversed and the JIAC are being used to effectively provide assurance as per their terms of reference. However, equally importantly the JIAC Chair and members are being involved at a more fundamental level to provide advice, guidance and support where appropriate.

The Corporate Governance Framework, along with the Scheme of Governance, which includes the financial delegations is not fit for purpose. The framework is being re-written to ensure that appropriate governance mechanisms are established. The PCC will

significantly change and in many areas reduce the financial delegations previously allowed. This will be to ensure that all financial activities are correctly processed and progressed.

In conjunction with a change to the Corporate Governance Framework the method of recording decisions by the PCC will change to remove any confusion and increase transparency. Executive Orders will be removed and replaced solely by Decision Records (DRs), which will be published on the OPCC website. Previously DRs were used for PCC decisions that were deemed to not meet the "significant public interest" test and were not published.

During the period covered by this statement there has been a review of a number of important areas relating to risk and risk management. The OPCC risk register was historic, relating largely to risks identified at the commencement of PCCs in 2012. This had not been regularly updated and did not provide the required level of assurance to the Commissioner. A new risk register has been implemented, with identified risk owners and mechanisms, to identify risks and put in place appropriate mitigation. This has been presented to internal audit who have endorsed the robust methodology.

The amended process mirrors that of the Force, allowing easy comparison and discussion in relation to risk management. A new risk management policy and business continuity plan along with the updated risk register provide a more complete and appropriate level of management and planning. Risk is reported via a number of mechanisms including regular discussion with Chief Officers in Force, personal briefings to the PCC and reports to the joint independent audit committee.

Over the following year awareness training will be delivered to OPCC staff relating to risk, to further support and embed this new approach.

As referenced elsewhere the scheme of corporate governance has been reviewed and contains necessary safeguards and assurances relating to transparency concerning financial reporting, including clarity relating to delegated authorities. This review has also added further clarity to budget owners in relation to responsibilities for financial management and allocation.

The PCC has to plan ahead. He is helped in this by information from a number of agencies such as Association of Police and Crime Commissioners (APCC) and National Police Chiefs Council (NPCC). He also has a forward plan of key events and decision making points throughout the year.

There are a number of observations and recommendations that are provided from the spectrum of audits and JIAC meetings. These must be properly captured, action plans developed, allocated and monitored. This process historically has not been sufficiently robust and is in the process of being addressed.

**Recommendation 13** – Train OPCC staff in risk awareness and management.

**Recommendation 14** – Use the risk register, Delivery Plan, audit recommendations within internal planning processes.

**Recommendation 15** – Develop, present and continually monitor progress of the OPCC action log.

### **Demonstrating effective accountability**

There are detailed delivery plans that support the achievement of the Police and Crime Plan objectives. Processes are in place to hold to account OPCC staff internally for delivery. There are nominated leads for all areas and performance is reported initially to the Chief Executive. External governance is managed through a revised system of assurance that relies on appropriate attendance at meetings and forums by OPCC staff to fully understand activities and associated risks. There is a robust, formal meeting every six weeks between

the PCC and Chief Constable to discuss performance. This is known as the accountability board and its minutes and decisions are published on the OPCC website.

The Commissioner provides regular updates to the Police and Crime Panel as well as to elected Members, officials and members of the local community. The PCC has a structured programme of public engagement every Friday across the County that supports this.

The Police Reform and Social Responsibility Act 2011 requires the PCC to appoint a Chief Executive and Chief Finance Officer. These roles have legal responsibilities and in addition help to achieve proper accountability and transparency. The PCC has appointed a new Chief Executive, as head of paid service and monitoring officer, and is in the process of recruiting a new Chief Finance Officer.

The OPCC has a nominated single point of contact in relation to matters concerning internal and external audit, with responsibility for considering recommendations made, responding to them and ensuring that remedial action is put in place against those that are accepted. Examples of this during this year include those relating to risk management and business continuity.

## **CONCLUSION**

In producing this annual statement, the results of audits and comments from the audit committee have been considered. The OPCC currently has in place a number of elements which support effective governance. However, as this assessment has identified, there is a need to further strengthen certain aspects to fully accord with the principles of good governance; these are contained within the recommendations in this statement.

The process of governance needs to be kept under constant review, to ensure that processes reflect changes in political, legislative and operating landscapes.

## **SUMMARY OF RECOMMENDATIONS**

**Recommendation 1** – To review the current published code of conduct against the CoP code of ethics to ensure consistency of approach in OPCC

**Recommendation 2** – Complete the review of the Corporate Governance Framework.

**Recommendation 3** - Complete the formal review of existing HR policies, practices and procedures and consider recommendations made.

**Recommendation 4** – Undertake a review of commissioning and contracts to ensure the values of the OPCC are included in how these services are procured and delivered.

**Recommendation 5** – Complete OPCC communications strategy and forward plan for community and stakeholder engagement to better inform and deliver strategic outcomes.

**Recommendation 6** – Complete full performance framework for defined outcomes in the Police and Crime Plan.

**Recommendation 7** – Consider review of regional collaboration appropriateness and optimisation. Internal Audit have done a lot of work to review the overall governance arrangements, which can be developed to see if the collaborations meet the identified needs and provide VFM.

**Recommendation 8** – In conjunction with the Force develop an annual financial timetable to aid the planning, delivery and transparency of financial decisions and forecasts/modelling.

**Recommendation 9** – Evaluate the performance and outcomes from the Community Foundation community granting mechanism.

**Recommendation 10** – Recommendations and subsequently agreed actions from the JIAC annual report taken forwards along with annual report being presented to the Police and Crime Panel.

**Recommendation 11** – Complete performance monitoring and reporting framework with IPSCJ.

**Recommendation 12** – Complete the operational needs driven Estates Strategy, which will then feed the development of the capital programme.

**Recommendation 13** – Train OPCC staff in risk awareness and management.

**Recommendation 14** – Use the risk register, Delivery Plan, audit recommendations within internal planning processes.

**Recommendation 15** – Develop, present and continually monitor progress of the OPCC action log.

## **RECOMMENDATIONS FROM PREVIOUS STATEMENT**

Listed below are the recommendations from the 2015/2016 annual governance statement, along with a brief comment in relation to their status. Where recommendations or actions are deemed to have not been undertaken or fully completed they are included for consideration within the recommendations above for this year's annual governance statement.

1. Engage with stakeholders including the public to inform the setting of a new vision under the new Police and Crime Commissioner, to then be enshrined within a new Police and Crime Plan.

**Completed – the newly published Police and Crime Plan was subject to and influenced by a widespread internal and external consultation exercise with evidence of changes being made to early drafts as a result of this.**

2. Utilising the opportunity of the new Commissioner being the Chair of the Regional PCC governance arrangements to seek to strengthen the governance arrangements for regional collaboration.

**Ongoing – The position in relation to regional, especially Tri Force, collaboration has significantly changed with a number of business cases not being progressed. New proposals for overall regional collaboration governance are being worked up, led by OPCC in Derbyshire.**

3. Develop the business case for further integration of police and fire services in time for the new legislation being enacted.

**Completed – Business case has been progressed and discussions commenced with Fire and Rescue Service and Northamptonshire County Council. Case to be submitted August 2017.**

4. Develop a new approach for the Commissioner and OPCC to engage and work with partners to better achieve outcomes.

**Ongoing – Some evidence exists that this has taken place. Grants now administered independently through Community Foundation and new practices are being put into place to procure new services.**

5. To further build the governance arrangements around transformational change in light of the internal audit report on Change Management.

**No evidence that this has been completed.**

6. Development of a People Strategy for the OPCC by December 2016.

**Not completed – As reflected in statement, HR policies and procedures underway.**

7. Completion and approval of a revised Corporate Governance Framework by September 2016.

**Ongoing.**

8. Increase capacity and capability to address shortfalls in the accounts closure process to ensure a continued timely closure of accounts for 2016/17.

**Ongoing – CIPFA Big Red Button implemented. Statement of accounts completed by 31<sup>st</sup> May 2017. Outturn report and audit scrutiny required.**

9. Develop as part of the People Strategy plans for formal training, development, succession plans, as well as an induction programme.

**Not completed – As reflected in statement, HR policies and procedures underway.**

10. A managerial review to ensure that the capacity and the capability of the office is aligned to the new Commissioner's agenda.

**Complete – New PCC and Chief Executive undertook a review and amendments to posts and responsibilities agreed as a result that create greater alignment with PCC new priorities.**

11. Develop a revised engagement and consultation strategy for the new Commissioner.

**Ongoing – Changes in personnel have delayed this however currently being produced.**

**Stephen Mold**  
Police & Crime  
Commissioner

**Martin Scoble**  
Chief Executive

**Paul Dawkins**  
Chief Finance Officer

xx September 2017

xx September 2017 xx September 2017

# Annual Governance Statement for Regional Collaboration 2016/17



## East Midlands Police Collaboration

Derbyshire Leicestershire Lincolnshire Northamptonshire Nottinghamshire

### **ANNUAL GOVERNANCE STATEMENT** **FOR REGIONAL COLLABORATION 2016/17**

I confirm that the relevant controls and procedures are in place to manage the following issues within Regional Collaboration for the East Midlands:

**1. The monitoring processes by which performance against operational, financial and other strategic plans are considered and key issues identified and tasked.**

DCC (East Midlands) monitors performance. This is reported to the East Midlands Police and Crime Commissioners (EMPCC) Board on a quarterly basis.

**2. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.**

Compliance is monitored by management review and supported by specialist professional advice where appropriate. Where areas for improvement are identified these are subject to action plans that are revisited to ensure that they have been attended to.

Thematic inspections form part of the monitoring controls to ensure compliance with appropriate policies and regulations and demonstrate the effective and efficient use of resources.

**3. That the appropriate controls are in place for the management of all resources deployed within Regional collaboration**

A management structure is in place, with clear lines of accountability for both operational issues and use of resources.

A budget is approved each year at the EMPCC's Board which defines the expenditure targets for each area of policing within regional collaboration. Each force actively supports the budget allocation and sets its own precept accordingly.

Management reports showing costs against budget are provided monthly. Unexpected variances are investigated and explained, ready for reporting to quarterly Management Boards and the EMPCC's Board. Monthly expenditure reports are shared across the region to provide each force with visibility over expenditure to date and projected outturn position.

**4. Incorporating good governance arrangements in respect of partnerships.**

The EMPCC's Board provides a forum for all members of collaboration to feedback their experiences of the partnership work. All forces can discuss governance, performance and financial issues at the quarterly meetings. The collaboration builds on best practice from across the country and the region to improve performance as well as saving money.



Estate	Post Code	Role	Intent	Date avail for disposal	Investment required	Estimated date for investment	Tenure	17/18 costs	18/19 costs	19/20 costs	20/21 costs	21/22 costs	Future costs	Remarks
FORCE HEADQUARTERS (16 BUILDINGS)	NN4 0JQ	Jt HQ & hub	Re-develop	NA			FREEHOLD		25,000					
TOWCESTER ROAD OFFICES	NN4 8LS	Regional Occ Health Unit	Re-provision	NA	100,000		FREEHOLD							Capability required but potential opportunity for dual provision with Fire
31 WOOTTON HALL PARK	NN4 0JA	training	Retain	NA	20,000	18/19	FREEHOLD		20,000					
CAMPBELL SQUARE exc Robert St, owned (2 bldgs)	NN1 3EL	Community	Retain	NA	750,000	19/20	LEASEHOLD (999 yr lease)			750,000				
CRIMINAL JUSTICE CENTRE	NN4 7SL	Custody	Retain	NA	350,000	part 18/19 200,000 (charge desk cooling). part 20/21	FREEHOLD		200,000		150,000			
DAVENTRY	NN11 4BS	hub	Retain	NA	250,000	19/20	FREEHOLD			250,000				
DUSTON POLICE BOX	NN5 6DT	SCT base	Retain	NA	15,000	18/19	FREEHOLD							
EARLS BARTON - OFFICES & STORE	NN6 0JE	DP and DSU	Retain	NA	50,000	18/19	LEASEHOLD		20,000					
EASTON on the HILL	PE9 3NW	Aerial mast	Retain	NA	20,000	18/19	FREEHOLD		15,000					
ELEANOR HOUSE	NN4 7JJ	EMSOU major crime	Retain	NA	15,000	18/19	LEASEHOLD							
MEREWAY RANGE	NN4 8BH	Training and EMoPPS firearms & traffic team	Retain	NA	1,700,000	part 18/19 £1.2M part 20/21	FREEHOLD		500,000		#####			Capability required but location and facilities to be considered
NORTHERN ACCOMMODATION BUILDING	NN14 1UE	hub	Retain	NA	25,000	20/21	FREEHOLD				25,000			

OLD PORSE GORSE - RADIO SITE	NN6 9RS	Aerial mast	Retain	NA	5,000	18/19	LEASEHOLD		5,000					
PORTLAND PLACE POLICE BOX	NN1 4DS	SCT base	Retain	NA	2,000	18/19	LEASEHOLD (Peppercorn)		2,000					
PYTCHLEY MOTORWAY POST	NN15 6XS	EMoPPS base	Retain	NA	30,000	19/20	FREEHOLD			30,000				
ROBERT STREET (parts)	NN1 3EL	Justice dept	Retain	NA	30,000	20/21	FREEHOLD				30,000			
ROTHERSTHORPE MOTORWAY POST	NN4 9QS	EMoPPS base	Retain	NA	15,000	18/19	LEASEHOLD		15,000					
SALTHOUSE ROAD - STORE & FINANCE	NN4 7EX	Police and Fire stores. Safer Rds team	Retain	NA	250,000		LEASEHOLD							
ST JAMES POLICE BOX	NN5 5LA	SCT base	Retain	NA	10,000		LEASEHOLD (Peppercorn)							
UNIVERSITY of NORTHAMPTON	NN2 7AL	training	Retain	NA	1		LEASEHOLD							
WW Justice Centre	NN14 1UE	Custody	Retain	NA	25,000		FREEHOLD							
WESTON FAVELL	NN3 8JH	hub	Retain	NA	1,500,000	19/20	FREEHOLD			1,500,000				
YARDLEY CHASE - TRAINING BUNKER	NN7 2BQ	EMoPPS training	Retain	NA	10,000	18/19	LEASEHOLD		10,000					
KINGSTHORPE POLICE BOX	NN2 7AZ	SCT base	Retain ??	NA	25,000	18/19	FREEHOLD							
<b>TOTALS</b>					5,197,001			0	812,000	2,530,000	1,405,000	0	0	

	CAPITAL PROGRAMME							
	Total Schem £000	Prior Yr Exp £000	Estimate 17/18 + slip £000	Estimate 2018/19 £000	Estimate 2019/20 £000	Estimate 2020/21 £000	Estimate 2021/22 £000	Estimate 2022/23 £000
<b>Change Programme</b>								
<b>Transformation Investment</b>								
Agile Working	4,032	875	1,372	650	607	528	0	0
Criminal Justice-Interoperable CJ NICHE	4,875	3,796	563	0	0	0	0	0
<b>Regional Collaboration</b>								
Legacy - IT	133	94	39	0	0	0	0	0
<b>TOTAL CHANGE PROGRAMME</b>	<b>9,040</b>	<b>4,765</b>	<b>1,974</b>	<b>650</b>	<b>607</b>	<b>528</b>	<b>0</b>	<b>0</b>
<b>Information Services</b>								
IT Replacement (Computer, Phone, Photocopier & Infrastructure (Servers & S	6,106	398	1,786	778	980	798	812	826
<b>TOTAL REPLACEMENT SCHEMES</b>	<b>6,106</b>	<b>398</b>	<b>1,786</b>	<b>778</b>	<b>980</b>	<b>798</b>	<b>812</b>	<b>826</b>
<b>Property</b>								
21st Century Estate (NAH)	21,608	15,132	6,476	0	0	0	0	0
Accessibility Fund	150	0	25	25	25	25	25	25
New Estates Strategy 2017-18 (Op EVO)	3,600	0	1,600	2,000	0	0	0	0
Northampton Headquarters (including Training facility)	18,419	0	1,210	10,426	6,639	144	0	0
Property Enhancements	1,715	0	265	300	300	300	300	250
Weston Favell Refurbishment (no extension)	1,500	0	0	0	1,500	0	0	0
Firearms Range	1,700	0	0	500	1,200	0	0	0
Campbell Square	750	0	0	0	750	0	0	0
Criminal Justice Centre (Cooling)	350	0	0	200	150	0	0	0
Salthouse Road	250	0	0	0	250	0	0	0
Wellingborough	250	0	0	250	0	0	0	0
Daventry	250	0	0	0	250	0	0	0
Radio Mast	85	0	70	0	15	0	0	0
Towcester Road	100	0	0	0	100	0	0	0
Other Required Investment - Estates Plan	312	0	0	0	0	312	0	0
<b>Information Services</b>								
Emergency Services Network (Ariwaves replacement)	3,624	91	249	250	3,034	0	0	0
Business Intelligence	284	232	52	0	0	0	0	0
Tri Force Regional IT Transformation Fund Match Funding	1,793	0	1,793	0	0	0	0	0
Fusion (Oracle re-implementation)	1,200	0	1,200	0	0	0	0	0
<b>Vehicles</b>								
Vehicle Purchases	7,206	498	1,279	1,083	1,086	1,083	1,121	1,057
SRT Vehicles	462	0	132	66	66	66	66	66
<b>Operational Equipment</b>								
ANPR Equipment programme (RCU)	468	99	60	60	61	62	63	63
Procurement of Body Worn Video	1,364	643	119	80	261	87	87	87

Taser Uplift (Force)	192	2	95	0	0	0	0	0	95
Firearms Body Worn Video	152	0	76	0	0	0	76	0	0
<b>Other Schemes</b>									
Interoperability Programme	1,971	1,269	50	652	0	0	0	0	0
Digital Recording	179	67	112	0	0	0	0	0	0
Payroll*	620	443	177	0	0	0	0	0	0
Organisational Development	232	171	61	0	0	0	0	0	0
Tri Force (Strategic Alliance) (PBS)	724	430	294	0	0	0	0	0	0
<b>TOTAL OTHER SCHEMES</b>	<b>71,510</b>	<b>19,077</b>	<b>15,394</b>	<b>15,892</b>	<b>15,687</b>	<b>2,155</b>	<b>1,662</b>	<b>1,643</b>	<b>1,643</b>
<b>TOTAL</b>	<b>86,657</b>	<b>24,241</b>	<b>19,154</b>	<b>17,320</b>	<b>17,274</b>	<b>3,481</b>	<b>2,474</b>	<b>2,469</b>	<b>2,469</b>

**NORTHAMPTONSHIRE POLICE AND  
CRIME COMMISSIONER**

**1st April 2017**

**Treasury Management Strategy  
Statement  
2017-18**

Minimum Revenue Provision Policy Statement  
and  
Annual Investment Statement

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## **1. Introduction**

### **1.1 Background**

Treasury management is defined as:

“The management of the Commissions 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. ”

The Commission 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 it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Commission’s low risk appetite, providing adequate liquidity initially before considering investment return.

We remain in a very difficult investment environment. Whilst counterparty risk appears to have eased, market sentiment has still been subject to bouts of, sometimes, extreme volatility and economic forecasts abound with uncertainty. As a consequence, the Commission are not getting much of a return from deposits. Against this backdrop it is, nevertheless, easy to forget recent history, ignore market warnings and search for that extra return to ease revenue budget pressures. Therefore, we need to look at the product not the return on investment.

### **1.2 Statutory requirements**

The Local Government Act 2003 (the Act) and supporting regulations requires the Commission to ‘have regard to’ the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set prudential treasury indicators for the next three years to ensure that the Commission’s capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Commission to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included as paragraph 9 of this report); this sets out the Commission’s policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Department of Communities and Local Government has issued revised investment guidance which came into effect from 1 April 2010. There were no major changes required over and above the changes already required by the revised CIPFA Treasury Management Code of Practice 2009.

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### **1.3 CIPFA requirements**

- The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009 with some minor revisions in 2011) was first adopted by the former Northamptonshire Police Authority on 1<sup>st</sup> April 2010 and subsequently upon inception of the PCC.

The primary requirements of the Code are as follows:

The Commission 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 (including prudential indicators);
- 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; and
- an investment strategy (the parameters on how investments are to be managed).

A mid-year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, 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 above reports are required to be adequately scrutinised before being recommended to the Commission. This role is undertaken by the JIAC Committee.

### **1.4 Treasury Management Strategy for 2017/18**

The strategy for 2017/18 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Commission's treasury adviser, Capita Asset Services.

The strategy covers Treasury Management issues:

- the current treasury position;
  - treasury indicators which limit the treasury risk and activities of the Commission;
  - 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.

#### Capital Issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

### **1.5 Balanced Budget Requirement**

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Commission to produce a balanced budget to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -

1. increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
2. any increases in running costs from new capital projects,

are limited to a level which is affordable within the projected income of the Commission for the foreseeable future.

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## 2. Treasury Limits for 2017/18 to 2018/19, actual 16/17, to estimates 2020/21

It is a statutory duty under Section 3 of the Act and supporting regulations, for the Commission to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales the Authorised Limit represents the legislative limit specified in the Act.

The Commission must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon the future Commission Council Tax is 'acceptable'.

Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years; details of the Authorised Limit can be found in appendix 3 of this report.

## 3. Current Portfolio Position

The Commission's treasury portfolio position at 1<sup>st</sup> April 2017 comprises:

TABLE 1				Average rate
		£'m	£'m	%
Fixed rate funding:	-PWLB	£1.3		<b>4.79%</b>
	-Market	£0.0		
			£1.3	<b>4.79%</b>
Variable rate funding:	-PWLB	£0.0		
	-Market	£0.0		
Other long term liabilities:			0.0	
<b>Gross Debt</b>			£1.3	<b>4.79%</b>
Total investments			(£13.5)	0.76%
Net Borrowing			(£12.2)	(0.03%)

#### 4. Borrowing Requirement

The Commission's borrowing requirement is as follows:

TABLE 2	2016/ 17	2017/ 18	2018/ 19	2019/ 20	2020/21
	£'000	£'000	£'000	£'000	£'000
	Actual	Probable	Estimate	Estimate	Estimate
					0
Opening Borrowing	1,300	1,300	19,233	24,292	25,000
New Borrowing	0	16,833	12,581	8,583	2,027
Alternative Financing Arrangements	0	0	0	0	0
Replacement Borrowing	0	0	0	0	0
<b>Total CFR (borrowing requirement)</b>	<b>1,300</b>	<b>18,133</b>	<b>30,714</b>	<b>39,297</b>	<b>41,324</b>

Capital Financing Requirement (CFR) is a prudential indicator. 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 Commission's underlying borrowing need. Any capital expenditure, which has not immediately been paid for, will increase the CFR.

The minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Commissioner's borrowing requirement, these types of scheme include a borrowing facility and so the Commissioner is not required to separately borrow for these schemes.

The **Authorised Limit** for external debt sets the maximum level of external borrowing that the Commission can incur. It reflects the level of borrowing which, while not desired, could be afforded in the short-term, but is not sustainable in the longer term. It is the Commission's expected maximum borrowing need with additional scope for unexpected cashflow. The limit also provides scope for the Commission to borrow in advance of its need. The Affordable Borrowing Limit is the Commissioners Capital Investment plans that are affordable, prudent and sustainable and that local strategic planning and asset management planning are in place, in line with the Authorised Limit.

The **Operational Boundary** for external debt is based on the probable external debt during the course of the year. It is not a limit and actual borrowing could vary around this boundary for short-term periods during the year. It acts as an early warning indicator to ensure the authorised limit is not breached. Similar to the authorised limit it also provides scope for the Commission to borrow in advance of its need.

## 5. Prudential and Treasury Indicators for 2017/18

Prudential and Treasury Indicators (as set out in tables 3, 4 and 5 in appendix 3 to this report) are relevant to the setting of an integrated Treasury Management strategy.

The Commission is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. Both the 2001 Code and the revised 2011 Code have been adopted in formulating the annual review of the Treasury Management Strategy.

## 6. Prospects for Interest Rates

The Commission has appointed Capita Asset Services as treasury advisor and part of their service is to formulate a view on interest rates going forward over the medium term. Appendix 2 draws together a number of current City forecasts for short term (Bank Rate), longer fixed interest rates. The following table gives the Capita Asset Services central view.

### Bank Rate forecast for financial year ends (March)\*

Annual Average %	Bank Rate %
Mar 2017	0.25
Jun 2017	0.25
Sep 2017	0.25
Dec 2017	0.25
Mar 2018	0.25
Jun 2018	0.25
Sep 2018	0.25
Dec 2018	0.25
Mar 2019	0.25
Jun 2019	0.25
Sep 2019	0.50
Dec 2019	0.75
Mar 2019	0.75

\*Capita information as at 4<sup>th</sup> February 2017

The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% in order to counteract what is forecast was going to be a sharp slowdown in growth in the second half of 2016. It appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation,

(e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

## 7. Borrowing Strategy

### 7.1 Borrowing rates

The Capita comparison and forecast for the PWLB new borrowing rate is as follows: -

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB rate	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

**The Commission's borrowing strategy will give consideration to new borrowing in the following order of priority: -**

1. The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates. However, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal borrowing against potential long term costs if the opportunity is missed for taking loans at long term rates which will be higher in future years (at £20m the difference in interest rates between Mar 17 and 19 equate to £2m over the life of a potential 25 year loan (£0.1m per annum at 0.5%))
2. Temporary borrowing from the money markets or other local authorities
3. PWLB variable rate loans for up to 10 years
4. Short dated borrowing from non PWLB sources
5. Long term fixed rate loans at rates significantly below PWLB rates or market debt in the debt portfolio.

6. PWLB borrowing for periods under *5 years* where rates are expected to be lower than rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a concentration in longer dated debt

**Sensitivity of the forecast** – The Commission is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Commissioner's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent.

Against this background and the risks within the economic forecast, caution will be adopted with the 2017/18 treasury operations. The Corporate Finance Team will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed. Currently, it is unlikely that we would consider debt rescheduling due to the level of current borrowing and costs of ending those loans.
- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast*, perhaps arising from a greater than expected increase in the anticipated rate to US tapering of asset purchases, or in world economic activity or a sudden increase in inflation risks, then any proposed portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.

Any decisions will be drafted and then passed to the s151 Officer at the earliest opportunity for a decision on policy.

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## 7.2 External v. internal borrowing

- This Commission currently has net investments (after deducting outstanding borrowing), of £14.8m.
- The general aim of this treasury management strategy is to optimise the amount of long term funding taken over the next 3 years taking into account the credit risk incurred with investments. However, measures taken in the last year have already reduced substantially the level of credit risk (see paragraph 9) so another factor which will be carefully considered is the difference between borrowing rates and investment rates to ensure the Commission obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments.
- The next financial year is expected to continue with a low Bank Rate of 0.25% to 0.54%. This provides a continuation of the current window of opportunity for the commission to run down investments short to medium term to part-fund the Capital Financing Requirement of the Capital Programme (this is referred to as internal borrowing). This would maximise short term savings.
- However, short term savings by avoiding new long term external borrowing in 2017/18 will be weighed up against the potential for incurring additional long term costs as a result of delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be significantly higher.

Against this background caution will be adopted with the 2017/18 treasury operations. The Chief Constable's S151 Officer financial department will monitor the interest rate market and adopt a pragmatic approach to changing circumstances.

## 7.3 Policy on borrowing in advance of need

The Commission will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Commission can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the Commission will: -

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
  - ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
  - evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
  - consider the merits and demerits of alternative forms of funding
-

- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use
- consider the impact of borrowing in advance, on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them

## **8. 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.

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 strategy outlined in paragraph 7 above
- 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 residual potential left 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 Audit Committee, at the earliest meeting following its action. Currently the debt is £1.3 million which reduces the opportunity for rescheduling.

## **9. Annual Investment Strategy**

### **9.1 Investment Policy**

The Commission's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Commission's investment priorities are: -

- (a) the security of capital and
- (b) the liquidity of its investments.

The Commission will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Commission is low in order to give priority to security of its investments. The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Commission will not engage in such activity.

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Investment instruments identified for use in the financial year are listed in appendix 4 under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Commission's Treasury Management Practices – Schedules.

## 9.2 Creditworthiness policy

This Commission applies the creditworthiness service provided by Capita Asset Services (Capita). This service employs a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poors. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays: -

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Commission to determine the duration for investments and are therefore referred to as durational bands. The Commission is satisfied that this service now gives a much improved level of security for its investments. It is also a service which the Commission would not be able to replicate using in house resources.

The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Capita's weekly credit list of worldwide potential counterparties. The Commission will therefore use counterparties within the following durational bands:-

- Yellow        5 years
- Purple        2 years
- Blue           1 year                    (only applies to nationalised or semi  
Nationalised UK banks and building  
societies)
- Orange        1 year
- Red            6 months
- Green         100 days
- No Colour    not to be used

The Capita creditworthiness service use ratings from all three agencies, and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

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All credit ratings will be monitored on a weekly basis. The Commission is alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Commission's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of Credit Ratings the Commission will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Commission's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Commission will also use market data and market information, information on government support for banks and the credit ratings of that government support.

### 9.3 Country limits

The Commission has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings or its equivalent Moody's and Standard and Poors. The list of countries that qualify using this credit criteria as at the date of this report are shown in appendix 5. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

The exception to this is if the UK were to be downgraded below the minimum level (as specified within Appendix 5), the Commission would still continue to invest with UK institutions as it considers the UK Government's guarantee of financial institutes is enough mitigation to warrant continuation of investment.

### 9.4 Investment Strategy

**In-house funds:** the Commission's in-house managed funds are mainly cash-flow driven. Investments will accordingly 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).

**Interest rate outlook:** Bank Rate has reduced to 0.25% from the previously unchanged rate of 0.5% since March 2009. Bank rate forecasts for financial year ends (March) are:

- 2017/18 0.25%
- 2018/19 0.25%
- 2019/20 0.50%

The overall balance of risks to these forecasts is currently to the downside (i.e. start of increases in bank rate occurs later). However, should the pace of growth quicken, there could be an upside risk.

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The suggested budget investment earnings rates on investment placed up to 100 days during each financial year end for the next five years are as follows;

2017/18	0.25%
2018/19	0.25%
2019/20	0.50%
2020/21	0.75%
2021/22	1.00%

For its cash flow generated balances, the Commission will seek to utilise its business reserve accounts, 15 and 30 day accounts, money market funds and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

### **9.5 End of year investment report**

At the end of the financial year, the Commission will report on its investment activity as part of its Annual Treasury Report.

### **9.6 External fund managers**

At the start of 2017/18, there was £7.7m of the Commission's funds externally managed on a discretionary basis by Investec Asset Management.

The Commission's external fund manager will comply with the Annual Investment Strategy. The agreement between the Commission and the fund manager additionally stipulate guidelines and duration and other limits in order to contain and control risk.

The managed portfolio is designed to achieve greater results than the ONPCC normally can achieve using standard investment strategies. The managed portfolio ensures a spread of investments and analysis to ensure appropriate limitation of risks, utilising;

5/10/40 rule – Good diversification

This refers to counterparty exposure and implies 40% of the fund can hold between 5%-10% in any one issuer, the balance (60%), has to be below 5% in any one issuer, ensuring a good spread of risk.

The basis of this agreement was being reviewed as at 31<sup>st</sup> March and the funds have now been withdrawn.

### **9.7 Policy on the use of external service providers**

The Commission uses Capita Asset Services as its external treasury management advisers.

The Commission 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 Commission 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.

### **9.8 Scheme of delegation**

See appendix 7.

### **9.9 Role of the section 151 officer**

See appendix 8.

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## Appendices

1. MRP strategy
  2. Interest rate forecasts
  3. Prudential and Treasury indicators
  4. Specified and non-specified investments
  5. Approved countries for investments
  6. Economic Background
  7. Treasury management scheme of delegation
  8. The treasury management role of the section 151 officer
-

## **APPENDIX 1**

### **Minimum Revenue Provision Policy Statement 2017/18**

The Commission implemented the new Minimum Revenue Provision (MRP) guidance, and will assess their MRP for *2017/18* in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

All of the existing debt as at 1<sup>st</sup> April 17 of the MRP for 2017/18 will relate to the more historic debt liability that will continue to be charged at the rate of 4%, in accordance with option 2 of the guidance. Expenditure that is funded by new borrowing will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

Estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Commission. However, the Commission reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Commission are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

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## APPENDIX 2 Interest Rate Forecasts

The data below shows comparison of historic and forecasted rates.

**Capita:** interest rate comparison and forecast

Interest Rate Forecasts								
<b>Bank Rate</b>								
	<b>Q2 16</b>	<b>Q3 16</b>	<b>Q4 16</b>	<b>Q1 17</b>	<b>Q2 17</b>	<b>Q3 17</b>	<b>Q4 17</b>	<b>Q1 18</b>
<b>Capita</b>	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%
<b>Capital Eco.</b>	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	
<b>5yr PWLB Rate</b>								
<b>Capita</b>	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%	2.60%	2.70%
<b>Capital Eco.</b>	1.85%	2.10%	2.35%	2.80%	2.80%	3.15%	3.15%	0.80%
<b>10yr PWLB Rate</b>								
<b>Capita</b>	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%
<b>Capital Eco.</b>	2.30%	2.55%	2.80%	3.05%	3.05%	3.30%	3.30%	0.80%
<b>25yr PWLB Rate</b>								
<b>Capita</b>	3.20%	3.30%	3.30%	3.50%	3.50%	3.60%	3.60%	3.70%
<b>Capital Eco.</b>	3.15%	3.30%	3.40%	3.50%	3.50%	3.65%	3.65%	0.80%
<b>50yr PWLB Rate</b>								
<b>Capita</b>	3.00%	3.10%	3.10%	3.30%	3.30%	3.40%	3.40%	3.50%
<b>Capital Eco.</b>	3.30%	3.45%	3.55%	3.65%	3.65%	3.80%	3.80%	0.80%

### APPENDIX 3 Prudential and Treasury Indicators –actuals 2017/18

<b>TABLE 3: PRUDENTIAL INDICATORS</b>	<b>2017/ 18</b>	<b>2018/ 19</b>	<b>2019/ 20</b>	<b>2020/ 21</b>	<b>2021/ 22</b>
<b>Extract from budget setting report</b>	<b>actual</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Capital Expenditure</b>					
TOTAL	19,154	17,320	17,274	3,481	2,474
<b>Net borrowing requirement</b>					
brought forward 1 April	1,300	18,133	31,664	44,974	47,313
Repayment of Debt					
in year borrowing requirement	16,833	13,531	13,310	2,339	2,050
carried forward 31 March	18,133	31,664	44,974	47,313	49,363
<b>Capital Financing Requirement as at 31 March</b>					
Capital expenditure	298	3,200	4,144	5,214	4,230
<b>Annual change in Cap. Financing Requirement</b>					
Capital Expenditure	0	2,902	944	1,070	(984)
<b>Incremental impact of capital investment decisions</b>	<b>£ p</b>				
Increase in precept per annum (based on 17/18 CT dwellings)	0.02	12.43	4.04	4.58	(4.21)

<b>TABLE 4: TREASURY MANAGEMENT INDICATORS</b>	<b>2017/ 18</b>	<b>2018/ 19</b>	<b>2019/ 20</b>	<b>2020/ 21</b>	<b>2021/ 22</b>
	<b>Actual</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Authorised Limit for external debt - borrowing</b>	35,000	35,000	55,000	55,000	55,000
other long term liabilities	0	0	0	0	0
<b>TOTAL</b>	<b>35,000</b>	<b>35,000</b>	<b>55,000</b>	<b>55,000</b>	<b>55,000</b>
<b>Operational Boundary for external debt-</b>					
borrowing	25,000	33,000	47,500	50,000	52,500
other long term liabilities	0	0	0	0	0
<b>TOTAL</b>	<b>25,000</b>	<b>33,000</b>	<b>47,500</b>	<b>50,000</b>	<b>52,500</b>
<b>Actual external debt</b>	18,133	31,664	44,974	47,313	49,363
<b>Upper limit for fixed interest rate exposure</b>					
Net interest re fixed rate borrowing / investments	2.00%	3.90%	3.90%	3.90%	3.90%
<b>Upper limit for variable rate exposure</b>					
expressed as either:-					
Net interest re variable rate borrowing / investments	0.50%	0.50%	1.00%	1.50%	2.00%
<b>Upper limit for total principal sums invested for over 364 days (per maturity date)</b>	£1m	£1m	£1m	£1m	£1m

<b>TABLE 5: Maturity structure of fixed rate borrowing during 2015/16</b>	<b>upper limit</b>	<b>lower limit</b>
under 12 months*	33%	0%
12 months and within 24 months	33%	0%
24 months and within 5 years	33%	0%
5 years and within 10 years	33%	0%
10 years and above	100%	0%

\* There will be no repayment within 2017/18

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## APPENDIX 4 Specified and Non-Specified Investments

### SPECIFIED INVESTMENTS:

Excluding Investec, all such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' rating criteria where applicable

	Minimum Credit Criteria / colour band	Use
Debt Management Agency Deposit Facility	-	In-house
Term deposits – local authorities	-	In-house
Term deposits – banks and building societies	See note 1	In-house

### Term deposits with nationalised banks and banks and building societies operating with government guarantees

	Minimum Credit Criteria	Use	Max total investment	Max. maturity period
Contracted Bank Group (Natwest)	See note 1 & 2	In-house	£30m *	364 days
Contracted Bank Group Short Term Interest Bearing Account (SIBA)	See note 1 & 2	In-house	£8m	364 days
Investec Asset Management	Rated at appointment	In-house	£10m	On-going
UK national banks	See note 1	In-house	£5m	364 days
UK nationalised banks	See note 1	Fund Managers	£5m	364 days
UK Building Societies	See note 1	Fund Managers	£3m	182 days
Banks nationalised by high credit rated (sovereign rating**) countries – non UK	Sovereign rating	In-house and Fund Managers	£5m	182 days

\* This is an extremely unlikely situation, the £30m is a contingency should Grants, Precepts and other funding be received on the same day into the Natwest Account and/or there was another banking crisis resulting in frozen

accounts or there is not the capacity to transfer funds out to call accounts/ money markets or investments.

\*\* Sovereign Rating is the rating of the country see Appendix 5

Where significantly advantageous for Value for Money purposes or unavoidable due to exceptional situations, such as banking crisis, individual cases to exceed the above stated limits, will be made to the Acting Director of Resources to approve time limited changes, which will not exceed 6 months in each individual case.

### Note 1

These colour codes are used by the Commission to determine the suggested duration for investments. The Commission will therefore use counterparties within the following durational bands;

- Yellow 5 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK banks and building societies)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

Y	P	B	O	R	G	N/C
1	2	3	4	5	6	7
Up to 5yrs	Up to 2yrs	Up to 1yrs	Up to 1yrs	Up to 6mths	Up to 100days	None

### Note 2

The Commission contracts a UK nationalised bank to provide its banking facilities. The risk of failure of any bank is equally weighted across any given working day/ hour, it is important that the Commission highlights that if the bank were to fail, any assets at this time would be frozen and all deposits at that point in time potentially seized (subject to a governmental guarantee).

Therefore, the calculated maximum liability for the Commission's own bank could be in excess of £28m (current cash flow assumes the busiest transactional day would be £6m Revenue Grant, £13m Police Pension Top Up Grant, £5m Precept (Council Tax) Income, any other given adhoc income received and £8m invested within the high interest account provider by Natwest known as SIBA (Short Term Interest Bearing Account)).

The banking community is tightening up third party deposit management, which has resulted in occasional requirements for minimum deposits to exceed £10m with providers meeting the minimum risk criteria. This combined with Fiscal constraints has meant that many providers are offering below Bank of England interest rates (even when terms over 3 months are agreed, with the UK Debt Management Office offering either zero or negative interest rates within June 2013) and this has left the Commission either unable to place risk adverse deposits or to place deposits within interest bearing facilities.

The guarantee previously offered by the UK Government generally covers the Commission's banking provider and is unlimited, however, this could change if the fiscal position of the UK economy changes, but this would also affect other facility providers and would require a full review of the Commission's TM strategy.

Therefore, it has been determined that where the Commission is unable to place deposits with providers that meet the minimum creditworthiness criteria, a provider offers interest that are either negative or zero or those providers require deposits that is above the maximum investible threshold for the Commission, that the Commission assumes a strategy to minimise the risk to cash balances and to maintain Value for Money within the TM strategy. The approved process is to maintain balances within its own banking provider up to the limit of £30m on any given day\*, but this will be subject to daily review and scrutiny by the investment team. This will give the Commission the flexibility to move and manage these funds at very short notice and not to hamper cash flow management, whereas placing deposits with long term providers to avoid the £5m cap, could result in cash flow management difficulties and not reduce perceived risk.

\*unless under exceptional circumstances, such as with the 2007/08 banking crisis, and the Director for Resources Governance, and Transformation approves such a decision.

Deposits across the Commission's Banking Group (the three Natwest OPCC Bank Accounts and Natwest SIBA account) that exceed the standard £8m TM cap (excluding end of day balances which do not usually exceed £0.1m (£8.1m)) as a result of not being able to invest in another body, will not be held for a time exceeding 30 days without referral to the Acting Director for Resources. But in accordance with the above, any balance above £8.1m will be reviewed on a daily basis until it can be reduced to the standard allowable threshold (£8.1m).

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**NON-SPECIFIED INVESTMENTS:** *Excluding Investec, a maximum of 20% will be held in aggregate in non-specified investment*

1. Maturities of ANY period

	<b>Minimum Credit Criteria</b>	<b>Use</b>	<b>Max % of total investments</b>	<b>Max. maturity period</b>
<b>Fixed term deposits with variable rate and variable maturities: -</b> Structured deposits	See note 1	In-house	100%	2 years
Other debt issuance by UK banks covered by UK Government (explicit) guarantee	See note 1	In-house and Fund Managers	20%	364 days

Note 1

Y	P	B	O	R	G	N/C
1	2	3	4	5	6	7
Up to 5yrs	Up to 2yrs	Up to 1yrs	Up to 2yrs	Up to 6mths	Up to 100days	None

2. Maturities in excess of 1 year

	<b>Minimum Credit Criteria</b>	<b>Use</b>	<b>Max % of total investments</b>	<b>Max. maturity period</b>
Term deposits – local authorities	--	In-house	20%	2 years
Term deposits – banks and building societies	See note 1	In-house	100%	2 years

See Note 1

*Data as at 1<sup>st</sup> April and is subject to review.*

**APPENDIX 5 Approved countries for investments\***

## AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

## AA+

- Finland
- Hong Kong
- U.S.A.

## AA

- Abu Dhabi (U.A.E)
- France
- Qatar
- UK

## AA-

- Belgium

It is assumed unless the UK reduces below BB that this will continue to be an investible country, unless mandated by UK Government to ensure liquidity of UK nationwide resources and GDP (e.g as part of a UK banking crisis requiring the UK Government to ensure that liquid cash balances are maintained within the UK).

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## APPENDIX 6 ECONOMIC BACKGROUND

**UK. GDP growth rates** in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% were some of the strongest rates among the G7 countries. Growth is expected to have strengthened in 2016 with the first three quarters coming in respectively at +0.4%, +0.7% and +0.6%. The latest Bank of England forecast for growth in 2016 as a whole is +2.2%. The figure for quarter 3 was a pleasant surprise which confounded the downbeat forecast by the Bank of England in August of only +0.1%, (subsequently revised up in September, but only to +0.2%). During most of 2015 and the first half of 2016, the economy had faced headwinds for exporters from the appreciation of sterling against the Euro, and weak growth in the EU, China and emerging markets, and from the dampening effect of the Government's continuing austerity programme.

The **referendum vote for Brexit** in June 2016 delivered an immediate shock fall in confidence indicators and business surveys, which were interpreted by the Bank of England in its Inflation Report as pointing to an impending sharp slowdown in the economy. However, the following surveys showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post reasonably strong growth numbers through the second half of 2016 and also in 2017, albeit at a slower pace than in the first half of 2016.

The latest MPC decision included a forward view that Bank Rate could go either up or down depending on how economic data evolves in the coming months. Our central view remains that Bank Rate will remain unchanged at 0.25% until the first increase to 0.50% in quarter 2 2019 (unchanged from our previous forecast). However, we would not, as yet, discount the risk of a cut in Bank Rate if economic growth were to take a significant dip downwards, though we think this is unlikely. We would also point out that forecasting as far ahead as mid 2019 is highly fraught as there are many potential economic headwinds which could blow the UK economy one way or the other as well as political developments in the UK, (especially over the terms of Brexit), EU, US and beyond, which could have a major impact on our forecasts.

The pace of Bank Rate increases in our forecasts has been slightly increased beyond the three year time horizon to reflect higher inflation expectations.

The Chancellor has said he will do 'whatever is needed' i.e. to promote growth; there are two main options he can follow – fiscal policy e.g. cut taxes, increase investment allowances for businesses, and/or increase government expenditure on infrastructure, housing etc. This will mean that the PSBR deficit elimination timetable will need to slip further into the future as promoting growth, (and ultimately boosting tax revenues in the longer term), will be a more urgent priority. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting to boost economic growth and suggested that the

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Government would need to help growth e.g. by increasing investment expenditure and by using fiscal policy tools. The newly appointed Chancellor, Phillip Hammond, announced, in the aftermath of the referendum result and the formation of a new Conservative cabinet, that the target of achieving a budget surplus in 2020 would be eased in the Autumn Statement on 23 November. This was duly confirmed in the Statement which also included some increases in infrastructure spending

The other key factor in forecasts for Bank Rate is inflation where the MPC aims for a target for CPI of 2.0%. The MPC is expected to look through the acceleration in inflation caused by external, (outside of the UK), influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of these cost pressures on consumers, then they would take action to raise Bank Rate.

What is clear is that consumer disposable income will come under pressure, as the latest employers' survey is forecasting median pay rises for the year ahead of only 1.1% at a time when inflation will be rising significantly higher than this. The CPI figure is expected to be on an upward trend in 2016 and reached 1.6% in December.

#### Brexit timetable and process

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
  - March 2019: two-year negotiation period on the terms of exit. This period can be extended with the agreement of all members i.e. not that likely.
  - UK continues as an EU member during this two-year period with access to the single market and tariff free trade between the EU and UK.
  - The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
  - The UK would aim for a negotiated agreed withdrawal from the EU, although the UK may also exit without any such agreements.
  - If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
  - On exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
  - The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.
  - It is possible that some sort of agreement could be reached for a transitional time period for actually implementing Brexit after March 2019 so as to help exporters to adjust in both the EU and in the UK.
-

## **APPENDIX 7 Treasury management scheme of delegation**

### **(i) Commissioner**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

### **(ii) The Joint Independent Audit Committee**

- reviewing the treasury management policy and procedures and making recommendations to the Commissioner.
-

## **APPENDIX 8      The Treasury Management role of the section 151 officers**

### **The S151 (responsible) officers\***

- 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.

\* Under Section 7.5 of the Financial Regulations, the Police & Crime Commissioner has delegated responsibility for Treasury Management to the Police & Crime Commissioner's CFO in liaison with Chief Constable's CFO.

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# **Police & Crime Commissioner for Northamptonshire Medium Term Financial Strategy 2017/18 – 2020/21**

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## **1. Purpose of the Medium Term Financial Strategy**

*1.1 This is the Medium Term Financial Strategy (MTFS) of the Police and Crime Commissioner for Northamptonshire (the Commissioner). It covers a period of four years but will be reviewed annually to reflect the dynamic nature of both policing and changes in funding. It describes the financial direction of the organisation and outlines financial pressures.*

*1.2 The MTFS provides options for delivering a sustainable budget and capital programme over the medium term. It also sets out how the Commissioner can provide the Chief Constable with the resources to deliver the priorities in the Police & Crime Plan within a challenging financial climate.*

*1.3 The MTFS sets the financial context for the Commissioner's revenue budget, capital programme and precepting decisions.*

*1.4 The overall financial strategy seeks to deliver the Commissioner's Police and Crime Plan, support 'Proud to Protect', the mission, vision and values of Northamptonshire Police and meet the requirements of the National Strategic Policing Requirement.*

## **2. Benefits of the Strategy**

*2.1 The MTFS assists in:*

- *Developing a sustainable budget over the medium term.*
- *Supporting delivery of the Police & Crime Plan;*
- *Allowing the development of longer term budgets and strategic thinking;*
- *Improving financial planning and the financial management of the Commissioner's resources, both revenue and capital;*
- *Maximising the use of resources available to the Commissioner and Chief Constable, both internal and external;*
- *Ensuring that the Commissioner and Chief Constable provide value for money and continue to deliver efficiency gains;*
- *Reviewing the Commissioner's policy on the use of reserves, ensuring the position continues to be sustainable and there are sufficient resources over the medium term and*
- *Responding to external pressures, including proposed changes to the police funding formula and funding reductions*

## **3. Principles of the Strategy**

3.1 *The key principles underlying the Commissioner's MTFS 2017/18 – 2020/21 are: -*

*i) Overall expenditure of the Commissioner will be contained within original estimates each year;*

*(ii) The Commissioner will seek to maintain a General Reserve of 2% of the net revenue budget to cover any major unforeseen expenditure or loss of funding. A flexible approach will be taken to the use of reserve balances above this level where appropriate, balancing the opportunity costs of maintaining reserves against the benefits of alternative approaches.*

*(iii) The Commissioner will maintain earmarked reserves for specific purposes only when appropriate and which are consistent with achieving objectives;*

*(iv) The Commissioner will continue to prioritise the achievement of Value for Money, securing economy, efficiency and effectiveness in the use of resources; in establishing the framework for policing within Northamptonshire and; in commissioning and procurement decisions.*

*(v) The Joint Chief Finance Officer(s) and Chief Constable will prepare a rolling programme of four-year budget forecasts to inform the Commissioner's budget and precepting decisions.*

*(vi) The Commissioner, supported by the Joint Chief Finance Officer and Chief Constable, will continue to contribute to national reviews of police funding and take every opportunity to engage in order to pursue the fair and equitable funding of Northamptonshire Police.*

## 4. Reviewing the Strategy

4.1 The Commissioner's MTFs review for 2017/18 to 2022/23 has been carried out under the following key themes:

- The financial context in which the Commissioner operates
- The Commissioner's current financial position
- The future budget pressures and funding cuts which the Commissioner will face over the period of the strategy
- Budget savings
- The Commissioner's capital programme; and

## 5. Operational Context

5.1 The successful delivery of the Strategy requires the Chief Constable to manage a complex set of resources, demands and priorities whilst reviewing and revising plans to meet changing demand for policing services within the available financial resources.

5.2 HMIC considers that a force is efficient if it is making the best use of its resources to provide policing services that meet expectation and follow public priorities and if it is planning and investing wisely for the future.

5.3 In the most recent HMIC PEEL inspection report 'Police Efficiency 2016 An Inspection of Northamptonshire Police', was assessed as;

- The extent to which the force is effective at keeping people safe and reducing crime **requires improvement**;
- The extent to which the force is efficient at keeping people safe and reducing crime is **good**;
- The extent to which the force is legitimate at keeping people safe and reducing crime is **good**.

5.4 Demand for police services is changing as new types of crime emerge which often require a different approach to policing, and working closely with partner agencies such as Fire and Rescue Services, Local Authorities, the NHS and Ambulance Service, to achieve common aims and objectives. The force has undertaken an assessment of changing crime types as part of its annual strategic assessment which gives a detailed picture of emerging demand for police response throughout Northamptonshire. The main areas of growing demand include Cyber-crime, Child Sexual Exploitation, Domestic Violence, Organized Immigration Crime, 'Honor Based Violence', Hate Crime and Antisocial Behavior.

The force is changing the way it works to meet the demands of changing crime types and free up resources to provide an effective police response, which meets the expectations of the public.

*The Force has introduced a new more rigorous approach to the risk assessment of all. It aims to gather enough information to make an informed decision as to the best response in every case, with a shift to placing an emphasis on a response that is focused on the victim and the risks posed.*

*The focus of this approach is on longer-term partnership working and aims to embed effective working practices and relationships between Northamptonshire Police and each Local Authority. A Force Change Team has been created to increase understanding of overall demand for police services, including hidden and under-reported demand. An important role of the team is to thoroughly understand the demand from safeguarding vulnerable people, and to develop multi-agency operating models that will enhance service provision and maximize efficiency savings. This will be crystalized within the Service Delivery Model.*

*The force continues to work hard to break down barriers with those communities that traditionally have little trust in policing. Well-established links through community cohesion teams and partner organisations have helped to increase levels of public confidence.*

*Underpinning this is a workforce plan that includes recruitment, training and development of officers and police staff, aligning resources with changing demand, whilst continuing to manage organisational change through the prudent use of reserves.*

## **6. Financial Context**

*6.1 The last 6 years have seen unprecedented cuts to the funding provided by the Government to Police and Crime Commissioners (PCCs) in England and Wales. Northamptonshire Police has had to make £36.391m of cuts and efficiencies to manage the reductions imposed by government and the increases in wages, inflationary and demand increases over that period. In addition it has also had its ability to raise additional tax revenue from the precept restricted by the 'Capping' rules and a climate of council tax freeze grant incentives.*

*6.2 Northamptonshire's total grant funding reduced by over 10.4% in the six years to 2017/18. The forces most affected by funding reductions are those with a higher percentage of total funding coming from central government. Northamptonshire experienced the significant impact because it receives more in grant in proportion to its council tax; around 59.6% is grant for 17/18 but this proportion is reducing year on year with continued grant cuts.*

*6.3 The financial reserves have played a key part in the strategy to balance costs with available funding, giving much needed head room to establish strategies and implement change.*

6.4 *Despite cutting its workforce by more than 100 FTE, making efficiencies, transforming business areas through investment in technology, cutting waste, and reviewing its operational efficiencies, Northamptonshire still needs to reduce expenditure further to match spend with financial resources.*

6.5 *We need to continue our Force Improvement programme, through SDM (phase 1 and 2) explore further collaboration and continue our reform in order to align our spend. All of this will need to take place as we constantly review and redeploy our resources to meet the ever-changing nature of demand for policing services and continue to protect our local communities. We will invest in extending our cyber-crime capabilities, providing support to victims of crime, protecting the most vulnerable members of our communities, preventing child sexual exploitation and modern day slavery, developing anti-terrorism and firearms capabilities.*

6.6 *In July 2015, the Home Office launched a very short 8-week consultation on its proposals to revise the acknowledged outdated police funding formula. The identification of fundamental errors in the data used within the published exemplifications forced the Home Office to halt the review process in November 2015 with the Minister publicly apologising for the errors.*

6.7 *During 2016 the Government re-launched its review of the Police funding formula. If the Home Office decide to implement a new formula it is expected that it will be introduced from 2018/19. We await the outcome of this and will ensure that we are fully engaged to pursue the best outcome for Northamptonshire from 2018/19 onwards.*

### **Spending Review and Police Settlement**

6.8 *The Comprehensive Spending Review (CSR) 2015 set out indicative spending settlements for each government department up to 2019/20. Overall police grant funding is to be cut by around 1.3% each year for the next four years.*

6.9 *The Government further stated that taking into account the scope that Police and Crime Commissioners have to raise local Council Tax this would mean a flat real settlement for policing as a whole.*

6.10 *The Police Grant settlement for 2017/18 reduced core grant funding for police forces by 1.3%, a loss of £0.942m for Northamptonshire. The final Police Grant Report for 2017/18 was published in February 2017. It covers just one year and the key points are set out below:*

*A flat rate reduction in grant funding resulted in an impact after increases in Council Tax Precepts and taxable Dwellings for Northamptonshire of a slight increase, in the order of £0.624m (0.51% of our Net Revenue Budget).*

- *Police capital grant allocated to forces is reduced by 15%.*

- *A flat rate reduction in grant funding resulted in an impact after increases in Council Tax Precepts and taxable Dwellings for Northamptonshire of a slight increase, in the order of £0.624m (0.51% of our Net Revenue Budget).*
- *No PCC to face a cash reduction in total funding (core grant plus legacy council tax grants plus precept income), when compared to 2015/16, providing that they maximise their precept increase.*
- *The council tax referendum limit for English forces to remain at 2% with continuation of the additional flexibility for the ten lowest precepting forces to raise the precept by £5.*
- *Grants relating to previous council tax and freeze grants retained and payable but there will be no new council tax freeze grant for 2017/18.*

### **Top-slice and Reallocations**

- *Transformation Fund merged with Innovation Fund, increased by £44m overall to £175m.*
- *Emergency Services Network (ESN) top slice increased by £100m to £180m.*
- *Special Grant top slice increased by £25m to £50m.*
- *Counter Terrorism funding increased by £30m to £670m.*
- *New top slice of £15m for Pre-Charge Bail and £28m for Strengthening the Response to Organized Crime.*

*The implications of the 2017/18 settlement for Northamptonshire are as follows:*

*Grant cut by £0.942m (1.3%) to £73.053m (£73.995m 16/17)*

*Capital grant has been cut by 57.3% to £0.424m (£0.995m 16/17).*

*There is no recognition of the implications of budget pressures – Inflation including the pay award and banding increments of £1.996m, the Apprenticeship Levy £0.361m, Insurance Tax increase and a significant rise in Employer Pension costs of £0.626m.*

*There is also no recognition of the impact of significant capital investment required in respect of National IT projects such as ESN (Emergency Services Network). For Northamptonshire the estimated investment is nearly £3.624*

*million. For which Northamptonshire, will need to borrow, which in turn increases revenue pressures (£0.494m interest and 10 year MRP charge).*

## **7. Current 2017/18 Financial Position**

### **National Budget**

*Since the 2016/17 Budget was set there have been some significant changes to the political landscape and also a number of key financial announcements. These include the following:*

- *There has been a National Budget; this took place on the 16th March 2016.*
- *On the 23rd June 2016 the UK voted to leave the European Union*
- *David Cameron resigned as Prime Minister*
- *Theresa May subsequently became leader of the Conservative Party and on the 13<sup>th</sup> July 2016 she became Prime Minister*
- *The Autumn Statement took place on the 23rd November 2016.*
- *Theresa May called a general Election which took place on the 8 June 2017 in which she failed to have a n overall majority*
- *The Provisional and Final 'Police' Settlement for 2017/18*

*The key areas in terms of financial planning and budgeting have been incorporated into these updated financial plans.*

### **2017/18 Police Funding Settlement**

*The Provisional 2017/18 Police Finance Settlement will be announced in a written ministerial statement by the Minister of State for Policing and Fire Services, Brandon Lewis, in December. The Final Settlement, is likely to be on 1st February 2018, which will be the confirmed the resource funding figures. It is anticipated to continue the follow the previous 2016/17 settlement and look to impose a linear 1.3% reduction in grants.*

*This will mean that direct resource funding for each PCC, including precept, will be protected at flat cash levels compared to 2016/17, assuming that precept income is increased to the maximum (2%) amount available 2017/18.*

*The anticipated reduction applied to grant funding in 2017/18 is 1.3% in cash terms, which equates to a cash reduction of £0.845m for Northamptonshire.*

*Any top slicing effect within 2017/18 is currently unknown, however, there is likely to be at least a continuation of*

- *Strengthening the response to organised crime*
- *Police Transformation Fund*

*It is anticipated that legacy Council Tax funding will still separately identifiable and will have change from 2016/17, with no continuation of the freeze scheme in future financial years.*

*Police Capital Grant that is to be allocated to PCC's was reduced by £8.2m, however, it is expected that the allocated amount will remain flat (with no inflation) across the next four year settlement. This will create a pressure of around £2m in order to fund Northamptonshire's basic rolling programme of vehicles, IT equipment and Body Worn Video.*

### **Counter Terrorism**

*Previously the Minister announced that he 'will continue to allocate specific funding for counter-terrorism policing over the course of the Spending Review period to ensure that the police have the capabilities to deal with the terrorist threats that we face, in addition to the funding set out in this settlement. Funding for counter terrorism policing is protected. The indicative Spending Review profile for counter terrorism police funding in 2017/18 is £670m; this figure will be confirmed separately with addition resources being provided to Forces, however, most of the funding will be allocated to the highest priority areas and is unlikely to materially impact financial forecasts.*

### **Funding Formula**

*The Government has been clear that existing arrangements for distributing core grant funding to police force areas in England and Wales need to be reformed. These arrangements are complex, outdated and reflect a picture of policing risk and demand which has moved on and – fundamentally – are born out of the interaction between separate Home Office and DCLG funding formulae which can no longer be updated.*

*Specifically, the Review has the following objectives:*

- *To agree a set of core principles that a future formula should be based on (using Fairness; transparency; stability; alignment with expected relative risk and demands; and, appropriately incentivising efficiency and effectiveness as the starting point, and the balance that a new formula should strike between them;*
- *To develop proposals on a new police core grant distribution formula which aligns with these principles and takes account of the significant drivers of risk and demands for policing services;*
- *To consider whether and how to take into account regional cost variations in a new formula;*
- *To consider whether and how a new formula should take into account forces' local council tax base;*

- *To advise the Home Office on the options for transition to a new formula.*

*The formula will be based on 5 key principles:*

- *Stability*
- *Fairness*
- *Transparency*
- *Incentivising efficiency & effectiveness, and*
- *Alignment with risk.*

*These are complemented by 6 policy objectives*

- *Recognises local circumstances including ability to raise council tax*
- *Avoids prolonged transition*
- *Stable and predictable*
- *Enables transformation and future proofing, and*
- *Encourages upstream crime prevention*

*There are 3 building blocks:*

- *Relative needs and demands (likely to be based around population, socio-economic factors, geography & environmental)*
- *Relative costs and needs*
- *Variation in local tax raising powers*

*While this is a new process, with a new minister, many of the key principles, objectives and building blocks are not that dissimilar to those previously looked at during the last Funding Formula Review. That review, prior to the discovery of an error in the formula by Devon and Cornwall, was forecast to result in an increase in Funding for Northamptonshire of around £2.5m to £3.5m per annum.*

*The results from this original formula, across all Policing areas, was presumably acceptable to the Home Office and therefore it is likely to be prudent to plan for a formula that results in a similar impact on the Government Grant allocations for Northamptonshire.*

*The impact of any new Formula is likely to take place later in the Medium Term Financial Plan, with any changes phased. Based on these assumptions and the uncertainty around the implementation this MTFP doesn't assume any increases in funding through the Funding Formula.*

*As and when more information becomes available these assumptions will be reviewed. Until there is clarity in relation to this area and it's implementation it remains a significant risk to the financial plans of the organisation and one that will need to be closely monitored going forward.*

## **Precept**

*Over 40.42% of the Net Budget Requirement within Northamptonshire is now funded by the local precept and therefore this will provide more of a cushion to cuts in government grants, including any reductions from a revised Funding Formula, than in most Police Force areas. This is projected to increase to 46% of the Net Budget Requirement by the end of the planning period covered by this MTFP.*

*The assumption throughout this plan, for planning purposes, is that the 'Police' element of each Council Tax Band will continue to increase at a rate of 1.99% per annum, although this will be subject to an annual decision.*

*The Government has informed PCC's that 'You should plan on the basis that the overall referendum limit for police precept will be maintained at 2% over the Spending review period for Police and Crime Commissioners in England.' Therefore the risk in relation to this assumption going forward is manageable locally and subject to local decision and consultation annually.*

<b>Year</b>	<b>Precept (band D properties)</b>
2018/19	£213.20 (Estimate, based on precept excessiveness continuing)
2017/18	£209.40
2016/17	£204.96
2015/16	£200.96
2014/15	£197.04
2013/14	£193.20

*The Localism Act 2011 introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered excessive Council Tax, including proposed limits. From 2013 onwards, any billing or major precepting body that wishes to raise its Council Tax above the limits that apply to them will have to hold a referendum.*

*6.16 The precept excessiveness rules for 2017/18 are unchanged against those in 2016/17. The majority of PCCs will be limited to a maximum 1.99% increase to their precept for 2017/18.*

*6.17 This MTFP as presented includes the assumption that for each of the four years 2018/19 to 2021/22 the excessiveness rules continue to permit a precept increase of 1.99% and the precept is increased to that maximum each year, in order to protect 'Spending Power' in line with the Governments CSR assumption.*

## **Council Tax**

*Since 2007/08, council tax increases nationally have been restricted by the Government's capping and Council Tax excessiveness principles. Nationally the proportion of grant funding from Central Government has reduced, and the proportion from Council Tax has increased.*

*Over the last 5 years there have been significant increases in both the number of calculated Band D properties (22,000, circa 10% increase) within Northamptonshire and also Collection Surpluses to which the PCC has benefited from.*

*In line with Government projections and based on historic trends the financial plans previously included a 1.99% increase in the underlying tax base on an annual basis and a £750k per annum collection surplus.*

*However, the growth in tax base has continued into 2017/18 and is forecast, by the local councils to continue to increase at around 2% per annum in future years and therefore has been factored into this plan on that basis.*

## **Collection Surplus**

*The combined Collection Surplus payable to the PCC was £1.075m which was well in excess of the £0.75m included within the previous MTFP.*

*In the years prior to the Localisation of Council Tax benefits, the overall surplus on the collections funds of the 8 Councils, averaged just under £0.73m per annum. In the following 4 years the collection surpluses have been as follows:*

*2013/14 – £0.410m  
2014/15 – £0.818m  
2015/16 – £0.611m  
2016/17 - £1.075m*

*It is therefore reasonable to assume with increasing Council Tax Dwellings and that the trend of higher collection surpluses continues across the life of the MTFP, therefore an annual collection surplus of £0.75m has now been included.*

## **8. Medium Term Budget Pressures**

*When the 2017/18 budget was set in February 2017 the forecasts were underpinned by the following assumptions:*

- *Pay Awards: 1% increase per annum*
- *Precept: Increases of 1.99% per annum*
- *Tax Base increases of 2.04% per annum*
- *Collection Surplus of \$0.75m per annum*
- *Grant Reductions of -1.3% per annum*
- *Impact of Funding Formula Review – Nil*
- *2.0% for Utilities, Petrol and Rates*

*In line with good planning our assumptions remain under review and are updated with the best information available, most assumptions have not changed significantly and the MTFP for 2017/18 and beyond assume the following:*

*Pay Awards: 1% increase per annum until 2019/20*

*Precept: Increases of 1.99% per annum*

*Tax Base increases 2.0% per annum*

*Collection Surplus £0.75m per annum*

*Grant Reductions: -1.3%, until 2021/22*

*Impact of Funding Formula review – Nil*

*Inflation: 1.25% for most areas, 2.5% for Utilities, Petrol and Rates*

*These changes will be kept under review as part of the MTFP planning process into the following financial years and revised as necessary in line with the rest of the plan.*

### **Specific Grants, Other Income and Partnership Fees and Charges**

*These sources of income and funding are forecast to provide between £25m and £30m per annum across the life of the plan. Most (circa 75%) of this relates to the Police Officer Pension Top-Up Grant Arrangement, that offsets pension expenditure met by the Force on behalf of the Home Office, rather than increases available financing.*

*Based on these revised assumptions and the information received and forecast around other areas of funding then the entire funding expected to be available for the next 5 years, in comparison to 2016/17, is as follows:*

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£m						
<b>Home Office Grants</b>							
Formula Grant (-1.3%)	67.350	66.408	65.563	64.727	63.903	63.090	62.287
Council Tax Support Grant	5.053	5.053	5.053	5.053	5.053	5.053	5.053
Council Tax Freeze Grant	1.591	1.591	1.591	1.591	1.591	1.591	1.591
	<b>73.994</b>	<b>73.052</b>	<b>72.207</b>	<b>71.371</b>	<b>70.547</b>	<b>69.734</b>	<b>68.931</b>
<b>Council Tax</b>	46.926	48.817	50.784	52.831	54.960	57.174	59.477
<b>Council Tax Estimated Surplus</b>	1.075	0.750	0.750	0.750	0.750	0.750	0.750
Funding for Net Revenue Requirement	<b>121.995</b>	<b>122.619</b>	<b>123.741</b>	<b>124.952</b>	<b>126.257</b>	<b>127.658</b>	<b>129.158</b>
<b>%age Change</b>		0.51%	0.92%	0.98%	1.04%	1.11%	1.18%

*As can be seen from the above the Net Budget Requirement (This is the amount the PCC estimates as its planned spending, after deducting any income it expects to raise from fees and charges, specific grants from the Government and any movements on reserves) is expected to increase in 2017/18, by £0.624m (or 0.51 %,) based on the precept increase of 1.99%, from 2016/17.*

*While this is an increase, it is worth noting that the following unavoidable additional costs to the organisation in 2017/18, in comparison to 2016/17, absorb all of this increase:*

*National Pay Awards, spinal point increases & pension contributions – £2.2m  
Contribution to Apprentice Levy – £0.4m*

*Therefore the strong growth in the underlying Tax Base and the significant, but increases in dwellings and non-recurring Collection Surplus, have absorbed some of these impacts.*

*As mentioned earlier the government has stated that ‘No PCC who chooses to maximise precept in both years will face a reduction in cash funding next year compared to 2015/16.’ This refers to the amount of cash received for the Net Budget Requirement (excluding the impact of collection Surpluses).*

### **The Office of the PCC Budget**

*The PCC’s budget for 2017-18 and is £3.89m. In real terms (after taking into account inflation) and stripping out commissioning funding is lower than in 2012*

## **Police and Crime Plan**

*The Police and Crime Plan is fundamentally a plan to make Northamptonshire safer.*

*Ensuring that the public feel safe and thrive in Northamptonshire with fewer people involved in the Criminal Justice System, whether as a victim or as an offender by:*

- *Keeping Children and Young People Safe*
- *Community Partnerships*
- *Protecting People From Harm*
- *Putting victims at the heart of justice*

*This Plan inevitably produces a list of priorities. I want to make it clear that this does not mean that the Police will not continue to deal with a wide variety of crimes. This is rather about trying to prioritise where scarce resources are placed if there is a choice to be made about where they can be utilised. I need to balance those issues of public concern with the taking into account the challenges that are emerging and will continue into the future. These range from tightened public finances to the emergence of cyber-crime and heightened emphasis on previously 'hidden' crimes such as child sexual abuse and modern day slavery.*

### **Keeping Children and Young People Safe**

*Young people are our future. They deserve those in positions of responsibility to make Northamptonshire a better place to live for their futures. Young people deserve to grow up in a place where they feel safe and protected and where they can grow and flourish.*

*Early intervention is critical to ensuring that children and young people have the best opportunities to achieve their potential. Evidence demonstrates that early support will significantly reduce the impact of negative experiences on emotional wellbeing and development.*

### **Community Partnerships**

*The public have a fundamental role at the heart of policing in this country. The police cannot do their job without engagement and participation from every part of every community. It is fundamental to the principles of policing by consent. In an increasingly diverse county policing needs to ensure it continues to serve everyone in the county. Not only this but communities should be involved in, understand, shape and take part in the delivery of their public services. I want partnerships between the police and the broader public sector but also directly with the public. Only by approaching the future in this way will we achieve real and sustainable change.*

### **Protecting People from Harm**

*I want the focus to be on preventing crime. The best thing we can do for the public is stop them becoming victims in the first place. The Force's Mission is to*

*Protect People from Harm. But this cannot be delivered solely by the Police. Indeed in intervening early, preventing crime and the causes of crime many other agencies and the wider society have roles to play.*

***Putting Victims at the Heart of Justice***

*The Criminal Justice System should be service-orientated with the victim at the centre of all it does. Victims and witnesses of crime, anti-social behaviour and road traffic collisions deserve the very best treatment, service and outcomes possible to help them cope, recover and thrive. Putting the victim first is a key reason for having a Police and Crime Commissioner and is something that I am determined to ensure occurs.*

## Police Force

As expected the vast majority of the funding received by the PCC is provided to the Chief Constable. The Chief Constable is accountable to the law for the exercise of police powers, and to the Commissioner for the delivery of efficient and effective policing, management of resources and expenditure by the police force.

Based on the current split of resources and responsibilities between the PCC and CC the CC has modelled a budget for 2017-18 and beyond based on the ambition of achieving 1,209 FTE Police Officers and 88 FTE PCSOs. The current position is outlined in the table below:

## Overall Financial Summary

*Based on the assumptions outlined within this report the summary position, over the next 5 years, would be as illustrated in the table below:*

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m	£m	£m	£m
PCC Budget Requirement (1)	3.909	3.890	3.890	3.890	4.190	4.190	4.490
Capital Financing Requirement (2)	0.918	1.702	3.200	4.144	5.214	4.230	4.891
Contribution to Reserves	5.771	4.360	0.451	0.718	0.153	2.538	2.577
Contribution from Reserves	(1.797)	(2.989)					
<b>Net Contribution to/ (from) Reserves (3)</b>	<b>3.974</b>	<b>1.371</b>	<b>0.451</b>	<b>0.718</b>	<b>0.153</b>	<b>2.538</b>	<b>2.577</b>
PCC Approved Force Cash Limited Budget (4)	112.315	115.656	116.200	116.200	116.700	116.700	117.200
Removal of Debt Charges	(0.918)						
Virements and unachieved savings	1.797						
<b>Total Budget (1+2+3+4)</b>	<b>121.995</b>	<b>122.619</b>	<b>123.741</b>	<b>124.952</b>	<b>126.257</b>	<b>127.658</b>	<b>129.158</b>
Total funding available	121.995	122.619	123.741	124.952	126.257	127.658	129.158
<b>Comparison of Force budget requirement to cash limit</b>							
PCC Approved Force Cash Limited Budget		115.656	116.200	116.200	116.700	116.700	117.200
Force budget requirement including Service Delivery Model		115.656	119.426	122.288	125.652	129.221	131.923
Estimated Force Funding Gap		<b>0.000</b>	<b>(3.226)</b>	<b>(6.088)</b>	<b>(8.952)</b>	<b>(12.521)</b>	<b>(14.723)</b>
Illustrative Cumm FTE Impact (based on an average wage of £33k)			<b>(98)</b>	<b>(184)</b>	<b>(271)</b>	<b>(379)</b>	<b>(446)</b>

*The MTFP set out within this paper is in deficit of around £3m per annum, with Operation Balance looking to mitigate this and to provide opportunities to prioritise areas within the Police and Crime Plan, and if current and future plans are delivered in a coordinated and planned way should continue to drive efficiency and effectiveness within the organisation which in turn should aid investments in future years.*

*It is vital to appreciate though that around £1.312m worth of recurring additional costs have been added into the underlying budget over the last 12 months. These were primarily as a result of decisions made by the organisation and not unavoidable costs.*

*This is not something that the organisation can continue to do. Savings need to be developed to balance the plan in the first instance and the organisation needs to think very carefully before agreeing to any additional items of growth until firm and deliverable plans are developed to balance the budget for 2022/23 and beyond.*

## **Operation Balance**

The Chief Officer Team has recognised that, while the Service Delivery Model (SDM) has been designed to help rebalance resources across the Force, the additional challenge of austerity remains over the longer term. Frontline policing resource levels under the SDM will need to change as and when demand changes. Should levels of demand increase in priority areas, resources will need to increase accordingly and there is only a limited pot of funds.

Operation Balance seeks to complement the work of the SDM to ensure the organisation remains fit for future challenges (in terms of managing threat, harm and risk), as well as being able to deliver against the Force priorities and the Police and Crime Plan.

Operation Balance is about ensuring the Force can deliver a balanced budget for 2018/19 and subsequent future financial years. Therefore the plan has to identify how we can save money or reduce costs now and in the future as part of a continual improvement programme. The Chief Officers have given their full support to the programme of work required to address these challenges.

The agreed aim for the review programme is:

“To review all elements of organisational demand in respect of Northamptonshire Police, seeking methods of reducing, removing and better managing demand to improve the efficiency and effectiveness of the force and provide an improved service to the people of Northamptonshire. “

It is known that the work undertaken in policing could not be more purposeful or meaningful. Therefore the design of the organisation and the activities it undertakes will remain paramount to ensuring the best policing service to the people of Northamptonshire.

This programme of work will embrace and incorporate the Force values of Honesty, Approachability, Reliability and Fairness within its review.

## **9. Capital Financing and Expenditure**

*The assets owned by the PCC are a vital platform for the delivery of the Police and Crime Plan, with the overall purpose of the capital plan to provide sufficient funding to renew the asset base of the organisation, informed by condition deficiency surveys, 'fit for purpose' reviews, equipment replacement programmes, business continuity requirements and invest to save expenditure.*

*In March 2017, the Police and Crime Commissioner declared that the Sale of HQ at Wootton Hall would not take place. The Commissioner has been undertaking a fundamental review of the Estates. Given that an organisations estate is one of the key enablers for any organisation, especially a vital emergency service. There has been a significant under-investment in our infrastructure that now manifests itself as both a threat and an opportunity.*

*The threat is obvious in that the current police estate is, in the main, unfit for purpose. We have too many expensive buildings that are inefficient, in the wrong place, not maintained and do not provide the service required by our officers and staff. This, however, leads us to the opportunity to take a comprehensive look at our estate and along with our other emergency service partners consider what we need from our collective estate.*

*This is what we are now doing. For the first time in many years the MTFP provides a costed and affordable strategy, based on the existing Police Estate, before further collaboration and the strategy provides a detailed plan to deliver a fit for purpose enabling estate that delivers what we want and where we want it. Aligned to modern technology and working practices our collective estate will work for us.*

*The CIPFA Prudential Code of Practice is a key element in the system of capital finance. Under this system individual PCC's are responsible for deciding the level of their affordable borrowing having regard to the prudential code. The associated decision note '2017/18 Prudential Indicators and Treasury Management' will provide the PCC with reasonable assurance that the proposed*

*Capital Plan and its financing are within prudential limits. Plans have been drawn up and are being developed for capital investment, which would aid the organisation in delivering against the Police and Crime Plan.*

## **Capital Grant**

*The PCC is expected to receive only £0.424 in terms of Capital Grant in 2017/18 and annually thereafter, this is £0.5m, lower than in 2016/17. If the PCC wants, or needs, to spend more on Capital Expenditure than this Grant provides then the options are as follows:*

- *Borrowing money (either through loans or from current cash balances) to fund Capital Purchases.*
- *The sale of Capital Assets resulting in a Capital Receipt.*
- *A contribution from the Revenue Budget*
- *The Use of Reserves*

## **10. Reserves and Risks**

### Background information on Reserves

10.1 Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when preparing budgets.

10.2 CIPFA guidance on Reserves and Balances (LAAP Bulletin No 77 November 2008) and the requirements of the Code suggests twice yearly reviews of reserves. By doing this, the visibility of reserves are increased and consideration of their use is placed at the forefront of the decision making process. Reserves are cash backed balances, held on the balance sheet until they are spent or released for other purposes. As such, they can only be spent once, and are not part of the base budget.

10.3 In establishing reserves, the Commissioner must comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Chief Finance Officer is required as part of the budget setting process to provide a statement on the adequacy of reserves.

10.4 The Commissioner must retain adequate reserves so that unexpected budget pressures can be met without adverse impact on the achievement of key objectives and council taxpayers. The Commissioner's policy for reserves and balances is based on a thorough understanding of the organisation's needs and

risks. Part of this process is to give a clear explanation of the existing and proposed use of reserves and this is addressed in the paragraphs below

10.5 The Commissioner's balance sheet reserves are summarised as follows:

- General Reserves – a contingency for unexpected events or emergencies and a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing. The expected General Reserve at 1 April 2017 is £3.52m equating to 2.87% of the revenue budget. This meets one of the key MTFS principles to seek to maintain the general reserve at a minimum of 2% of the revenue budget. The closing general reserves at March 2023 are estimated to continue to be 2.7% of the revenue budget.
- Earmarked Reserves – to meet known or predicted liabilities, for example, insurance and capital reserves. 5 CIPFA guidance issued in June 2003 confirms that relevant bodies should make their own judgment on such matters, taking into account relevant local circumstances and an assessment of risk and the advice of the Chief Finance Officer,

The following Earmarked Reserves have been set-aside for specific purposes. The table shows the strategy for use of reserves over the MTFS. The details of the Earmarked Reserves are detailed in the table below:

	General	Spend to Save	Pensions	Insurance	Safer Roads	Initiatives Fund	Pay Rise & Revenue Pressure Contingency	Capital	TOTAL
<b>Opening Balance 1st April 2017</b>	<b>3,520</b>	<b>977</b>	<b>1,286</b>	<b>1,002</b>	<b>1,306</b>	<b>1,134</b>	<b>0</b>	<b>526</b>	<b>9,751</b>
<b>Contributions 2017-18</b>									
Budget Reserves contribution (in)								4,360	<b>4,360</b>
Budget Reserves contribution (out)								(2,989)	<b>(2,989)</b>
<b>Movement in Reserves 2017-18</b>									
Underspend on Capital financing						1,404			<b>1,404</b>
Initiatives (Child Protection)						(1,000)			<b>(1,000)</b>
Planned Capital Programme								(1,897)	<b>(1,897)</b>
<b>Closing Balance 31<sup>st</sup> March 2018</b>	<b>3,520</b>	<b>977</b>	<b>1,286</b>	<b>1,002</b>	<b>1,306</b>	<b>1,538</b>	<b>0</b>	<b>0</b>	<b>9,629</b>
<b>Contributions 2018-19</b>									
Budget Reserves contribution (in)								451	<b>451</b>
<b>Movement in Reserves 2018-19</b>									
Planned Capital Programme								(451)	<b>(451)</b>
<b>Closing Balance 31<sup>st</sup> March 2019</b>	<b>3,520</b>	<b>977</b>	<b>1,286</b>	<b>1,002</b>	<b>1,306</b>	<b>1,538</b>	<b>0</b>	<b>0</b>	<b>9,629</b>
<b>Contributions 2019-20</b>									
Budget Reserves contribution (in)								718	<b>718</b>
<b>Movement in Reserves 2019-20</b>									
Planned Capital Programme								(718)	<b>(718)</b>
<b>Closing Balance 31<sup>st</sup> March 2020</b>	<b>3,520</b>	<b>977</b>	<b>1,286</b>	<b>1,002</b>	<b>1,306</b>	<b>1,538</b>	<b>0</b>	<b>0</b>	<b>9,629</b>
<b>Contributions 2020-21</b>									
Budget Reserves contribution (in)								153	<b>153</b>
<b>Movement in Reserves 2020-21</b>									
Planned Capital Programme								0	<b>0</b>
<b>Closing Balance 31<sup>st</sup> March 2021</b>	<b>3,520</b>	<b>977</b>	<b>1,286</b>	<b>1,002</b>	<b>1,306</b>	<b>1,538</b>	<b>0</b>	<b>153</b>	<b>9,782</b>
<b>Contributions 2021-22</b>									
Budget Reserves contribution (in)							2,538		<b>2,538</b>
Transfer between reserves									<b>0</b>
<b>Movement in Reserves 2021-22</b>									
Planned Capital Programme								0	<b>0</b>
<b>Closing Balance 31<sup>st</sup> March 2022</b>	<b>3,520</b>	<b>977</b>	<b>1,286</b>	<b>1,002</b>	<b>1,306</b>	<b>1,538</b>	<b>2,538</b>	<b>153</b>	<b>12,320</b>
<b>Contributions 2022-23</b>									
Budget Reserves contribution (in)							2,577		<b>2,577</b>
Budget Reserves contribution (out)									<b>0</b>
<b>Movement in Reserves 2022-23</b>									
Planned Capital Programme								0	<b>0</b>
<b>Closing Balance 31<sup>st</sup> March 2023</b>	<b>3,520</b>	<b>977</b>	<b>1,286</b>	<b>1,002</b>	<b>1,306</b>	<b>1,538</b>	<b>5,115</b>	<b>153</b>	<b>14,897</b>

## Insurance

The Insurance Reserve is maintained for potential liabilities and costs which fall onto the Commissioner where no external insurance cover is arranged by or available to the Commissioner. Potential liabilities include storm damage, business interruption and claims that would fall within the Commissioner's policy excess limits. The level of this reserve is £1.002m and it is not anticipated that this will change over the period of the MTFS.

### **Invest to Save Earmarked Reserve**

This is a new earmarked reserve and it has been set up to fund specific agreed schemes that will deliver long term efficiency savings for the Force. To access this new fund there will be a number strict criteria to meet, namely specific 'cashable savings' have to be demonstrated before funds will be released. The closing balance of £0.977m has been funded by two transfers; one from the Force carry forward balance amounting to £0.387m and £0.590m from General Fund balance. It is anticipated that business plans will be put in place to utilise that fund and that part or all of the savings will be used to replenish the fund in order to reinvest further in later financial years and to mitigate the funding deficit.

### **Initiatives Fund Reserve £1.134m**

The opening balance was £2.941m. During the year there was an additional revenue contribution of £0.910m and also a call of £0.517m for revenue cost within the OPCC budget. As part of the realignment review £2.200m was transferred to the Capital Transformation Reserve.

### **Pensions Reserve balance £1.286m**

The pensions reserve is maintained for those liabilities relating to Police Officers pension payments that still fall to be met by the OPCC. These include one-off lump sum payments due when an officer retires on ill health and payments of injury awards. It was deemed that this reserve was adequate, however this reserve will be continually reviewed to ensure that it still fit for purpose and will be adjusted as circumstances change. Mitigation of the pensions deficit has been put in place within the MTFP, requiring an additional 1% per annum contributions, however, the reserve could be used to delay later increases depending on valuation results.

### **Safer Roads Reserve balance £1.306m**

The opening balance was £1.194m and there was an in year revenue contribution amounting to £0.112m. This balance is specifically assigned to Safer Roads and in-particular speed awareness training is the funding generator and both the training and support staff are funded from this source. This reserve has a significant balance. However, there are potential calls on this reserve. Firstly, if training income is significantly reduced there will have to be a revenue adjustment to account for potential revenue staffing shortfall. In addition, there maybe a potential call regarding a HMRC challenge on regard to vatable payments on speed awareness fees. The current advice is that the Force are correctly accounting for this, however, there may be a risk (at this stage

unquantifiable) that there may be a future call on this reserve to meet potentially any under recovery of VAT.

The reserves policy is included within Appendix A

## **11. Risk Assessment**

*The MTFS contains the most up to date information at the time of drafting but the Commissioner's financial position is dynamic. A comprehensive financial risk assessment is undertaken for the revenue and capital budget setting process to ensure all risks and uncertainties affecting the Commissioner's financial position are identified. The Commissioner faces a number of significant financial pressures that could affect the position over the medium term. An assessment of the likelihood and impact of each risk and the management controls in place are shown below*

RISK	LIKELIHOOD	IMPACT	RISK MANAGEMENT
Pay awards and price inflation being higher than anticipated	Possible	Medium	Budget is based on best information and is set at a prudent level
General Reserve not sufficient to cover future unexpected costs	Possible	High	Reserve strategy is to maintain balance at 2 % of budget
Interest rates on deposits lower than anticipated	Unlikely	Low	Prudential assumptions on likely interest rates are incorporated into the MTFP with regular review and monitoring of interest rates takes place
Capital financing charges will be higher than forecast	Unlikely	Low	Revenue implications are considered as part of capital planning and any changes to variable rate will have minimum impact as all debt fixed
Capital Programme is understated and funding is not available to deliver plans as documented in the Estates Strategy	Unlikely	Low	Capital monitoring reports are taken to the OPCC quarterly. This provides the assurance in accuracy of forecast. Monthly monitoring is also undertaken by the Finance Function. Prudential borrowing also gives flexibility in financing the capital programme
Further reductions in funding including unfavorable review of formula	Possible	High	Maintain General Reserve balance . Forward planning; high level lobbying and regular internal monitoring
Future Council Tax rises limited as determined by Central Govt.	Likely	Medium	General Reserve balances and forward planning
Reduction in collection surplus	Unlikely	Low	Regular monitoring; physical location of Northants re relatively near commute to South East re supply and demand
Failure to deliver planned savings	Possible	High	Monthly monitoring reports to both the Commissioner and Chief Constable . Review the feasibility of the proposed savings as well as onward monitoring of progress
Not all risks have been identified	Unlikely	Medium	Comprehensive insurance arrangements are in place together with robust risk management arrangements- with fall back of general reserve funds set aside for such eventualities

## 12. Conclusion

*The overall financial context for Northamptonshire Police Service remains extremely challenging.*

*The approach Northamptonshire will take, will be to deliver a balanced budget before the commencement of 2018/19. It sets out how all four years will be financed and general reserves will be maintained at an estimated £3.52m and this is greater than the minimum set out in the reserve strategy.*

*The management of this position is achieved through the rationalisation of estates, workforce change, ensuring savings undertaken via Operation Balance; completion of SDM operating model.*

*The MTFs does indicate that a sustainable financial position can be achieved over the period 2017/18 to 2021/22 and the Commissioner is fully committed to taking the necessary decisions to achieve this outcome.*

**Appendix A**  
**NORTHAMPTONSHIRE POLICE AND CRIME COMMISSION**  
**RESERVES AND PROVISIONS POLICY**

**1. The importance of a Reserves and Provisions Policy**

- 1.1. Reserves are a key part of medium-term financial planning – other components include revenue spending plans, income forecasts, potential liabilities, capital investment plans, borrowing and council tax levels. Decisions on these are inter-linked. Consequently some organisations will need to maintain reserves at higher levels than others.
- 1.2 All publicly funded organisations should have a reserves policy to demonstrate transparency and accountability, to comply with best practice financial management and to justify the levels of reserves held.
- 1.3 The Commission maintains reserves to provide a measure of protection against risk. Without this protection, any unforeseen expenditure would have to be met either by increases in Council Tax or immediate savings (potentially through reductions in service levels).
- 1.4 The term "reserves" has a variety of technical and every day meanings, depending on the context in which it is used. For the purposes of this policy it is taken to mean funds set-aside at the Commission's discretion for general or specific future purposes.
- 1.5 Reserves are required to protect and enhance the financial viability of the Commission and in particular:
  - To maintain a degree of in-year financial flexibility;
  - To enable the Commission to deal with unforeseen circumstances and incidents;
  - To set aside monies to fund major developments in future years;
  - To enable the Commission to invest to transform and achieve improved service effectiveness and efficiency;
  - To set aside sums for known and potential liabilities;
  - To provide an operational contingency at service level.
- 1.6 Reserves should not be held to fund ongoing revenue expenditure as this is unsustainable in the long term; however they may be important in smoothing a major financial imbalance (revenue or capital) over a longer timescale. CIPFA guidance LAAP 77 published November 2008 states:

*“Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option. However it is not normally prudent for reserves to be deployed to finance recurrent expenditure. Where such action is to be taken this should be made explicit, and an explanation given as to how such expenditure will be funded in the medium to long term”*

- 1.7 The Reserves Policy assumes that the Medium Term Financial Plan [MTFP] is broadly balanced on a sustainable basis across the five year planning period. Reserves should reflect the agreed financial strategy and should represent the quantified impact of risks and opportunities over the planning period, weighted for their probability.
- 1.8 Provisions are required for any liabilities where the timing of the payment or the amount is uncertain.

## **2. Aspects to consider**

- 2.1 The policy should specifically consider the aspects set out below.

### Rationale

- 2.2. The purpose behind each reserve should be clearly stated. The policy should also state how and when the reserve may be used.

### The adequacy of Reserves

- 2.3. There is no prescribed level of reserves that Police and Crime Commissions should hold and this is influenced by individual discretion, local circumstances, advice from external auditors, risk management arrangements and risk appetite. CIPFA guidance in LAAP Bulletin 77 specifically cautions against prescriptive national guidance for a minimum or maximum level of reserves and states:

*“The many factors involved when considering appropriate levels of reserves can only be assessed properly at a **local** level. A considerable degree of professional judgement is required”*

- 2.4. Factors to be taken into account include:
  - The general economic conditions;
  - The financial impact of service and business risks specific to the Commission, including cost and demand fluctuations during the planning period, and the inevitable uncertainty as to the financial impact of major changes currently being progressed.
  - The extent to which fixed or semi-fixed costs reduce the flexibility to respond to financial shocks.

- 2.5. Some risks facing the Commission are 'involuntary' or inescapable; others are voluntarily taken by the Commission. An example of an involuntary risk might be the government's public spending policy. An example of a voluntary risk might be a major change programme.
- 2.6. Currently there is significant uncertainty regarding future government funding. The Home Office has not announced funding allocations beyond 2017-18. There is to be a review of the distribution formula of Police Grant.
- 2.7. The proposed collaboration between Northamptonshire, Nottinghamshire and Leicestershire could be a major change programme, in the delivery of both policing and back office support. Currently this has approval to the detailed design stage and should the go ahead be given, would involve a considerable amount of investment before the savings start to materialise.

#### The opportunity cost of holding Reserves

- 2.8. This represents the opportunity foregone by maintaining a level of reserves.

#### Procedures for management and control

- 2.9. Generally these will be the same for all reserves. Procedures for approval and drawdown are for either the Force or PCC to propose, then for the PCC s151 and Chief Executive, to approve. The format for these approval are below;

<b>Request for transfer to / from General or Earmarked Reserves CC</b>	
<b>Reserve Name</b>	
<b>Reserve Type Capital / Revenue</b>	
<b>Details of transfer request</b>	
<b>Transfer Value</b>	
<b>Transfer Type ( To / From )</b>	
<b>Requestors Name</b>	
<b>Requestors Signature</b>	
<b>Date</b>	

<b>Force Finance S151 Approval</b>	
<b>Signature</b>	
<b>Date</b>	

<b>Request for transfer to / from General or Earmarked Reserves PCC</b>	
<b>Financial Year</b>	
<b>Request Number</b>	
<b>Reserve Opening Balance</b>	
<b>Transfer Value</b>	
<b>Reserve Closing Balance</b>	
<b>Police and Crime Plan Goal the Transfer supports</b>	

<b>OPCC S151 Approval</b>	
<b>Signature</b>	
<b>Date</b>	

<b>OPCC Chief Executive Approval</b>	
<b>Signature</b>	
<b>Date</b>	

<b>General and Earmarked Reserves Final Approval for Outturn.</b>	
<b>Financial Year</b>	
<b>Reserve Name</b>	
<b>Reserve Type - General / Earmarked</b>	
<b>Background for Reserve</b>	
<b>Police and Crime Plan Goal the Transfer supports</b>	

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<b>Reserve Opening Balance</b>	
<b>Transfers during the year</b>	
<b>Reserve Closing Balance</b>	
<b>OPCC S151 Approval</b>	
<b>Signature</b>	
<b>Date</b>	

<b>OPCC Chief Executive Approval</b>	
<b>Signature</b>	
<b>Date</b>	

- 2.10. The Local Government Act 2003 requires the s151 officer, to report annually on the adequacy of the reserves.

Risk

- 2.11. The risks of not having a Reserves policy that is reviewed on a regular basis include auditor and other stakeholder criticism, higher levels of funds might be held than necessary, without a clear rationale, and the possibility that some reserves might become dangerously low.
- 2.12. Conversely any approved policy should not be allowed to act as a straitjacket, constricting the essential element of judgement in determining the appropriate level of reserves.

Reviewing the policy

- 2.13. Regular reviews of the policy are important to ensure its continuing relevance and adequacy.
- 2.14. It is proposed that the Commission's Reserves and Provisions Policy is normally reviewed annually.