OFFICE OF THE NORTHAMPTONSHIRE POLICE AND CRIME COMMISSIONER
&
NORTHAMPTONSHIRE POLICE
&
NORTHAMPTONSHIRE COMMISSIONER FIRE AND RESCUE AUTHORITY

JOINT INDEPENDENT AUDIT COMMITTEE

20 March 2019 at 9.30am to 12.00pm

Greenwell Room, Force Headquarters, Wootton Hall, Northampton

If you should have any queries in respect of this agenda, please contact Paul Bullen 03000 111 222

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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			Time
	Public Meeting of the Joint Independent Audit Committee		
1	Welcome and Apologies for non- attendance - Simon Nickless, Deputy Chief Constable - Duncan Wilkinson LGSS Internal Audit	JB	09.30
2	Declarations of Interests	Members	09.30
3	Meeting Log and Actions – 10th December 2018	HK	09.35
4	Monitoring Officer Update	PB	09.45
 5a 5b	Capital Programme 2019/20 PFCC & CC NCFRA	 PD/HK HK	09.55
 6a 6b	Treasury Management Strategy 2019/20 PFCC & CC NCFRA	 PD/HK HK	10.05
 7a 7b	Capital Strategy 2019/20 PFCC & CC NCFRA	 PD/HK HK	10.15
8	HMIC Value for Money	Force - DCC	10.25
 9a 9b	HMIC reviews – update NCFRA CC	 Fire DCC	10.35
10	Update on: MFSS	DCC	10.45
11	Update on: Fire Governance	PB/HK	10.55
 12	Internal Audit Plan 19/20 PFCC & CC	 Mazars	11.00
13	Internal Audit Progress report PFCC & CC	Mazars	11.10
14	Internal Audit - Implementation of recommendations PFCC & CC	RB	11.20
15	External Audit Plan 18/19 PFCC & CC NCFRA	 EY EY	11.30
16	Agenda Plan	HK	11.35
17	AOB (Including member updates)	JB	11.40

19	Date and venue of future JIAC workshops (not public meetings) Wootton Hall, Northampton NN4 0JQ 20 March 2019 (12:00 to 15:00) (Fire External Audit and Accounts) 6 June 2019 (10:00 to 13:00) (Fire , Policing and OPFCC Accounts)		
20	Resolution to exclude the public		
	Items for which the public be excluded from the meeting: 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: Review of risk		11.50
20a	PFCC	PF	
20b	NCFRA	Fire	
21	Confidential items – any	JB	

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:

Paul Bullen
Office of the Police and Crime Commissioner
East House
Police HQ
Wootton Hall
NORTHAMPTON NN4 0JQ

or by email to:
paul.bullen@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.

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 A Knivett

Mrs A Battam

Paul Bullen

MONITORING OFFICER

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Item : 3

Joint Independent Audit Committee (JIAC) ACTION LOG – 10 DECEMBER 2018

Attendees: Members: John Beckerleg (JB), Gill Scoular (GS), Ann Battom (AB)

Helen King (HK), Simon Blatchley (SB), Paul Dawkins (PD), Richard Baldwin (RB) Neil Harris, EY (NH). Julie Kriek (EY), Brian Welch, Mazars (BW), Vaughan Ashcroft (VA)

Guests: Luke Pulford (LP), Julie Oliver (JO)

Agenda	Issue	Action (updates in Green)	Responsible	Comments
1	Apologies for non-attendance		JIAC members	• Tony Knivett • Rachel Swann
2	Declarations of Interests		Members	• As per previous meeting declarations.
3	Meeting Log and Notes – 10 September 2018	**ACTIONS: HK seek update on OPCC Policies from Monitoring Officer to advise JIAC.** **Email update from Nicci Marzec, OPFCC Director forwarded to JIAC members 14/1/19.** "In relation to the HR policies they have all been reviewed and updated and were in a position to be recirculate for staff to review the changes at the end of October. However, subsequent to that we entered the restructure consultation and the changes which have resulted from that will mean that further review is	CFO	• Ann Battom (AB) welcomed as a new member of the Committee • Unsuccessful in recent member recruitment interviews – will go out again in New Year. • JB congratulated Rachel Swann on her appointment as DCC to Derbyshire asked SB to thank RS for all of her work with the JIAC and wished her well for the future. • JB asked for an update to be provided on OPCC policies. • HK to update members following the procurement meeting. • Fire Auditors and Accounting treatment – awaiting appointment of Fire external auditors from Public Sector Audit Appointments (PSAA).

		required to reflect the new office structural arrangements and how these might impact on the processes within some of them. If you need an updated review date I would say March 2019." **ACTIONS: HK to email JIAC members after procurement meeting re: an update on the 100% check and way forward.** **Update from Procurement:** "Of the 191 contracts that were for Northampton, 10% were found to have incomplete paperwork or an end date in the past, of these 15 have been resolved, 2 are now part of a tender process and the remaining 2 are under further investigation. This has proven to be a very worthwhile exercise, showing disciplines that were lacking regarding document upload. The intention going forward is to dip sample monthly."		• Richard and Paul Fell had met and Force and OPCC risk registers are synchronised. • JB appreciative of recent workshops – to discuss as part of the agenda plan the February workshop agenda.
4	Update on Fire Governance		MS/HK	• HK gave an overview building on the November workshop. • GS queried whether the Fire risk management approach would be similar to the Force and PCC one. HK advised

				where possible Fire would undertake similar approaches – JO from Fire and RB to meet and discuss. • AB queried overage and whether agreement had been reached. HK confirmed a legally acceptable negotiated position had been agreed between the PCC and Northamptonshire County Council.
5	Update on Estates Strategy and Estates Board		MS	• MS updated on the approach and strategy • The Board meeting chaired by the PCC had taken place in November and reviewed the 2018/19 to date position and future plans. • MS highlighted how there has been a slight change in profiling of the capital programme due to timing of work on FHQ. • JB asked if future FHQ developments would require a Decision Record and MS advised that would be the intention. • JB asked about the extent of integration of Police and Fire premises. MS advised this would take place over time based on the views of the respective Chiefs.
6	Feedback From CIPFA Training Day for Police Audit Committees		JB	• JB reported on the Police Audit Committee training day which included an update on the Essex FRA transfer. Diana Melville (Chartered Institute of Public Finance and Accountancy) also gave an update on risks affecting Police Forces. • JB also attended PSAA conference. Key areas of interest: 87% of accounts had met the July 2018 deadline and 7% had a non standard VFM opinion. There was some debate at the conference about implications of latest fee levels on what audit work can be undertaken.

				The view from external auditors was that they were spending 80% of their time on accounts and 20% on other areas including VFM. Discussions took place on financial resilience and pressure on FDs – need to support Finance Directors and auditors when things are raised which were not welcome. • JB invited the external auditors (EA) and internal auditors (IA) also to contribute to items which were not their own; their opinions were of value. • JB was happy to attend the conferences but invited other JIAC members to consider attending some events. • NH explained he felt the fees were at a minimum level to the work and give the necessary assurances. Increasingly more time would be spent on VFM, due diligence and MTFP assumptions. Where NH had given non standard opinions, they had been on VFM. • There was a discussion on whether the VFM opinion work had kept pace with change and whether auditors were prepared to use their statutory powers at an earlier stage. • JB wanted to understand the quality reviews for both IA and EA and how these go through to get assurance. • AB felt that JIAC should be looking to EA and IA for knowledge from elsewhere. NH explained having EY across all East Midlands partners would give this ability to share.
7	Internal Audit Progress Report	**ACTION: Seized and Found Property to be at the February Workshop and a report tabled at March meeting.**	Mazars	• BW gave an update on the report which included a limited assurance on seized property. BW advised other forces had also similar reports in recent times. • A discussion took place regarding the postponement to the partnership audit and partnership working – SB

		An update report will be discussed with the PFCC at the March Accountability Board. Suggest July agenda and the Autumn workshop. **ACTION: BW to advise what controls were tested for Victims Voice conflict of interest.** BW to advise		explained it was early as the Force were working through their internal arrangements and suggested timescale of March 2019. • JB asked whether Fire should be included in partnerships HK advised that the fire audit plan needed to be related to Fire risks and plan needs. • BW advised that 3 collaboration audits were still outstanding. All three draft reports were with lead OPCC CFOs for coordination. • BW updated on the limited assurance Seized and Found Property audit. • GS concerned about some of the timescales and SB explained the sheer volume of the sized property levels – the Change Board had received a paper on this area. • BW raised MFSS has been outstanding for some time. HK was awaiting some responses from MFSS. Agreed to draw the line at Xmas and finalise if not received. • JB asked what work was done on Conflicts of Interest in the Voice Audit. BW to respond on the compensating controls. • BW advised all reports in the plan will be issued as draft by year end. • JB asked how planning will take place for 19/20 and BW advised it will be informed by the risk register. • JB asked to what extent EA is able to rely on IA - NH advised that they will do substantive and walk through tests (not a controls based audit) – so whilst they do not rely on it - it does give them information on the control environment.
8	Implementation of Internal Audit Recommendations	**ACTION: HK to ask PF why OPCC Risk Management Training has not yet been implemented.**	RB	• RB advised that 22 of the actions have been cleared since the last meeting.

		Formal system training for OPFCC staff is awaiting the new Risk Management system with the Force. However, RM is now a regular part of the PFCC and Director meetings where it is discussed, new risks identified and existing risks discussed and mitigations and actions considered. **ACTION: JB to liaise with HK to discharge JIAC actions relating to the OPCC website.** Stuart McCartney in the OPFCC to meet with JB to progress. **ACTION: RB to update on how recommendations for collaborative units are taken forward regionally.** RB to update		• JB highlighted that the OPCC action outstanding on Risk Management Training had been outstanding for some time and asked for an update from the PCC. • JB reflected his appreciation for the work on fleet. • A query was raised that counter-fraud and recommendations were just noted. • A number of queries have been allocated to head of EMSCU and JB asked how collaborative units' risks and recommendations are taken forward. This will be considered at the regional DCC Board.
9	Budget 2019-20 and MTFP Update		HK/PD	• HK and PD gave a verbal update on the timetable which was progressing well. • PD recognised the thorough and zero based approach to preparing the budgets for 19/20 and discussion took place on timescales, precept consultation and operational challenges,

				• JB queried the pressures such as seized property and VA highlighted the change in spending pressures and savings which had also been informed by OBB. • JB asked if there had been much change on priorities from the new CC. SB advised that the PCC had drafted a new policing plan based on the Police and Crime Plan and will consider views on resourcing arrangements as part of the budget process. • JB asked for an update on Fire timescales and process. HK confirmed the same approach for Fire was undertaken as for OPCC and the Force – the first Fire Budget meeting had taken place & the first Fire budget is to build stability.
10	External Audit – Fee Letter (a) Police and Crime Commissioner (b) Chief Constable		EY	• NY gave an overview on the fee letters • PSAA have consulted on awarding a PSAA Fire contract to EY which the PCC and other consultees supported. • JB asked if the Audit Plan in March will consider areas of risks etc. and NH confirmed that it will.
11	External Audit – External Audit Plan Considerations		EY	• NH gave an overview about what some of the risks and processes expected to be included in the audit plan. • In respect of Fire – EY would be interested in the opening balance position, completeness, matching of income and expenditure position, disaggregation of the NCC Balance Sheet position and application of accounting principles. • LGSS team are working with the PCC's office on an accounting treatment paper. • Discussed where group accounts should apply. This is not envisaged currently but may be in the future – this will be reviewed. • EY are currently reviewing KPMG files and updates

				• Discussion regarding audit risks such as MFSS and will focus on what arrangements are in place in Northants and any consistency or otherwise with Notts. • NH to query on at what point pensions valuations will be done as at 31/3/19 as valuations and timing of them will be a key issue for the 2018/19 audits. • There will be an audit plan at the next meeting.
12	Treasury Management Q2 Update		HK/PD	• HK gave an overview of the quarterly update paper and highlighted the low levels of investment income and rates and where internal borrowing had taken place with regards to the Capital Programme funding. • JB asked how borrowing decisions are linked to assets – HK advised that when preparing the capital programme a view is taken on the life of the assets and what type of funding should be applied. • VA responded to JB's query that cash balances were approximately £10m but this changed when pension grants were received.
13	MFSS Update		SB/HK	• SB updated on MFSS – the cutover dry run had not been successful nor had pay review. There were a number of issues with user acceptance testing therefore SB felt the chance of it going live in April was remote. • MS advised that there was an oversight committee on 11 December 2018 which the PCC now chairs. Northants position had moved to red from amber for April delivery based on the number of defects and workarounds. Risk of workarounds for payroll was too much. • This had been escalated to Oracle. • MS – the programme is so tight we could not put in an additional two weeks. The Oversight Committee is seeking confidence about whether April was achievable or not, balanced with the cost of overrun which was £750K per

				month across the partners and any extension would need to be 3 or 4 months due to the final accounts period . • JB asked how the governance was working, were decisions being made properly recorded and scrutinised? • MS advised that governance had not been as robust as it should have been in past years but there were also some fundamental differences on MFSS and how partners want it to move forward. • MS feels there was now a better coherence at Management Board level and Cheshire have put in a much stronger MFSS management team. Flow and understanding of information is much better but decision making goes up to SSJOC – there is an audit trail of documented changes and minutes. • GS – is there a confidence that these things will be resolved? Is there an option B? MS advised that work is still ongoing regarding a formal agreement – which will allow Cheshire Fire to onboard. However, it appears that partners will not agree. • JB asked if there was a fallback solution. MS advised it was possible to continue on the current platform (a 2 year support window). It was an option but oracle licences have already been purchased. • AB raised a concern about workarounds to go live as they never fit long term. • It was agreed that this would continue to be a standing agenda item on agenda for the future.
14	Agenda Plan		Helen King	• The agenda plan was discussed and agreed – including the format with Fire incorporated. • February workshop – The agenda would be: seized and found property followed by a Fire Internal and External Audit Workshop.

15	AOB (Including member updates)	**ACTION: update from the OPCC Monitoring Officer on how the arrangements will work.** Email update on the arrangements sent to members in January. Report on Agenda.	All	• JB had seen in the latest Police and Crime Panel papers a report about the changing role of the Monitoring Officer and asked for an update from the OPCC Monitoring Officer on how the arrangements will work at the next meeting. •
16	Date and venue of future JIAC meetings		Chair	• As per plan.
17	Resolution to exclude the public			Moved
17A	Force Risk Register *(Exempt by virtue of paragraph 7 of schedule 12A to the Local Government Act 1972)*		RB	• Discussion by Chair about whether this should be in public or private. HK advised that exemption 7 had been applied: Information relating to any action taken or to be taken in connection with the prosecution of crime. • Other JIACs now include their risk registers as restricted and NH and BW explained this was now common practice. • GS sought clarification that as no of risks were increasing that all were still strategic. • JB queried whether there was a need to have a more general risk around info management and management of info and data. RB advised that the risk related to the management of digital data. • SB confirmed that the DCC was encouraging reporting and highlighting of risks and risk owners are taking responsibility.
18	Confidential items			None

AGENDA ITEM: 4

NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER,

NORTHAMPTONSHIRE POLICE and

NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE

JOINT INDEPENDENT AUDIT COMMITTEE

20 MARCH 2019

REPORT BY	Paul Bullen, Director for Delivery, Head of Paid Service and Monitoring Officer, OPCC
SUBJECT	Monitoring Officer Update
RECOMMENDATION	For the committee to note the report

1. Background

1.1 The Police Reform and Social Responsibility Act 2011 introduced Police and Crime Commissioner's. A requirement of the Act is that the Police and Crime Commissioner has a role (defined as Chief Executive in the Act) to undertake the statutory roles of Monitoring Officer and Head of Paid Service.

1.2 Fire and Rescue Authorities (as the Police, Fire and Crime Commissioner became on 1st January 2019) are also required to have a Monitoring Officer.

1.3 The legal basis for the Monitoring Officer is found in Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000.

1.4 The Monitoring Officer has three main roles:

- Report on matters he/she believes are, or are likely to be, illegal or amount to maladministration
- Be responsible for matters relating to the conduct of the PFCC
- Be responsible for the correct implementation of the formal decision making policy.

1.5 The Police, Fire and Crime Commissioner implemented a new approach to delivering the statutory Monitoring Officer function from December 2018.

2 Rationale for Change

2.1 The Police, Fire and Crime Commissioner undertook a review of the structure of the OPFCC, carried out in the context of the changes resulting from becoming the Northamptonshire Commissioner Fire and Rescue Authority. In addition, the PFCC believes the director roles in the organisation have developed such that they are technical and professional experts in their areas who provide effective direct support to the Commissioner as required.

2.2 The PFCC is keen to deliver more effective and efficient enabling services to both police and fire and rescue. The PFCC therefore has, in conjunction with the two Chiefs, created an interim role to direct the establishment of a shared 'Purple' Enabling Services across both organisations. The role is time limited to 18 months whilst a permanent approach is agreed.

2.3 Much of the role of the Chief Executive has been delivered by the directors within the office structure. The Chief Executive, aside from the statutory duties, has focused on particular projects. The review the PFCC undertook showed that only the statutory duties of the Chief Executive role could not already be picked up through the director roles.

2.4 The PFCC looked at alternative models implemented by other PCCs. In particular, the model adopted in Cumbria in 2017, initially as a temporary arrangement, where the statutory Chief Executive responsibilities were added to existing director roles and the responsibility shared on a six-monthly basis. The approach has reportedly had a positive impact on delivery of priorities whilst streamlining the functions of the OPCC and reducing the overall cost of the office structure. In Cumbria this arrangement has now been made permanent.

2.5 The PFCC took this into account in deciding to flatten the structure of the OPFCC through the previous Chief Executive becoming the lead for Enabling Services for 18 months. The statutory functions of the Chief Executive (Head of Paid Service and Monitoring Officer) are being rotated between two of the directors on a six monthly basis. At the end of the 18 month period the longer term structure and requirements of the Chief Executive role can be determined.

2.6 The legislation makes clear that someone has to fulfil the statutory duties of the Chief Executive and the roles cannot be separated. However it does not preclude more than one person holding the role or a rotation approach being employed.

3 Applying the new model

3.1 Two directors are rotating the statutory duties on a six-monthly basis. Paul Bullen has taken the first period, with Nicci Marzec to be the second. The director who is not performing the role at any point acts as the deputy.

3.2 This approach ensures that the two directors have to share information and helps to minimise the likelihood of any matters being missed or an alternative view being expressed between the two who perform the role of Monitoring Officer.

3.3 A handover package will be prepared by the first incumbent of the role to the second to ensure that any matters that are outstanding are passed over with the appropriate information.

3.4 Directors in the OPFCC will, wherever possible, maintain roles that the Chief Executive would otherwise have undertaken without rotation (save for the statutory duties described above). As such meeting attendance and rotation will be kept to a minimum.

4 Conclusion

4.1 The PFCC has implemented this structure for an 18 month period. It will be reviewed and a permanent structure put in place learning any lessons from this trial period.

AGENDA ITEM: 5a

NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER,

NORTHAMPTONSHIRE POLICE and

NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE

JOINT INDEPENDENT AUDIT COMMITTEE

20 MARCH 2019

REPORT BY	Helen King, OPFCC/Paul Dawkins, Force
SUBJECT	Policing Capital Programme 2019/20
RECOMMENDATION	To note report

1. Capital Programme 2019/20

1.1 The 2019/20 Capital Programme is informed by the key strategies of the Police, Fire and Crime Commissioner (PFCC) and Chief Constable (CC) (such as Estates, ICT, Fleet). The Capital Programme is updated alongside reviews of these strategies as part of the annual budget process.

1.2 This Capital Programme has been used as the basis for identifying and including revenue costs of capital decisions (such as ICT investment ongoing costs) and the Capital Financing calculations within the 2019/29 revenue budget, alongside the 2019/20 Treasury Management and Capital Strategies, the latter two are tabled on the agenda.

1.3 The 2019/20 Capital Programme proposals were considered at the Accountability Board in December 2018 with the CC by the PFCC.

1.4 The PFCC approved the Capital Programme and this was shared in full with the Police, Fire and Crime Panel to support the statutory budget and precept process for 2019/20.

1.5 The Multi Force Shared Services Investment for Fusion is monitored and reviewed by the Shared Services Joint Operating Committee (SSJOC), of which the Northamptonshire PFCC is now the chair. These costs will be updated at the next quarter review to reflect changes agreed at the recent SSJOC and mentioned in the

MFSS report. There are also further discussions continuing following the Avon & Somerset departure from the programme.

1.6 Very estimated costs are assumed in the Capital Programme and Medium Term Financial Plan for the Emergency Services Network (ESN) programme which will replace Airwave. This national programme has been delayed over a number of years and these costs will change as the timescales and costs of this programme become clearer to Forces and the MTFP and Capital Programme updated. Modelling based on latest national information and a wide range of assumptions indicates a different cost and revenue profile and the Capital Programme and MTFP will be updated as this becomes clearer.

1.7 The Capital Programme is provided in full at Appendix 1.

2. Review and Monitoring of the Capital Programme

2.1 New projects for inclusion in and amendments to the Capital Programme are mainly considered through the Force Change Board, the Enabling Technologies Board and the Estates Working Group, all of which meet regularly through the year. There is a significant drive from National ICT Projects the impacts of which are also reviewed through the above Boards and from the representation of the PFCC Nationally.

2.2 The Capital Programme is reviewed quarterly as a minimum and is included in the Force monthly budget monitoring report and shared with the PFCC and PFCC CFO. These are reviewed quarterly in a formal setting at the Accountability Board where the PFCC reviews progress on the projects and challenges or approves revisions to the Programme.

2.3 The minutes of the Accountability Board are held on the OPFCC website and updates on the meetings inform part of the PFCC's regular update to the Panel.

3. Funding

3.1 Funding is considered alongside each review of the Capital Programme. Force and OPFCC colleagues have met as part of the 2019/20 budget process to develop the existing working relationship with Treasury Management advisors and to review the balance sheet, the Treasury Management Strategy and the Capital Programme.

3.2 Regular meetings have been set up and advisors provide weekly updates and advice which includes borrowing and lending and other wider considerations.

3.3 We are in regular discussion with the advisors about the best and most appropriate time to borrow and whether this should be internally or externally. This will continue to be reviewed alongside the Capital Programme.

4. Recommendation

3.1 That the JIAC note the report.

APPENDIX 1 CAPITAL PROGRAMME

	Assumed Asset Life	Total Scheme from 01/04/17	2017/18 Expenditure	2018/19 Approved at Police & Crime Panel	Add 2017/18 Slippage	Other Adjust-ments	Revised 18/19 Budget	2019/20 Estimate inc. slippage	2020/21 Estimate inc. slippage	2021/22 Estimate inc. slippage	2022/23 Estimate inc. slippage	2023/24 Estimate
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
CHANGE PROGRAMME												
Interoperability Programme	3	120	62	-	12		12	-	-	-	-	-
Tranman	3	42				21	21					
Criminal Justice-Interoperable CJ NICHE	5	133	103	30	17		47	-	-	-	-	-
TOTAL CHANGE PROGRAMME		**295**	**165**	**30**	**29**	**21**	**80**	**-**	**-**	**-**	**-**	**-**
INFORMATION SERVICES - ISD Strategy												
Legacy - IT	3	(0)	-	25	14		39	-	-	-	-	-
Agile Working	3	240	237	678	1,107	(1,785)	0	-	-	-	-	-
IT Strategy - Known & scheduled	3	730	-	-	-	410	410	-	320	-	-	-
Web & Proxy Fiiltering Upgrade/Replacement	5	25						25				
IntraNet Review	5	25						25				
Anti-Virus Replacement	5	30						30				
Jabber Guest	3	40						40				
HTCU Open-Source Platform	7	40						40				
Voice AI	5	50						50				
DEMS (digital evidence M'ment sytem)	7	500						500				
EWFM (eWorkforce M'ment)	7	240				-	-	240	-	-	-	-
Qlik - Business Intelligence	3	87				87	87	-	-	-	-	-
IT Strategy - Known not scheduled	3	-	-	-	-	-	-	-	-	-	-	-
Command & Control Replacement/Upgrade	7	2,000						1,000	1,000			
Secure Unsupported Software Environment (SUSE)	3	50						50	-			
Office 365 Team	5	270						270	-			
Disaster Recovery	3	250				250	250	-	-	-	-	-
Office 365 Infrastructure	3	670				100	100	570	-	-	-	-
IT Toolset	3	100				25	25	75	-	-	-	-
IT Strategy - Decisions to be made	3	350	-	-	-	250	250	100	-	-	-	-
IT Replacement Equip.	3	3,138	99	386	860	104	1,350	-	350	437	446	456
Replacement Laptops/desktops (Lenovo X1)	3	1,250						1,000	250			
Replacement Mobile Phones (Samsung S8)	3	900						450	450			
Replacement Monitors	4	150						100	50			
Replacement Peripherals	4	150						100	50			
IT Infrastructure Hardware Replacement	3	1,912	69	275	544	91	910	-	-	306	311	316
Replacement/Upgrade ESX Hosts	5	130						30	100			
Replacement/Upgrade Server	5	80						40	40			
Replacement/Upgrade Storage	5	100						100	-			
Replacement LAN	5	200						200	-			
Telephony Services Upgrade IVR (currently NetCall)	5	20						20	-			
Telephony Services Upgrade ACD (currently Aspect)	5	250						250	-			
Photocopier Replacement Programme	7	334	145	51	66	(95)	22	97	70	-	-	-
		14,311	**550**	**1,415**	**2,591**	**(563)**	**3,443**	**5,402**	**2,680**	**743**	**757**	**772**
INFORMATION SERVICES - Other Projects												
Emergency Services Network (Airwaves replacement)	10	3,107	5	250	244		494		3,034	-	-	-
Business Intelligence	3	52	4	-	48		48	-	-	-	-	-
Tri Force Regional IT Transformation Fund Match Funding	3	1,793	1,592	-	201		201	-	-	-	-	-
Fusion (Oracle re-implementation)	5	2,898	1,331	1,568	(0)		1,568	-	-	-	-	-
		7,850	**2,931**	**1,818**	**494**	**-**	**2,312**	**-**	**3,034**	**-**	**-**	**-**
TOTAL INFORMATION SYSTEMS PROGRAMME		**22,161**	**3,481**	**3,233**	**3,085**	**(563)**	**5,755**	**5,402**	**5,714**	**743**	**757**	**772**
PROPERTY - Estates Strategy												
Northamptonshire HQ (inc. Training facility (31 WHP))	40	20,021	-	6,600	-	(6,580)	20	5,000	1,000	4,667	4,667	4,667
Learning and Development Centre (LDC)	40	-	-	-	-		-	-	-	-	-	-
Radio Mast	40	74	-	15	70		85	-	-	-	-	-
Property Enhancements	40	1,950	103	188	259	(70)	377	370	300	300	250	250
Towcester	40	50	50	-	20	(20)	-	-	-	-	-	-
Brackley	40	-	-	-	-		-	-	-	-	-	-
Pytchley	40	30	-	-	-		-	30	-	-	-	-
Robert Street	40	30	-	-	-		-	-	30	-	-	-
Desborough	40	-	-	-	-		-	-	-	-	-	-
Earls Barton	40	-	-	20	-	(20)	-	-	-	-	-	-
Yardley Chase	40	-	-	10	-	(10)	-	-	-	-	-	-
Campbell Square	40	750	-	-	-		-	500	250	-	-	-
Daventry	40	250	-	-	-		-	250	-	-	-	-
Firearms Range	40	1,450	-	500	-	(250)	250	-	-	-	1,200	-
Force CCTV	10	250				250	250					-
Wellingborough	40	250	-	250	-	(100)	150	100	-	-	-	-
Weston Favell	40	1,500	-	-	-		-	-	1,500	-	-	-
Other investment required	10	35	-	-	-	35	35	-	-	-	-	-
		26,639	**153**	**7,583**	**349**	**(6,765)**	**1,167**	**6,250**	**3,080**	**4,967**	**6,117**	**4,917**
PROPERTY - Other Projects												
21st Century Estate (NAH)	40	6,691	6,201	320	-		320	-	-	-	-	-
21st Century Estate (NAH) - AIRWAVES & MOBILE	40	68	-		-		-	-	-	-	-	-
Accessibility Fund	40	173	-	25	25	(2)	48	25	25	25	25	25
Criminal Justice Centre	40	350	-	200	-		200	-	150	-	-	-
Op EVO Original Budget	40	77	74	-	3		3	-	-	-	-	-
New Estates Strategy 2017-18 (Op EVO)	40	723	723	-	107	(107)	-	-	-	-	-	-
		8,082	**6,998**	**545**	**135**	**(109)**	**571**	**25**	**175**	**25**	**25**	**25**
TOTAL PROPERTY PROGRAMME		**34,721**	**7,151**	**8,128**	**484**	**(6,874)**	**1,738**	**6,275**	**3,255**	**4,992**	**6,142**	**4,942**
VEHICLES												
Vehicle Purchases (mixed replacement)	3	7,675	1,141	1,083	108		1,191	1,086	1,083	1,121	1,057	963
SDM Corsas (5 Year replacement)	5	108	-	54	-		54	-	-	-	-	54
Chief Officer Vehicles (4 year replacement)	4	120	-	-	-		-	60	-	-	-	60
Contract Inflation	3	100	-	-	-		-	21	20	21	20	18
SRT Vehicles	3	396	-	66	-		66	66	66	66	66	66
TOTAL VEHICLES PROGRAMME		**8,399**	**1,141**	**1,203**	**108**	**-**	**1,311**	**1,233**	**1,169**	**1,208**	**1,143**	**1,161**
OPERATIONAL EQUIPMENT												
ANPR Equipment programme (RCU)	3	490	102	60	-		60	61	62	63	63	63
Procurement of Body Worn Video	3	808	98	87	13		100	261	87	87	87	87
Taser Uplift (Force)	5	366	90	130	-		130	194	-	-	-	-
Firearms Body Worn Video	5	152	-	-	76		76	-	76	-	-	-
TOTAL OPERATIONAL EQUIPMENT		**1,815**	**290**	**277**	**89**	**-**	**366**	**516**	**225**	**150**	**150**	**150**
COMPLETED SCHEMES												
Digital Recording	3	-	-	-	-		-	-	-	-	-	-
CIPFA Statement of Accounts Tool (BRB)	3	19	19									
GRAND TOTAL		**67,411**	**12,247**	**12,871**	**3,795**	**(7,416)**	**9,250**	**13,425**	**10,363**	**7,093**	**8,192**	**7,025**
Grant *(provisional TBC and maybe subject to topslice)*				424		-	424	424	424	424	424	424
Borrowing Requirement				8,378		(6,038)	2,340	9,661	8,588	5,603	6,702	5,535
Capital Receipts - Property				3,408		1,475	4,883	2,274	-	-	-	-
Safer Roads Team Reserves				66		(66)	-	66	66	66	66	66
Anticipated Home Office Grants				-		-	-					
EMSOU Vehicle Grant												
TFC Home Office Grant												
(ESN / Innovation Fund)												
Funded by long term Dilapidations				429		(404)	25	-	285	-	-	-
Budgeted RCCO as per MTFP				166		1,412	1,578	1,000	1,000	1,000	1,000	1,000
Total Funding				**12,871**	**-**	**(3,621)**	**9,250**	**13,425**	**10,363**	**7,093**	**8,192**	**7,025**

AGENDA ITEM: 5b

NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER,

NORTHAMPTONSHIRE POLICE and

NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE

JOINT INDEPENDENT AUDIT COMMITTEE

20 MARCH 2019

REPORT BY	Helen King, OPFCC
SUBJECT	NCFRA Capital Programme 2019/20
RECOMMENDATION	To note the report

1. PURPOSE OF THE REPORT

1.1 This report updates members on the draft capital programme produced for the new Northamptonshire Commissioner Fire and Rescue Authority. A summary of the draft capital programme was considered at the Police, Fire and Crime Panel in February 2019.

1.2 The Capital Programme has been produced alongside the Capital Strategy and Revenue budget and precept for 2019/20. It also aligns to the Treasury Management Strategy for 2019/20.

2. DEVELOPMENT OF THE FIRE CAPITAL PROGRAMME

2.1 The Fire and Rescue Service have maintained details of capital investment requirements when part of NCC for consideration with the PFCC under the new governance arrangements.

2.2 Due to financial challenges at NCC, minimal Capital investment has been undertaken for Fire over the last few years.

2.3 Following the Statutory Instrument in October 2018 and before the Governance change on the 1/1/19, the Chief Fire Officer and Chief Finance Officer reviewed the initial Capital Programme requirements list for Fire. These requirements were further revised and developed into a Capital Programme.

2.4 Given the short timescale for the transfer, there is a need to ensure that the investment priorities that Fire have identified are consistent with the Police Fire and Crime Commissioner’s priorities set out in the Fire and Rescue Plan and of his direction of travel. Therefore, strategies are being prepared for all of the main investment areas (e.g. Estates, ICT, Operational Equipment and Fleet). The Capital Programme and MTFP will be reviewed and updated regularly on production of these strategies.

2.5 To ensure effective planning, expenditure has been included in the capital programme and the impact of Capital Financing costs built in to the MTFP. As the strategies are currently in early development, it is possible that there will be some slippage, impacting on 2019/20 and future years cost estimates.

2.6 The MTFP includes a three year contribution to reserves to build financial stability in line with the Reserve Strategy, the Fire MTFP requires savings to be found after 2019/20.

2.7 Members are advised that a large part of the annual shortfalls after 2019/20 are due to the impact of financing the Capital Programme at the levels below.

2.8 Given the tight financial situation, the PFCC and Chief Fire Officer are fully aware that choices will have to be made, ensuring an appropriate balance is maintained between capital investment, maintaining reserves and the operational and revenue budgets.

2.9 The draft Capital Programme is summarised below:

	Total £m	**19/20 £m**	**20/21 £m**	**21/22 £m**	**22/23 £m**	**23/24 £m**
Fleet	10.000	2.000	2.000	2.000	2.000	2.000
Estates	1.270	0.270	0.250	0.250	0.250	0.250
ICT	0.720	0.145	0.425	0.050	0.050	0.050
ESN	TBC	TBC	TBC	TBC	TBC	TBC
Operational Equipment	1.460	0.550	0.550	0.160	0.100	0.100
Total	**13.450**	**2.965**	**3.225**	**2.460**	**2.400**	**2.400**

2.10 Whilst the draft capital programme provides high level investment areas, the Chief Fire Officer is reviewing the requirements and plans. The Chief Finance Officer has recommended the following strategies are provided:

- Fleet Strategy
- Estates Strategy
- ICT Strategy
- Operational Equipment

3. FUNDING THE PROGRAMME

3.1 At this stage, a prudent assumption has been made that the Capital Programme will all have to be funded by borrowing. However, there are a number of funding streams which may be available as follows:

- Whilst NCFRA does not currently receive any annual Capital Grants, specific Capital Grants are awarded for key areas such as Emergency Services Network (ESN) or other Capital requirements as required.

- Once the opening balance has been finalised with NCC, it is anticipated that there will be balances of both unapplied Capital Grants and unapplied Section 106 receipts. These agreements are being reviewed in detail alongside the opening balance sheet work. From initial review, it is likely that some of these can be used towards funding future capital expenditure.

- Capital Receipts have not been assumed at this stage.

3.2 The Treasury Management Strategy and Capital Strategy will be finalised and available on the PFCC website by April 2019.

4. SUMMARY

4.1 A draft Capital Programme has been prepared for NCFRA and the estimated impact has been built into the revenue budget and MTFP.

4.2 As identified in the report, further work is required to develop strategies for all the key investment areas. These will be prepared during 2019/20 and the Capital Programme updated accordingly.

4.3 The Chief Finance Officer has advised of the need to ensure these strategies are approved and in place before non-grant funded Capital Expenditure is approved.

AGENDA ITEM: 6a

NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER,

NORTHAMPTONSHIRE POLICE and

NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE

JOINT INDEPENDENT AUDIT COMMITTEE

20 MARCH 2019

REPORT BY	Helen King, OPFCC/Paul Dawkins, Force
SUBJECT	Treasury Management Strategy 2019/20
RECOMMENDATION	To consider the report

1. Background

1.1 The Treasury Management Strategy is reviewed annually alongside the Capital Programme, the Revenue Budget and Precept and Capital Strategy.

1.2 The Treasury Management Strategy for 2019/20 has been considered by the PFCC and approved at the December 2019 Accountability Board.

1.3 In line with its Terms of Reference (reviewed and updated July 2018), the JIAC undertakes a key role with regards to the Treasury Management Strategy:

"A Corporate Governance, Risk Management, Internal Control and the Regulatory Framework

To support the PCC, Chief Constable and statutory officers in ensuring effective governance arrangements are in place and are functioning efficiently and effectively, across the whole of the Commission's and Force's activities, making any recommendations for improvement, to support the achievement of the organisations' objectives.

Specific annual activities of the Committee will include:

To be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies"

1.4 The PFCC will review JIAC comments on the Strategy before publishing the 2019/20 Treasury Management Strategy and Capital Strategy on his website. These documents will support the budget and precept report and the reserves strategy considered at the Police, Fire and Crime Panel in February 2019; and the formal report of the Panel and the PFCC response all of which are available on the website.

2. Key Elements of the Strategy

2.1 It is recognised that the Strategy is a lengthy document, however, to comply with the requirements of the CIPFA Prudential Code of Practice, the PFCC is required to set a range of prudential indicators prior to the start of the financial year. The code states that prudential indicators for Treasury Management should be considered alongside the Investment Strategy. The content of this report addresses this requirement.

2.2 Under the Code, individual authorities are responsible for deciding the level of their affordable borrowing, having regard to the code.

2.3 The Strategy will be reviewed during the year and quarterly Treasury Management updates are scheduled at the JIAC and the Accountability Board.

3. Recommendation

3.1 It is recommended that the JIAC consider the strategy and provide comments for the PFCC consideration.

NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER

1st April 2019

Treasury Management Strategy Statement 2019-20

Including Minimum Revenue Provision Policy Statement

1. Introduction

Background

Treasury management is defined as:

The management of the Police, Fire and Crime Commissioners (PFCC) 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 PFCC 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 PFCC'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 PFCC is 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.

Statutory requirements

The 'Code of Treasury Management' published by CIPFA, and recommended by the Home Office, has been adopted by the Office of the PFCC.

In addition, the Department for Communities and Local Government (DCLG) issued revised guidance on Local Authority investments in March 2010 that requires the PFCC to approve an investment strategy before the start of each financial year.

This report fulfils the PFCC's legal obligations under the Local Government Act 2003 to have regard to both the CIPFA Code and DCLG guidance.

The Treasury Management Strategy is approved annually to run from 1st April to the following 31st March.

The Local Government Act 2003 included capital regulations that applied from 1st April 2004. These regulations allow the PFCC freedom to borrow to fund capital expenditure provided it has plans that are affordable, prudent and sustainable. The requirements are covered in the Prudential Code.

Specialist Advice

The PFCC engages the services of specialists for investment/borrowing advice, updates on economic factors and credit ratings. This service is currently provided by Link Asset Services and is referred to throughout this document.

2. Treasury Management Strategy

The successful identification, monitoring and control risk is central to the PFCC's Treasury Management Strategy

Uncertainty in the financial markets is likely to continue during 2019/20 as the UK exits the European Union, with no certainty around the exit arrangement and economic forecast.

The core aim of the Treasury Management Strategy is to generate additional income for the PFCC but by balancing risk against return. The avoidance of risk to the principal cash amounts takes precedence over maximising returns.

Managing daily cash balances and investing surpluses

In order that the PFCC can maximise income earned from investments, the target for the uninvested overnight balances in our current accounts is a maximum of £15k.

At any one time, the PFCC has between £5m and £36m (depending on the cash flow of both revenue and capital financing) available to invest. This represents income received in advance of expenditure plus balances and reserves.

Currently most of the PFCC's surplus cash is invested in short term unsecured bank deposits and money market funds.

In order to minimise exposure to credit risk, a minimum credit quality of counterparties available for investment is set and detailed in Appendix 2.

Credit Ratings of current institutions

These ratings have been provided by Link Asset Services and reviewed to assess the security of the PFCC's cash reserves and are as follows;

Bank/ Building Society	Current Rating
Royal Bank of Scotland PLC	F1 / A-2 / P-2
Santander UK PLC	A/ A/ Aa3
Barclays Bank PLC	A+/ A/ A2
Lloyds Bank PLC	F1 / A-2 / P-2

Investment of Principal Sums

No investments will be made for more than 2 years.

3. Borrowing

The main objective when borrowing funds is strike a balance between securing low interest costs and achieving certainty of those costs over the period for which the funds are required.

The strategy continues to address the key issues of affordability. Short-term interest rates are currently lower than long term rates so it is likely to be more effective in the short-term to either use internal resources, or to borrow short-term loans instead.

Borrowing internally enables the PFCC to reduce net borrowing costs (despite forgone investment income) and reduce overall treasury risk. The benefits of internal versus external borrowing will continue to be monitored.

In addition, the PFCC may borrow short term loans to cover unplanned cash flow shortages.

The recommended sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB)
- UK Local Authorities
- Any other bank or building society authorised to operate in the UK

Whilst the PFCC has previously raised all of its long term borrowing from the PWLB other options will be explored with Link Asset Services to ensure that the most favourable rates are secured.

Short term and variable rate loans can leave the PFCC exposed to the risk of short term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the Treasury Management Indicators.

The PFCC's policy on borrowing in advance of need and debt rescheduling is included within appendix 2.

Current Portfolio Position

The PFCC's borrowing portfolio position at 1st April 2019 is estimated to be:

			£'000	£'000	Average % rate
Fixed rate funding:	-	PWLB	£1,300		**4.79%**
Variable rate funding:	-	PWLB	£0		
Other long term liabilities:			£0		
Gross Debt				£1,300	**4.79%**

The PFCC's borrowing requirement is as follows:

Borrowing	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Probable	Estimate	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance	1,300	1,300	10,961	19,549	25,152	31,854
New Borrowing	-	9,661	8,588	5,603	6,702	5,535
Repayment of Debt	-	-	-	-	-	-
Total Borrowing Requirement	**1,300**	**10,961**	**19,549**	**25,152**	**31,854**	**37,389**

Affordable and Authorised Limits

It is a statutory duty under Section 3 of the Act and supporting regulations, for the PFCC 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 PFCC Council Tax is 'acceptable'.

The Authorised Limit is to be set taking account of the Affordable Limit, on a rolling basis.

Details of the Authorised Limit and how it has been calculated for our MTFP are detailed below:

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Probable	**Estimate**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Authorised Limit*	12,400	12,000	20,600	26,200	32,900	38,400
Interest Payable on Variable Rate Borrowing	50	50	50	50	50	50
Interest Payable on Fixed Rate Borrowing	620	600	1,030	1,310	1,645	1,920

*The Authorised Limit is based on the capital borrowing need and includes £1m headroom, for short term borrowing (cash flow) needs.
The calculation of the full indicators is contained within Appendix 4.

The Authorised Limit for external debt sets the maximum level of external borrowing that the PFCC 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 PFCC's expected maximum borrowing need with additional scope for unexpected cashflow. The limit also provides scope for the PFCC to borrow in advance of need.

The Affordable Borrowing Limit is made up of the PFCC's 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.

Maturity Structure of Debt

The Prudential Code recommends that the PFCC sets upper and lower limits for the maturity structure of its fixed rate borrowing:

	Upper Limit	Lower Limit	Actual
Under 12 months	33%	0%	0%
12 months and within 2 years	33%	0%	0%
2 years and within 5 years	33%	0%	0%
5 years and within 10 years	66%	0%	54%
10 years and above	100%	0%	46%

The actual values will move as fixed maturity dates draw nearer with each advancing year.

4. The Economy

The banking sector is expected to continue to show signs of instability alongside the wider economy and as Brexit continues. In this context investments outside of the 'core list' are only advisable where the rating, insight and advice shows the investment to be more favourable, balancing risk and return. This aligns to the PFCC's stated aim of protecting the principal (cash) amount, by ensuring creditworthiness over returns.

Funds are placed with institutions based on (a) Available Headroom and (b) Rate of Return – this is a daily decision-making process. A balance is struck between the desired level of return and the need to provide liquid funds to meet the PFCC's obligations i.e. supplier payments, payroll costs and tax liabilities.

Continued monitoring of the ratings agencies' assessment of institutions takes place and is reported to JIAC throughout the year via the "Treasury Management Performance" report.

The Bank of England raised the base interest rate from 0.5% to 0.75% in July 2018 with the future outlook for further increases over the MTFP. However, the investment income budget has been lowered to £24k for 2019/20 as this is deemed a more achievable target. Investment returns and the proposed budget for 2019/20 are detailed below:

Financial Year	Interest Income	Budget	Note
2016/17	71	156	Actual
2017/18	29	69	Actual
2018/19	23	59	Actual
2019/20		24	Proposed

Given the continued uncertainty in the economy a full review of the Treasury Management Strategy will be undertaken during 2019/20 to review whether there are other investment and borrowing options available.

APPENDIX 1

Minimum Revenue Provision Policy Statement 2019/20

The PFCC implemented the Minimum Revenue Provision (MRP) guidance, and will assess their MRP for 2019/20 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 1st April 18 of the MRP for 2019/20 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 PFCC. However, the PFCC 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 PFCC 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.

APPENDIX 2 - Specified and Non-Specified Investments

Specified Investments

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	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	**£36m ***	**364 days**
Contracted Bank Group Short Term Interest Bearing Account (SIBA)	See note 1 & 2	In-house	**£8m**	**364 days**
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 £36m 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 ACO Finance & 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 PFCC to determine the suggested duration for investments.The PFCC will therefore use counterparties within the following durational bands;

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

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

Note 2

The PFCC 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 PFCC 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 PFCC's own bank could be in excess of £36m (current cash flow assumes the busiest transactional day would be £6m Revenue Grant, £17m 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 PFCC'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 Strategy.

Therefore, it has been determined that where the PFCC 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 PFCC, that the PFCC 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 £36m on any given day*, but this will be subject to daily review and scrutiny by the investment team. This will give the PFCC 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 ACO Finance & Resources approves such a decision.

Deposits across the PFCC's Banking Group (the three NatWest PFCC 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 PFCC Section 151 officer. 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).

Non-Specified Investments

1. Maturities of ANY period

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Fixed term deposits with variable rate and variable maturities: -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

2. Maturities in excess of 1 year

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

Countries meeting the standard for investment (above B and an appropriate country as at 1.12.18)

Country	S&P Rating	Moody's rating	Fitch Rating
Australia	AAA	Aaa	AAA
Austria	AA+	Aaa	AAA
Belgium	AA	Aa3	AA
Canada	AAA	Aaa	AAA
Denmark	AAA	Aaa	AAA
Estonia	AA-	A1	A+
Finland	AAA	Aaa	AAA
France	AA+	Aa1	AAA
Germany	AAA	Aaa	AAA
Hong Kong	AAA	Aa1	AA+
Luxembourg	AAA	Aaa	AAA
Netherlands	AAA	Aaa	AAA
New Zealand	AA	Aaa	AA
Norway	AAA	Aaa	AAA
Poland	A-	A2	A-
Saudi Arabia	AA-	Aa3	AA-
Singapore	AAA	Aaa	AAA
Slovakia	A	A2	A+
Sweden	AAA	Aaa	AAA
Switzerland	AAA	Aaa	AAA
Taiwan	AA-	Aa3	A+
United Kingdom	AAA	Aaa	AAA
United States of America	AA+	Aaa	AA+

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).

Appendix 3

Policy on borrowing in advance of need

The PFCC will not borrow more than or in advance of need 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 PFCC can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the PFCC 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

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
- 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 £1.3m which reduces the opportunity for rescheduling.

APPENDIX 4

PRUDENTIAL INDICATORS Extract from budget setting report	2018/19 Probable	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Expenditure	**9,250**	**13,425**	**10,363**	**7,093**	**8,192**	**7,025**
Net borrowing requirement						
brought forward 1 April	1,300	1,300	10,961	19,549	25,152	31,854
Repayment of Debt	0	0	0	0	0	0
Expected Internal Borrowing	2,340	0	0	0	0	0
In year borrowing requirement	0	9,661	8,588	5,603	6,702	5,535
Carried forward external debt at 31 March	**1,300**	**10,961**	**19,549**	**25,152**	**31,854**	**37,389**
Capital Financing Requirement as at 31 March						
Non – HRA	1,266	555	1,609	2,683	3,299	3,793
Change in CFR (Non – HRA)	968	(711)	1,054	1,074	616	494
Incremental impact of capital investment decisions	**£ p**	**£ p**	**£ p**	**£ p**	**£ p**	**£ p**
Increase in precept per annum*	4.15	(2.90)	4.22	4.23	2.38	1.88

TREASURY MANAGEMENT INDICATORS	2018/19 Probable	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£'000	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt -						
borrowing	12,400	12,000	20,600	26,200	32,900	38,400
other long term liabilities	0	0	0	0	0	0
TOTAL	**12,400**	**12,000**	**20,600**	**26,200**	**32,900**	**38,400**
Operational Boundary for external debt -						
borrowing	10,000	11,500	20,100	25,700	32,400	37,900
other long term liabilities	0	0				
TOTAL	**10,000**	**11,500**	**20,100**	**25,700**	**32,400**	**37,900**
Actual estimated external debt	1,300	10,961	19,549	25,152	31,854	37,389
Capital Financing Requirement as at 31 March						
Capital expenditure	1,266	555	1,609	2,683	3,299	3,793
Upper limit for fixed interest rate exposure						
Net interest re fixed rate borrowing / investments	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Upper limit for variable rate exposure						
expressed as either:-						
Net interest re variable rate borrowing / investments	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Upper limit for total principal sums invested for over 364 days						
(per maturity date)	£1m	£1m	£1m	£1m	£1m	£1m

AGENDA ITEM:6b

NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER,

NORTHAMPTONSHIRE POLICE and

NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE

JOINT INDEPENDENT AUDIT COMMITTEE

20 MARCH 2019

REPORT BY	Carl Oliver, LGSS, Helen King, OPFCC
SUBJECT	Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) Treasury Management Strategy 2019/20
RECOMMENDATION	To note report

1. Background

1.1 The first Treasury Management Strategy for NCFRA has been prepared alongside the Capital Programme, the Revenue Budget and Precept and Capital Strategy and is attached for members consideration.

1.2 Treasury Management expertise is provided by LGSS for NCFRA and the Chief Finance Officer is grateful to LGSS colleagues for developing the Strategy in such a short timescale following the transfer of governance.

1.3 NCFRA governance has transferred without any reserves, therefore, a prudent approach has been taken to the operational boundary and authorised limits to ensure there is sufficient headroom available to the PFCC to facilitate short term borrowing.

1.4 This position will be reviewed and given the work required to finalise the opening balance sheet, position on reserves and the strategies required to support the Capital programme, the Strategy will be reviewed later in the year.

1.5 Given the tight timescales, the Treasury Management Strategy for 2019/20 will be considered by the PFCC after the JIAC.

1.6 In line with its Terms of Reference (reviewed and updated July 2018), the JIAC undertakes a key role with regards to the Treasury Management Strategy:

"A Corporate Governance, Risk Management, Internal Control and the Regulatory Framework

To support the PCC, Chief Constable and statutory officers in ensuring effective governance arrangements are in place and are functioning efficiently and effectively, across the whole of the Commission's and Force's activities, making any recommendations for improvement, to support the achievement of the organisations' objectives.

Specific annual activities of the Committee will include:

To be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies"

1.7 The PFCC will review JIAC comments on the Strategy before publishing the 2019/20 Treasury Management Strategy and Capital Strategy on his website. These documents will support the budget and precept report and the reserves strategy considered at the Police, Fire and Crime Panel in February 2019; and the formal report of the Panel and the PFCC response all of which are available on the website.

2. Key Elements of the Strategy

2.1 It is recognised that the Strategy is a lengthy document, however, to comply with the requirements of the CIPFA Prudential Code of Practice, the PFCC is required to set a range of prudential indicators prior to the start of the financial year. The code states that prudential indicators for Treasury Management should be considered alongside the Investment Strategy. The content of this report addresses this requirement.

2.2 Under the Code, individual authorities are responsible for deciding the level of their affordable borrowing, having regard to the code.

2.3 The Strategy will be reviewed during the year and quarterly Treasury Management updates are scheduled at the JIAC and the Accountability Board.

3. Recommendation

3.1 It is recommended that the JIAC consider the strategy and provide comments for the PFCC consideration.

Northamptonshire Commissioner
Fire and Rescue Authority

Treasury Management Strategy 2019-20

Introduction

CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as "the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

CIPFA Prudential Code for Capital Finance in Local Authorities

1.2 The CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) is a professional code of practice. Authorities have a statutory requirement to comply with the Prudential Code when making capital investment decisions and carrying out their duties under Part 1 of the Local Government Act 2003 (Capital Finance etc. and Accounts).

1.3 The CIPFA Prudential Code sets out the manner in which capital spending plans should be considered and approved, and in conjunction with this, the requirement for an integrated treasury management strategy.

1.4 Authorities are required to set and monitor a range of prudential indicators for capital finance covering affordability, prudence, and a range of treasury indicators.

Treasury Management Policy Statement

1.5 The Authority's Treasury Management Policy Statement is included in Appendix 1. The policy statement follows the wording recommended by the latest edition of the CIPFA Treasury Code.

Treasury Management Practices

1.6 The Authority's Treasury Management Practices (TMPs) will set out the manner in which the Authority will seek to achieve its treasury management policies and objectives, and how it will manage and control those activities.

1.7 The Authority's TMPs Schedules will cover the detail of how the Authority will apply the TMP Main Principles in carrying out its operational treasury activities. They are reviewed annually and any amendments approved by the Authority's Chief Finance Officer.

The Treasury Management Strategy

1.8 It is a requirement under the Treasury Code to produce an annual strategy report on proposed treasury management activities for the year. The purpose of the Treasury Management Strategy is to establish the framework for the effective and efficient management of the Authority's treasury management activity, including the Authority's investment portfolio, within legislative, regulatory, and best practice regimes, and balancing risk against reward in the best interests of stewardship of the public purse.

1.9 The Authority's Treasury Management Strategy is prepared in the context of the key principles of the Treasury Code and incorporates:

- The Authority's capital financing and borrowing strategy for the coming year;
- Policy on borrowing in advance of need;
- Policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt;
- The Affordable Borrowing Limit;
- The Annual Investment Strategy for the coming year, including creditworthiness policies;

1.10 The strategy takes into account the impact of the Authority's Medium Term Financial Plan (MTFP), its revenue budget and capital programme, the balance sheet position and the outlook for interest rates.

1.11 The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. The Treasury Management Scheme of Delegation is detailed within the Authority's Corporate Governance Framework.

Current Treasury Management Position

The Authority was established from the 1 January 2019.

The Authority's projected treasury portfolio position at 1st April 2019, with forward projections into future years, is summarised below. Table 1 shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the CFR).

1.12 The CFR is the total of outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's underlying borrowing need.

1.13 Any capital expenditure which has not immediately been paid for will increase the CFR. The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need over each asset's life.

Table 1: Forecast Borrowing and Investment Balances

£m	2019-20 Estimate £m	2020-21 Estimate £m	2021-22 Estimate £m	2022-23 Estimate £m	2023-24 Estimate £m
External borrowing					
Borrowing at 1 April b/f	-	2.965	5.942	7.883	9.553
Net Borrowing Requirement to fund capital programme	2.965	3.225	2.460	2.400	2.400
MRP	-	(0.248)	(0.519)	(0.730)	(0.930)
(1) Borrowing at 31 March c/f	**2.965**	**5.942**	**7.883**	**9.553**	**11.023**
(2) CFR – the borrowing need	**2.965**	**5.942**	**7.883**	**9.553**	**11.023**
Funds Available for Investment at 1 April b/f	0.700	0.900	1.100	1.300	1.500
Change in Funds Available for Investment	0.200	0.200	0.200	0.200	0.200
(3) Investments at 31 March c/f	**0.900**	**1.100**	**1.300**	**1.500**	**1.700**
(4) *[1 – 3]* Net borrowing	**2.065**	**4.842**	**6.583**	**8.053**	**9.323**

1.14 Within the set of prudential indicators there are a number of key indicators to ensure that the Authority operates its activities within well defined limits. Among these the Authority needs to ensure that its gross borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. This ensures that borrowing is not undertaken for revenue purposes except to cover short term cash flows.

1.15 The Chief Finance Officer does not envisage difficulties complying with these indicators based upon current commitments, existing plans, the proposals in this strategy, the Budget report, the Capital Programme and the Medium Term Financial Plan.

Prospects for Interest Rates

1.16 The Authority's assessment of the likely path for Bank base rate, investment market rates (The London Interbank Bid Rate - LIBID), and PWLB borrowing rates are set out below:

Table 2: Interest Rate Outlook

	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Base Rate	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

1.17 The next increase in Bank Rate is currently forecast to be in September 2019, followed by stepped and gradual increases before ending up at 2.0% by March 2022.

1.18 From time to time, gilt bond yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

1.19 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK economy. The above forecasts 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.

Investment and borrowing rates

1.20 Borrowing interest rates have been volatile during 2018-19 and have increased modestly since the turn of the year. Investment returns in the current economic climate are likely to be low during 2019/20 but to be on a gently rising trend over the next few years.

Borrowing Strategy

1.21 The overarching objectives for the Authority's borrowing strategy are as follows:

- To manage the Authority's debt maturity profile; this is achieved by monitoring short and long term cash flow forecasts in tandem with balance sheet analysis;
- To maintain a view on current and possible future interest rate movements, and to plan borrowing accordingly; this is achieved by monitoring of economic commentary to undertake sensitivity analysis;
- To monitor and review the balance between fixed and variable rate loans against the background of interest rates and the Prudential Indicators;

this is achieved by monitoring of economic commentary to undertake sensitivity analysis;

1.22 Given that short term borrowing rates are significantly lower than long term, and this position is set to remain this way for some years to come, it is currently more cost efficient to use shorter term borrowing where necessary. However, the decision to raise short dated loans to generate cost savings must be evaluated against the potential for incurring additional long term expense in future years when long term interest rates are forecast to be higher.

1.23 Against this background and the risks within the economic forecast, caution will be adopted with the 2019-20 treasury operations. The LGSS Treasury Team will monitor interest rates in financial markets and regularly brief the Chief Finance Officer so the Authority may adopt a pragmatic approach to changing circumstances. For example:

- if it was felt that there was a significant risk of a sharp FALL of 25% or more in long and short term rates (e.g. due to a marked increase of risks around a relapse into recession or of risks of deflation), then long term borrowings may be postponed and potential rescheduling from fixed rate funding into short term borrowing considered (where appropriate);
- if it was felt that there was a significant risk of a much sharper RISE of 25% or more in long and short term rates than that currently forecast (e.g. arising from an acceleration in the start date and rate of increase in central rates in the USA and UK) then the portfolio position will be re-appraised. This may include drawing fixed rate funding whilst interest rates are lower than they are projected to be in the next few years.

Prudential & Treasury Indicators

1.24 There is a requirement under the Local Government Act 2003 for Authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. The Prudential Code was recently updated in 2018.

1.25 A full set of Prudential Indicators and borrowing limits are shown in Appendix 2.

Policy on Borrowing in Advance of Need

1.26 The Authority's policy is to keep cash balances as low as possible and not to borrow in advance of need for capital purposes.

Debt Rescheduling

1.27 The Authority is currently debt-free and so does not hold external borrowing to consider rescheduling. If this situation were to change, the reasons for any rescheduling to take place may include:

- the generation of cash savings and/or discounted cash flow savings;

- helping to fulfil the treasury strategy; and
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

1.28 Any rescheduling activity decision will be made by the Chief Finance Officer, and reported in the next Treasury Management report following its action.

Minimum Revenue Provision

1.29 The Authority is required to repay annually an element of its outstanding capital expenditure which has not yet been paid for from either revenue or capital resources (the CFR). This is achieved through a revenue charge known as the minimum revenue provision – MRP. It is also allowed to undertake additional voluntary payments (voluntary revenue provision - VRP).

1.30 MHCLG Regulations have been issued which requires the Authority to approve an MRP Statement in advance of each year. A variety of options are provided so long as there is a prudent provision. The Authority is recommended to approve the MRP Policy in Appendix 3 which sets out how MRP will be charged against particular asset types or other forms of capital expenditure.

Investment Strategy

1.31 Government guidance on Local Government Investments in England requires that an Annual Investment Strategy (AIS) be set. The Guidance permits the Treasury Management Strategy Statement (TMSS) and the AIS to be combined into one document.

1.32 The Authority's general policy objective is to invest its surplus funds prudently. As such the Authority's investment priorities, in priority order, are:

- security of the invested capital;
- liquidity of the invested capital; and
- the yield received from the investment.

1.33 The Authority's Investment Strategy is shown in Appendix 4.

Risk Analysis and Forecast Sensitivity

Risk Management

1.34 The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Treasury management risks are identified in the Authority's approved Treasury Management Practices.

1.35 The TMP Schedules set out the ways in which the Authority seeks to mitigate these risks. Examples are the segregation of duties (to counter fraud, error and corruption), and the use of creditworthiness criteria and counterparty limits (to minimise credit and counterparty risk). Officers will monitor these risks closely.

Sensitivity of the Forecast

1.36 The sensitivity of the forecast is linked primarily to movements in interest rates and in cash balances, both of which can be volatile. Interest rates in particular are subject to global external influences over which the Authority has no control.

1.37 Both interest rates and cash balances will be monitored closely throughout the year and potential impacts on the Authority's debt financing budget will be assessed. Action will be taken as appropriate, within the limits of the TMP Schedules and the treasury strategy, and in line with the Authority's risk appetite, to keep negative variations to a minimum. Any significant variations will be reported in the next available Treasury Management report.

Reporting Arrangements

Capital Strategy

1.38 CIPFA's revised 2017 Prudential and Treasury Management Codes requires all local authorities, for 2019-20, to prepare an additional capital strategy report, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability;

1.39 The aim of this capital strategy is to ensure a full understanding of the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

Treasury Management Reporting

1.40 The Authority is required to report, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals:

a) **Treasury Management Strategy and Prudential and treasury indicators (this report)** - The first report is forward looking and 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).

b) **A mid-year treasury management report** – This is primarily a progress report and updates on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c) **An annual treasury outturn report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Treasury Management Budget

1.41 The table below provides a breakdown of the treasury management budget.

Table 3: Treasury Management Budget

Description	2019-20	2020-21	2021-22
	£m	£m	£m
Interest payable on borrowing	-	0.111	0.219
MRP	-	0.248	0.519
Total	**-**	**0.359**	**0.738**

MRP charges have been calculated in line with the Authority's MRP policy at Appendix 3.

Budget estimates will be revised during the year reflect the further development of capital programme plans and other relevant strategies.

Policy on the use of External Service Providers

1.42 The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times. The Authority also recognises there is value in employing an external provider of treasury management services in order to acquire access to specialist skills and advice to support the treasury management function.

1.43 The Chief Finance Officer will review (and appoint where appropriate in consultation with the PFCC) the use of external Treasury Management advisors during 2019-20 once the opening balance sheet and capital programme strategies have been finalised and the full financial requirements for the year is known.

Future Developments

1.44 Public bodies are having to consider innovative strategies towards improving service provision to their communities. This approach to innovation also applies to treasury management activities. The Government has already introduced new statutory powers, and regulatory agencies such as CIPFA are introducing policy changes, which will have an impact on treasury management approaches in the future. Examples of such changes are:

Localism Act

1.45 A key element of the Act is the “General Power of Competence”: “A local authority has power to do anything that individuals generally may do.” The Act opens up the possibility that a local authority can use derivatives as part of their treasury management operations. The Authority has no plans to use financial derivatives under the powers contained within this Act.

Loans to Third Parties

1.46 The Authority may borrow to make grants or loans to third parties for the purpose of capital expenditure. This will usually be to support local economic development, and may be funded by external borrowing.

1.47 The Authority has not lent any funds to third parties and has no plans to do so in the immediate future.

Proposals to amend the CIPFA Treasury Management and Prudential Codes

CIPFA conducted a review of the Treasury Management Code of Practice and the Prudential Code. This review particularly focused on non-treasury investments and especially on the purchase of property with a view to generating income. Such purchases could involve undertaking external borrowing to raise the cash to finance these purchases, or the use of existing cash balances. Both actions would affect treasury management. The Capital Strategy will cover non-treasury investments to deal with such purchases, their objectives, how they have been appraised, how they have been financed, and what powers were used to undertake these purchases.

Impact of International Financial Reporting Standard 9 (IFRS 9)

1.48 All public bodies are required to adopt the principles of accounting standard IFRS 9 from 1st April 2018. A key element of this new standard a requirement to set aside financial provision within revenue budgets for losses on financial assets based on potential expected losses (i.e. the likelihood of loss across the asset lifetime). This however is not expected to have a material impact upon the traditional treasury management investments the Authority will undertake.

Training

1.49 The Authority needs to ensure appropriate training and knowledge in relation to treasury management activities, for officers engaged in treasury activity and those with oversight responsibilities charged with governance of the treasury management function. Treasury management training will be considered and delivered as required to facilitate best practices, informed decision making and challenge processes.

List of Appendices

Appendix 1:	Treasury Management Policy Statement
Appendix 2:	Prudential & Treasury Indicators
Appendix 3:	Minimum Revenue Provision (MRP) Policy Statement
Appendix 4:	Annual Investment Strategy

APPENDIX 1

Treasury Management Policy Statement

Northamptonshire Commissioner Fire and Rescue Authority defines its treasury management activities as:

- The management of the Authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Prudential and Treasury Indicators

The Capital Prudential Indicators

1.1 The Authority's capital expenditure plans are the key driver of Treasury Management activity. The output of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital Expenditure

1.2 This prudential indicator shows the Authority's capital expenditure plans; both those agreed previously, and those forming part of this budget cycle. The table below summarises the net borrowing funding need of the capital expenditure plans. Those detailed capital expenditure plans are set out in the Capital Strategy.

Capital Expenditure	2019-20 Estimate	2020-21 Estimate	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate
	£m	£m	£m	£m	£m
Net financing need for the year	2.965	3.225	2.460	2.400	2.400

The Authority's Borrowing Need (the Capital Financing Requirement)

1.3 The second prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR is the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Authority's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

	2019-20 Estimate	2020-21 Estimate	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate
	£m	**£m**	**£m**	**£m**	**£m**
Capital Financing Requirement					
CFR	2.965	5.942	7.883	9.553	11.023
Movement in CFR	**2.965**	**2.977**	**1.941**	**1.670**	**1.470**

Movement in CFR represented by:					
Net financing need for the year (see Table above)	2.965	3.225	2.460	2.400	2.400
Less: MRP	-	(0.248)	(0.519)	(0.730)	(0.930)
Movement in CFR	**2.965**	**2.977**	**1.941**	**1.670**	**1.470**

The Operational Boundary

1.4 This is the limit beyond which external borrowing is not normally expected to exceed. All things being equal, this could be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing undertaken as impacted by the level of current and future cash resources and the shape of the interest rate yield curve.

Operational Boundary	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	**£m**	**£m**	**£m**	**£m**
Total Borrowing	4.500	8.900	11.900	14.330	16.535

1.5 The rising trend of the Operational Boundary reflects that of the CFR above. The level set is at a 50% margin above the CFR so that if borrowing was taken to the CFR level, sufficient headroom exists for further short-term borrowing should it be required for in year cashflow purposes.

The Authorised Limit for external borrowing

1.6 A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised in line with the Authority's Corporate Governance Framework. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
- The Authority is asked to approve the following Authorised Limit:

Authorised Limit	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m
Total Borrowing	5.400	10.680	14.280	17.200	19.850

1.7 The rising trend of the Authorised Limit reflects that of the CFR and subsequently the Operational Boundary. The level set is at a 20% margin above the Operational Boundary, providing additional headroom for further short-term borrowing should it be required for cashflow purposes, before the legal limit is reached.

2 Treasury Management Limits on Activity

2.1 There are four debt and investment related treasury activity limits. The purpose of these are to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs or improve performance. The indicators for debt are:

- **Upper limits on variable interest rate exposure;** this identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- **Upper limits on fixed interest rate exposure;** this is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- **Maturity structure of borrowing;** these gross limits are set to reduce the Authority's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

2.2 The interest rate exposure is calculated as a percentage of net debt. Due to the mathematical calculation, exposures could be greater than 100% or below zero (i.e. negative) depending on the component parts of the formula. The formula is shown below:

Fixed rate calculation:

$$\frac{\text{(Fixed rate borrowing – Fixed rate investments)}}{\text{Total borrowing – Total investments}}$$

Variable rate calculation:

$$\frac{\text{(Variable rate borrowing – variable rate investments)}}{\text{Total borrowing – Total investments}}$$

£m	2019-20	2021-22	2022-23	2023-24
Interest rate Exposures				
	Upper	**Upper**	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%	100%
Limits on variable interest rates based on net debt	50%	50%	50%	50%

2.3 The indicators above therefore allow for a maximum 100% of borrowing to be undertaken on a fixed interest rate basis, but a maximum of 50% on a variable interest rate basis. This allows flexibility to utilise variable rate instruments for up to half the Authority's borrowing requirement where prudent to do so, whilst limiting the variable interest rate risk against the Authority's revenue budget.

2.4 The maturity structure of borrowing indicator represents the borrowing falling due in each period expressed as a percentage of total borrowing. These gross limits are set to manage the Authority's exposure to sums falling due for refinancing or repayment.

<table>
<tr><th colspan="3">Maturity Structure of borrowing</th></tr>
<tr><td></td><td>Lower</td><td>Upper</td></tr>
<tr><td>Under 12 months</td><td rowspan="9">0%</td><td>80%</td></tr>
<tr><td>12 months to 2 years</td><td>50%</td></tr>
<tr><td>2 years to 5 years</td><td>50%</td></tr>
<tr><td>5 years to 10 years</td><td>50%</td></tr>
<tr><td>10 years to 20 years</td><td rowspan="5">100%</td></tr>
<tr><td>20 years to 30 years</td></tr>
<tr><td>30 years to 40 years</td></tr>
<tr><td>40 years to 50 years</td></tr>
<tr><td>50 years and above</td></tr>
</table>

2.5 The Authority does not expect to hold any investments that exceed 365 days, but may do so in the future if it holds sufficient cash balances and such investments assist in the prudent management of the Authority's financial affairs.

Affordability Prudential Indicator

2.6 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework is an indicator required to assess the affordability of the capital investment plans. This provides an indication of the impact of the capital investment plans on the Authority's overall finances.

2.7 The Authority is asked to approve the actual and estimates of financing costs to net revenue stream. This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against net revenue stream. The estimates of financing costs include current commitments.

2.8 This is calculated as the estimated net financing costs for the year divided by the amounts to be met from government grants and local taxpayers.

	Actual and estimates of financing costs to net revenue stream				
£m	**2019-20 %**	**2020-21 %**	**2021-22 %**	**2022-23 %**	**2023-24 %**
Financing costs to net revenue stream	0.50%	1.42%	2.82%	3.83%	4.70%

Minimum Revenue Provision Policy Statement

1 Policy Statement

1.1 The Authority is required to repay an element of the accumulated General Fund capital spend each year (Capital Financing Requirement - CFR) through a revenue charge (Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments if required.

1.2 The Ministry for Housing, Communities and Local Government (MHCLG) have issued regulations that requires the Authority to approve an MRP Statement in advance of each year. A variety of options are provided in the guidance with the underlying principle that a prudent provision is made.

Accumulated Debt Liability

1.3 For unsupported capital expenditure, MRP will be charged from the year after the assets funded have become operational and spread over the estimated useful life of the assets using an equal annual instalment method.

1.4 Estimated useful 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. However, the Authority reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

1.5 As some types of capital expenditure incurred 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. Whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure with substantially different useful economic lives.

Non-operational assets

1.6 The Authority will not charge MRP on non-operational assets. MRP will only be charged in the financial year following the asset becoming operational. This policy will be reviewed annually.

Use of Capital Receipts

1.7 The Authority may use capital receipts in the year in which they are received to reduce the CFR and to offset the MRP charge for that year. Any unapplied capital receipts will be available in future years and will be applied in a prudent manner.

APPENDIX 4

Annual Investment Strategy

1 Investment Policy

1.1 MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments managed by the treasury management team. Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

1.2 The Authority’s appetite for risk must be clearly identified in its strategy report. The Authority affirms that its investment policies are underpinned by a strategy of prudent investment of funds held on behalf of the local community. The objectives of the investment policy are firstly the security of funds (protecting the capital sum from loss) and then liquidity (keeping money readily available for expenditure when needed). Once approved levels of security and liquidity are met, the Authority will seek to maximise yield from its investments, consistent with the applying of the agreed parameters. These principles are carried out by strict adherence to the risk management and control strategies set out in the TMP Schedules and the Treasury Management Strategy.

1.3 Responsibility for risk management and control lies within the Authority and cannot be delegated to an outside organisation.

2 Creditworthiness Policy

2.1 The Authority’s counterparty and credit risk management policies are set out below. These, taken together, form the fundamental parameters of the Authority’s Investment Strategy.

2.2 The Authority defines high credit quality in terms of investment counterparties as those organisations that are:

- Minimum strong grade long term credit rating (equivalent to A- / A3 / A from Fitch, Moody’s and Standard and Poor’s)
- UK banking or other financial institutions, or are;
- UK national or local government bodies, or are;
- Countries with a sovereign ratings of -AA or above, or are;
- Triple-A rated Money Market funds.

2.3 The Authority will assess the credit ratings from the three main credit rating agencies - Fitch, Moody’s and Standard & Poor’s. The credit ratings of counterparties will be supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swaps (CDS – a traded insurance policy market against default risk) spreads to give early warning of likely changes in credit ratings;

- Sovereign ratings to select counterparties from only the most creditworthy countries.

2.4 This approach of combining credit ratings, credit Watches and credit Outlooks along with an overlay of CDS spreads will be used to determine duration for investment. The Authority will apply these duration limits to its investments at all times, unless otherwise approved by the Chief Finance Officer.

2.5 Credit ratings will be monitored on a regular basis. If a rating downgrade results in the counterparty or investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately. In addition extreme market movements (which may be an early indicator of financial distress) may result in the removal of a counterparty from new investment.

2.6 The Authority will also use market data, financial press and information on any external support for banks to help support its decision making process.

2.7 The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times and so to enable the effective management of risk in relation to its investments, the Chief Finance Officer shall have the discretion during the year to:

- Strengthen or relax restrictions on counterparty selection;
- Adjust exposure and duration limits; and

2.8 Where this discretionary authority is exercised, records will be maintained and details reported in the next available Treasury Management update report.

3 Banking Services

3.1 The Authority uses NatWest to provides banking services. The Authority may continue to use its own bankers for short term liquidity requirements if the credit rating of the institution falls below the minimum credit criteria set out in this report, monitored daily. A pragmatic approach will be adopted and rating changes monitored closely.

4 Investment Position and Use of Authority's Resources

4.1 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

4.2 Investments will be made with reference to the core balances and cash flow requirements and the outlook for interest rates.

4.3 The Authority will primarily utilise business reserve accounts, notice accounts, low-volatility money market funds (known as LVNAV class) and short-dated deposits. This strategy will be reviewed and developed in future years as the Authority establishes itself.

5 Specified Investments

5.1 The Authority assesses that an investment is a specified investment if all of the following criteria apply:

- The investment is **denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling**.
- The investment is **not a long term investment (i.e. up to 1 year)**.
- The making of the investment is **not defined as capital expenditure** by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146 as amended].
- The investment is **made with a body or in an investment scheme of high credit quality** (see below) or with one of the following public-sector bodies:
    - The United Kingdom Government.
    - A local authority in England or Wales (as defined under section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland.
    - High credit quality is defined as a minimum credit rating as outlined in this strategy.

Instrument	Minimum 'High' Credit Criteria	Maximum Amount
Debt Management Agency Deposit Facility (DMADF)	N/a	No maximum
Call Accounts with the Authority's bankers	N/a	No maximum
Certificate of Deposits	A / A3 / A	£2m per individual/group in total
Term Deposits - Banks and Building Societies	A / A3 / A	
Term Deposits - Local Authorities and Housing Associations	Considered on an individual basis	
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -		
1. Money Market Funds (CNAV, LVNAV or VNAV)	AAA MMF rating	£2m per individual/group in total

5.2 The Authority may enter into forward agreements up to 1 months in advance of the investment commencing. If forward agreements are made, the forward period plus the deal period should not exceed the 1 year to be classified as a specified investment.

5.3 Maximum counterparty limits may be temporarily exceeded by small amounts and for very short periods where interest is compounded by the counterparty to the principal investment amount. In such instances the interest amounts will be withdrawn as soon as reasonably practicable.

6 Non-specified investments

6.1 Non-specified investments are defined as those not meeting the specified investment criteria above (including investments exceeding 1 year).

6.2 At this point in time, the Authority has no plans to invest in any Non-specified investments.

7 Investments Defined as Capital Expenditure

7.1 The acquisition of share capital or loan capital in any corporate body is defined as capital expenditure under Regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Such investments will have to be funded from capital or revenue resources and will be classified as 'non-specified investments'.

7.2 Investments in "money market funds" which are collective investment schemes and bonds issued by "multilateral development banks" – both defined in SI 2004 No 534 – will not be treated as capital expenditure.

7.3 A loan, grant or financial assistance provided by this Authority to another body will be treated as capital expenditure if the Authority would define the other bodies use of those funds as capital had it undertaken the expenditure itself.

8 Provisions for Credit Related Losses

8.1 If any of the Authority's investments appear at risk of loss due to default (i.e. this is a credit-related loss and not one resulting from a fall in price due to movements in interest rates) the Authority will make revenue provision of an appropriate amount.

9 End of Year Investment Report

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

10 Governance Arrangements

10.1 By approving this strategy, the Authority is setting the framework from which treasury activity will be conducted and reported.

10.2 The Chief Finance Officer has delegated powers through approval of this strategy to take the most appropriate form of borrowing from approved sources, and to make the most appropriate form of investments in approved instruments. Paragraph 2.7 above delegates powers to the Chief Finance Officer giving discretion during the year to lift or increase the restrictions on the counterparty lending list and/or to adjust the associated lending limits on values and durations should it become necessary, to enable the effective management of risk in relation to its investments.

10.3 The Chief Finance Officer may delegate powers to borrow and invest within the confines of this strategy to members of staff and the LGSS Treasury team, who will provide regular updates on treasury activity.

10.4 Any other amendments to this strategy must be approved in line with the Authority's Corporate Governance Framework.

AGENDA ITEM: 7a

NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER,

NORTHAMPTONSHIRE POLICE and

NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE

JOINT INDEPENDENT AUDIT COMMITTEE

20 MARCH 2019

REPORT BY	Helen King, OPFCC/Paul Dawkins, Force
SUBJECT	Capital Strategy 2019/20
RECOMMENDATION	To consider the report

1. Background

1.1 As outlined to the JIAC during 2018, the 2017 Prudential Code includes a requirement for an organisation to have a Capital Strategy.

"in order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes." (Source: CIPFA: The Prudential Code 2017 Edition, paragraph E13).

1.2 CIPFA recognised the challenges for organisations who did not currently have a Capital Strategy in issuing a code for 2018/19 and issued the following statement in response to frequently asked questions:

The new Prudential Code was only issued in December 2017, so how can a local authority meet the requirement to produce a capital strategy for 2018/19?

CIPFA recognises that that those authorities that do not already have a capital strategy will be unable to produce one for the first year of implementation the new Prudential Code. As a consequence the Treasury and Capital Management Panel has issued the following statement to assist practitioners.

Statement by the Treasury and Capital Management Panel on the Production of Capital Strategies

The updated the Prudential code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code have been issued in December 2017.

Both these codes will be effective for the 2018/19 financial year. However, it is recognised that the requirement included in the Prudential Code to produce a Capital Strategy may require a longer lead-in period. Therefore the Treasury and Capital Management Panel recognises that this requirement may not be able to be fully implemented until 2019/20 financial year.

1.3 The first Capital Strategy for Northamptonshire Police Fire and Crime Commissioner is attached for members attention.

1.4 The PFCC will review JIAC comments on the Strategy before publishing the 2019/20 Treasury Management Strategy and Capital Strategy on his website. These documents will support the budget and precept report and the reserves strategy considered at the Police, Fire and Crime Panel in February 2019; and the formal report of the Panel and the PFCC response all of which are available on the website.

2. Recommendation

2.1 It is recommended that the JIAC consider the strategy and provide comments for the PFCC consideration.

2.2 At the next review the JIAC may wish to consider whether to add the Capital Strategy to the documents mentioned within their Terms of Reference

Northamptonshire Police Fire and Crime Commissioner and Northamptonshire Police

Capital Strategy

2019/20 – 2022/23

March 2019

Contents

1. Purpose

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with desired outcomes and take account of stewardship, value for money, prudence, sustainability and affordability.

1.2 The Capital Strategy is an overaching strategyfor the Police, Fire and Crime Commissioner (PFCC) and Northamptonshire Police and forms part of the authority's integrated revenue, capital and balance sheet planning. It provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the delivery of desired outcomes. It also provides an overview of how associated risk is managed and the implications for future financial sustainability. It includes an overview of the governance processes for approval and monitoring of capital expenditure.

1.3 Throughout this document the term Northamptonshire and/or the Force are used to refer to the activities of both the PFCC and Northamptonshire Police. The Medium Term Capital Plan is referred to as the Capital Programme throughout this document.

2. Scope

2.1 This Capital Strategy includes all capital expenditure and capital investment decisions for Northamptonshire. It sets out the long term context in which decisions are made with reference to the life of the projects/assets.

2.2 Whilst the Capital Programme and Strategies for each of the assets currently focus on the next 5 years, work is underway to develop the Estates Strategy to reflect its suitability and financial impact up to the next 30 years. This work will be carried out alongside the Northamptonshire Commissioner Fire and Rescue Authority Estates Strategy to maximise efficiency opportunities and ensure a fit for purpose estate for the future.

3. Capital Expenditure

3.1 Capital expenditure is incurred on the acquisition or creation of assets, or expenditure that enhances or adds to the life or value of an existing fixed asset. Fixed assets are tangible or intangible assets that yield benefits to Northamptonshire generally for a period of more than one year, e.g. land and buildings, ICT, business change programmes, equipment and vehicles. This is in contrast to revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services.

3.2 The capital programme is Northamptonshire’s plan of capital works for future years, including details on the funding of the schemes.

4. Capital vs. Treasury Management Investments

4.1 Treasury Management investment activity covers those investments which arise from the organisation’s cash flows and debt management activity, and ultimately represent balances which need to be invested until the cash is required for use in the course of business.

4.2 For Treasury Management investments the security and liquidity of funds are placed ahead of the investment return. The management of associated risk is set out in the Annual Treasury Management Strategy Statement.

4.3 Treasury Management arrangements are undertaken on behalf of the PFCC and PFCC Chief Finance Officer by the Force Finance Team and the PFCC and CC have engaged external Treasury advisers to support investment and borrowing decisions. The external advisers undertake regular meetings, balance sheet and capital programme reviews with the service in addition to offering regular seminars, workshops and regular briefings and communications.

4.4 The Treasury Management Strategy is reviewed annually at the Accountability Board with the PFCC and Chief Constable and a Decision Record held on the PFCC website. Regular updates are also reviewed at the Board throughout the year. The Joint Independent Audit Committee (JIAC) also review the Strategy and receive and consider the quarterly updates at the Committee.

4.5 The CIPFA Treasury Management Code recognises that some local authorities are entitled to make investments for policy reasons outside of normal treasury management activity. These may include service and commercial investments. However, like all police forces, Northamptonshire does not have a General Power of Competence, which gives councils the **power** to do anything an individual can do provided it is not prohibited by other legislation. As such, is prevented from entering into commercial investment activities.

5. Links to other corporate strategies and plans

5.1 The PFCC produces his Police and Crime Plan every four years. The current version covers the period 2017 to 2021. A refreshed plan is being consulted on during February 2019.

5.2 To support these overarching documents a number of interrelated strategies and plans are in place, such as the Medium Term Financial Strategy, Medium Term Capital Programme, Capital Strategy, Estates Strategy, ICT Strategy, Vehicle Fleet Strategy and the Treasury Management Strategy.

5.3 The Estates, ICT and Fleet Strategies form the Asset Management Plans and include assessments associated with existing assets, ensuring that such costs are included within the revenue budget MTFP.

5.4 The operation of all these strategies and plans is underpinned by the Code of Corporate Governance which includes Contract Standing Orders and Financial Regulations.

5.5 Capital resources should be directed to those programmes and projects that optimise the achievement of these outcomes. The following processes are designed to ensure this happens.

6. The Capital Budget Setting Process

6.1 Introduction

At any given time the Force is committed to rolling Medium Term revenue & capital plans that usually extend for 4 to 5 years. The plans are drawn up, reassessed and extended annually and if required re-prioritised to enable the Force to achieve the aims and objectives established in the PFCC’s Police and Crime Plan, the Force Commitment and to support national drivers like the National Policing Vision for 2025.

Following the Transfer of Fire Governance to the PFCC in January 2019, the PFCC and the Chief Constable are working with the Chief Fire Officer to consider a longer term Estates masterplan for the next 30 years to cover policing and fire. This will inform the Capital Strategy.

The Medium Term Capital Programme provides the Force infrastructure and major assets through capital investment, enabling the Force to strengthen and streamline core assets and systems, and provides the framework for delivering innovative policing with a lower resource profile.

Key focuses of the Capital Programme:

To ensure the property estate remains fit for purpose, identifying opportunities to streamline assets and develop the estate infrastructure; maintaining core sites and improving core training facilities.

To ensure provision is made for ICT & Business Change Technology to maintain and develop the existing infrastructure and invest in the core technologies required to provide innovative digital policing services.

The maintenance and replacement of other core assets where necessary, e.g. vehicles and communication infrastructure.

The plans acknowledged the constrained financial position of the Force and maximise both the available financial resources and the capacity that the Force has to manage change projects.

6.2 Force Collaboration & Wider Sector Engagement.

Although the Force has its own Capital Strategy and Medium Term Capital Programme, the natural drivers that encourage local and regional forces to collaborate, such as cost and resource sharing, along with structured collaborations and national plans, can have a significant influence on local decision making.

One of the focal points therefore of the Capital Strategy is to acknowledge regional and national partnership working, both with other Forces and in a the wider context of engagement with Local Authorities & Councils, other Emergency Services and the Crown Prosecution Service, to improve overall service to the public.

6.3 The Capital Budget Setting Process & Timetable Overview.

For any particular budget setting year, the process for the Force starts during the summer of the preceding year with the Force Change Team and other key Stakeholder groups for both Northamptonshire and other Collaborative Forces agreeing the exact time table and approach to be adopted to secure investment requirements and ideas from the Stakeholder Groups covering the key criteria such as:

- Achievement of high level agreed Force, Regional or National outcomes;
- Maintenance of the essential infrastructure of the Force;
- Development of improved Force wide capability
- Adjustments to existing prioritised plans / projects.
- Rationalisation & modernisation of estates
- Carbon management & Health and Safety Invest to save schemes.
- Interoperability opportunities with Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) or other bodies.

Based on an agreed timetable, Business Cases for consideration will be submitted into the Change Board and /or the East Midlands PCC and CC Board (EMPCCB) for both Northamptonshire and collaborative Forces in order that a joined up approach is made to capital investment.

The bids will then be presented to and extensively reviewed by the Chief Constables Management Team and included in the Medium Term

Capital Programme which, will then be presented to the PFCC late autumn, together with the budget proposals, providing views on affordability and potential funding issues and options.

A final version of the Capital Programme will be presented to the PFCC in the following December/January for approval, reflecting the known funding position any further developmental work on the plan.

The formal PFCC approval, agrees the capital budget for the following year, and acknowledges the intention for planning purposes of the remaining years of the Medium Term Plan.

6.4 Identifying Capital Expenditure / Investment Requirements

The need for a capital scheme will typically be identified through one or more of the following processes.

- Senior Stakeholders will submit business cases that support delivery of local, Force, Regional or National Objectives. These plans are considered at the Change Board or other forums such as the Estates Board and are be sponsored by a member of the Chief Constables Management Team. The business cases must identify the requirement, rationale, deliverables, benefits, links to Force and / or PFCC Priorities, and costs in terms of both Capital investment and ongoing Revenue consequences.
- Reviews of existing capital projects will identify that budget variances are likely to occur and that either more or less funding is likely to be required. Full rationales are required to justify variances and are submitted as per service delivery bids above.
- The Force's other key strategies will inform the capital strategy and a capital scheme bid may arise from that, for example the Estates Strategy which rationalises and develops the Forces operational buildings and estates may require either sale, purchase or redevelopment of an element of the estate.

6.5 Affordability and Financial Planning.

Prior to submission of the Draft Capital Programme in late autumn, a significant amount of financial work will have already been undertaken on Revenue budgets. This work will have identified potential financial position for the force in respect of the coming medium term (typically 4 years), taking into account core known information and stated assumptions.

The work will include forecasts on inflation, committed growth requirements, forecast productivity and efficiency savings, assumptions around grant and council tax funding and any other information introduced during the budget process.

The revenue financial position is also influenced by the Capital Bid process and the Capital Programme – in terms of both revenue consequences of capital programmes and also through the ability or requirement to financially support capital investment, either through direct financing or borrowing.

6.6 Capital Sustainability.

The Force's financial position is changing. For many years the Force has benefitted from reserves, supported by the sale of operational buildings or police houses or from revenue or earmarked reserves assigned to capital investment.

As we move forward through the capital programme, the picture moves to funding through capital grant and either direct revenue financing or borrowing for specific projects.

The Strategy is therefore to invest in core infrastructure now that will not only offer overall service improvements to the public, but also maximise revenue savings into the future through more efficient and mobile use of police personnel, enabled by improved Information and Communication Technology systems and other core infrastructure for example, connected vehicle fleet and building assets.

Its investment strategy will also be influenced by and take account of National visions for policing, Regional and Local priorities.

6.7 The Formal Capital Programme Approval Process

As indicated, the PFCC receives the updated Capital Programme in January at the Accountability Board each year as part of the overall suite of budget reports.

The PFCC also approves the overall borrowing levels at the Accountability Board in January each year as part of the Treasury Management Report. The taking of loans, if required, then becomes an operational decision for the PFCC's Chief Finance Officer, in discussion with the Force Assistant Chief Officer (Finance and Resources) who will decide on the basis of the level of reserves, current and predicted cashflow, and the money market position whether borrowing should be met from internal or external borrowing.

Once the PFCC has approved the capital programme, then expenditure can be committed against these approved schemes subject to the normal contract procedure rules and the terms and conditions of funding.

Whether capital projects are funded from grant, contributions, capital allocations or borrowing, the revenue costs must be able to be met from existing revenue budgets or identified (and underwritten) savings or income streams.

Following approval by PFCC the capital programme expenditure is then monitored on a regular basis.

7. Individual Project Management

Capital Projects are subject to high levels of scrutiny. This varies dependant on the type of project and may be influenced by size or by the makeup of regional involvement. Each Project will have a Project Manager and potentially a team to implement the project.

Typically projects will have a dedicated Project Board, which, if part of a larger programme may sit under a Programme Board. Programme and Project Boards will have a Senior Responsible Officer or Chair Person.

Detailed oversight is further provided through ICT, the Estates Board and the Force Change Board.

Regional Projects or Programmes may also report into Regional Boards.

7.1 Project Funding

Dependent on the project, once an approved capital project is initiated, proportionate project funds may be released to project managers in stages, called Stage Gates rather than funding being released in full at the start of the project.

Depending on project size the initial limited release of funds will enable a project to be started and relevant project documentation, for example a detailed business case, to be completed. Once that has been satisfied further funds will be released in stages at specific project review points or stage gates within existing project management processes, which will be defined and agreed with project managers at the start of the project.

This enables the Force to link the release of funds to key project milestones or progress points and enable improved visibility of project progress relative to committed expenditure thus mitigating the risk of significant project spend variances.

Ongoing Capital replacement for items such as fleet and ICT are undertaken in line with the respective strategies.

8. Monitoring of the capital programme

The Force Assistant Chief Officer (Finance and Resources) will submit capital monitoring reports to both Chief Constable’s Management Team and the PFCC monthly as part of the Budget monitoring reports throughout the year. These reports will be based on the most recently available financial information. These monitoring reports will show spending to date and compare projected income and expenditure with the approved capital budget.

For proposed in-year amendments to the annual capital budget, these will be identified at the quarterly capital programme review meetings with the PFCC CFO and included in the Force budget monitoring report considered at the Accountability Board by the PFCC regularly throughout the year.

For schemes not already included in the medium term capital plan, the Force will prepare a business case for submission to the PFCC for consideration and approval, including details on how the new scheme is to be funded.

In addition, for those business change programmes where a formal Board has been established, a detailed scheme monitoring report is presented to each Board meeting.

9. Multi-Year Schemes

Payments for capital schemes often occur over many years, depending on the size and complexity of the project. Therefore, estimated payment patterns are calculated for each project so that the expected capital expenditure per year is known. This is called a cash flow projection or budget profiling.

The approval of a rolling multi-year capital programme assists Northamptonshire stakeholders in a number of ways. It allows the development of longer term capital plans for service delivery. It allows greater flexibility in planning workloads and more certainty for preparation work for future schemes. It also allows greater integration of the revenue budget and capital programme. It also matches the time requirement for scheme planning and implementation since capital schemes can have a considerable initial development phase.

10. In Year Changes to the Capital Programme

A medium term capital plan is produced which shows all planned expenditure over the next 4/5 years. This plan will include a schedule to show how the planned expenditure will be funded.

A separate annual capital budget is produced before the start of the financial year. Initially this budget will only include ongoing schemes from previous years as well as annual provisions such as vehicles, plant and equipment. Additional schemes from the medium term capital plan are included in the annual budget after tenders have been accepted and timescales are known.

The updated annual capital budget is approved by the PFCC at the Accountability Board meeting with the Chief Constable.

11. Funding Strategy and Capital Policies

This section sets out Northamptonshire policies and priorities in relation to funding capital expenditure and investment.

11.1 Government Grant

The Police Service only receives limited financial support from the Home Office; annual capital grant is currently less than £0.5m per annum. This grant is not hypothecated and can be carried forward if not spent in the year of receipt.

Specific capital grants may be received for agreed capital works undertaken by those regional policing units for which Northamptonshire is part e.g. Counter-terrorism policing and the Regional Organised Crime Unit.

11.2 Capital Receipts

A capital receipt is an amount of money which is received from the sale of an item on the fixed asset register. Proceeds are only classed as capital if they exceed the deminimis value (currently £10k) and such receipts cannot be spent on revenue items.

These capital receipts, once received, are used to finance the capital programme. Unfortunately, the pool of assets available for sale is rapidly declining.

11.3 Revenue Funding

Recognising that the pool of assets available for sale is declining direct revenue contributions are set at a sustainable level in the revenue budget and are reviewed annually as part of the capital programme.

11.4 Prudential Borrowing

Local Authorities, including the Police, can set their own borrowing levels based on their capital need and their ability to pay for the borrowing. The levels will be set by using the indicators and factors set out in the Prudential Code. The borrowing costs are not supported by the Government so Northamptonshire needs to ensure it can fund the repayment costs.

The authority's Minimum Revenue Provision (MRP) Policy is reviewed annually as part of the Treasury Management Strategy sets out a prudent approach to the amount set aside for the repayment of debt.

Due to the ongoing debt charges (i.e. MRP and external interest charges) Northamptonshire will currently only consider external borrowing for longer term life assets such as ICT or estate projects.

11.5 Reserves and balances

Unspent capital grant and capital receipt monies can be carried forward in the Balance Sheet until they are required to fund the capital programme.

Where appropriate, Northamptonshire also uses money held in earmarked revenue reserves to help fund capital expenditure, most notably the Invest to Save Reserve.

HM Treasury guidance on capital projects recognises that there is potential for project costs to exceed the initial assessment. This is called Optimisation Bias and relates to any project type, although it can be particularly impactive when relating to the development of complex ICT or business change programmes.

11.6 Third party capital contributions

Where appropriate funding may be received from third parties towards capital expenditure or shared assets and in these instances, assets will be recognised in the Balance Sheets of each organisation.

11.7 Leasing

Northamptonshire may enter into finance leasing agreements to fund capital expenditure. However, a full option appraisal and comparison of other funding sources must be made and the Assistant Chief Officer (Finance and Resources) and the Chief Finance Officer must both be satisfied that leasing provides the best value for money method of funding the scheme before a recommendation is made to the PFCC.

Under the Prudential Code finance leasing agreements are counted against the overall borrowing levels when looking at the prudence of the authority's borrowing.

12. Procurement and Value for Money

Procurement is the purchase of goods and services. Northamptonshire is part of the East Midlands Straetgic Procurement Unit (EMSCU) that ensures that all contracts, including those of a capital nature, are legally compliant and best value for money.

It is essential that all procurement activities comply with prevailing regulations and best practice as set out in the Corporate Governance Framework, which includes Contract and Financial Regulations. Guidance on procurement can be sought from EMSCU.

The main aim is to hold ‘value for money’ as a key goal in all procurement activity to optimise the combination of cost and quality.

13. Partnerships and Relationships with other Organisations

Wherever possible and subject to the usual risk assessment process Northamptonshire will look to expand the number of capital schemes which are completed on a partnership basis and continually look for areas where joint projects can be implemented, particularly following the transfer of Governance for Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) to the PFCC.

14. Management Framework

The PFCC has given legal consent for the Chief Constable to own short life assets, such as ICT, equipment and vehicles. On a day to day basis, the Head of Estates manages the estate on his behalf.

The Assistant Chief Officer (Finance and Resources) manages the medium term capital programme and provides regular updates to the Chief Constable’s Management Team who, collectively, maintain oversight of planned expenditure.

The PFCCs Chief Finance Officer is responsible for developing and then implementing the Treasury Management Strategy Statement, with support from the Force Finance Team.

During the budget preparation process the Chief Constable’s Management Team take a strategic perspective to the use and allocation of Northamptonshire capital assets and those within its control in planning capital investment.

Having approved the medium term capital plan and the annual capital budget in January each year the PFCC formally holds the Chief Constable to account for delivery of capital projects during the Accountability Board meetings.

15. Performance Management

Clear measurable outcomes should be developed for each capital scheme. After the scheme has been completed, the Chief Constable is required to check that outcomes have been achieved in line with the Corporate Governance Framework.

Reviews should look at the effectiveness of the whole project in terms of service delivery outcomes, design and construction, financing etc. and identify good practice and lessons to be learnt in delivering future projects.

16. Risk Management

Risk is the threat that an event or action will adversely affect Northamptonshire's ability to achieve its desired outcomes and to execute its strategies successfully.

Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of managing them and/or responding to them. It is both a means of minimising the costs and disruption to the organisation caused by undesired events and of ensuring that staff understand and appreciate the element of risk in all their activities.

The aim is to reduce the frequency of adverse risk events occurring (where possible), minimise the severity of their consequences if they do occur, or to consider whether risk can be transferred to other parties. The corporate risk register sets out the key risks to the successful delivery of Northamptonshire's corporate aims and priorities and outlines the key controls and actions to mitigate and reduce risks, or maximise opportunities.

To manage risk effectively, the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored.

It is important to identify the appetite for risk by each scheme and for the capital programme as a whole, especially when investing in complex and costly business change programmes.

Northamptonshire accepts there will be a certain amount of risk inherent in delivering the desired outcomes of the Police and Crime Plan and will seek to keep the risk of capital projects to a low level whilst making the most of opportunities for improvement. Where greater risks are identified as necessary to achieve desired outcomes, Northamptonshire will seek to mitigate or manage those risks to a tolerable level. All key risks identified as part of the capital planning process are considered for inclusion in the corporate risk register.

The Assistant Chief Officer (Finance & Resources) and Chief Finance Officer will report jointly on the deliverability, affordability and risk associated with this Capital Strategy and the associated capital programme at the annual budget discussions of the Accountability Board. Where appropriate they will have access to specialised advice to enable them to reach their conclusions.

16.1 Credit Risk

This is the risk that the organisation with which we have invested capital monies becomes insolvent and cannot complete the agreed contract. Accordingly, Northamptonshire will ensure that robust due diligence procedures cover all external capital investment. Due diligence is a key element of the EMSCU procurement process. Where possible contingency plans will be identified at the outset and enacted when appropriate.

16.2 Liquidity Risk

This is the risk that the timing of any cash inflows from a project will be delayed, for example if other organisations do not make their contributions when agreed. This is also the risk that the cash inflows will be less than expected, for example due to the effects of inflation, interest rates or exchange rates. Our exposure to this risk will be monitored via the revenue and capital budget monitoring processes. Where possible, appropriate interventions will occur as early as possible.

16.3 Interest Rate Risk

This is the risk that interest rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Interest rates will be reviewed as part of the on-going monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

16.4 Exchange Rate Risk

This is the risk that exchange rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Where relevant, exchange rates will be reviewed as part of the ongoing monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

16.5 Inflation Risk

This is the risk that rates of inflation will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Rates of inflation will be reviewed as part of the ongoing monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

16.6 Legal and Regulatory Risk

This is the risk that changes in laws or regulation make a capital project more expensive or time consuming to complete, make it no longer cost effective or make it illegal or not advisable to complete. Before entering into capital expenditure or making capital investments, Northamptonshire will understand the powers under which the investment is made. Forthcoming changes to relevant laws and regulations will be kept under review and factored into any capital bidding and programme monitoring processes.

16.7 Fraud, Error and Corruption

This is the risk that financial losses will occur due to errors or fraudulent or corrupt activities. Officers involved in any of the processes around capital expenditure or funding are required to follow the agreed Code of Corporate Governance. Northamptonshire has a strong ethical culture which is evidenced through our values, principles and appropriate behaviour. This is supported by the national Code of Ethics, the Corporate Governance Framework, Related Party disclosures and Declaration of Interests.

17. Other Considerations

Capital Schemes must comply with legislation, such as the Disability Discrimination Act, the General Data Protection Regulations (GDPR), building regulations etc.

18. Underlying Documents

The Capital Strategy is part of an integrated set of documents which need to be read in conjunction with each other as follows:

- Police and Crime Plan
- Strategic Policing Requirement
- Treasury Management Strategy
- Estates Strategy
- Fleet Strategy
- ICT strategy
- Medium Term Financial Plan
- Joint Corporate Governance Framework
- Reserves Strategy
- Budget and Precept Annual Reports to the Police, Fire and Crime Panel
- Collaboration Agreement Fire and Policing (currently In progress)

AGENDA ITEM: 7b

NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER,

NORTHAMPTONSHIRE POLICE and

NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE

JOINT INDEPENDENT AUDIT COMMITTEE

20 MARCH 2019

REPORT BY	Helen King, OPFCC
SUBJECT	NCFRA Capital Strategy 2019/20
RECOMMENDATION	To consider the report

1. Background

1.1 As outlined to the JIAC during 2018, the 2017 Prudential Code includes a requirement for an organisation to have a Capital Strategy.

"in order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes." (Source: CIPFA: The Prudential Code 2017 Edition, paragraph E13).

1.2 CIPFA recognised the challenges for organisations who did not currently have a Capital Strategy in issuing a code for 2018/19 and issued the following statement in response to frequently asked questions:

The new Prudential Code was only issued in December 2017, so how can a local authority meet the requirement to produce a capital strategy for 2018/19?

CIPFA recognises that that those authorities that do not already have a capital strategy will be unable to produce one for the first year of implementation the new Prudential Code. As a consequence the Treasury and Capital Management Panel has issued the following statement to assist practitioners.

Statement by the Treasury and Capital Management Panel on the Production of Capital Strategies

The updated the Prudential code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code have been issued in December 2017.

Both these codes will be effective for the 2018/19 financial year. However, it is recognised that the requirement included in the Prudential Code to produce a Capital Strategy may require a longer lead-in period. Therefore the Treasury and Capital Management Panel recognises that this requirement may not be able to be fully implemented until 2019/20 financial year.

1.3 The first Capital Strategy for Northamptonshire Commissioner Fire and Rescue Authority is attached for members' attention.

1.4 The PFCC will review JIAC comments on the Strategy before publishing the 2019/20 Treasury Management Strategy and Capital Strategy on his website. These documents will support the budget and precept report and the reserves strategy considered at the Police, Fire and Crime Panel in February 2019; and the formal report of the Panel and the PFCC response all of which are available on the website.

2. Recommendation

2.1 It is recommended that the JIAC consider the strategy and provide comments for the PFCC consideration.

2.2 At the next review the JIAC may wish to consider whether to add the Capital Strategy to the documents mentioned within their Terms of Reference

Northamptonshire Commissioner Fire and Rescue Authority (NCFRA)

Capital Strategy

2019/20 – 2022/23

March 2019

Contents

1. Purpose

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with desired outcomes and take account of stewardship, value for money, prudence, sustainability and affordability.

1.2 The Capital Strategy is a key document for the Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) and forms part of the authority's integrated revenue, capital and balance sheet planning. It provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the delivery of desired outcomes. It also provides an overview of how associated risk is managed and the implications for future financial sustainability. It includes an overview of the governance processes for approval and monitoring of capital expenditure.

1.3 Throughout this document the Medium Term Capital Plan is referred to as the Capital Programme.

2. Scope

2.1 This Capital Strategy includes all capital expenditure and capital investment decisions for NCFRA. It sets out the long term context in which decisions are made with reference to the life of the projects/assets.

2.2 Whilst the Capital Programme currently focusses on the mid term, work is underway to develop strategies, particularly the Estates Strategy which will reflect its suitability and financial impact up to the next 30 years. This work will be carried out alongside the PFCC Policing Estates Strategy to maximise efficiency opportunities and ensure a fit for purpose estate for the future.

3. Capital Expenditure

3.1 Capital expenditure is incurred on the acquisition or creation of assets, or expenditure that enhances or adds to the life or value of an existing fixed asset. Fixed assets are tangible or intangible assets that yield benefits to NCFRA generally for a period of more than one year, e.g. land and buildings, ICT, business change programmes, equipment and vehicles. This is in contrast to revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services.

3.2 The capital programme is NCFRA's plan of capital works for future years, including details on the funding of the schemes.

4. Capital vs. Treasury Management Investments

4.1 Treasury Management investment activity covers those investments which arise from the organisation’s cash flows and debt management activity, and ultimately represent balances which need to be invested until the cash is required for use in the course of business.

4.2 For Treasury Management investments the security and liquidity of funds are placed ahead of the investment return. The management of associated risk is set out in the Annual Treasury Management Strategy Statement.

4.3 Treasury Management arrangements are undertaken on behalf of the PFCC and PFCC Chief Finance Officer by the Local Government Shared Services Team.

4.4 The use of external Treasury advisers to support investment and borrowing decisions will be considered during the year.

4.5 The Treasury Management Strategy will be reviewed annually at the Accountability Board with the PFCC and Chief Fire Officer and a Decision Record held on the PFCC website. Regular updates will also be reviewed at the Board throughout the year. The Joint Independent Audit Committee (JIAC) will also review the Strategy and receive and consider the regular updates at the Committee.

4.6 The CIPFA Treasury Management Code recognises that some local authorities are entitled to make investments for policy reasons outside of normal treasury management activity. These may include service and commercial investments.

5. Links to other corporate strategies and plans

5.1 The PFCC produces his Fire and Rescue Plan and the firs plan is currently out for consultation.

5.2 Given that NCFRA was only established on the 1/1/19, to support these overarching documents a number of interrelated strategies and plans are in place such as the Medium Term Financial Strategy, Medium Term Capital Programme, Capital Strategy and Treasury Management Strategy.

5.3 The following strategies will also be developed: Estates Strategy (will also be a joint strategy with PFCC and Northamptonshire Police), ICT Strategy and the Vehicle Fleet Strategy.

5.4 The operation of all these strategies and plans is underpinned by the Corporate Governance Framework.

5.5 Capital resources should be directed to those programmes and projects that optimise the achievement of these outcomes. The following processes are designed to ensure this happens.

6. The Capital Budget Setting Process

6.1 Introduction

At any given time NCFRA is committed to rolling Medium Term revenue & capital plans that usually extend for 4 to 5 years. The plans are drawn up, reassessed and extended annually and if required re-prioritised to enable the Force to achieve the aims and objectives established in the IRMP and to support national drivers.

The Medium Term Capital Programme provides NCFRA infrastructure and major assets through capital investment, strengthening and streamlining core assets and systems, and provides the framework for delivering innovative Fire and Rescue Services with a lower resource profile.

Key focuses of the Capital Programme:

To ensure the property estate remains fit for purpose, identifying opportunities to streamline assets and develop the estate infrastructure; maintaining core sites, improving core training facilities and progressing the Estates Strategy (once developed).

To ensure provision is made for ICT & Business Change Technology to maintain and develop the existing infrastructure and invest in the core technologies required to provide innovative digital services.

The maintenance and replacement of other core assets where necessary, e.g. vehicles and communication infrastructure.

The plans acknowledge the constrained financial position of NCFRA and maximise both the available financial resources and the capacity that NCFRA have to manage change projects.

6.2 Collaboration & Wider Sector Engagement.

Although NCFRA has its own Capital Strategy and Medium Term Capital Programme, the natural drivers that encourage local and regional forces to collaborate, such as cost and resource sharing, along with structured collaborations and national plans, can have a significant influence on local decision making.

One of the focal points therefore is to acknowledge regional and national partnership working, both with other Fire and Rescue Services and in a the wider context of engagement with Local Authorities & Councils, other

Emergency Services and the Crown Prosecution Service, to improve overall service to the public.

6.3 The Capital Budget Setting Process & Timetable Overview.

For any particular budget setting year, the process for NCFRA will start during the summer of the preceding year with the Procurement Board and other key Stakeholder groups agreeing the exact time table and approach to be adopted to secure investment requirements and ideas from the Stakeholder Groups covering the key criteria such as:

- Achievement of high level agreed Local, Regional or National outcomes;
- Maintenance of the essential infrastructure of NCFRA;
- Development of improved NCFRA wide capability
- Adjustments to existing prioritised plans / projects.
- Rationalisation & modernisation of estates
- Carbon management & Health and Safety
- Invest to save schemes.
- Interoperability opportunities with Police, Fire and Crime Commissioner for Northamptonshire and Northamptonshire Police or other bodies.

Based on an agreed timetable, Business Cases for consideration will be submitted into the Procurement Board and/or Accountability Board for both NCFRA and collaborative services in order that a joined up approach is made to capital investment.

The bids will then be presented to and extensively reviewed by the Chief Fire Officer's Management Team and included in the Medium Term Capital Programme which, will then be presented to the PFCC late autumn, together with the budget proposals, providing views on affordability and potential funding issues and options.

A final version of the Capital Programme will be presented to the PFCC in the following January for approval, reflecting the known funding position any further developmental work on the plan.

The formal PFCC approval, agrees the capital budget for the following year, and acknowledges the intention for planning purposes of the remaining years of the Medium Term Plan.

6.4 Capital Expenditure / Investment Requirements

The need for a capital scheme will typically be identified through one or more of the following processes.

- Senior Stakeholders will submit business cases that support delivery of local, Regional or National Objectives. These plans are considered at the Procurement Board or other forums such as the Estates Board and are to be sponsored by a member of the Chief Fire Officer's Management Team. The business cases must identify the requirement, rationale, deliverables, benefits, links to NCFRA and / or PFCC Priorities, and costs in terms of both Capital investment and ongoing Revenue consequences.
- Reviews of existing capital projects will identify that budget variances are likely to occur and that either more or less funding is likely to be required. Full rationales are required to justify variances and are submitted as per service delivery bids above.
- Other NCFRA key strategies will inform the capital strategy and a capital scheme bid may arise from that, for example the Estates Strategy which rationalises and develops the operational buildings and estates may require either sale, purchase or redevelopment of an element of the estate.

6.5 Affordability and Financial Planning.

Prior to submission of the Draft Capital Programme in late autumn, a significant amount of financial work will have already been undertaken on Revenue budgets. This work will have identified potential financial position for NCFRA in respect of the coming medium term (typically 4 years), taking into account core known information and stated assumptions.

The work will include forecasts on inflation, committed growth requirements, forecast productivity and efficiency savings, assumptions around grant and council tax funding and any other information introduced during the budget process.

The revenue financial position is also influenced by the Capital Bid process and the Capital Programme – in terms of both revenue consequences of capital programmes and also through the ability or requirement to financially support capital investment, either through direct financing or borrowing.

6.6 Capital Sustainability.

NCFRA is a newly established corporation sole and needs to build up the financial reserves and revenue budgets to support capital investment.

As we move forward through the capital programme, it is anticipated that either direct revenue financing or borrowing is available for specific projects. In some instances Capital Grants, Capital Receipts and S106 funds may be made available.

The Strategy is therefore to invest in core infrastructure now that will not only offer overall service improvements to the public, but also maximise revenue savings into the future through more efficient and mobile use of police personnel, enabled by improved Information and Communication Technology systems and other core infrastructure for example, connected vehicle fleet and building assets.

This investment strategy will also be influenced by and take account of National visions for Fire and any Regional and Local priorities.

6.7 The Formal Capital Programme Approval Process

As indicated, the PFCC will receive the updated Capital Programme in January at the Accountability Board each year as part of the overall suite of budget reports.

The PFCC will also approve the overall borrowing levels at the Accountability Board in January each year as part of the Treasury Management Report. The taking of loans, if required, then becomes an operational decision by the Chief Finance Officer on the basis of the level of reserves, current and predicted cashflow, and the money market position whether borrowing should be met from internal or external borrowing.

Once the PFCC has approved the capital programme, then expenditure can be committed against these approved schemes subject to the normal contract procedure rules and the terms and conditions of funding.

Whether capital projects are funded from grant, contributions, capital allocations or borrowing, the revenue costs must be able to be met from existing revenue budgets or identified (and underwritten) savings or income streams.

Following approval by the PFCC the capital programme expenditure will be monitored on a regular basis.

7. Individual Project Management

Capital Projects will be subject to high levels of scrutiny. This varies dependant on the type of project and may be influenced by size or by the makeup of regional involvement. Each Project will have a Project Manager and potentially a team to implement the project.

Typically projects will have a dedicated Project Board, which, if part of a larger programme may sit under a Programme Board. Programme and Project Boards will have a Senior Responsible Officer or Chair Person.

Detailed oversight Boards will be established as the new NCFRA moves forward.

Regional Projects or Programmes may also report into Regional Boards.

7.1 Project Funding

Dependent on the project, once an approved capital project is initiated, proportionate project funds may be released to project managers in stages, called Stage Gates rather than funding being released in full at the start of the project.

Depending on project size the initial limited release of funds will enable a project to be started and relevant project documentation, for example a detailed business case, to be completed. Once that has been satisfied further funds will be released in stages at specific project review points or stage gates within existing project management processes, which will be defined and agreed with project managers at the start of the project.

This enables NCFRA to link the release of funds to key project milestones or progress points and enable improved visibility of project progress relative to committed expenditure thus mitigating the risk of significant project spend variances.

Ongoing Capital replacement for items such as fleet and ICT will be undertaken in line with the respective strategies once they have been developed.

8. Monitoring of the capital programme

The OPFCC and Fire Accountant will submit capital monitoring reports to both the Chief Fire Officer’s Management Team and the PFCC regularly as part of the Budget monitoring reports throughout the year. These reports will be based on the most recently available financial information. These monitoring reports will show spending to date and compare projected income and expenditure with the approved capital budget.

For proposed in-year amendments to the annual capital budget, these will be identified at the quarterly capital programme review meetings with the PFCC CFO and included in the NCFRA budget monitoring report considered at the Accountability Board by the PFCC regularly throughout the year.

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Where appropriate and when these have been established, NCFRA will also use money held in earmarked revenue reserves to help fund capital expenditure. No such reserves have transferred and these need to be built up over time.

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The main aim is to hold 'value for money' as a key goal in all procurement activity to optimise the combination of cost and quality.

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Wherever possible and subject to the usual risk assessment process NCFRA will look to expand the number of capital schemes which are completed on a partnership basis and continually look for areas where joint projects can be implemented, particularly with the PFCC and Northamptonshire Police.

14. Management Framework

On a day to day basis, the Property Manager manages the estate for NCFRA.

The Assistant Chief Fire Officer and the Chief Finance Officer manage the medium term capital programme and provides regular updates to the Chief Fire Officer's Management Team who, collectively, maintain oversight of planned expenditure.

The Chief Finance Officer is responsible for developing and then implementing the Treasury Management Strategy Statement, with support from LGSS.

Having approved the medium term capital plan and the annual capital budget in January each year the PFCC formally holds the Chief Fire Officer to account for delivery of capital projects during the Accountability Board meetings.

15. Performance Management

Clear measurable outcomes should be developed for each capital scheme. After the scheme has been completed, the Chief Fire officer is required to check that outcomes have been achieved in line with the Corporate Governance Framework.

Reviews should look at the effectiveness of the whole project in terms of service delivery outcomes, design and construction, financing etc. and identify good practice and lessons to be learnt in delivering future projects.

16. Risk Management

Risk is the threat that an event or action will adversely affect NCFRA's ability to achieve its desired outcomes and to execute its strategies successfully.

Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of managing them and/or responding to them. It is both a means of minimising the costs and disruption to the organisation caused by undesired events and of ensuring that staff understand and appreciate the element of risk in all their activities.

The aim is to reduce the frequency of adverse risk events occurring (where possible), minimise the severity of their consequences if they do occur, or to consider whether risk can be transferred to other parties. The corporate risk register sets out the key risks to the successful delivery of NCFRA's corporate aims and priorities and outlines the key controls and actions to mitigate and reduce risks, or maximise opportunities.

To manage risk effectively, the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored.

It is important to identify the appetite for risk by each scheme and for the capital programme as a whole, especially when investing in complex and costly business change programmes.

NCFRA accepts there will be a certain amount of risk inherent in delivering the desired outcomes of the IRMP and will seek to keep the risk of capital projects to a low level whilst making the most of opportunities for improvement. Where greater risks are identified as necessary to achieve desired outcomes, NCFRA will seek to mitigate or manage those risks to a tolerable level. All key risks identified as part of the capital planning process are considered for inclusion in the corporate risk register.

The Chief Finance Officer will report on the deliverability, affordability and risk associated with this Capital Strategy and the associated capital programme at the annual budget discussions of the Accountability Board. Where appropriate they will have access to specialised advice to enable them to reach their conclusions.

16.1 Credit Risk

This is the risk that the organisation with which we have invested capital monies becomes insolvent and cannot complete the agreed contract. Accordingly, NCFRA will ensure that robust due diligence procedures cover all external capital investment. Where possible contingency plans will be identified at the outset and enacted when appropriate.

Due diligence is a key element of the EMSCU procurement process. Where possible contingency plans will be identified at the outset and enacted when appropriate.

16.2 Liquidity Risk

This is the risk that the timing of any cash inflows from a project will be delayed, for example if other organisations do not make their contributions when agreed. This is also the risk that the cash inflows will be less than expected, for example due to the effects of inflation, interest rates or exchange rates. Our exposure to this risk will be monitored via the revenue and capital budget monitoring processes. Where possible appropriate interventions will occur as early as possible.

16.3 Interest Rate Risk

This is the risk that interest rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Interest rates will be reviewed as part of the on-going monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

16.4 Exchange Rate Risk

This is the risk that exchange rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Where relevant, exchange rates will be reviewed as part of the ongoing monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

16.5 Inflation Risk

This is the risk that rates of inflation will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Rates of inflation will be reviewed as part of the ongoing monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

16.6 Legal and Regulatory Risk

This is the risk that changes in laws or regulation make a capital project more expensive or time consuming to complete, make it no longer cost effective or make it illegal or not advisable to complete. Before entering into capital expenditure or making capital investments, NCFRA will understand the powers under which the investment is made. Forthcoming changes to relevant laws and regulations will be kept under review and factored into any capital bidding and programme monitoring processes.

16.7 Fraud, Error and Corruption

This is the risk that financial losses will occur due to errors or fraudulent or corrupt activities. Officers involved in any of the processes around capital expenditure or funding are required to follow the agreed Code of Corporate Governance. NCFRA has a strong ethical culture which is evidenced through our values, principles and appropriate behaviour. This is supported by the national Code of Ethics, the Corporate Governance Framework, Related Party disclosures and Declaration of Interests.

17. Other Considerations

Capital Schemes must comply with legislation, such as the Disability Discrimination Act, the General Data Protection Regulations (GDPR), building regulations etc.

18. Underlying Documents

The Capital Strategy is part of an integrated set of documents which need to be read in conjunction with each other as follows:

- Fire and Rescue Plan
- Treasury Management Strategy
- Estates Strategy
- Fleet Strategy
- ICT strategy
- Medium Term Financial Plan
- Joint Corporate Governance Framework
- Reserves Strategy
- Budget and Precept Annual Reports to the Police, Fire and Crime Panel
- Collaboration Agreement Fire and Policing (currently In progress)

March 2019

AGENDA ITEM: 8

NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER,

NORTHAMPTONSHIRE POLICE and

NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE

JOINT INDEPENDENT AUDIT COMMITTEE

20 MARCH 2019

REPORT BY	Sarah Crampton
SUBJECT	HMICFRS Value for Money Profile
RECOMMENDATION	The Committee is asked to note this report.

1. Purpose of report

In 2018, HMICFRS produced value for money (VfM) profiles for police forces in England and Wales. This report summarises and explains the main findings, including variances and outliers for Northamptonshire Police.

Introduction

For the last seven years HMICFRS has published value for money profiles for each force, bringing together information on demand, activity, spending, performance and workforce.

Previously they were published as static pdf documents but for 2017/18 data have moved to publishing them online using Power BI to allow greater interactivity in the data. This was done in the hope of providing users with new insights into the data through exploration of multiple dimensions to data. The tool however has not yet proven to be intuitive and has not provided the insights hoped.

2. Exceptions and Outliers

The following is an overview of the profile, outlining where Northamptonshire Police sits within the data against its Most Similar Group (MSG) and national peers. Exceptions and outliers are highlighted where costs are more than £1.00 per head different.

Corporate Services will look at these outliers and seek to understand how other forces are resourced, how this is impacted by the Force's policing model. This will be used to identify any good practice or opportunities that can be taken back into the force or if there is an opportunity to focus how a unit or department is resourced through Outcome Based Budgeting.

It should be noted that some of the outliers are a consequence of the choices which had to be made in order to resource the policing model based on the funding available, and the threats and risks the force faces.

2.1 Net Revenue Expenditure per person

Northamptonshire is in the bottom quartile with a total NRE of £159.34 per person against and MSG average of £160.73 and England and Wales average of £174.50. Over the last 7 years NRE per person has fallen -14.5% in Northamptonshire compared with -5.2% in England and Wales and -5.5% in the MSG. In the last 2 years NRE per person has fallen below the MSG average rate per person.

Population changes
Cheshire +2.6%
Staffordshire +2.7%
Derbyshire +2.9%
Nottinghamshire +5%
Essex +5.4%
Kent +5.8%
A&S +5.9%
Northamptonshire +7%

In that time, the population of Northamptonshire has increased by 7% - significantly higher than our MSG forces. 2018/19 saw Total finance at its highest level. Therefore the reduction in NRE per person is explained by the growing population not a reduction in finance.

Northamptonshire residents have some of the lowest NRE per person on policing, and this has been decreasing at a faster rate than its peers due to a significant increase in population.

2.2 Spend by POA Objective

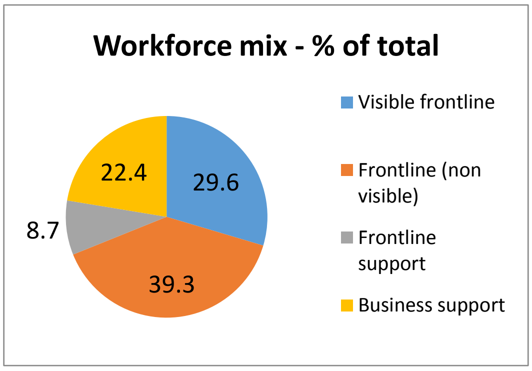
Spending per person is in line with or below the MSG and England & Wales averages in 7 of the 10 main objective areas. Spending is higher in Intelligence, Support functions and Investigations with the latter considered an outlier due to the significant difference and 2nd highest rate per person nationally.

Spend per head (£)	Northamptonshire	MSG average	England and Wales
Local Policing	57.32	57.60	65.54
Dealing with the public	8.97	10.99	11.71
Criminal Justice arrangements	8.00	9.09	10.62
Roads Policing	1.17	2.81	3.35
Operational Support	7.13	7.22	8.20
Intelligence	6.86	6.33	7.44
Investigations	13.70	7.84	7.98
Public Protection	10.38	12.85	11.54
Investigative Support	3.89	4.39	4.45
Support functions	37.26	35.09	37.73

Spending has seen a significant increase in Public Protection during 2017/18 bringing it more in line with its peers but still more than £2.00 per person lower than the MSG. Conversely, although in line with its peers, local policing spending has fallen in the last 12 months. Investigations have seen a small increase in spending, more than the MSG but this does not account for it being an outlier.

The force has put more resource into investigations in the past 12-18 months, recognising the threats and risks in this areas, and so this is worthy of further examination to ensure the right numbers and identify any learning from other forces.

2.3 Workforce in numbers

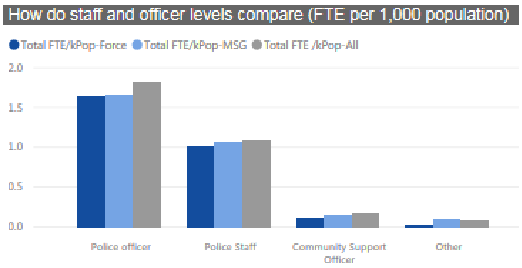


The MSG as a whole has a lower spend per head of population on policing with Northamptonshire in the bottom quartile. The force has the 2nd lowest spend per head on visible frontline resources but one of the highest in non-visible frontline. This could be explained by forces assigning the same roles to different categories. Frontline support is in line with the national average and business support is just above the national average but broadly in line with peers. Visible frontline resource spending per person has seen a more marked reduction in the last couple of years, with business support increasing. This is evidenced in the reduction in cost in Local Policing and increase in Support Services.

Nearly 79% of resources are aligned to frontline activity – just below the national average.

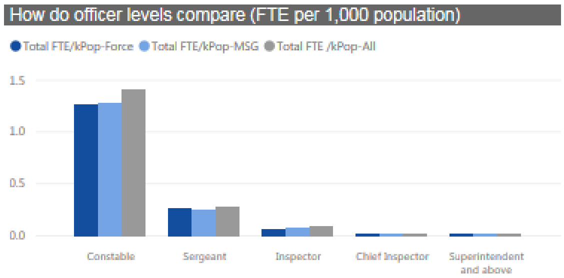
Visible frontline resources have seen a marked reduction in the last 2 years and the force has the 2nd lowest proportion of it's spend on visible frontline resources.

There are 1.57 Police Officers per 1000 residents in the county, below the national and MSG averages and putting the Force in the bottom quartile. The number of officers has fallen slightly but the rapidly increasing population is driving the overall ratio down.



PCSOs are also low compared with the national and MSG averages at 0.12. Again the population growth has been the main driver. The force is more comparable with the ratio of police staff to population with a marked increase in police staff in the last 2 years. This will have been impacted positively by the decisions to bring in police staff into a number of areas such as in investigative functions.

If the county population continues to grow as it has done, the public will see a further decrease in the ratios.



The MSG and force have much lower rates of Constables and Inspectors per 1000 population. Both ranks have experienced long term declines although for the first time in 5 years, Constables have seen a slight increase.

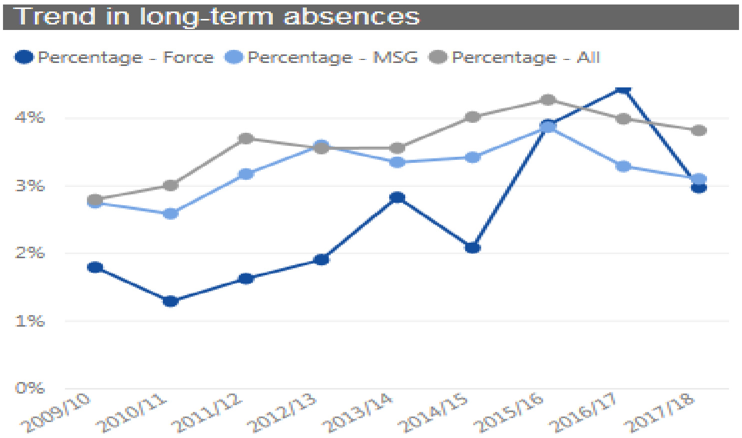
The rapidly increasing population is reducing the ratio of officers and PCSOs per 1000 population. The workforce is being spread more thinly across the county population.

2017/18 saw a sharp increase in joiners following 2 intakes of officers and recruitment of Local Investigation Officers (police staff). Joiners were higher than most other forces – the 4th highest volume nationally. Leavers were in line with other forces.

2.4 Absence

Long term absence in 2017/18 was below the MSG and national averages with 3% of the workforce absent for more than 28 days (4% nationally). Maternity leave was significantly higher than other forces (7th highest nationally) but sickness much lower (7th lowest). The force saw a higher rate of people absent due to suspension, but this was a very small proportion of overall absence.

Maternity leave is comparably much higher than other forces with sickness much lower.



Over the last 10 years, long term absence has been increasing nationally with Northamptonshire Police mirroring this trend. In the last 2 financial years this trend has abated nationally although it has taken longer for us to see a reduction but we remain below peers. Long term absence for constables makes up the majority of the total with all other ranks significantly lower. 2018 data for the force has shown a rise in the number of people off on long term sick suggesting 2018/19 data could be higher in the next publication. Locally the average duration of sickness is falling and is now under 5 days suggesting short term sickness is increasing and accounting for more of the overall sickness in force. Under ACO Naylor the force continues to address this.

2.5 Salaries

Overall, the force pays its workforce comparable salaries. Spend per FTE overall is in line with the national average but above the MSG average. Police Officers are paid the highest in the MSG at £54,856.05 compared with £53,304.17 in the MSG.

PCSOs are an outlier in having the highest cost per FTE nationally at £39,854.75 – this has been the case for a number of years and reflects the broader responsibilities given to PCSOs in Northamptonshire compared with PCSOs in other forces. This equates to more than £3000 per FTE than the next force (Staffordshire). Police staff salaries per FTE are below the MSG and national averages at £34,071.63. The volume of police staff is comparable to the national average and so cost savings are less likely to come from police staff.

Officer and PCSO salaries per FTE are some of the highest nationally.

2.6 Local Policing

Local Policing spend is in the bottom quartile and below the national and MSG averages at £57.32 per person. This has been falling over time and is associated with a reduction in Police Officer and PCSO costs. Spend on Neighbourhood policing per head of population is significantly below the national and MSG averages at £14.35 (nationally £18.53 and MSG average of £23.86). This is an outlier and will reflect the changes made to the organisation in November 2017. Officer costs specifically are significantly below all other forces and half the cost of the MSG average.

Spend on Neighbourhood resources is an outlier and significantly below most other forces especially police officer costs.

Spend on response overall is slightly higher than with peers with officer costs the main contributor. Spend on prisoner handling and local investigation is much higher than other forces and is increasing. The force is spending more than £6 per person in this area but it does reflect the current structures in place.

2.7 Investigations

Investigations spend is skewed by a high cost associated with Serious and Organised crime (£5.28). Regional forces in our MSG also have high spend in this area with Nottinghamshire, Derbyshire and Northamptonshire the top 3 forces nationally on SOC spend per person. Police officer spend accounts for the largest contribution here.

Spend per person on Investigations is the 2nd highest nationally at £13.70, heavily weighted to SOC.

Away from SOC but still in Investigations, CID/FIT spend is the highest nationally at £2.55 per person. The last two years have seen a marked increase in costs in this area. Police officer costs are a large contributor and in the latest year so too are staff costs following the introduction of Local Investigation Officers. The current policing model chose to keep most investigation away from Response and Neighbourhood and moved resource into this area.

MIT costs have remained much lower over the last 3 years and in line with other forces. Economic Crime spend per person is the 4th highest nationally. This has also been an outlier in previous years and remains so. Staff costs remain the highest in the MSG and are high nationally. Officer costs are also high in comparison to peers. The increase in fraud offences being investigated within force may explain the high costs in this area. The team have had recent successes in POCA legislation and this may help offset some of the high cost associated with this team. Cyber-crime spend per person is also high compared with peers and officer costs are driving this much higher than other forces.

The specialist teams under Investigation have high workforce costs skewed by comparably higher officer or staff costs. Understanding the workforce mix of similar forces may identify possible saving opportunities in the future.

Investigation spend is above the MSG average by £4.4m. There is a difference of £1.8m on officer salaries and £1.2m on staff costs. Spend is significantly above the national average by similar amounts. Other forces may not have the same specialist teams that Northamptonshire does or their configuration may be weighted to public protection where Northamptonshire is significantly lower.

2.8 Dealing with the Public

Spend on Dealing with the public is the lowest in the MSG and 3rd lowest nationally. This comprises of front desks and the central contact centre. Despite the overall low cost, the force has one of the highest police officer costs nationally with other staff costs the lowest nationally. The force employees more officers per person in this area compared with other forces, equating to around a third of overall cost in Northamptonshire Police compared with around 10%-15% for MSG forces. This may present an opportunity for more modernisation of police officer posts in this area in the future.

Overall spend per person saw a notable drop in 2016/17 and although it has increased very slightly in the next 2 years, it has remained well below the MSG and national averages. The main driver of this reduction has been less cost associated with the FCR since only a very small amount has been assigned to front counters and a reduction here would not explain the overall decrease seen.

Comparably the force deals with a lower volume of 999 calls per person when looking at call data from iQuanta so a lower spend per person could be expected. Kent have the highest 999 calls per person in the MSG but also one of the smallest expenditures per person on contact management. This suggests both forces offer a more efficient service compared with other MSG forces.

Northamptonshire Police spend on contact management is one of the lowest nationally but has a higher proportion in the way of Police Officer spend.

2.9 Criminal Justice arrangements

Criminal Justice arrangement spending is the 3rd lowest nationally and the 2nd lowest in the MSG. There has been a long term decline in cost per person in this area not just locally but also in the MSG and nationally. 2018/19 saw a more marked decrease in this area, but it appears some costs associated with Police Officers may not have been included in the most recent data.

Road policing expenditure is the 2nd lowest nationally for 2018/19 with Lincolnshire lowest and Nottinghamshire 3rd lowest, reflecting the collaborative arrangements. Overall spend per person is however similar to that of 2015/16 and 2016/17 at £1.17 per person. Officer costs are a small proportion of the overall total and one of the lowest nationally. The staff costs are however a much greater proportion and comparably high to other forces.

2.10 Intelligence

Intelligence spend in the past has been much lower and the force has been an outlier for low spend per person for a number of years. In this most recent profile, spend per person has remained higher for a second consecutive year at £6.86. This is in line with the MSG and national averages so the force is no longer an outlier. Intelligence analysis was historically on the low side but this profile shows Northamptonshire Police as in line with peers. Officer costs are the highest in the MSG and with police staff costs the 2nd lowest and some of the lowest nationally. The force could review the workforce mix here if further savings are needed, particularly in intelligence threat assessments as opposed to intelligence gathering. Of note, some areas of intelligence are currently subject to Outcome Based Budgeting.

Intelligence is no longer an outlier on spend per head; the workforce mix could present further opportunities for savings in this function once fully analysed.

2.11 Public Protection

Public Protection spending overall has increased over the last 2 years to its current high level of £10.38 per person. In 2016/17 and 2017/18 spend was significantly below peers; the increase in 2017/18 brings it closer to peers but remains below the MSG and national averages. Officer costs are just below average and comparable; staff costs are comparably higher than other forces due to higher spend per person in Domestic Abuse teams. Other specialist teams are in line with other forces.

Spend per person is highest in Domestic Abuse teams with Public Protection but overall spending is below the national and MSG averages.

The force shows as an outlier and has a difference in spend of £2.27m against the MSG and £1.3m against the national average. Local configuration and structures are most likely to explain this difference.

2.12 Support Services

Spend in support services has shown a continued increase in the last 2 years to its current level of £37.26 per person – 6% above the MSG average spend per person and 1% below the national average. The current spend is more per person for 6 years. Fleet, CDD/change, PSD, HR and finance costs are higher per person but not an outlier. Legal services are the highest in the MSG and second highest in the region after Lincolnshire. Press & Media, Estates are in line with the national average. Training and ICT costs are slightly below the national average spend per person despite increases in costs in the last 2 years. Centralising contracts is likely to account for a large proportion of this increase within ICT. Procurement is considered an outlier and has the 2nd highest costs nationally. Other regional forces are not recording the same costs suggesting Northamptonshire Police may have assigned costs differently to our regional colleagues.

Support service costs are in line with peers but spend per person is the highest for 6 years.

3. Crime and Outcomes

The profiles use crime and outcome data published quarterly through the Office for National Statistics (ONS). The profiles contain data for the crime year 2017/18. The force has been following the national and MSG trends in recorded crime over the last few years and the more recent local data confirms the trends are continuing. However some crime types remain an outlier and a risk to the force.

Serious Acquisitive Crime types are those that are furthest away from our peers. We remain an outlier in these categories and it equates to 3817 more crimes than if we achieved the MSG average. When looking at crime severity (an alternative to crime harm), these same categories are also an outlier with the exception of vehicle crime which ranks low on crime severity.

A proportionate focus on burglary and robbery should be considered if the force wishes to reduce its outliers.

	Local Trend per 1k population	National Trend per 1k population	Exceptions	Positive Outcomes
All Crime	Stable	Increasing	None	In line with peers
Violence against the person	Strongly upward	Strongly upward	None	In line with peers
Sexual offences	Strongly upward	Strongly upward	None	In line with peers
Robbery (all, personal and commercial)	Stable	Moderate increase	Rate per 1k high; rate of change low	Low – 3rd lowest nationally
Burglary – all	Slightly down	Slight increase	Rate per 1k high; rate of change lowest nationally	Lowest nationally
Burglary residential	Increasing	Increasing	Rate of change 2nd lowest nationally	Lowest nationally
Burglary commercial	Decreasing	Decreasing	High per 1k	2nd lowest nationally
Vehicle offences	Stable	Slight increase	High per 1k except TOMV which is in line with peers	Low – bottom quartile
Other theft offences	Stable	Stable	Rate of change lowest nationally particularly shoplifting	Low – bottom quartile
Criminal Damage and Arson	Stable	Stable	Rate of change lowest nationally	In line with peers
Drug offences	Stable	Decreasing	None	In line with peers
Other non-victim based crime	Slight increase	Strong increase	None	High – top quartile

Suspect identified crimes across all crime types are comparable to the MSG and national averages. Burglary and vehicle offences have the lowest proportion with a suspect identified but this is not considered an exception.

Crimes against children (u17) are in line with peers at just under 6 per 1k population but follow the strong upward trend being seen nationally and in the MSG. Most are violence without injury or other sexual offences. Child rapes are lower than most other forces.

Positive outcomes per officer are below the national and MSG averages at 6.4 compared with 6.91 nationally and 7.74 per officer in the MSG. Our MSG is a strong performer in positive outcomes with Staffordshire and Nottinghamshire showing more positive outcomes per officer than Northamptonshire. Those crimes with a suspect but where further action was not taken is below the MSG average and comparable to national forces. This rate is double the rate with action taken.

4. Summary

The county is being impacted heavily by being one of the fastest growing populations. The largely stable workforce is therefore being spread across more people and reducing our comparable performance. Salaries are high compared with other forces for officers and PCSOs and this has produced high costs in some areas of the force e.g. Investigations. Most of the areas where the force is an outlier are those that have been outliers for a number of years – people and crime types. Some of these areas which are a new outlier e.g. investigations, are an outlier due to investment in these areas to tackle high risk areas e.g. Serious and Organised Crime which have been identified as a concern in HMICFRS inspections. This shows that the work the force is doing and where it is investing in resources is in the right areas.

As stated at the start, Corporate Services will look at these outliers further to identify good practice and also identify opportunities as part of the OBB process. This will allow a look at functions where costs are higher than peers, to review the workforce mix and the outcomes they are generating.

AGENDA ITEM 9a

NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER,

NORTHAMPTONSHIRE POLICE and

NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE

JOINT INDEPENDENT AUDIT COMMITTEE

20 MARCH 2019

REPORT BY	CFO Darren Dovey
SUBJECT	NFRS Inspection Programme
RECOMMENDATION	Committee to note report

1 Purpose of report

1.1 To provide the Joint Independent Audit Committee with an update on the national inspections to date and the current progress regarding NFRS's inspection.

1.2 It should be noted that the inspection took place whilst NFRS were still part of Northamptonshire County Council and before the change of Governance to the Police, Fire and Crime Commissioner (PFCC).

2 Relevant Fire Plan/ IRMP strategic objective/ priority

2.1 This report contributes to the IRMP objectives of:

- Keeping our communities safe and well
- Keeping our staff safe and well
- Making the best use of resources

3 Background

3.1 In 2017 and in line with the Governments "Fire reform" agenda, Her Majesty's Inspectorate of Constabulary (HMIC) was selected by the Home Office to undertake inspections of Fire and Rescue Services across England. HMIC were thus renamed as Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS).

3.2 Following the selection HMICFRS worked closely with the National Fire Chiefs Council (NFCC) and others in the Fire sector to develop a Framework for inspection, including the relevant judgement criteria to be used to determine the outcomes. This work was completed in early 2018 where it was decided that services would inspected for "Effectiveness", "Efficiency" and how it looked after its "People". Sitting underneath these three themes would be 11 sub-diagnostics against which evidence would be evaluated and graded judgements given. The graded judgements ranged from "Inadequate", "Improved required", "Good" and "Outstanding". In order to test the methodology three pilot inspections were undertaken in Suffolk, Staffordshire and West Yorkshire.

The inspection framework can be found at;
https://www.justiceinspectorates.gov.uk/hmicfrs/fire-and-rescue-services/how-we-inspect-fire-and-rescue-services/frs-inspections-question-set-2018-19/

The judgement criteria can be found at;
https://www.justiceinspectorates.gov.uk/hmicfrs/wp-content/uploads/frs-judgment-criteria.pdf

3.3 In spring 2018 details were published as to when all 45 FRS's in England were to be inspected. This indicated that the inspections would be carried out in 3 tranches, Northamptonshire were to be inspected as part of tranche 2. Tranche 1 inspections were completed in the Summer/Early Autumn 2018. Tranche 2 inspections are to be carried out in Autumn/Winter 2018/2019 with Tranche 3 being completed in Summer/Autumn 2019.

3.4 On 21st December the final reports into the tranche 1 inspections, including a consolidated "summary of findings from tranche 1" report, were published. These can be found at;
https://www.justiceinspectorates.gov.uk/hmicfrs/publications/fire-and-rescue-service-inspections-2018-19/

3.5 The Inspection process is made up of various elements Including (dates where NFRS undertook these activities are shown in brackets);

- Information and data requests/returns (Throughout 2018).
- A self-assessment (Summer 2018)

- Discovery week, where a small team of inspectors spend a week in service. (15th – 19th October 2018)
- A Strategic briefing, where the Fire Executive Group (FEG) provide a presentation to a small team of inspectors including the Chief Inspector Zoe Billingham and Service Liaison Officer (SLO) Nathan Cross. (7th November).
- Fieldwork, where a full team of inspectors spend a week in service interviewing staff and reviewing documentation. (19th – 23rd November)

3.6 Following the Fieldwork SLO Nathan Cross and Laura Gibb from HMICFRS presented their initial findings to the Chief Fire Officer in the form of a "hot debrief" on 29th November 2018. The hot debrief was conducted by means of a PowerPoint presentation aligned to the 11 sub-diagnostics. HMICFRS made the caveat that this was only a partial view of the service at this time as they had more evidence to study; as such anything presented at this time was subject to change. No indication against the judgement criteria was given at this time.

3.7 The final report into the inspection is due to be published in June 2019 with a draft available for the authority/service to review in late April/early May 2019.

3.8 The outcomes of our initial feedback, the self-assessment and the summary of findings from the tranche 1 summary report, where applicable, have been included in the current IRMP 2019 – 2022. This is to ensure that where organisational learning is evident, improvement actions are embedded within our planning framework to promote continuous improvement.

3.9 HMICFRS had indicated that they wished to return with a small team of inspectors between 4th and 6th of March 2019 to gather further evidence against two areas, these being Firecover and Training. This visit has now been cancelled, we have not heard if this will be rescheduled.

4 Proposal

4.1 The proposal is for the Joint Internal Audit Committee to note this report and await the full inspection report due in June 2019.

5 Alternative Options Considered

5.1 At this stage there are no alternative options to be considered.

6 Financial Implications

6.1 It is envisaged that improvement actions will be managed within the Services designated approved budget. However once the full report is published there may be additional funding required where the service does not have the internal capacity or capability to deal with some specific issues. Should this be the case proposals will be brought forward to the Commissioner.

AGENDA ITEM : 9b

NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER,

NORTHAMPTONSHIRE POLICE and

NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE

JOINT INDEPENDENT AUDIT COMMITTEE

20 MARCH 2019

REPORT BY	Sarah Calvert for DCC Nickless
SUBJECT	HMICFRS Inspections Update: Police Effectiveness, Efficiency and Legitimacy (PEEL) and future inspection activity.
RECOMMENDATION	The Committee is asked to note this report.

1 Purpose of the report

1.1 This report provides the Joint Independent Audit Committee (JIAC) with an update on recent HMICFRS PEEL Inspection process and a high level summary of how the Force is working to manage the initial outcomes of this. The report also includes a briefing on upcoming inspection activity.

2. HMICFRS PEEL Inspection 2019

2.1 The Force has been subject to its first annual HMICFRS integrated PEEL inspection process. HMICFRS undertook inspection fieldwork in Force, for a two week period from Monday 14th January 2019, to gather evidence to assess the Force against nine of the ten core inspection questions (Appendix 1). The fieldwork included interviews with Chief Officers and Senior Leads, as well as focus groups with officers and staff from across the Force. HMICFRS also went out to a range of departments and areas to conduct extensive reality testing.

2.2 Debriefing between the Force and HMICFRS took place during the fieldwork, which allowed for the effective running of inspection. The formal hot debrief by HMICFRS took place on 5th February 2019 and the report remains subject to moderation and ratification.

2.3 The Force is reviewing the key issues/areas of concern from the feedback provided by HMICFRS. The Force plans to review these against the work that is already being undertaken and reprioritise where required.

2.4 Formal governance is in place to manage this going forward; this includes the introduction of the Service Improvement Board (chaired by the Deputy Chief Constable), the introduction of a quarterly HMICFRS meeting and through the Chief Constable's Force Strategy Board.

2.5 The Force will optimise all opportunities to inform HMICFRS of the steps that it is taking and the progress it is making in the months up to publication of the final report (publication is estimated for September 2019).

3. Upcoming Inspection Activity – National Child Protection Inspection (NCPI)

3.1 On 26th February 2018, the Force was subject to its NCP Inspection. A formal report with areas for improvements and recommendations was subsequently published; the report was intended to assist the Force in developing plans in relation to child protection arrangements in Northamptonshire. The Force provided HMICFRS with an action plan of how it was responding to the recommendations made, six weeks after report publication. This was in part to inform the precise nature of how HMICFRS would assess progress.

3.2 On the w/c commencing 11 March 2019, the Force will be subject to a 12 month post-inspection review, which will examine the force's progress against the recommendations of the original NCP inspection that took place. This will take place across that week; whilst not a full inspection a significant amount of activity will take place including:

- Review of key documents relating to Governance, Domestic Abuse, Control Room, Children Missing from Home, Child Abuse Investigations, Custody, Police Protection, MASH and IT
- Interviews with the Chief Officer Lead and Force professional lead for Child Protection, leads for MASH, Missing Persons, MOSOVO, Child Abuse Investigation Team, Force Investigation Team, High Tech Crime and Custody.
- Audit of randomly selected cases (as defined by HMICFRS)

3.3 HMICFRS will debrief to Chief Officers and/or Child Protection lead and the Police, Fire and Crime Commissioner on Friday 15 March 2019.

4. Future inspection and scrutiny activity

4.1 The Force has not yet been subject to its Crime Data Integrity inspection; it is anticipated that this will happen in 2019.

4.2 All Forces will be expected to produce a Force Management Statement by 31 May 2019. The development and completion of this product is being managed by the Force's Strategic Development Team, working with key contributors and stakeholders across the organisation. This work is being completed in phases to ensure delivery; the Force is coming to the end of the first phase of work which includes strategic performance analysis and the production of the Force's Crime STRA.

Appendix 1

Effectiveness	Efficiency	Legitimacy
Q1 Preventing crime/ local policing	Q6 Allocating resource against demand	Q8 Fair and respectful treatment of the public
Q2 Investigating crime and catching criminals	Q7 Future planning	Q9 Ethics and counter corruption
Q3 Protecting vulnerable people		Q10 Fair and respectful treatment of the workforce
Q4 Tackling serious and organised crime		
Q5 Responding to national threats		

AGENDA ITEM: 10

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JOINT INDEPENDENT AUDIT COMMITTEE

20 MARCH 2019

REPORT BY	Force/OPFCC
SUBJECT	MFSS – FUSION IMPEMENTATION
RECOMMENDATION	TO NOTE

1 PURPOSE

1.1 The purpose of this report is to provide further update to JIAC on the progress made in preparation to move the Multi-Force Shared Service (MFSS) from its current operating platform to Oracle Fusion in 2019.

2 UPDATES SINCE LAST JIAC MEETING

2.1 All resources now come from within the force with Paul Edwards and Grant Thornton leaving the project in October 2018 and November 2018 respectively.

2.2 The initial round of cutover into live rehearsal (CDR1) was completed in November 2018 and all partners contributed to a plan to address the issues experienced. The issues consisted of resourcing challenges for the partners and MFSS due to the overrun and resulting overlap of project phases together with a range of technical issues.

2.3 The ongoing costs of the contract with Capgemini post go live increased by £300K and were approved by Joint Oversight Committee in November 2018.

2.4 Cheshire Fire and Rescue took the decision to delay their on-boarding indefinitely resulting in a £482K cost split across the remaining 4 partner forces. This had previously been highlighted as a risk.

2.5 The second round of cutover into live rehearsal (CDR2) was completed in January 2019. The MFSS were unable to successfully load all data entities within the timescales of cutover and partner project managers were asked to make an assessment of the position reached on 29th January (virtual go live date) for their force.

2.6 All partners provided responses and many of the critical loads and issues were common to all partners; finance related data loads, data integration issues and inability to load learner enrolments were all identified as potential blockers to go live.

2.7 All partners signed off UAT regression testing on the 6th February 2019 and accepted the defect position they would take into go live.

2.8 Early data loads for cutover into live (CDRL) started during week commencing 11 February 2019.

2.9 All partners signed off the payroll reconciliation and parallel pay run (PPR) on the 13 February 2019.

2.10 All partner project managers recommended a qualified go decision dependent on the issues highlighted at 2.6 above being resolved. This recommendation was taken to Sub-committee on the 20 February 2019 nd was approved.

2.11 The Northants qualifications for go live are:

1. SIRO assessment of Security issues linked to moving into the cloud and outside of the PSN
2. Resolution of Inventory issues and defects for which there is no acceptable workaround
3. Successful load and reconciliation of Finance data not previously achieved during cutover dry runs and regression testing

3 IMPLEMENTATION

3.1 A Fusion Implementation Board is in place and includes key stakeholders across the organisation who will be needed to help ensure a successful implementation. Grant Thornton initially provided the project management office function for the board but this role has now passed to the forces partner project manager.

3.2 Resourcing for early life support and beyond has yet to be agreed but discussions are currently taking place between the ACO and DCC to determine the exact nature of the requirements and to secure suitable individuals.

4 RISKS

4.1 The main concern for some time in relation to Fusion was the readiness of the system to go-live and the level of service the force would receive from this. There is a greater level of confidence in the go-live version (R19a) but it should be recognised that this offers little additional functionality.

4.2 The risks associated with MFSS and Fusion are on the force risk register and reference the issues with the current business as usual service through MFSS as well as the move to Fusion. A risk register for Fusion is maintained by the MFSS project management office which outlines the programme risks and the mitigation around them.

4.3 The key risks at the time of writing are:

- That the SIRO is unable to sign off the RMADS (Risk Management & Accreditation Document Set) due to the level of unmitigated data security risks resulting in a delay to go live
- That the ASC cost liability is challenged leading to increased liability for remaining Partners and increasing overall costs

5 SUMMARY

5.1 MFSS-Fusion implementation remains one of the highest non-operational risks in the force. It has appropriate oversight, reporting through to the DCC and sufficient dedicated resource in place for successful implementation but the requirements for early life support and the first year following go live are yet to be determined or secured.

5.2 The Force and OPCC are cognisant of the costs associated with this project and it remains under close scrutiny by both.

AGENDA ITEM: 11

NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER,

NORTHAMPTONSHIRE POLICE and

NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE

JOINT INDEPENDENT AUDIT COMMITTEE

20 MARCH 2019

REPORT BY	Paul Bullen/Helen King OPFCC
SUBJECT	Update on Fire Governance
RECOMMENDATION	To note the report

1. Background

1.1 The Police and Crime Act 2017 enabled Police and Crime Commissioners to have a say in the oversight of fire and rescue services within their area. Three options were within the Act:

- The Representative model – the PCC takes a seat on the existing Fire and Rescue Authority, in the case of Northamptonshire this would be a place at the County Council when fire and rescue matters are discussed
- The Governance Model –with the Chief Fire Officer reporting to the PCC alongside the Chief Constable and the retention of two separate organisations
- The Single Employer Model – the PCC puts forward a business case to become the Fire and Rescue Authority with a single chief officer for police and fire reporting to the PCC and all employees working for a single organisation

1.2 Northamptonshire has been at the forefront of police-fire inter-operability and so the PCC, building on the work of his predecessor, sought to take forward a business case for change.

1.3 The business case was supported by local MPs, the County Council, and the majority of the public who responded to the PCC's public consultation. 92% of fire and rescue staff who responded were in favour of the change in governance. The business case was approved by the Home Secretary in April 2018. A date of 1st January 2019 was agreed for the change

1.4 The Joint Independent Audit Committee received an update on progress in July and December 2018.

1.5 The governance change occurred on 1st January 2019.

2 Governance Change Implementation to 1st January

2.1 The Statutory Instrument to enact the transfer of the fire authority to the Commissioner was laid on 12th October 2018.

2.2 The statutory transfer schemes for people and property were laid in December 2018.

2.3 The people transfer scheme was the mechanism by which the staff who work for fire and rescue were transferred to the new authority. Alongside the scheme, the County Council and PFCC entered into an indemnity agreement to ensure that liabilities related to staff pre- January 2019 would be covered by the County Council, thereby enacted the policy intention of the business case to ensure that liabilities remained with the County Council.

2.4 The property transfer scheme included immovable (buildings) and movable (vehicles). The scheme also included all contracts that the fire and rescue service used under the County Council to ensure a continuation of use post 1st January. The scheme included commitments to:

- Both parties to enter into a lease arrangement for the flats above the Mounts Fire Station (known as Belinda Ferrison House) to enable continued use by the County Council.
- Both parties to enter into an arrangement to ensure continued use of a right of way across fire property to a library at Rothwell.
- Both parties to enter into a lease for the use of Walker House by fire and rescue staff.
- Both parties to enter an overage agreement for the properties transferred.

2.5 The PFCC agreed to enter into an arrangement with LGSS for the continuation of the provision of support services for a period of 18 months. A new version of the system used by fire was built by LGSS in time for the go live date.

3 Progress post 1st January 2019

3.1 Governance Related

3.1.1 The PFCC has appointed the Chief Fire Officer as the Head of Paid Service for the new Fire Authority. The current Monitoring Officer and Chief Finance Officer for the PFCC have also been appointed as the same roles for the new Fire Authority.

3.1.2 A Corporate Governance Framework for the Fire and Rescue Authority has been put in place in a consistent format to that used by the OPFCC and CC for policing. The framework is available on the website and a review is planned during 2019.

3.1.3 Senior officers from the OPFCC and the fire and rescue service are meeting to put in place arrangements to ensure that the framework is put into robust practice.

3.2 Estates Related

3.2.1 Heads of Terms have been signed for the arrangements at Belinda Ferrison House, Rothwell and Walker House.

3.2.2 At Belinda Ferrison House, the County Council will have a 25 year lease at a peppercorn rent.

3.2.3 At Rothwell, the right of way across the fire property will be allowed for as long as the property accessed is owned by the County Council or is a public library. The PFCC can end the arrangements if Rothwell fire station is to be sold through buying out the right of way for the calculated loss of value to the library building (£38,000)

3.2.4 At Walker House, the PFCC is taking a 10 year lease of part of the property. Costs will be apportioned on a gross internal area occupied basis.

3.2.5 Respective legal departments are currently working on full agreements for each of these.

3.2.6 The Overage Agreement is still in negotiation. The principles are well understood between both partners. The intention in the agreement will be for 15 years and will be based on profit against a market valuation at point of transfer to sale price. County Council lawyers have the latest draft from the PFCC.

3.3 **LGSS Related**

3.3.1 The Business Case was based on all services currently provided by LGSS would continue post transfer for a minimum 12 month period. During the period of transfer, the PFCC and LGSS agreed a timescale of 18 months with two 6 month extensions to provide consistency and stability for NCFRA.

3.3.2 During the Governance transfer, legal services, procurement and management accounting were negotiated to be provided outside of LGSS. Two additional finance posts have also been created in the OPFCC to assist in the Chief Finance Officer in delivery of these responsibilities. Democratic services for Firefighters Pension are being provided by NCC.

3.3.3 A new Finance Client was set up in the NCC Aggresso System (known as Client 18), utilising existing systems and arrangements, but building in NCFRA delegation levels from the Corporate Governance Framework.

3.3.4 As the Statutory Instrument was laid in mid October 2018, and the Governance transfer took place on 1 January 2019, a lot of work took place between NCC, LGSS, Fire and OPFCC colleagues to achieve the deadline.

3.4 **Accounts and Finance Related**

3.4.1 Banking arrangements were set up for the new Authority under Single Tender Agreement Arrangements with Natwest. These were set up by the due date and essential BACS arrangements for Payroll and AP met the deadlines.

3.4.2 Given the unique financial position of NCC, the PFCC met the transitional costs, currently estimated at £380K, for which NCFRA will meet 50% over a 3 year period. This is built in to the Fire MTFP and the PFCC Reserves Strategy.

3.4.3 The 2019/20 budget and precept report was considered by the Police, Fire and Crime Panel, together with the Capital Programme, Capital Strategy and Treasury Management Strategy sets out the financial challenges facing NCFRA in the Medium Term.

3.4.4 The NCFRA budget includes a contribution to OPFCC office costs of £400k to reflect direct costs of staff working on Fire business (for which staffing and funding did not transfer from NCC, e.g. corporate and democratic services) and some direct Fire costs as a result of the Transfer. This will be reviewed during the year.

3.4.5 Of key importance is agreeing the opening balance sheet with NCC.

3.4.6 The Statutory Instrument does not specify that NCC will produce a closing set of accounts for does it specify a date by which the opening balance sheet must be finalised. The original timescale agreed with NCC to complete this work was 28/2/19.

3.4.7 However, the opening balance sheet has not yet been agreed and timescales are tight. The current delay, together with the requirements to produce a 3 month set of accounts for the new organisation means that meeting the statutory timescales for the first NCFRA accounts could be challenging.

3.4.8 OPFCC, Fire, LGSS and NCC colleagues are all working closely to ensure an evidenced based opening balance sheet position is agreed as soon as possible.

3.4.9 In terms of the 2018/19 closedown, external auditors have been appointed, a timetable has been produced, budget holder guidance notes and briefing issued and valuations have been instructed for all land and buildings, LGPS and Firefighters Pension schemes.

3.4.10 A workshop has been set up with auditors and the JIAC on the 20/3/19, fortnightly closure meetings are in place with LGSS colleagues on the timetable and an accounts template and format has been developed.

3.5 **Other Matters**

3.5.1 Fire and rescue will utilise East Midlands Police Legal Services and East Midlands Strategic Commercial Unit for legal and procurement advice respectively. A fixed fee has been agreed for the services, to be reviewed after one year.

4 **The Fire and Rescue Plan and Integrated Risk Management Plan**

4.1 There is a statutory duty on the PFCC to produce a Fire and Rescue Plan. There is also a statutory duty on any fire and rescue authority to produce an Integrated Risk Management Plan. Both plans must be consulted upon.

4.2 The draft plans (available at https://www.northantspcc.org.uk/your-views-on-future-police-and-fire-priorities-for-northamptonshire/) were put to public consultation from 4th February to 4th March 2019.

4.3 An update on the consultation and the final versions of the plans will be provided at the meeting. The final plans will go to the Police, Fire and Crime Panel in April.

5 **Conclusion**

5.1 Members have received updates during 2018 on the Governance transfer and key issues and implications.

5.2 The transfer has now taken place and key actions are already in train or required in the near future.

5.3 Ensuring the opening balance sheet is completed in enough time to complete the statutory 3m is key.

MAZARS

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

Internal Audit Plan 2019/20

February 2019

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

Contents

1. Introduction

1.1 An annual proposed Internal Audit Operational Plan has been prepared on behalf of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police (the OPCC and Force) for the period 1 April 2019 to 31 March 2020.

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

1.3 **Appendix A** contains our proposed **Annual Audit Plan 2019 – 2020**.

2. The Scope and Purpose of Internal Audit

2.1 Internal Audit's primary role is to provide the organisation's management with independent assurance on the effectiveness of the internal control systems that contribute to the achievement of the organisation's business objectives. In so doing, this will support the OPCC and Force in signing the Annual Governance Statement. It is also Internal Audit's role to provide the OPCC and Force with assurance that they have in place effective processes for the management of risk.

2.2 In drawing up the internal audit work programme, it should be noted that:

- The OPCC and Force are accountable for internal control. The OPCC and Force are responsible for maintaining a sound system of internal control that supports the achievement of the organisation's objectives, and for reviewing its effectiveness;
- The system of internal control is designed to manage rather than eliminate the risk of failure to achieve these objectives;
- The system of internal control can therefore only provide reasonable and not absolute assurance of effectiveness; and
- The system of internal control is based on an on-going risk management process designed to identify the principal risks to the achievement of the organisation's objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.

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

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

3. Approach

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

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

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

- Reviewed the key strategic risks (OPCC and Force) that the JIAC require assurance on.
- Through discussions and the review of relevant documents, using the ‘three lines of defence’ model referred to above, considered the key sources of assurance that the risks are being effectively managed.
- Identified and agreed gaps in assurance.
- Agreed whether the gaps should be addressed and, if so, whether Internal Audit were the appropriate source of that assurance.

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

3.4 Through a focused approach to assurance, the internal audit service can be utilised to provide the right level of assurance, it can avoid unnecessary use of its finite resources and it can support the OPCC and Force in maintaining an effective Assurance Framework. Internal Audit, through its support for the Assurance Framework, should:

- support the OPCC and Force in managing its risks through the establishment (and, more importantly, the maintenance) of an Assurance Framework that is fit for purpose;
- look to other sources of assurance and assurance providers, including third party assurance, to supplement the resources of the internal audit team;
- work alongside other assurance providers, such as External Audit, to more effectively provide assurance and avoid duplication; and
- through risk-based auditing, focus internal audit resource on what is really important to each organisation.

3.5 Further to the above risk identification process, it should also be remembered that Northamptonshire form part of the East Midlands Policing Region and, as such, collaborate on a wide variety of services. The aim will therefore be to, wherever possible, align the audit plans across the region in order to secure efficiencies through collaborative auditing.

4 External Audit Consultation

4.1 We liaise closely with your external auditors in preparing, and then delivering, a co-ordinated approach to the provision of assurance.

4.2 We speak regularly with the External Auditors to consult on audit plans; discuss matters of mutual interest; discuss common understanding of audit techniques; methods and terminology; and to seek opportunities for co-operation in the conduct of audit work. In particular, we will offer the External Auditors the opportunity to rely on our work where appropriate, provided this does not prejudice our independence.

4.3 Internal audit forms a significant part of the organisation’s governance arrangements and it is therefore also important that Internal and External Audit have an effective working relationship. To facilitate this relationship, we included in the Audit Charter liaison arrangement with the external auditors under the Public Internal Audit Standards. The key principles behind this agreement are:

- a willingness and commitment to working together;
- clear and open lines of communication; and
- avoidance of duplication of work where possible.

Appendix A – Annual Audit Plan 2019-20

AUDITABLE AREA	PROPOSED TIMING[1]	JIAC[2]	PLAN DAYS	Commentary on Coverage
Core Assurance				
Core Financial Systems Assurance: • General Ledger • Payroll • Cash & Bank • Payments & Creditors • Income & Debtors	Q3	Mar 2020	18	To provide assurance with regards the adequacy and effectiveness of the systems of internal control in operation to manage the core financial systems. The scope of the work will include, but not be limited to: • Policies and procedures • Access controls • Amendments to standing data • Reconciliations • Authorisation routines • Reporting Similar to in previous years, the audit will include operations within the Multi-Force Shared Service (MFSS).
Governance	Q2	Dec 2019	8	To provide assurance that the Force and OPCC have effective arrangements in place to support compliance with the Code of Corporate Governance. In particular, it will review the process for compiling the Annual Governance Statement, providing a challenge with regards the evidence collected to support the declaration.
Strategic & Operational Risk Assurance				
IT Security	Q3	Mar 2020	10	The audit will review the controls and processes in place in respect of key IT risks, such as those relating to access controls, IT policies and procedures, network infrastructure and virus controls.

AUDITABLE AREA	PROPOSED TIMING[1]	JIAC[2]	PLAN DAYS	Commentary on Coverage
Business Continuity	Q1	July 2019	10	To provide assurance that the Force has effective controls in place with regards business continuity arrangements. The scope will consider such areas as Business Continuity Policies and Procedures and templates; Incident Escalation & Emergency Action Procedures; Business Continuity Test Plans; Continuous Improvement \ Lessons Learnt; and Monitoring and Reporting.
MFSS Contract Management	Q3	Dec 2019	7	Following an audit in 2018/19, a limited assurance opinion was given. In light of the continued reliance placed on the Multi Force Shared Service (MFSS) to deliver services to the force, and taking account of the ongoing work internal audit have carried out on site at MFSS as part of the core financial systems audits, this audit will look to see if issues raised in the 2018/19 have been addressed and provide assurance that the force have robust contract monitoring arrangements in place to manage its relationship with the shared service. See CR101.
Projects / Benefit Realisation	Q2	Dec 2019	12	Whilst the details of the scope will be agreed with management, the over-arching objective of the audit would be to provide assurance that projects are being effectively managed and that the expected benefits have been realised and / or the Force/ PCC have processes in place to measure the success of a project.
Property Management	Q4	Mar 2020	10	To provide assurance that the Force has effective controls in place for the receipting, storage, management and disposal of seized property. Following audits of this area in 2017/18 and 2018/19, where ‘limited’ assurance opinions were given, this audit will look to give assurance that the recommendations have been implemented and that the control environment has been strengthened. See CR95.
General Data Protection Regulations (GDPR)	Q3	Mar 2020	7	Following an audit in 2018/19, a limited assurance opinion was given. Using computer specialist resource, the objective will be to provide assurance with regards the force’s implementation of, and adherence to, the new General Data Protection Regulations (GDPR) and that issues raised in the 2018/19 audit have been addressed. See CR114.

AUDITABLE AREA	PROPOSED TIMING[1]	JIAC[2]	PLAN DAYS	Commentary on Coverage
Health & Safety	Q4	Mar 2020	10	It will provide assurance that the Force has effective processes in place in respect of health and safety and these are being consistently applied.
Absence Management	Q2	Sept 2019	8	Following an audit in 2018/19, a limited assurance opinion was given. The audit will look to provide assurance that issues raised in the 2018/19 audit have been addressed and that the force has robust and effective arrangements in place for managing periods of staff absence and the wellbeing of its staff.
Complaints Management	Q1	July 2019	8	To provide assurance that the Force have effective processes in place for the management of complaints and these are being consistency applied. The audit will consider changes to the arrangements for dealing with complaints being introduced during 2019/20.
Collaboration				
Collaboration	Q3 & Q4	Mar 2020	10	Resources have been allocated across each OPCC / Force in order to provide assurance with regards the systems and controls in place to deliver specific elements of regional collaboration. Consideration will be given to assessing whether the area of collaboration is delivering against its original objectives and what arrangements are in place, from an OPCC / Force perspective, for monitoring and managing the service.
Other				
Audit Management	Ongoing		14	This includes audit planning, production of progress and annual reports, and attendance at progress and JIAC meetings.
Contingency			8	Time set aside for ad hoc requests.
TOTAL			**140**	

[1] Proposed timings for each audit to be agreed, with any changes reported to the JIAC.

[2] Dates for delivery to the JIAC to be included within future progress reports when known.

Appendix B – Levels of Assurance & Opinions

Definitions of Assurance Levels		
Assurance Level	**Adequacy of system design**	**Effectiveness of operating controls**
Significant Assurance:	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
Satisfactory Assurance:	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.
Limited Assurance:	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.
No Assurance:	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**
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Priority 3 (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

Appendix C – Contact Details

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Statement of Responsibility

We take responsibility to the Office of the Police & Crime Commissioner for Northamptonshire and Northamptonshire Police for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

Agenda Item: 13

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

Internal Audit Progress Report 2018/19

March 2019

Presented to the Joint Independent Audit Committee meeting of: 20th March 2019

Contents

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 2018/19 Internal Audit Plan which was considered and approved by the JIAC at its meeting on 19th March 2018.

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 is accordance with the Public Sector Internal Audit Standards (PSIAS).

02 Summary of internal audit work to date

2.1 Since the last meeting of the JIAC we have issued four final reports, these being in respect of MFSS Contract Management, GDPR, Service Delivery Model and the Core Financial Systems. Further details are provided in Appendix 1.

Northamptonshire 2018/19 Audits	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Absence Management & Wellbeing	Final	Limited	1	2	2	5
IT Strategy	Final	Satisfactory		1	1	2
Force Management of MFSS Arrangements	Final	Limited	2	2		4
Victims Voice	Final	Satisfactory		2	2	4
Seized Property	Final	Limited	2	4		6
General Data Protection Regulation (GDPR)	Final	Limited	4		4	8
Service Delivery Model	Final	Satisfactory		4		4
Core Financial Systems	Final	Satisfactory		7	2	9
		Total	**9**	**22**	**11**	**42**

2.2 The audits of Risk Management and Performance, Skills & Talent Management are scheduled to be completed by the end of March. Further details are provided in Appendix 2.

2.3 The 2018/19 Collaboration Internal Audit Plan is largely complete. Since the last progress report to the JIAC we have issued three final reports, these being in respect of Strategic Financial Planning, Risk Management and Business Planning. Additionally, we were asked to undertake an additional audit in respect of Projected Underspends and this is in progress at the time of writing. Further details are provided in Appendices 1 and 2.

Collaboration Audits 2018/19	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Strategic Financial Planning	Final	Satisfactory		4		4
Risk Management	Final	Satisfactory		3	3	6
Business Planning	Final	Satisfactory		2	1	3
		Total		**9**	**4**	**13**

03 Performance 2018/19

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% (8/8)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (8/8)
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% (11/11)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	N/A

Appendix A1 – Summary of Reports 2018/19

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 report issued since the last progress report. The section is split between Northamptonshire-specific audits and those relating to the regional collaboration units.

Northamptonshire

MFSS Contract Management

Assurance Opinion	Limited

Recommendation Priorities	
Priority 1 (Fundamental)	2
Priority 2 (Significant)	2
Priority 3 (Housekeeping)	-

Our audit considered the risks relating to the following control objectives:

Contracts

Contractual arrangements clearly set out roles and responsibilities of the relevant parties.

The contract contains clear and measurable requirements against which contractor performance can be monitored.

Variations

Additions, changes and deletions to the service are clearly set out in the contract and include defined approval arrangements.

Service Level

There are clear service levels which sets out the requirements and standards the Force expects from the contract.

Ad hoc Works

There are robust arrangements in place for the communication and approval of additional services.

Quality Control, Rectification and Default

Sub-standard, incorrect, incomplete and non-delivered services are identified and subsequent management corrective action taken.

There are clear arrangements in place for the deduction of penalties or non-payment of incentivised bonuses in the event of sub-standard, incorrect, incomplete and non-delivered services.

Payments

Payments made to the contractor are in accordance with the contract.

Performance Monitoring

There is a robust process of performance monitoring in place that ensures that the quality of services is in accordance with Force requirements.

Budgetary Control

Budgets are effectively monitored and under/overspends are promptly identified and addressed.

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

Recommendation 1	The Force should raise the lack of budget setting procedures with the appropriate governance forum to ensure an effective budget setting process can be embedded and is aligned with their own budget setting process. The Force should ensure that the Chief Finance Officers are clearly included in any budget setting process and should be members of the appropriate governance forum where this is scrutinised as part of the budget setting process. The Force should ensure the late delivery of budget monitoring information from MFSS is escalated as soon as possible and actions taken to address are put in place. The Force should liaise with MFSS to confirm why the discrepancy, between the invoice received and the budget, occurred to ensure that the error is not repeated. The Force should escalate the incorrect invoice received with MFSS to ensure they receive the correct invoice and can correctly account for the payments to MFSS.
Finding	The terms of reference for the Joint Oversight Committee states it is their responsibility "*to determine the annual budgets and MTFP's*" of MFSS. However, it was noted that the Chief Finance Officers of the partners are not listed as members of this committee. Upon review Audit confirmed that there is currently no agreed process or timetable for setting the MFSS budget on an annual basis. A review of the 2017/18 budget approval found that whilst it was approved at the Joint Oversight Committee, it was not further scrutinised at the Management Board prior to approval, as had been requested, by the JOC, due to a timing issue. The full 2018/19 budget for MFSS has still to be approved, although audit were informed an interim budget has been agreed. A contributory factor being the failure to on-board new partners as anticipated and the impact this will have on the costs borne by the existing partners. The lack of agreed budget poses a significant risk for the Force. On a quarterly basis MFSS provide the Force with a breakdown of the costs it has incurred, alongside a budget monitoring spreadsheet detailing the costs versus the budgeted costs and then invoices the Force for its agreed proportion of these costs alongside the other partners. Audit were informed that often this information can be late from MFSS, but it was not escalated accordingly. Audit reviewed the payments made by the Force to MFSS during 2017/18 and compared the payments made to the budget monitoring information provided to the Force by MFSS. Audit found that there was a £43k underpayment from the Force to MFSS for quarter 4. Audit were informed that the Force have accrued for this figure, however they have yet to receive a correct invoice from MFSS.
Response	Agreed. The Force and OPCC have made such representation as have other partners and work is already underway to improve the involvement for 2019/20.The two November meetings of the Management Board and the December Meeting of the SSJOC have met and discussed both 2018/19 and 2019/20 budget information and this is now being managed more closely by both Boards for which Northants PCC and Force are representatives.

	The discrepancy was due to late delivery of year-end budget monitoring information which will be addressed above. The invoice has been requested again and will be paid urgently.
Timescale	MFSS / Head of Finance Completed

Recommendation 2	The Force should ensure that the updated SLA with MFSS is put in place as soon as possible to ensure effective performance indicators can be established. The Force should review the performance information that would be most relevant at each of the governance forums then work with MFSS to ensure they receive this information. The number of individual complaints raised and managed by MFSS should be centrally co-ordinated by the Force and form part of the service review meeting. Any unsatisfactory responses to complaints by MFSS should be escalated through the governance structure accordingly to ensure effective performance management.
Finding	It has been acknowledged by the Force that the current service level agreement and associated key performance indicators between the Force and MFSS are being reviewed and updated. Audit were informed work is on-going to finalise these and put them in place. In the meantime it was noted that some interim KPI's are being delivered at the Service Review Meeting between the Force and MFSS. These are currently focused on Finance and HR specifically and no overall review of total services is able to be effectively carried out. Audit found that the performance information that was provided to the Joint Oversight Committee was the same as the performance information provided at the Management Board. These groups have a different focus (strategic versus operational) and therefore would require differing information to allow for effective oversight and scrutiny of MFSS performance across the totality of services provided. From the performance information that was provided to the Force, there was a lack of analytical information that would allow context and root causes to be identified. One omission from the performance data was the number of errors that had occurred throughout the different service levels. MFSS have a complaints process that should be followed when individuals are not happy with the level of service received. They will investigate and resolve the matter within a set time frame. However, it was noted that the number of complaints received, investigated and resolved are currently not reviewed or reported as part of the performance information provided at any of the governance forums.
Response	Agreed The performance information is considered at the management Board and these papers will be made available to Force staff to review.
Timescale	Force MFSS Leads / MFSS 31 March 2019

We raised two significant (priority 2) recommendations where felt that the control environment could be improved. These related to the following:

- The Improvement Plan should be updated to include target completion dates for activities to ensure MFSS and Partners are held to account for non-delivery of activities, the Force should raise this at the Optimisation Board.

  The Force should co-ordinate its data quality issues internally across the totality of services and ensure this is fed back to the MFSS Business Relationship Manager.

- The Force should put in place appropriate co-ordination between the attendees of MFSS governance forums to ensure the key information is shared.

  The Force should seek clarity from MFSS and partners to confirm the roles of each governance forum as well as ensuring the BPT's are operating as intended.

Management have confirmed that agreed actions will be completed by the end of March 2019.

General Data Protection Regulations

Assurance Opinion	Limited

Recommendation Priorities	
Priority 1 (Fundamental)	4
Priority 2 (Significant)	-
Priority 3 (Housekeeping)	4

Audit testing looked to provide assurance that effective systems and controls are in place to mitigate against / contribute to the following risks and objectives:

- The Force has not sufficiently applied changes to data protection regulation;
  - The Force has an action plan in place which addresses the key areas of GDPR and provided a clear plan by which the force would be compliant.
  - The Force has completed a 'Privacy Impact Assessment' on new systems or they form part of the project life cycle.
  - The Force undertook an exercise to map and understand the data which is collected and currently stored, and this has been utilised to identify potential risks to compliance with GDPR. (N.B. does the mapping include what data is held, where it came from and who it is shared with?)

- The Force's management and staff are unaware of the updated regulations, and their increased responsibilities. how the organisation is structured to assess compliance against requirements;
  - The Senior Management team were informed and made fully aware of the risks posed by the implementation of the GDRP. (N.B. consider whether GDPR is identified as a risk on the Force's risk map, and whether the score can be justified)
  - Those staff who handle data have received, training on the GDPR. (N.B. consider whether the training relates to operational 'day-to-day' information handling)

- The Force is non-compliant with the GDPR.

  - The Force has identified a method of obtaining consent for the information collected by service users internally such as HR etc. (N.B. if this is already in place, review a sample of transactions where consent should be obtained and ensure there is a clear record of this consent).
  - The Force is subject to the guidance on law enforcement processing and we will consider how the force has applied this guidance internally.
  - The Force has considered how best to communicate the changes in regulation to service users, including the 'right to erasure'.
  - The Force has identified and appointed a 'Data Protection Officer', and the officer is suitably placed within the organisation.
  - The Force has identified how data can and should be deleted from all relevant systems.
  - The Force has a clear process for the identification, review and reporting of a personal data breach, which incorporates the updated 72-hour timescale to report the breach. (N.B. does the process seem feasible in 72 hours?)
  - The force has a clear subject access request policy in place and has dealt with requests appropriately since the May GDPR deadline.

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

Recommendation 1	The force needs to revisit or establish an action plan to address shortcomings in compliance and provide a direction of travel towards it. The lack of an action plan seriously undermines attempts to become compliant and fails to establish a long-term strategic direction to managing this area and is in distinct contrast to all other forces reviewed in the region who have performed a full gap analysis and established an action plan to oversee steps required to obtain compliance based on the 12 step guidance from the Information Commissioners Office.
Finding	We noted that some form of gap analysis for GDPR was completed in 2017 based on national guidance but the author, as well as two other key staff involved, have since left the organisation or changed role in April 2018. Due to a lack of resources it was not reassigned or taken forward as a formal action plan. There remains a number of actions that require completion including completion of the Information Asset Register, updates to policies and procedures, staff communications and training as well as dealing with a backlog of information requests. It is accepted and recognised by management that there is still work to do but a recognition of the importance of GDPR is being expressed/increased and this is being addressed at both an internal staffing level and governance level, however, the plan is currently not sufficient.
Response	To be presented to the incoming DCC for re-establishing the Information Assurance Board. This would formalise the temporary Information Management Strategy that was set up following the audit. Discussions have already opened with DCC around the risks and concerns of the Information Unit. This area of the business is currently on the risk register and is therefore discussed and measured by higher levels of management on a regular basis. Will re-formulate an Information Assurance Risk Register as a single register will allow for all matters to be in one place and be risk assessed, managed and moved forward from a single

	document crating oversight for those aspects of the register which sit within different directorates across the force. This in turn will help prioritise and inform the more detailed elements of the Information Assurance Strategy.
Timescale	2 Months for set up. Monthly meetings. Senior Management involved for initial 6 month period, compliance levels will then indicate the ongoing requirement. Risk / exception reporting will also be captured via the monthly Force Strategic Board. Information Unit Manager / April 2019

Recommendation 2	A working group led by a senior member of staff/officer should be re-established, similar to that that previously existed to oversee the drive towards better compliance such as the development and implementation of the action plan, IAR and resource management.
Finding	Up until April 2018 a working party was overseeing developments in this area, however that group was closed in April 2018 on the departure of three key staff and has not been reconvened despite there being outstanding issues to resolve. A reconvened group should be established to oversee establishment and progress of the action plan recommended above and other areas.
Response	This will form part of the Information Assurance Board (IAB), at least initially whilst the greater risks and measures are put in place.
Timescale	2 Months for set up. Monthly meetings. Senior Management involved for initial 6 month period, compliance levels will then indicate the ongoing requirement. IAB / April 2019

Recommendation 3	The organisation should consider its resourcing levels in this area and in particular look to reduce its backlog of requests. The level of training provided to date to both the team and the wider organisation has been insufficient and further formal training should be considered which can then be cascaded to others internally.
Finding	The organisation has two Full Time Equivalent (FTE) staff involved in disclosure requests. This includes not only Subject Access Requests (1 FTE) but also Freedom of Information (1 FTE). Other resources can support the process but this is additional activity to their own business as usual role. This ranks the force 5th out of the 5 East Midlands forces in available resource but 3rd out of 5 in total number of disclosure requests where we have reviewed GDPR processes. We also note the organisation has a significant back log of subject access requests beyond the 30 day response time, the largest of the five forces reviewed. This backlog, for the period between May and October 2018 was 69 subject access requests.

	This suggests the organisation has insufficient resources to manage its current work load, as well as move forward with areas such as action plan management and policy development. As such we would recommend that the organisation consider if more resource should be in place. The levels of formal training both to the Information Unit and wider organisation has been limited and should be improved. We do understand that the structure is currently under review and proposals have been made but these are currently on hold awaiting further information.
Response	Training needs analysis for Information Assurance, Information Security, Information Management, GDPR should be undertaken commissioned by IAB with a request for support from EMCHRS via the learning and development panel. This should be discussed at initial IAB meeting. Requires an overarching force wide plan, which considers teams and individual requirements. Forcenet messages should be formulated for more immediate issues.
Timescale	2 months for initial meeting to be held and discussed. 6 months for more extensive delivery plan to be formed and added to training needs and execution to begin. This should continue for the foreseeable future with no end date. IAB and EMCHRS / August 2019

Recommendation 4	The organisation should review existing documentation with a view to establishing a current and effective IAR that defines data which is collected and currently stored, and this has been utilised to identify potential risks to compliance with GDPR.
Finding	We were unable to evidence that an up to date Information Asset Register (IAR) has been completed, although there may be some documentation in both IT and in Information Security areas that would support its completion. The establishment of an IAR is important to establish how all data sources are identified, obtained managed, used and deleted by an organisation as well as responsible personnel, consent, and its location and is key under GDPR guidance and to manage the associated data risks.
Response	Ownership and tracking should sit with IAB. This had been completed but with gaps, largely due to individuals taking up position but unaware of their responsibility regarding it. This will form part of the induction project for the new Information Auditor.
Timescale	From start date for Auditor.

We also raised four priority 3 recommendations of a more housekeeping nature relating to privacy impact assessments, information security breach guidance, data protection policy and regional data protection meetings.

Management have confirmed that agreed actions will be completed by the end of March 2019.

Service Deliver Model

Assurance Opinion	Satisfactory

Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	4
Priority 3 (Housekeeping)	-

Our audit considered the risks relating to the following control objectives:

• Aims & Objectives

The strategic aims underpinning the SDM are understood, documented and are linked to the overall aims of the Force.

• Governance and Internal Assurance

There is an appropriate governance structure in place underpinning the SDM programme and its incorporation within the ongoing force operating model (FOM).

The SDM/FOM is incorporated within the revised governance framework. In particular, its impact is considered when determining the roles and responsibilities of the new Force Strategy Board and its sub-boards.

An appropriate SDM programme internal assurance structure is put in place and all reporting lines are defined.

• Benefits Identification

The SDM programme objectives are aligned with corporate strategic objectives, have been translated into identifiable benefits and allocated to projects to ensure responsibility and accountability for delivery.

• Benefits Definition, Measurement and Realisation

The benefits are clearly defined so as to enable measurement and that they are brought forward onto a benefits realisation plan and benefits tracker to ensure their realisations are monitored and, if applicable, that corrective management action can be taken to bring the programme/projects back on track.

The SDM programme is responsive to changing corporate objectives and priorities and, if applicable, that benefits/outcomes/outputs are re-defined and brought forward onto the benefits realisation plan and benefits tracker as necessary.

• Risk/Issues

Risks and issues are identified, recorded, reported on and managed.

• Programme Monitoring, Management Reporting and Progress Management

Appropriate programme/project event and time driven controls have been devised.

Project/programme progress is monitored, reported on and, if applicable, that corrective management action can be taken to bring the programme/projects back on track.

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

- The Corporate Planning & Resources terms of reference should be updated to ensure its membership aligns with the other Force Strategy Board sub boards and includes Service Delivery Model representation.

  The Force should review the roles of the Change Board and Transformation Board to ensure there is clarity in the roles of board to allow effective oversight and scrutiny to take place.

- It should be made clear within the new governance structure where updates on Service Delivery Model are to be reported.

- The benefits of the service delivery model should be clearly linked with the original business case. Where benefits are not currently being tracked, a review should be carried out to explore how these could be monitored.

  Where benefits are not being realised, actions should be taken to identify why they have not been realised to allow lessons to be learned for future projects.

  The Force should consider having one monitoring report that documents all the benefits that were anticipated and the current status of these benefits to clearly show performance of the service delivery model programme. In line with recommendation 4.2 above, this would be reported to the Transformation Board for oversight and scrutiny.

- When the full evaluation of SDM takes place the effectiveness of risk management should be included within the evaluation.

Management confirmed that agreed actions will be addressed by July 2019.

Core Financial Systems

Assurance Opinion	Satisfactory

Area Assurance on adequacy and effectiveness of internal controls	
General Ledger	Satisfactory
Cash, Bank & Treasury Management	Satisfactory
Payments & Creditors	Limited
Income & Debtors	Satisfactory
Payroll	Limited

Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	7
Priority 3 (Housekeeping)	2

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

- Clearly defined policies and/or procedures are not in place resulting in ineffective and inefficient working practices.
- Systems and data entry restrictions are not in place which could lead to inappropriate access to the systems and data.
- There are errors in accounting transactions posted on the General Ledger resulting in inaccurate financial information.
- Inaccurate cash flow information regarding investments and borrowings is produced which could result in inappropriate levels of cash held within the Force.
- The purchasing process is not complied with by staff which could lead to fraudulent transactions that may go undetected.
- An ineffective debt management process is in place which could lead to irrecoverable income and inappropriate write off of debt.
- Payments to staff are inaccurate resulting in financial losses for the Force, administrative burdens and, where the employee loses out, loss of reputation.

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

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

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

- MFSS should ensure that policies and procedures are reviewed and updated in a timely manner.

- The Force should liaise with MFSS to ensure that appropriate performance data is provided with regards payroll processing. This could include, but not be limited to, the following:

  - No. of overpayments & underpayments.
  - Value of overpayments & underpayments.
  - Reasons for overpayment i.e. late notification by Force, MFSS missed SLA for Payroll Date etc.

- MFSS should carry out an independent phone call to verify that the correct details have been provided on all amendments to bank details, whether they are requested or not.

- MFSS should ensure that appropriate approvers are being selected from authorisation matrices received from the Force.

- Controls should be put in place to prevent self-approval of purchase orders above £250.

- Read/ write access should be designated to individuals to reduce the risk that personal data held is not inadvertently moved or deleted.

- The Force should consider implementing a preventative control for overtime/TOIL authorisations to ensure that these are appropriate and accurate. This should be considered in light of the new system.

  A simple solution could be to move the current retrospective review by line managers to prior to payment, therefore acting as a preventative approval.

We also raised two priority 3 recommendations of a more housekeeping nature with regards investigating historic reconciliation balances and ensuring expenses claims are supported by appropriate supporting documentation.

Management confirmed that actions will be completed by June 2019.

Regional Collaboration Units

Strategic Financial Planning

Assurance Opinion	Satisfactory

Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	4
Priority 3 (Housekeeping)	-

Our audit considered the risks relating to the following control objectives:

Development of financial plans

- An effective and informed medium term financial plan (MTFP) is in place to ensure that a comprehensive review of the unit's financial position for the current and future years is undertaken and reviewed on a regular basis.
- The MTFP and financial planning process is aligned with key objectives, priorities and strategies set out in the unit's Business Plan.
- Appropriate assumptions are made as part of the planning process.
- Responsibility for creation, review and sign off of the MTFP is defined and controls are in place to ensure these responsibilities are discharged effectively.
- The financial planning process takes into account the requirements of the individual regional forces.

Delivery of Efficiency Savings

- Efficiency savings are incorporated into the MTFP and these savings are monitored on a regular basis.
- There is evidence of stakeholder engagement in evaluating the proposed savings and they take into account the impact on the wider Force and region.
- The Regional Efficiency Board has a key role in reviewing and challenging financial plans and savings assumptions.
- Procedures and guidance are available to support the effective delivery of the savings programme, including the methodology / rationale for calculating and justifying the proposed savings.
- Responsibilities for the delivery of individual savings targets are agreed and understood.

- There is a rigorous process for challenging the proposed savings targets, including their subsequent approval.
- Processes exist to enable management to highlight potential failure to deliver efficiency savings and action taken accordingly.

Budget Management and Monitoring

- MTFP is regularly monitored to ensure financial performance is aligned with ongoing budget management and monitoring procedures.
- Regular monitoring is undertaken to enable timely management information to be produced to assess performance and accuracy of the MTFP.
- Reports on financial performance are submitted in a timely manner to the relevant forum, including the relevant regional forces.

Budget Shortfall/ variances to budget projections

- Budget shortfalls/ variances to budget projections are recognised as part of the MTFP process.
- Shortfalls and variances are monitored and the MTFP updated accordingly as these occur through the financial year, with future impact on deliver of the overall plan assessed.

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

- We concur with attempts to establish a longer term financial plan. These should follow a clearly defined MTFP Process that is agreed and applied across the regions collaboration units.

  This should include a clear timetable for the preparation of plans and the appropriate levels of scrutiny through to final approval.

- The Collaboration budget setting process should be aligned with local Forces to ensure budgets are sufficient to meet service requirements. When collaboration budgets include elements that are held with the local Force (such as Officers in Kind), these are correctly stated across the Force budget and the collaboration budget.

- To ensure consistency and clarity for financial planning, clear reporting lines should be established so that individual(s) who have responsibilities for delivering budgets are clearly held to account.

- The Resource Board should determine a consistent approach to budget underspends and efficiency savings to ensure each collaboration unit is engaged and incentivised to deliver efficiency savings.

  Moreover, there should be clarity when savings are being prepared and proposed so that it is understood what type of saving are being proposed and the impact for all stakeholders.

Management confirmed that actions had either already been addressed or will be completed by April 2019.

Risk Management

Assurance Opinion	Satisfactory

Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	3
Priority 3 (Housekeeping)	3

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

- Procedures are in place to ensure that risks relating to the unit are identified, assessed, recorded, and appropriate risk owners are assigned.
- Responsibility for risk, both in terms of supporting the overall risk management process across the unit and individual risk owners, is delegated and understood.
- Risks are managed, where appropriate, at all levels of service delivery:
  - Strategic
  - Operational
  - Contracts
  - Programme
  - Partnership
- Risk registers are in place and are adequate and reasonable in terms of risk scoring, documented mitigation and action plans.
- The risk register is subject to regular review and is updated in a timely and consistent manner.
- Risk mitigation actions are in place and there is evidence they are monitored to ensure tasks are completed within agreed timescales.
- Appropriate oversight and reporting arrangements are in place and are working effectively.
- Collaboration unit risk registers are aligned with individual force registers, including how risks are escalated and reviewed, ensuring that duplication is minimised.
- Risk registers are routinely shared with force risk managers in order to ensure there is awareness across the region of the risks collectively being faced and how those risks are being mitigated.

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

- The EMSOU unit should establish a Risk Management Policy or Strategy to formally document their existing system for managing risk.
- The Collaboration Units should ensure that their Risk Registers are fully completed.

- The collaboration units should review their risk mitigation actions to confirm they clearly align to the risks.

  The collaboration units need to ensure that the risk registers are regularly reviewed and updated.

  Updates need to be specific to the risks and agreed mitigating actions

When the risk registers are reviewed by management within the collaboration units, the lack of updates on risks should be challenged and actions set to ensure risks are being actively managed.

We also raised three priority 3 recommendations of a more housekeeping nature with regards responsibilities, the format of risk registers and risk scoring, and the alignment of force risk.

Management confirmed that actions will be completed by June 2019.

Business Planning

Assurance Opinion	Satisfactory

Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	2
Priority 3 (Housekeeping)	1

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

- There is a Section 22 agreement in place which sets out how the unit will operate and which underpins how the business plan in constructed.
- There is a clearly defined business plan in place that sets out, amongst other elements, the statutory duties and aims / objectives of unit and the key performance measures against which the service will be monitored.
- There is a clear link between strategic planning and service delivery such that:
  - Business Plan – how the unit will deliver its objectives;
  - Service Plans – operational plans for each area of activity; and
  - Individual Work Plans – how individuals will contribute towards the objectives and priorities of the unit.
- There is a robust business planning process in place that covers both the current year but also includes future year considerations.
- The business planning process includes the assessment of resources to achieve the stated objectives / priorities.
- The reliance on partners / suppliers to deliver the business plan is considered.
- The business plan is kept under review to ensure that it remains 'fit for purpose' and meets the requirements of each regional Force.
- The business plan is aligned with the Section 22 agreement and sets out the key deliverables of the service.
- Supporting each deliverable, there are clear, measurable performance measures against which the service will be measured.
- Performance management / reporting arrangements are in place to support the effective delivery of the service.
- Effective reporting routines are in place which provide up to date and accurate information to each regional force on the delivery of the service.
- Plans are in place and are appropriately reported in respect of agreed actions to address identified issues.
- There are clear policies and procedures in place supporting delivery of the service which are aligned to the delivery of the business plan.

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

- The EMSOU collaboration unit should progress plans to adopt business plans for the four main areas of operation – Serious Organised Crime, Major Crime, Forensic Services and Special Branch. A timetable should be established to ensure these business plans are put in place in a timely manner.

  The EMOpSS collaboration unit should ensure an appropriate business plan is adopted once the new format of the unit has been established.
- The Collaboration Units should ensure that there is an agreed business planning process that is scheduled annually.

  The planning process should include

  - Coverage of both the current year but also includes future year considerations.
  - The assessment of resources to achieve the stated objectives / priorities.

We also raised a priority 3 recommendation of a more housekeeping nature with regards the format of business plans.

Management confirmed that actions will be completed by May 2019.

Appendix A2 Internal Audit Plan 2018/19

Auditable Area	Plan Days	Planned Fieldwork Date	Actual Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
Core Assurance							
Core Financial Systems	18	Nov 2018	Nov 2018	Dec 2018	Mar 2019	Mar 2019	Final report issued.
Risk Management	8	Mar 2018				July 2019	Scheduled to start 11th March.
Strategic & Operational Risk							
Absence Management & Wellbeing	8	June 2018	June 2018	June 2018	July 2018	July 2018	Final report issued
IT Strategy	10	June 2018	June 2018	July 2018	Aug 2018	Sept 2018	Final report issued
MFSS Contract Management	8	June 2018	June 2018	July 2018	Dec 2018	Mar 2019	Final report issued
Partnership Working	8	Aug 2018				N/A	Postponed
Seized Property	10	Sept 2018	Sept 2018	Oct 2018	Nov 2018	Dec 2018	Final report issued.
Victims Voice	7	Sept 2018	Sept 2018	Oct 2018	Oct 2018	Dec 2018	Final report issued.
GDPR	10	Nov 2018	Oct 2018	Feb 2019	Feb 2019	Mar 2019	Final report issued.
Performance, Skills, Talent Management	9	Mar 2019				July 2019	Scheduled to start 25th March.
Service Delivery Model	12	Oct 2018	Oct – Dec 2018	Jan 2019	Feb 2019	Mar 2019	Final report issued.

Auditable Area	Plan Days	Planned Fieldwork Date	Actual Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
Collaboration							
Risk Management	3	Aug 2018	Aug / Sept 2018	Nov 2018	Feb 2019	Mar 2019	Final report issued.
Strategic Financial Planning	3	July 2018	July / Aug 2018	Oct 2018	Feb 2019	Mar 2019	Final report issued.
Business Planning	3	Sept 2018	Oct / Nov 2018	Jan 2018	Mar 2019	Mar 2019	Final report issued.
Review of Collaboration Assurance Statements	1	May 2018	May 2018	May 2018	June 2018	July 2018	Final memo issued.
Projected Underspend	3	N/A	Feb 2019			July 2019	Additional request. In progress.

Appendix A3 – Definition of Assurances and Priorities

Definitions of Assurance Levels		
Assurance Level	**Adequacy of system design**	**Effectiveness of operating controls**
Significant Assurance:	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
Satisfactory Assurance:	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.
Limited Assurance:	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.
No Assurance	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**
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Priority 3 (Housekeeping)	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.

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AGENDA ITEM: 14

NORTHAMPTONSHIRE POLICE, FIRE AND CRIME COMMISSIONER,

NORTHAMPTONSHIRE POLICE and

NORTHAMPTONSHIRE FIRE AND RESCUE SERVICE

JOINT INDEPENDENT AUDIT COMMITTEE

20 MARCH 2019

REPORT BY	Richard Baldwin
SUBJECT	Internal Audit Recommendations Summary Report
RECOMMENDATION	To note report

1 PURPOSE OF THE REPORT

1.1 This report provides the Joint Independent Audit Committee (JIAC) with an update on the status of actions arising from recommendations made in internal audit reports.

1.2 The report contains actions arising from audits of both Northamptonshire Police and the Office of Northamptonshire Police and Crime Commissioner

2 OVERALL STATUS

- The report shows 52 actions that were open following the last JIAC meeting or have subsequently been added.
- 8 actions have been completed.
- 1 actions have been superceded by a later audit or are no longer applicable.
- 29 actions not yet reached their implementation date and remain ongoing.
- 14 actions have passed their implementation date and are overdue.

3 OVERVIEW

3.1 **2016/17 Audits**

- 11 audits were completed making 60 recommendations.
- 1 action remained open following the December JIAC meeting.
- 1 action has passed its implementation date and is overdue.

3.2 **2017/18 Audits**

- 11 audits were completed making 93 recommendations.
- 25 actions remained open following the December JIAC.
- 4 actions have subsequently been completed and are closed.
- 1 actions has been superceded by a later audit or are no longer applicable.
- 8 have not yet reached their implementation date and remain ongoing.
- 12 have passed their implementation date and are overdue.

3.3 **2018/19 Audits**

- 5 audits had been completed prior to the December JIAC making 17 recommendations.
- 10 actions remained open following the December JIAC.
- A further 3 audits have been completed since the December JIAC making 16 recommendations.
- 4 actions have subsequently been completed and are closed.
- 21 have not yet reached their implementation date and remain ongoing.
- 1 action has passed its implementation date and is overdue.

3.4 The attached Summary of Internal Audit Recommendations Report shows details and the current status of all open audit actions.

EQUALITY, DIVERSITY AND HUMAN RIGHTS IMPLICATIONS: ***None***

HUMAN RESOURCES IMPLICATIONS: ***None***

RISK MANAGEMENT IMPLICATIONS: ***None.***

ENVIRONMENTAL IMPLICATIONS: ***None***

Author:	Richard Baldwin, Strategic Development, Risk and Business Continuity Advisor
Chief Officer Portfolio Holder:	Simon Nickless, Deputy Chief Constable
Background Papers:	Summary of Internal Audit Recommendations for JIAC March 2019

INTERNAL AUDIT RECOMMENDATIONS DASHBOARD

Summary of Audit Outcomes

Audits are graded as No Assurance, Limited Assurance, Satisfactory Assurance or Significant Assurance. Some thematic audits are advisory only and not graded. Recommendations are prioritised as Priority 1 (Fundamental), Priority 2 (Significant) or Priority 3 (Housekeeping) to reflect the assessment of risk associated with the control weaknesses.

2016/17

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			Priority 1	Priority 2	Priority 3
OPCC Victims Code	June 2016	Limited Assurance	0	7	3
Complaints Management	June 2016	Satisfactory Assurance	0	2	2
Firearms Licensing	September 2016	Satisfactory Assurance	0	2	1
Financial Planning & Savings Programme	November 2016	Satisfactory Assurance	0	3	1
Code of Corporate Governance	November 2016	Satisfactory Assurance	0	4	3
Procurement Follow Up – EMSCU level purchases > £25k	November 2016	Limited Assurance	2	3	1
Procurement Follow Up – Local level purchases < £25k		Satisfactory Assurance			
Business Continuity	December 2016	Satisfactory Assurance	0	2	3
ICT Review	January 2017	Satisfactory Assurance	0	3	1
Walgrave Wellbeing Centre	January 2017	Limited Assurance	2	4	0
Risk Management	February 2017	Satisfactory Assurance	0	5	0
Capital Expenditure	April 2017	Limited Assurance	3	2	1

2017/18

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			Priority 1	Priority 2	Priority 3
Audit Committee Effectiveness	June 2017	Not Rated	0	7	4
Seized Property	July 2017	Limited Assurance	4	4	0
Victims Code of Practice	July 2017	Not Rated	0	5	1

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			Priority 1	Priority 2	Priority 3
Fleet Management	August 2017	Satisfactory Assurance	0	4	0
Procurement Follow-up	November 2017	Satisfactory Assurance	0	4	0
Core Financial Systems	December 2017	Satisfactory Assurance	0	7	3
Data Quality	January 2018	Satisfactory Assurance	0	3	3
Financial Planning	February 2018	Satisfactory Assurance	0	2	4
Estates Management	March 2018	Limited Assurance	1	4	1
Crime Management	May 2018	Substantial Assurance	0	0	4
Counter Fraud Review	May 2018	Not Rated	3	14	11

2018/19

AUDIT	DATE	GRADE	RECOMMENDATIONS MADE		
			Priority 1	Priority 2	Priority 3
Absence Management & Wellbeing	July 2018	Limited Assurance	1	2	2
Northants Police – IT Strategy	August 2018	Satisfactory Assurance	0	1	1
Victims Voice	October 2018	Satisfactory Assurance	0	2	2
Seized Property	November 2018	Limited Assurance	2	4	0
MFSS Contract Management	December 2018	Limited Assurance	2	2	0
GDPR	February 2019	Limited Assurance	4	0	4
Service Delivery Model	February 2019	Satisfactory Assurance	0	4	0

Summary of Audit Recommendations Progress

This table shows a summary of the progress made on new audit recommendations raised at each JIAC during the current year and annual totals for previous years where audit recommendations are still active.

Position as at 10 Dec 2018

Previous Years Audits	Totals for 2016/17	Totals for 2017/18
Recommendations Raised	60	93
Complete	59	68
Ongoing	0	8
Overdue	1	17

2018/19 Audits	Reported to JIAC 23 Jul 18	Reported to JIAC 10 Sep 18	Reported to JIAC 10 Dec 18	Reported to JIAC 20 Mar 19	Reported to JIAC 26 Jul 19	Totals for 2018/19
Recommendations Raised	0	7	10			**17**
Complete	0	6	1			**7**
Ongoing	0	0	9			**9**
Overdue	0	1	0			**1**

Position as at 01 March 2019

Previous Years Audits	Totals for 2016/17	Totals for 2017/18
Recommendations Raised	60	93
Complete	59	73
Ongoing	0	8
Overdue	1	12

2018/19 Audits	Reported to JIAC 23 Jul 18	Reported to JIAC 10 Sep 18	Reported to JIAC 10 Dec 18	Reported to JIAC 20 Mar 19	Reported to JIAC 26 Jul 19	Totals for 2018/19
Recommendations Raised	0	7	10	16		**33**
Complete	0	7	3	1		**11**
Ongoing	0	0	6	15		**21**
Overdue	0	0	1	0		**1**

OUTSTANDING RECOMMENDATIONS

Key to Status				
	(green)	Action completed since last report	(amber)	Action ongoing
	(red)	Action outstanding and past its agreed implementation date	(grey)	Action no longer applicable or superceded by later audit action

2016/17

Risk Management – February 2017

	Observation/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
4.5	**Training for OPCC Staff** *Observation:* In order to ensure that staff have the appropriate skills to identify, report and assess risks to their service areas, they should be provided with adequate and appropriate risk management and/or awareness training. Discussion with the Director of Delivery and Director of Resources and Governance confirmed that the risk management processes within the OPCC are currently under review and a new working methodology for risk management is to be implemented. This includes the use of the IPSO Risk Management software. The Director of Delivery has been trained on IPSO as he will be the officer who updates the system and it is not expected that any other members of staff will require access. However, other members of staff within the OPCC will require training on the new risk management processes, including their roles/responsibilities. Training was not provided on the previous methodology and will be required once the new risk management working practices have been finalised. At the time of the audit no training had been provided. *Risk:* If staff do not have adequate risk management skills, key risks may not be identified and managed effectively across the OPCC.	Key staff within the OPCC should receive appropriate risk management training, whilst wider risk awareness should be developed across the OPCC including training on the new risk management processes implemented. A recommendation regarding training for OPCC staff was raised within the 2015/16 internal audit report of risk management. (OPCC)	**2**	The risk lead in the OPCC recognises this issue. The OPCC lead is currently reviewing and refreshing the OPCC risk policy. Once completed this will be shared with all staff and will be the subject of a whole team briefing to aid understanding. Training and awareness briefings will be arranged and delivered to all staff on the identification of, adoption of and management of risks. The lead officer is seeking to source more formalised training for himself. All of this will be documented for next audit. Update – The OPCC and Force are currently exploring joint training to be undertaken by an external provider in spring/summer 2018. Update: May 2018: The OPCC are seeking to procure new Risk management software with the Force and training will be undertaken after it is in place. This remains ongoing. Update August 2018 – New risk management training for the OPCC and Force is being developed in conjunction with Gallagher Bassett. Draft training material has been produced and is being evaluated prior to roll out of the training later in the year. Update Jan 2019 – The new risk management system is anticipated to be implemented in March 2019. The risks training will then be scheduled to be delivered.	Paul Fell, Director for Delivery October 2017	(red)

2017/18

Audit Committee Effectiveness - June 2017

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.3	**The Role of the JIAC** *Observation:* Issues with regards the organisation's understanding of the role of the JIAC, particularly with regards the wider assurance requirements (beyond the traditional financial areas), came out of the self-assessment. Through discussions at the JIAC workshop, it was agreed that there were a number of actions that should be considered in order to better publicise the role of the JIAC and enhance relationships with the OPCC and Force. These include: • The Chair meeting regularly with the OPCC Chief Executive and the Chief Constable. • Invitation to the PCC to attend a JIAC meeting on an annual basis. • Reviewing the OPCC website and, in particular, how it refers to the JIAC. • Consideration should be given to including direct links to the JIAC ToR (as per 4.2) and annual report. • Presentation by the JIAC Chair of the JIAC annual report to the PCC Board. *Risk:* The Committee's roles and responsibilities are not clear to others and may hinder its effectiveness.	Consideration should be given to enhancing the organisation's understanding of the role of the JIAC through, for example: a) The Chair meeting regularly with the OPCC Chief Exec and the Chief Constable. b) Invitation to the PCC to attend a JIAC meeting on an annual basis. c) Reviewing the OPCC website and, in particular, how it refers to the JIAC. Consideration should be given to including direct links to the JIAC ToR and annual report. d) Presentation by the JIAC Chair of the JIAC annual report to the PCC Board.	**2**	a) To be discussed with OPCC CX and DCC Update – Meeting held with the Chief Constable; meeting with PCC to be arranged. Update Aug 2018 – Meetings have been held and regular meetings will be scheduled. - Closed b) To be discussed with OPCC CX and DCC, and to include a similar invitation to the Chief Constable. Update - Dependent on (a) Update Aug 2018 – as above - Closed c) Part of 4.2 above d) To be discussed with OPCC CX and DCC. Update - Presentation made to Police and Crime Panel. Presentation to the PCC Board to be discussed. Update Aug 2018 – Ongoing Update – Presentation to the Police and Crime Panel in September 2018. Initial discussion have been held and further discussions are ongoing.	All - Sept 2017 JIAC Chair	
4.5	**JIAC Membership** *Observation:* The JIAC ToR states that 'the Committee shall consist of no fewer than four members' and that 'a quorum shall be two members.' At present, the JIAC has four members, which is lower than some other audit committees. Additionally, the fact that only two members are needed to ensure a meeting is quorate is lower than some other committees and could be a reflection of the number of members the JIAC currently has.	The JIAC should continue to look for a fifth member in order to provide both an alternative skill set and resilience with regards being quorate.	**3**	The need to try to recruit a fifth JIAC member is agreed. Update - Recruitment deferred whilst OPCC recruited a CFO. Recruitment now planned for March / April 2018. Aim to recruit two new members. Update - Recruitment deferred whilst OPCC recruited a CFO. Recruitment further delayed to focus on the recruitment of a	November 2017 JIAC Chair	

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	Members felt the experience and competency of the Committee was good, albeit there was a little too much experience on finance (three accountants) and possibly a need for an input of skills in other areas. As the JIAC only had four members, this is potentially an area to look at going forward, ie the Committee would benefit from a wider breadth of competencies. *Risk:* The JIAC does not have a full breadth of competencies to effectively fulfil its duties.			Chief Constable. Aim to recruit two new members. Update Aug 2018 – Recruitment interviews are taking place on 30 August. Update - Recruitment campaign run and one new member recruited to replace retiring JIAC member. Additional member still to be recruited (and replacements for other retiring members) and a further recruitment will be run in 2019.		
4.6	**Administrative Support** *Observation:* In order to facilitate an effective independent assurance function, it is important that the administrative support for the Committee enables it to fulfil its function. Feedback from, and discussions with, members, acknowledged that issues had arisen with the administration supporting the JIAC. This included planned reports not being made available, the promptness with which papers and minutes were issued and the frequency of verbal reports. *Risk:* The Committee are not able to effectively fulfil their duties.	The administration supporting the JIAC should be kept under review.	**3**	Agreed, there have been concerns with the preparation and submission of reports etc in the past and there are some areas where the items are outstanding but it is understood that these are being addressed. Future concerns to be highlighted to the PCC and CC. Update - The planning of agendas, scheduling of reports and production of reports has been improved recently. Items which have been outstanding for some time are being concluded. The JIAC has had concerns about the administrative support but has agreed to run with the OPCC's proposals (including the minuting of meetings) and review if necessary. Update Aug 2018 – Work is outstanding on IT support for some members. Update - IT support arrangements being trialled; other support arrangements being monitored. Expect to review and close by July 2019.	Ongoing JIAC Chair & Members	
4.7	**Disclosable Interests** *Observation:* Whilst the JIAC ToR sets out that Declarations of Interest would be a standing agenda	All JIAC members should be required to submit a 'Disclosable	**2**	Agreed.	Sept 2017	

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	item at meetings, it does not refer to the need to include member interests in a register. Whilst a register of interests is referred to within the Scheme of Governance, it was not clear whether this extends beyond officers. Whereas some other OPCC websites clearly set out the register of interests, and have links to each member's 'Disclosable Interest' form, this is not the case for Northamptonshire. *Risk:* Reputational damage where the work of the Committee is brought into question as a consequence of a perceived conflict of interest.	Interest' form and this should readily available via the OPCC website.		Disclosable interest form to be circulated to JIAC members for completion. Update - Submissions made by JIAC members but not yet on the website (see 4.2 re: website) Update - meeting planned to review website content and presentation including disclosure of interests information.	JIAC Chair & Members	

OPCC Victims Code Follow Up - July 2017

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.5	**Dealing with Children as Victims** *Observation:* Audit testing included two cases where Children were recorded as the Victim. In both instances the referral to Victim Support services were selected as not applicable, despite the OPCC having a contract in place with a provider for young victims of crime. In one instance contact details for the victim were included – a mobile number – however, it was unclear who the phone number belonged to, such as relevant guardian or relative of the child victim. In the other case no contact details were recorded in Niche. This increases the risk that young victims are not able to be given the appropriate support services. *Risk*: The Force does not provide appropriate victims support to children who are victims of crime.	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.	**2**	Discussions will be held with the Head of Public Protection to review how Child Victims are dealt with in line with current processes to identify if there are any gaps in the current system. The lack of name associated with contact numbers has already been identified with records passed to Victims Support Services and it is an ongoing issue to promote the need to input correct details from users. Update - We are working on how to ascertain the experiences of child victims and this is being considered through the victim surveys. Update Feb 19 – In October 2018 VOICE provided training to PVP staff to ensure that they were fully aware of the services it provides.	Detective Chief Superintendent Caroline Marsh 30th September 2017 The work will be implemented after SDM but before the end of December 2017	

Data Quality – January 2018

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	**Niche Governance** *Observations:* When the Force adopted the Niche system a Niche Governance Board was set up to monitor any issues that the Force were facing in regard to the new system. Audit were informed that the Board meet on a quarterly basis and discuss wide ranging issues, from local governance to more operational issues such as data quality. Audit confirmed this through the Action Log that is maintained for this group. Whilst the Board does have a documented Terms of Reference in place it has not been reviewed or updated since its creation in 2014. In addition to the Niche Governance Board, a quarterly Data Quality Working Group meeting is held with leads of departments attending, including the Crime Management and Intelligence department, to discuss the operational issues. Whilst an action log is maintained to track the work this group is undertaking, there is no Terms of Reference in place that clearly sets out the role and responsibility that this group has. Moreover, there are two further groups who have a role in managing data quality in respect of Niche – the Regional Data Quality Team and the Local Data Quality Team. However, it is unclear on the remit and role of each team in dealing with data quality issues relating to Niche. *Risk:* There is a lack of clear governance underpinning the management and maintenance of Niche.	The Force should put in place clear terms of reference for the Niche Data Quality Working Group. The Terms of Reference should include but not be limited to: • Purpose • Scope • Membership • Decision making authority • Reporting Requirements • Frequency of meetings • Review period for terms of reference Moreover, the roles and responsibilities for data quality of the system should be clearly stated within the Terms of Reference of all Governance Groups for the Niche System, including the Regional & Local Data Quality Teams.	**2**	Agreed. It would be best practice to update the Terms of Reference for the Niche Governance Board and review the remit of the Niche Working Group to ensure no duplication of responsibilities. Update - The terms of reference will be for review and update/resign off when the next governance board happens. Update - The Niche team, and interested parties, are working together to decide on ownership, format and frequency of ongoing meetings, and what that will look like is yet to be determined. There have been no further Niche governance boards to revisit or agree terms of reference, and the Business user group, which is looking to become a core part of the ownership of the strategy is also currently looking at how it will be run, governed etc. in the future with a new chair. The Data Quality strategy will not be updated to dictate what has been done so far, but will be based on the new models once agreed. There is also national strategic prioritisation regarding data quality emerging which may also influence Northants next steps. Update Jan 19 - Due to significant capacity challenges, our limited size team has focused on priorities agreed through the Change Board to improve transparency and solutions to data quality issues: • Pronto – delivery of this middleware solution provides the opportunity to define and mandate inputting to agreed business rules, resulting in the	Niche Operational Lead Jim Campbell 30th April 2018 Revised date 30 June 2018	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				greatest likelihood of improving data quality. • Qlik (proof of concept, business case and implementation of an enterprise solution) – this Visual Analytics platform provides self-serve access to near real time visualisations that allow better resource management, improved performance, a reduction in harm, mitigation of risk and a potential future reduction in more manual data mining work and associated software licences. There will be much greater transparency of data quality issues, empowering individuals and supervisors to take more ownership in addressing these and avoiding common mistakes.		
4.2	**Niche Data Quality Strategy** *Observations*: A Data Quality Strategy for the Niche system was been completed and signed off by the Deputy Chief Constable in February 2017. The aims of the Strategy is "to ensure that Northamptonshire has a system that can best protect people from harm, with consistently applied standards that deliver accurate statistics that are trusted by the public and puts the needs of victims at its core". The strategy sets out a number of tasks that it would like to achieve and the next steps that should be taken to deliver these. However, it was found that there is currently no monitoring of these next steps to ensure the aims of the strategy are being achieved. *Risk:* Failure to achieve the aims of the Data Quality Strategy.	The Data Quality Strategy for the Niche system should be owned by the Niche Governance Board and it should be reviewed at each meeting to ensure that the achievements and next steps set out in the strategy are being delivered.	**2**	Agreed. The performance monitoring on the strategy had yet to be completed although this has been identified and will be carried out. Update – EH is updating the strategy ahead of handover as business as usual. Update – as per 4.1	Niche Operational Lead (Elle Harrison) 30th April 2018 Revised date 30 June 2018	
4.3	**Governance of E-Cins** *Observation:* E-Cins is a jointly owned system between the Police and the partners that it works with, including local NHS and council teams across the county such as social care and housing.	The Force should liaise with the E-Cins Management Group to update the existing Terms of Reference. The Terms of	**2**	The Police lead will raise this with the Chair of the E-Cins management group with a view to it being discussed at the next	E-Cins Strategic Lead (Mick Stamper) 28th February	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	As such, an E-Cins Management Group has been set up which is chaired by the Deputy Chief of Kettering Council and the operational lead for Northamptonshire Police also sits on this group. Audit reviewed the terms of reference for this group and found it was a simple document that had four objectives listed for the Group. It lacked clarity as well as basic good governance information, including membership, frequency of meeting and the scope of the group. One key omission from the current objectives was that there was no reference to the maintenance of data quality within the system. *Risk:* There is a lack of clarity and consistency in the Governance structure leading to errors, duplications and poor decision making.	Reference should include but not be limited to: • Purpose • Scope • Membership • Decision making authority • Reporting Requirements • Frequency of meetings • Review period for terms of reference Moreover, the scope of the E-Cins Management Group should clearly state it role in respect of the maintenance of data quality within the system.		meeting of the group. The points raised will be reviewed and a revised TOR produced. Update - The chair of the ECINS board has been briefed on the audit findings. At this time a full ECINs management group hasn't been convened as the core members are negotiating funding for the new role that is required to oversee data quality and data sharing. These discussions will conclude over the next few weeks and the final positon will be known. Once the funding for the role is secured the TOR will be rewritten to include the role and the functions it will perform. Update-The operational ownership of ECINS has been passed to the AIM Inspector as they use the system for EI and AIM case management and are actively involved in its development. An officer within the EI/ AIM team will, on a temporary basis, take responsibility for supporting the inspector in governing ECINS and auditing data quality. A user guide will be provided to support new users and to explain the developments that have taken place with ECINS. Update – A review of e-cins is being undertaken to establish whether or not it continues to offer benefit. The review is expected to be complete by the end of November 2018. Following that a decision will be made on how to take this forward. Update – The e-cins Management Group no longer exists. A proposal will be taken to the next Chief Executive Board for them to agree a new Terms of Reference for the use of e-cins.	Revised date 30 June 2018 Daryl Lyon Mick Stamper	
4.4	**Monitoring of Data Quality – E-Cins**					

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	Observation: E-Cins is a partnership system that is utilised by the Police and partner organisations to share relevant data. The Police manually input any relevant police data onto the system. There is currently no regular monitoring of the Police's data that is stored on the system. Audit were informed that the E-Cins partners have recently agreed to recruit a permanent support staff member and data quality responsibilities will be part of this role once post is filled. However, it was noted from the E-Cins Management Group meeting minutes, that discussions in regard to this role have been on-going for some time and, in the meantime, the Force need to ensure the information that it owns on the system is correct and accurate, as well as adhering to Data Protection Act rules. Audit were informed by the E-Cins Operational Lead that discussions with the Force Crime Registrar on how the system can be audited have taken place. However, at the time of audit, there is no agreed plan for undertaking data quality monitoring of the E-Cins system. *Risk:* Force data on the E-Cins systems is inaccurate or incomplete, leading to partners taking wrong decisions based on the information provided. Force breaches the Data Protection Act.	The Force should put in place an audit plan to ensure that the Force's data held on the E-Cins system is regularly reviewed for quality purposes and any inaccurate or inappropriate data placed on the system removed where appropriate.	**2**	The system is being audited but a more formal audit programme (for ECins) will be developed and put in place. This will be a task for the data sharing manager who will be recruited once funding has been approved. It is expected this role will be established by the 31st March and the audit plan will be written with six weeks of the post holder commencing work. The initial audit has already been commissioned. Update - the audit team have been asked to do this but they do not had capacity to do this. The role mentioned above will have this function in their role description. Once the discussions regarding funding have been finalised I fuller update will be given. Regardless of this I will commission a member of the EI team (Who is a heavy user of ECINS) to write an audit/ inspection plan to ensure the data is being stored, shared and, where necessary, destroyed correctly. Update – As per 4.3 Update - To ensure good practice with ECins the force has reissued the e-learning guidance to partners; a member of the AIM team maintains oversight of the police use of the system to ensure its correct use and the instruction regarding ECINs not being used as an intelligence repository has been reissued.	E-Cins Strategic Lead (Mick Stamper) 15th May 2018 Revised date 30 June 2018	
4.5	**User Guide – E-Cins** *Observation:* The Force have a user guide that is available to provide staff with guidance on the correct use of the E-Cins system. The user guide is communicated to officers and staff via the Force intranet.	The E-Cins user guide should be updated to reflect the current processes to be followed and up to date contact information for key staff.	**3**	This will be discussed at the next ECins management group and a new user guide commissioned. Critical or pressing changes will be made once identified and the responsibility for future review and	E-Cins Strategic Lead (Mick Stamper) 31st March	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	Audit reviewed the user guide and found that it was last updated in February 2014 and that it included names of staff who were no longer at the Force, including an out of date Strategic Lead for the system. It therefore needs to be updated to ensure the correct details are shared with staff. *Risk:* Incorrect working practices are followed and staff are unware of the key contacts should they need to discuss the use of the E-Cins system.			amendment will fall to the above post holder. Update – As per 4.3 above	 Revised date 30 June 2018	
4.6	**Performance Reporting of Data Quality** *Observation:* The Force have developed a number of monitoring tools for data quality, including an application that reviews data quality issues within Niche, as well as a dashboard for individuals to see data quality issues. The data quality application allows an oversight of the data quality issues by volume, however there is no regular reporting of this performance data. Audit were informed that a Business Objectives reporting tool can summarise the data but is unable to track it over time to show the trend of issues being reported. Moreover, as the version of Niche used by the Force is the same as the regional partners, there is an opportunity for being able to benchmark the Force's data quality performance against other Forces to provide a contrast in data quality performance. *Risk:* The data quality performance of the Force is unknown by key decision makers.	The Force should develop the reporting functionality of the data quality application to allow for effective performance reports on data quality issues to be utilised by those charged with governance of the system.	**3**	The performance team at the Force are already developing the reporting functionality across the Force systems. Liaison will be done with the Performance Team to ensure appropriate reports can be utilised in the management of data quality within Niche. The business intelligence tool we are looking to implement shortly will help increase the visibility of data quality issues. A project team is being established to progress a proof of concept and we have a good case study from another force to develop from. Update Jan 19 - The Data Quality App developed in ISD as a temporary measure to monitor key data quality issues is not the forces long term solution. Development resources are being recruited to support the rollout of more advanced functionality within Qlik, learning lessons from the Qlik Data Quality App and Dashboards developed in Avon & Somerset. In the interim, The Regional Niche Data Quality Team manage key data quality issues on a daily basis, resolving duplicates and providing feedback in force. Summary statistics are then made available to assess ongoing trends. The Performance Team will	Niche Operational Lead Jim Campbell 30th June 2018	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				also highlight and escalate Data Quality issues on a regular basis through to the Force Strategy Board.		

Crime Management – May 2018

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	**Clear Roles & Responsibilities** *Observation*: The Service Delivery Model was implemented by the Force in October 2017 and included changes to the way that the Force manages the incidents and crimes that are reported. The changes were designed to deliver efficiencies and ensure compliance with the National Incidents and National Crime Recording Standards throughout the process. Whilst the teams included as part of the process remain the same – Force Control Room and Crime Management Unit – their roles have changed slightly as to when a crime or incident is recorded, including the introduction of a new Managed Appointments Unit. The intranet provides the Force with details about each department and the Force Control Room and the Crime Management Unit have a page on the intranet. However, it was noted that the intranet pages have not been updated post the Service Delivery Model going live and therefore they are not in line with the current processes followed. *Risk:* Lack of clarity within crime recording and crime management leading to failure to comply with relevant standards and regulations.	The roles and responsibilities stated on the intranet, for the departments involved in crime management and crime recording, should be updated to reflect the changes since the Service Delivery Model went live.	**3**	There are a number of changes in the next month with the crime allocation policy being finalised and Sgts being able to file crimes directly. The page will be refreshed/updated over the next month in line with these changes, this is an ongoing piece of work. Update – 06/08/18 - The Crime Allocation Policy is still awaiting agreement by Chief Officers. In addition there is now an ongoing review, Op Stereo, around demand management and resources. As soon as the policy is agreed the intranet will be updated. Update – 29/10/18 - The Crime Allocation policy has not yet been approved by Senior management. This may not be approved quite yet due to another structural crime review taking place. Update Jan 2019 – The new policy has been drafted in line with the further review of the Force structure and is currently being reviewed by the Head of Crime.	DI Tania Ash Head of Crime Management Unit 31 July 2018	

Counter Fraud Review– May 2018

	Recommendation	Rationale	Priority	Management response	Timescale/ responsibility	Status
	EMSCU - Data Handling in the Procurement Process					

	Recommendation	Rationale	Priority	Management response	Timescale/ responsibility	Status
1	OPCCN and Northamptonshire Police should consider moving the definitions sections to the start of the process.	Staff should ensure they have a clear understanding of the terms referred to within the policy prior to reading it.	3	Noted. EMSCU is a regional unit so this is not necessarily a matter for the Force. To be remitted to the EMSCU lead	Head of EMSCU	
3	OPCCN and Northamptonshire Police should update the third bullet point within section 4 policy statement to refer to the Information Security Policy.	It currently refers to the Security Policy, however we assume this is a typo.	3	Noted Update – The Force Information Security Manager has confirmed the process should refer to the Information Security Policy. This action is being reallocated to the Head of EMSCU.	Head of EMSCU 30/09/18	
4	OPCCN and Northamptonshire Police should ensure that where decisions are made at the pre-tender stage, these decisions are documented and stored on file.	Page 3 includes the decision made by the IAO as to which category of the data handling schedule should be included. OPCCN and Northamptonshire Police should ensure that all procurement decisions are documented on file.	2	Noted. EMSCU is a regional unit so this is not necessarily a matter for the Force. To be remitted to the EMSCU lead	Head of EMSCU	
	EMSCU - Policy SME Friendly Procurement					
1	OPCCN and Northamptonshire Police should remind staff that although some of the rules with regards to SME tender exercises differ from normal exercises, staff must still comply with rules set out in the Business Interests and Additional Employment Procedure.	Staff may become complacent when dealing with smaller suppliers. It should be made clear that declarations of interest are still vitally important and if any conflicts of interest arise, staff should remove themselves from the tender process.	2	Noted. EMSCU is a regional unit so this is not necessarily a matter for the Force. To be remitted to the EMSCU lead	Head of EMSCU	
	Gifts and Hospitality Procedure					
1	OPCCN and Northamptonshire Police should seek to streamline the Gifts and Hospitality procedure and just create one single document.	Currently there is a PDF procedure document, with both another procedure document and policy document referred to within. This may confuse staff as to which document to follow.	2	Noted Update - The policy library formats force policies and procedures. The Gifts & Hospitality Form was generated by PSD and is sent out directly to the individual once they have made PSD aware of the gift or	Head of PSD 30/09/18	

	Recommendation	Rationale	Priority	Management response	Timescale/ responsibility	Status
		Given the above recommendation and for the avoidance of doubt, we have reviewed PRO866_3110101835.doc.		hospitality. This form to be reviewed as a Force Form Update - Forms being amalgamated – have not yet registered on the force policy library system upload		
8	The policy specifically states that the policy does not cover meals provided at conferences, internal gifts and sponsorship. OPCCN and Northamptonshire Police should detail which policy these are covered within.	These instances should be covered within other policies and procedures. This policy should detail where information relating to these can be found.	2	Noted Update - We do receive notifications with regard to meals provided at conferences and internal gifts and sponsorship. Recommendation supported and policy to be amended to reflect officer / staff responsibility to declare these gifts.	Head of PSD 30/09/18	
	Information Security Policy					
1	OPCCN and Northamptonshire Police should make clear what they are referring to by the acronym 'ACC' within section 4.1.	It is currently unclear as to who OPCCN and Northamptonshire Police is referring to. The policy needs to be as easy to understand as possible.	3	Noted Update - The policy review will be finalised by end of Sep 2018, at which point it will be considered whether a full re-write of the policy is needed. If full re-write is required this will be post appropriate accreditation for the author. Update Feb 2019 – The IS policies have not yet been updated. The Information Security Strategy was given priority, and the policies will be reviewed/rewritten in line with the new strategy.	Force Information security manager 30/09/18	
2	OPCCN and Northamptonshire Police should update section 4.5.1 'All Staff' to include the following: 'Staff should advise line managers and the Information Security Officer, as appropriate, of any potential weaknesses in information security or associated procedures'.	This is proactive and should reduce future breaches or issues related to information security.	2	Noted Update - This will be reflected as part of the review at point 1	Force Information security manager 30/09/18	

	Recommendation	Rationale	Priority	Management response	Timescale/ responsibility	Status
3	OPCCN and Northamptonshire Police should update section 6 'All Staff' to include the following: 'Where staff are unclear on any matters relating to the implementation and application of this policy, they should seek clarification from the Information Security Officer or the Senior Information Risk Officer'.	This area of information security can often be complicated. This demonstrates a clear line of communication if staff are not clear on the policy.	3	Noted Update - This will be reflected as part of the review at point 1	Force Information security manager 30/09/18	
4	OPCCN and Northamptonshire Police should update Section 6 to include related documents. Some examples are: • Computer Misuse Act 1990; • Copyright, Designs and Patents Act 1988; • Civil Contingencies Act 2004; • Freedom of Information Act 2000; • General Data Protection Regulation 2016 (as of 25 May 2018); • Human Rights Act 1998; and • Official Secrets Acts 1911, 1920 and 1989.	It is important that staff are aware of relevant legislation and documentation.	3	Noted Update - This will be reflected as part of the review at point 1	Force Information security manager 30/09/18	
	Scheme of Governance					
2	OPCCN and Northamptonshire Police should make reference to the Intellectual Property Act (2014) within Appendix 1.	Appendix 1, Section C6 currently refers to intellectual property. However, it does not mention the act by which it is governed.	3	Noted. EMSCU is a regional unit so this is not necessarily a matter for the Force. To be remitted to the EMSCU lead	Head of EMSCU	
3	With regards to the use of procurement cards, OPCCN and Northamptonshire Police should consider a 'key control' concerning a review of the actual purchases.	Appendix 1, Section D9 currently details a review of who the cards are issued to and the limits on each card. However, it does not refer to the type of spend permitted on these cards. It is important that staff do not purchase items for personal use or items that could bring OPCCN and Northamptonshire Police into disrepute.	1	Noted. EMSCU is a regional unit so this is not necessarily a matter for the Force. To be remitted to the EMSCU lead	Head of EMSCU	
4	OPCCN and Northamptonshire Police should update the EU Procurement Thresholds. Supplies and services	Appendix 2, Appendix C details the old thresholds. The thresholds	2	Noted. EMSCU is a regional unit so this is not	Head of EMSCU	

	Recommendation	Rationale	Priority	Management response	Timescale/ responsibility	Status
	are now £181,302 (€221,000) and works are now £4,551,413 (€5,548,000).	have been updated and are effective from 1 January 2018.		necessarily a matter for the Force. To be remitted to the EMSCU lead		

2018/19

Absence Management & Wellbeing – July 2018

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.3	**Special Leave** *Observation:* The Force have a Special Leave policy that provides guidance to line managers on the approach to take when granting special leave for staff. It covers instances such as Compassionate Leave, Care Leave and Time Off for dependents. The policy makes clear reference to the fact each case will be different and needs to be handled differently, although provides line managers with the discretion to make such decisions, with it being recorded on DMS. It states that HR's role is to provide advice to managers and promote a fair and consistent application of the policy. However, from discussion with staff and review of available information, it was found that HR have a lack of data to enable effective oversight of special leave that is authorised by managers. A high level report of HR performance is prepared by the Performance Team, however it does not provide a breakdown of the information that HR would require to investigate / review individual cases. For example, the high level report provides the total type of leave, i.e. Family Leave, but does not provide detail on how many staff this relates to and how many days on average they have taken. *Risk:* The Force does not have consistent and fair approach to special leave	HR should liaise with the Performance Team to understand what data reports are available to assist in the oversight of special leave approvals.	**2**	Accepted- Procedural guidance under review and data update provided to HR business team. **Update from Ali Roberts:** : I have prepared a paper to Ali Naylor and the Attendance Gold group with respect to current policy, statutory requirements and our practice with some recommendations. A recommended way forward was agreed at the last meeting and discussions with the Federation and UNISON are underway in this regard. Ali Naylor will take this to FEG for debate on the preferred way forward with regards to proposing maximum paid limits on some aspects of special leave. Our guidance notes are very visual which may appeal to a wider audience and these will need to be updated according to the decisions following FEG. Sarah Crampton will pick up with regards to data around special leave/other leave and pick this up in her performance report. Update - We have the go ahead to develop guidance and parameters for the amount of special leave and when it is or isn't paid. The idea of a 'limit' has been supported and a process will need to be developed for a referral should someone need to go over the limit. Next step is to put guidance information together and liaise with UNISON and staff associations. Work is ongoing with the Performance Team to see if a more detailed report can be provided.	HR Business Partner August 2018	

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				Update – The revised Special Leave policy was approved by the Force Executive Board and published on 28 January.		

Victims Voice – October 2018

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.2	**Board Structure / Governance** *Observation*: Following the recent departure of the nonexecutive director on the Board, this has left the current make-up of the Board as Executive only. *Risk*: Corporate governance best practice is not followed	Consideration should be given to filling the nonexecutive director post on the Voice Board.	**2**	Three new non-executive Directors have been approached outcome to be discussed at November Board and to be in place by end of March 2019. Update - 2 Three new non- executive director have been appointed, Suzanne Burke, Dawn Cumins, Nick Adderley. All will attend the Q3 Board on 21/02/2019.	March 2019 Chief Executive Officer Voice	
4.3	**Payroll Inaccuracies** *Observation*: It was noted through discussion with management and a review of the correspondence between Voice and payroll provider that issues were being encountered with accuracy of information being processed by the provider resulting in discrepancies in pay, pension and forecasting information. Accurate budget reporting is vital so that the OPCC can relay accurate information to the MOJ. Contract performance meetings have been undertaken but the issue is ongoing. *Risk*: Difficulty in managing and accurate reporting of the budget.	Voice should continue to work with the OPCC and force to resolve the issues with the payroll provider.	**2**	Discussion and decision to be undertaken at the November Board. Update - Payroll inaccuracies have reduced we are confident that with closer working with the payroll provider this can be maintained.	November 2018 Chief Executive Officer Voice	
4.4	**Feedback/Satisfaction Survey** *Observation*: Feedback/satisfaction forms part of the objectives and KPIs between the OPCC and Voice. It was noted as part of the questionnaire to assist the victim, wheel/star assessments are undertaken comprising of five main criteria set from the MOJ. It was noted that a satisfaction survey/process is not	Consideration should be given to developing a system/process whereby feedback is gained not only from victims who have received ongoing support, but also for those victims who Voice	**3**	Advice/guidance discussions commencing 23/10/2018 with OPCC comms expert, new process to be in place by Sept 2019. Update - Ongoing feedback is sought from those clients who receive ongoing emotional support. CEO and performance	Sept 2019 Chief Executive Officer Voice	

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	currently in place in relation to best practice/enhancing the feedback process. *Risk:* Satisfaction records are unknown/not collected and opportunities to develop the service provided are not taken.	have made contact with/offered a service.		manager have meet with LJM Associates Ltd to discuss potential feedback/survey development platform for all Voice clients, further meeting to be held in March 19.		

Seized Property – November 2018

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	**Property Recording** *Observation:* Audit carried out visits to two temporary stores to carry out testing to confirm that property records matched actual items in store. Audit testing found: • 323 items were recorded in the property management system but only 135 could be located • 26 items were physically in the property stores but were not recorded as being in that location on the property management system. There were similar findings in last years audit. Since last year a number of communications have been issued across the Force to remind officers and staff of the correct procedures to be followed when handling seized property. *Risk:* Where items are not tracked there is a risk of property going missing. This questions the integrity of the underlying records held on the NICHE system and could lead to reputational damage should key evidence or individuals' property be unable to be located.	There are a number of recommendations to address the root causes of these errors including – training and store audits (see 4.3 & 4.4 below). The Force should continue with regular communications to help raise awareness of the issues. The Detained Property Team should review the items that audit could not locate and carry out inquiries to ensure they are located.	**1**	A business case was agreed for growth within the department, which will enable us to effect audits more frequently. The increased staffing will enable the investigation of anomalies and the development of officer training for the appropriate management of property. We have changed the rota, to include the investigation of anomalies. Communications will continue to be sent i.e. update circulated last week regarding electronic exhibits. See also 4.3 & 4.4 for further staff engagement activities. There are issues with the data extracts from Niche, in that incorrect data is returned due to limitations of the system. A business objects universe has been developed, and staff from Property, are working with corporate development to develop accurate reports to be used in place of the existing Niche reports. Testing/quality assurance will take place and should be finalised by the end of December 2018. Update - Testing/quality assurance should be finalised by the end of March 2019.	Detained Property Senior Manager Sep 2019 - team growth (extended timeframe to include recruitment, training and implementation) Coms Ongoing Dec 2018 Reporting development has commenced following a delayed start. Report testing and implementation should be complete by Mar 2019.	

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.2	**NICHE Reports** *Observation:* When audit carried out the testing to reconcile items recorded on the system to the physical location, a report from the Niche system provided the current items held within the store. The shelves within the temporary stores are numbered 1 – 31 and the date they are booked into the store should be the corresponding shelf number where they are stored. Therefore a report run on a set date should detail all items held on that particular shelf. However, it was identified by the Property Officers that when they ran reports on a set date, the reports included other items that had been actioned on these dates as well as those booked in on those days. Therefore the reports may not detail the exact location of the item when running this report type. The reporting capabilities of the Niche system are limited, however the Force are able to use Business Objects software to extract data from the Niche system. More accurate reporting would assist in quickly identifying the location of property held within the temporary stores. *Risk:* The Force are unware of the full picture in regards to detained property as reports are unable to be produced to demonstrate key statistics.	The detained property team should explore any reporting capabilities that will assist them in the management of detained property.	**2**	Further to the comments in 4.1 re Niche reporting, the volume of property occurrences and associated property items causes difficulties with business object reports. Further work is required to assess how this can be improved, i.e. increasing the levels of accountability e.g. additional property locations, meaning reports are run for smaller volumes. We are also reviewing the management of temporary stores (shelves/collections etc). This includes comparisons to regional partner's processes such as the introduction of a red/amber/green method as opposed to the use of dated shelves, to see if there are any improvements and efficiencies that can be made.	Detained Property Senior Manager Mar 2019 May 2019 (review & implementation)	
4.3	**Property Audits** *Observation:* During the previous audit visit it was recommended that periodic audits of the temporary stores should be carried out to identify any missing items or incorrectly recorded items on the system so that remedial action can be taken. The Detained Property Team are now carrying out periodic audits of the temporary stores on a rotational basis in line with their collections. Where errors are found during the audits, officers responsible for the items are emailed and chased to locate the item or correctly record them in the system where applicable. However, an overall summary of the audits is not reported which increases the risk that senior officers are unaware of the current status of detained property around the region.	The property audit process should be developed to ensure a summary of findings is appropriately reported to senior officers so that action can be taken to address the issues found in a timely manner. The Property Team should consider rolling out further audits of high risk areas such as Cash Valuables, Freezer, Firearms and Ammunition stores on a periodic basis to confirm items are correctly recorded.	**2**	The CJU senior management team circulate comms to the force via Force media avenues and via senior officers (chief superintendents & Inspectors). CJU Senior management attend Force area SMT's where possible, to discuss ongoing issues. The approved business case and subsequent growth will enable us to affect audits more frequently, including the Cash Valuables, Freezer, Firearms and Ammunition stores.	Detained Property Senior Manager Ongoing Further to 4.1 - Sep 2019 (extended timeframe to include recruitment, training and implementation)	

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	Risk: Actions are not taken to address issues that the property stores audits are highlighting.			The increased staffing will facilitate the production of detailed reports for senior officers to understand and address issues in a timely manner.	Mar 2019 implementation& ongoing Sep 2019 to increase establishment and implement	
4.4	**Training** *Observation:* During the previous audit a recommendation was raised in regards to providing Officers with training to ensure that the correct processes were being followed when managing detained property. This was raised following audit findings that highlighted a number of cases where property was not recorded correctly. Due to lack of staffing resources there has been no roll out of detailed training as yet. Discussions with the Head of Detained Property confirmed that communications have been sent since the last audit however, due to staff shortages they have been unable to roll out detailed training as they had hoped to do. The Staff within the Detained Property Team have a training skills matrix to ensure the staff are fully competent in their duties. This was introduced three years ago and the staff who have been their longer than this have not completed the matrix as they are considered competent, It was noted that the Transport of Property between the temporary stores and central stores was missing from the current skills matrix. *Risk:* Staff do not record the location and movements of detained property leading to lost items that could affect criminal prosecutions.	The Force should proceed with plans to roll out further training with officers to ensure that property is correctly recorded. The Detained Property Team should consider updating their staff skills matrix to include the collection and transportation of detained property.	**2**	As per 4.3, discussions are held at a senior level to highlight areas of concern. As part of core training, new officers receive an input on property; however there is no mechanism for ongoing training. The approved business case will mean an increase in team leader posts, with additional resource to drive and facilitate a training program. The CJU senior manager is progressing a Niche 'request for change – RFC', which will change the way officers manage their property, streamlining processes. This will require a program of training which the new team leader posts will support. In respect of the training skills matrix, this has been adjusted to include the audit recommendation regarding transport	Detained Property Senior Manager Sep 2019 (extended timeframe to include recruitment, training and implementation) RFC timescales are Minerva (external company) dependant, but hopefully by Dec 2019. Cleared	
4.5	**Disposals** *Observations:* It was noted during the previous audit that the Detained Property Team had a backlog of items that were approved for disposal but, due to a lack of resources within the team, they had been unable to action the items awaiting disposal. Audit were informed that whilst additional resources have been added to the team, these took some time to put in place and therefore the team have only been	Actions to address the backlog of items for disposal should be agreed upon and implemented.	**2**	The approved business case included finances to recruit a team dedicated to clearing the backlogs in 1 year, from an agreed date when the recruited staff can be appointed. As an interim measure, a change in rotas and responsibilities has meant we have	Detained Property Senior Manager 1 year from team appointment. Initially the management	

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	able to deal with the current daily workloads from May 2018 onwards. As a consequence, there has not been a concentrated effort to reduce the back log. At the time of audit visit it was confirmed that there are 8,125 items that are awaiting disposal. Audit were informed that Process Evolution undertook an independent review of the resourcing required to address the backlog. Their findings are due to be presented at the Change Board with associated options that could be taken to address this issue moving forward. *Risk:* Inefficient use of detained property resources by retaining items beyond their required retained date. Potential breaches of legislation by holding items that are required to be disposed of.			managed to chip away and clear some of the backlogs, such as sealed sacks and return to owner shelves. Work will continue to tackle the backlogs and this has been factored to provide a revised FTE requirement for the backlog team to complete the remaining backlogs when appointed.	post will be recruited, then the backlog team. All posts will need to be established via finance and human resources, and then recruited. Vetting currently has delays of a minimum of 12 weeks. Estimated timeframe for the completion of all backlog work outstanding will therefore be Mar 2020.	
4.6	**Cash Handling** *Observations:* When cash is detained by officers it is required to be counted with two officers present in a secure location. When this is not available, cash is bagged uncounted to be counted at a later time when this procedure can be complied with. Audit were informed that the central store does not have a 'sterile' room facility where cash can be safely and securely counted and therefore cash can remain uncounted for some time. It was noted that the Head of Detained Property has been working with the Financial Investigation Unit to develop appropriate procedures so that cash can be counted safely, securely and in a timely manner moving forward. However, this is still in development and it was noted that 157 items of uncounted cash were held within the Central Stores Safe at the time of audit visit.	Appropriate procedures should be developed so that cash held within the Central Property Safe is counted for insurance and safeguarding purposes.	**1**	The business case covered the risks in this area. Security has been significantly increased at the central detained property store. DP staff do not currently have a sterile room that meets the requirements for cash to be counted, and this is not part of their role. The Financial Crime team are kindly supporting DP, and a plan is in development for ongoing support in the short and medium term. Once the new Manager is appointed as part of the business case, they will need to review the roles of the team and include the development of the appropriate facilities and responsibility for this function.	Detained Property Senior Manager Mar 2019 Dec 2019 (extended timeframe to include recruitment,	

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	Risk: Where cash is not counted the Force are not insured for the amount held, also the amount held may be in breach of the insurance limits. When cash may be returned to the owner, the integrity of a police officer may be questioned if the amount seized has not been stated on seizure.				training and implementation)	

MFSS Contract Management – December 2018

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	**Financial Planning** *Observation:* The terms of reference for the Joint Oversight Committee states it is their responsibility "*to determine the annual budgets and MTFP's*" of MFSS. However, it was noted that the Chief Finance Officers of the partners are not listed as members of this committee. Upon review Audit confirmed that there is currently no agreed process or timetable for setting the MFSS budget on an annual basis. A review of the 2017/18 budget approval found that whilst it was approved at the Joint Oversight Committee, it was not further scrutinised at the Management Board prior to approval, as had been requested, by the JOC, due to a timing issue. The full 2018/19 budget for MFSS has still to be approved, although audit were informed an interim budget has been agreed. A contributory factor being the failure to on-board new partners as anticipated and the impact this will have on the costs borne by the existing partners. The lack of agreed budget poses a significant risk for the Force. On a quarterly basis MFSS provide the Force with a breakdown of the costs it has incurred, alongside a budget monitoring spreadsheet detailing the costs versus the budgeted costs and then invoices the Force for its agreed proportion of these costs alongside the other partners. Audit were informed that often this information can be late from MFSS, but it was not escalated accordingly.	The Force should raise the lack of budget setting procedures with the appropriate governance forum to ensure an effective budget setting process can be embedded and is aligned with their own budget setting process. The Force should ensure that the Chief Finance Officers are clearly included in any budget setting process and should be members of the appropriate governance forum where this is scrutinised as part of the budget setting process. The Force should ensure the late delivery of budget monitoring information from MFSS is escalated as soon as possible and actions taken to address are put in place. The Force should liaise with MFSS to confirm why the discrepancy, between the invoice received and the budget, occurred to ensure that the error is not repeated. The Force should escalate the incorrect invoice received with MFSS to ensure they receive the	1	Agreed The Force and OPCC have made such representation as have other partners and work is already underway to improve the involvement for 2019/20.The two November meetings of the Management Board and the December Meeting of the SSJOC have met and discussed both 2018/19 and 2019/20 budget information and this is now being managed more closely by both Boards for which Northants PCC and Force are representatives. The discrepancy was due to late delivery of year-end budget monitoring information which will be addressed above. The invoice has been requested again and will be paid urgently.	MFSS Completed Head of Finance Completed	

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	Audit reviewed the payments made by the Force to MFSS during 2017/18 and compared the payments made to the budget monitoring information provided to the Force by MFSS. Audit found that there was a £43k underpayment from the Force to MFSS for quarter 4. Audit were informed that the Force have accrued for this figure, however they have yet to receive a correct invoice from MFSS. *Risk:* Financial implications of MFSS impacting upon the Force's ability to deliver a balanced budget. Force incorrectly accounts for the payments made to MFSS.	correct invoice and can correctly account for the payments to MFSS.				
4.2	**Performance Management** *Observation:* It has been acknowledged by the Force that the current service level agreement and associated key performance indicators between the Force and MFSS are being reviewed and updated. Audit were informed work is ongoing to finalise these and put them in place. In the meantime it was noted that some interim KPI's are being delivered at the Service Review Meeting between the Force and MFSS. These are currently focused on Finance and HR specifically and no overall review of total services is able to be effectively carried out. Audit found that the performance information that was provided to the Joint Oversight Committee was the same as the performance information provided at the Management Board. These groups have a different focus (strategic versus operational) and therefore would require differing information to allow for effective oversight and scrutiny of MFSS performance across the totality of services provided. From the performance information that was provided to the Force, there was a lack of analytical information that would allow context and root causes to be identified. One omission from the performance data was the number of errors that had occurred throughout the different service levels. MFSS have a complaints process that should be followed when individuals are not happy with the level of service received. They will investigate and resolve the matter within a set time frame. However, it was	The Force should ensure that the updated SLA with MFSS is put in place as soon as possible to ensure effective performance indicators can be established. The Force should review the performance information that would be most relevant at each of the governance forums then work with MFSS to ensure they receive this information. The number of individual complaints raised and managed by MFSS should be centrally co-ordinated by the Force and form part of the service review meeting. Any unsatisfactory responses to complaints by MFSS should be escalated through the governance structure accordingly to ensure effective performance management.	**1**	Agreed The performance information is considered at the management Board and these papers will be made available to Force staff to review.	Force MFSS Leads 31 March 2019 MFSS 31 March 2019	

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	noted that the number of complaints received, investigated and resolved are currently not reviewed or reported as part of the performance information provided at any of the governance forums. *Risk:* Poor performance by the shared service is not timely identified so appropriate actions can be put in place to address. The shared service fails to deliver the expected service to the Force					
4.3	**Quality Control** *Observation:* The terms of reference for the Optimisation Board states that they will provide direction to the individual Business Process Transformation groups to drive improvements in the service processes and maintained an improvement plan. There are seven BPTs: - Purchase to Pay / Accounts & Payables (Finance) - Recruit to Retire (HR) - Record to Report - Duty Planning - Logistics - Technology - Estates & Facilities As previously mentioned in Recommendation 4.1, not all the groups have been meeting to carry out this review, with Duty Planning, Logistics and Estates & Facilities having not met regularly to carry out their roles. However, the Optimisation Board does maintain an Improvement Plan that lists specific activities that are to be completed across the service lines. Audit reviewed the latest version of the plan and found that there are 38 open activities made up of 14 'not started', 22 'work in progress' and 2 'on hold'. For each activity it includes the area of service, the relevant BPT, an activity owner and an activity lead, although one key omission is a target / expected date of completion. Whilst not all start dates or date activity agreed was included on the plan, where dates were noted these dated back as far as 2014 in some cases.	The Improvement Plan should be updated to include target completion dates for activities to ensure MFSS and Partners are held to account for non-delivery of activities, the Force should raise this at the Optimisation Board. The Force should co-ordinate its data quality issues internally across the totality of services and ensure this is fed back to the MFSS Business Relationship Manager.	**2**	Agreed	Force MFSS Leads 31 March 2019	

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	The improvement plan did include a prioritisation matrix of effort versus benefit for each activity listed to help the Board ensure they focus efforts in the right areas. However, due to the lack of target dates for completion, a large number of improvement activities are still outstanding. The Force were able to provide audit with a number of examples when the data they received from MFSS was not in line with their expectations. Whilst this included the process to 'pause' service requests when MFSS return queries to the Force, the number of paused SR's are not part of any monitoring or performance review at present. Internally the Force does not co-ordinate the data quality issues across the totality of services. *Risk:* Failure of the partners and MFSS to complete improvement activities leading to a poor quality service. Failure of the Board to hold individuals to account for nondelivery. Failure to evaluate the quality of data being used to scrutinise MFSS					
4.4	**Governance, Communication & Co-ordination** *Observation:* The Shared Service Joint Oversight Committee and Management Board terms of reference are set out in the Collaboration Agreement and the creation of the Optimisation Board, Business Process Transformation groups & a Service Review Group has been developed. Audit reviewed the governance system in place and found that there are a number of ongoing reviews within the current governance structure: - The Collaboration Agreement itself is currently under review; - Optimisation Boards terms of reference has been re-drafted and is being re-named Service Improvement Sub- Committee; - A review of the BPT's role in the governance system is being undertaken. Moreover, it was clear that the seven Business Process Teams, that were set up to review specific MFSS services, have not all been taking place as intended.	The Force should put in place appropriate co-ordination between the attendees of MFSS governance forums to ensure the key information is shared. The Force should seek clarity from MFSS and partners to confirm the roles of each governance forum as well as ensuring the BPT's are operating as intended.	**2**	Agreed The PCC has taken over as the Chair of the SSJOC and as such coordination within Northamptonshire has already improved as information from these forums is disseminated. The CEO is also part of the weekly MFSS senior team meeting. This will be further reviewed to see if all key individuals are updated. New terms of reference were already developed as part of the Task force work and the S22 is under review.	Monitoring Officer/Project Director 31 March 2019 MFSS 31 March 2019	

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	Audit found that internally at the Force the attendees at the various governance meetings were not communicating or coordinating appropriate information to allow a clear and consistent message to be delivered. *Risk:* Problems/issues are not escalated through the governance structure by the Force. MFSS are not held to account at the correct governance forum. The Force does not get the service it requires through lack of individual service line improvements. The Force fails to manage the total service that it currently receives from MFSS.					

GDPR – February 2019

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	**Action Plan** *Observation:* We noted that some form of gap analysis for GDPR was completed in 2017 based on national guidance but the author, as well as two other key staff involved, have since left the organisation or changed role in April 2018. Due to a lack of resources it was not reassigned or taken forward as a formal action plan. There remains a number of actions that require completion including completion of the Information Asset Register, updates to policies and procedures, staff communications and training as well as dealing with a backlog of information requests. It is accepted and recognised by management that there is still work to do but a recognition of the importance of GDPR is being expressed/increased and this is being addressed at both an internal staffing level and governance level, however, the plan is currently not sufficient. *Risk:* There is no formal plan to achieve compliance or the resource available to implement resulting in non-compliance with key aspects of GDPR.	The force needs to revisit or establish an action plan to address shortcomings in compliance and provide a direction of travel towards it. The lack of an action plan seriously undermines attempts to become compliant and fails to establish a long-term strategic direction to managing this area and is in distinct contrast to all other forces reviewed in the region who have performed a full gap analysis and established an action plan to oversee steps required to obtain compliance based on the 12 step guidance from the Information Commissioners Office.	**1**	To be presented to the incoming DCC for re-establishing the Information Assurance Board. This would formalise the temporary Information Management Strategy that was set up following the audit. Discussions have already opened with DCC around the risks and concerns of the Information Unit. This area of the business is currently on the risk register and is therefore discussed and measured by higher levels of management on a regular basis. Will re-formulate an Information Assurance Risk Register as a single register will allow for all matters to be in one place and be risk assessed, managed and moved forward from a single document creating oversight for those aspects of the register which sit within different directorates across the force. This in turn will help	2 Months for set up. Monthly meetings. Senior Management involved for initial 6 month period, compliance levels will then indicate the ongoing requirement. Risk / exception reporting will also be captured via the monthly Force Strategic Board	

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				prioritise and inform the more detailed elements of the Information Assurance Strategy.	Information Unit Manager April 2019	
4.2	**GPDR/Data Protection Working Party** *Observation:* Up until April 2018 a working party was overseeing developments in this area, however that group was closed in April 2018 on the departure of three key staff and has not been reconvened despite there being outstanding issues to resolve. A reconvened group should be established to oversee establishment and progress of the action plan recommended above and other areas. *Risk:* There is no oversight or strategic planning for the development and management of controls in this area.	A working group led by a senior member of staff/officer should be re-established, similar to that that previously existed to oversee the drive towards better compliance such as the development and implementation of the action plan, IAR and resource management.	**1**	This will form part of the Information Assurance Board(IAB), at least initially whilst the greater risks and measures are put in place.	2 Months for set up. Monthly meetings. Senior Management involved for initial 6 month period, compliance levels will then indicate the ongoing requirement. IAB April 2019	
4.3	**Resources** *Observation:* The organisation has two Full Time Equivalent (FTE) staff involved in disclosure requests. This includes not only Subject Access Requests (1 FTE) but also Freedom of Information (1 FTE). Other resources can support the process but this is additional activity to their own business as usual role. This ranks the force 5th out of the 5 East Midlands forces in available resource but 3rd out of 5 in total number of disclosure requests where we have reviewed GDPR processes. We also note the organisation has a significant back log of subject access requests beyond the 30 day response time, the largest of the five forces reviewed. This backlog, for the period between May and October 2018 was 69 subject access requests. This suggests the organisation has insufficient resources to manage its current work load, as well as move forward with areas such as action plan management and policy development. As such we	The organisation should consider its resourcing levels in this area and in particular look to reduce its backlog of requests. The level of training provided to date to both the team and the wider organisation has been insufficient and further formal training should be considered which can then be cascaded to others internally.	**1**	Training needs analysis for Information Assurance, Information Security, Information Management, GDPR should be undertaken commissioned by IAB with a request for support from EMCHRS via the learning and development panel. This should be discussed at initial IAB meeting. Requires an overarching force wide plan, which considers teams and individual requirements. Forcenet messages should be formulated for more immediate issues.	2 months for initial meeting to be held and discussed. 6 months for more extensive delivery plan to be formed and added to training needs and execution to begin. This should continue for the foreseeable future with no end date.	

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	would recommend that the organisation consider if more resource should be in place. The levels of formal training both to the Information Unit and wider organisation has been limited and should be improved. We do understand that the structure is currently under review and proposals have been made but these are currently on hold awaiting further information. *Risk:* The organisation has insufficient resources to manage the demand for disclosures and may be at risk of not achieving the statutory time limit.				IAB and EMCHRS August 2019	
4.4	**Privacy Impact Assessments** *Observation:* There is no apparent co-ordination of the Privacy Impact Assessment process that has engaged with the Information Unit though we note a procedure exists. This may mean that the Information Unit are not involved in the decision making process to decide if a PIA is required and a potentially incorrect decision is taken. *Risk:* Privacy impact assessments are not carried out when required.	A process to undertake a privacy impact assessment of all new systems should be implemented and should engage with the Information Unit for all new systems.	**3**	This should be actioned from the IAB, at least initially whilst testing and familiarisation takes place.	As required. IAB	
4.5	**Information Asset Register** *Observation:* We were unable to evidence that an up to date Information Asset Register (IAR) has been completed, although there may be some documentation in both IT and in Information Security areas that would support its completion. The establishment of an IAR is important to establish how all data sources are identified, obtained managed, used and deleted by an organisation as well as responsible personnel, consent, and its location and is key under GDPR guidance and to manage the associated data risks. *Risk:* The organisation may not fully understand what data it holds, where it is located and how it is obtained and managed in contravention of GDPR legislation.	The organisation should review existing documentation with a view to establishing a current and effective IAR that defines data which is collected and currently stored, and this has been utilised to identify potential risks to compliance with GDPR.	**1**	Ownership and tracking should sit with IAB. This had been completed but with gaps, largely due to individuals taking up position but unaware of their responsibility regarding it. This will form part of the induction project for the new Information Auditor.	From start date for Auditor.	
4.6	**Information Security Breach Guidance** *Observation:* Whilst the general information security breach process is established internally and operating effectively there is a lack of guidance on the force's website to outside users which may lead to a lack of	Information security/data breach guidance should be included on the externally facing website regarding how to make complaint.	**3**	To be tracked by IAB, ISO will liaise with SOH team to establish the mechanism and	Information Security Manager	

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	awareness in reporting potential breaches by members of the public. We understand that a review is currently ongoing to address policy guidance. *Risk:* Members of the public are not able to report information security breaches effectively.	This is currently in the process of being updated by the Information security officer.		location, however this will be covered to some degree by the addition of the up to date Privacy Notice	March 2019 SOH dependant.	
4.7	**Data Protection Policy** *Observation:* A Data Protection policy is in place, but we noted that there are two policies publicly available via the force's website dated November 2017 and May 2018. These relate more to the previous Data Protection Act rather than the current GDPR influenced changes. We noted that a review is currently ongoing to address policy guidance. *Risk:* Members of the public may not be properly informed of the Force's policy.	Data Protection policy documentation on the force's website needs to be updated to reflect current guidance and in particular GDPR.	**3**	To be tracked by IAB, DPO will liaise with SOH team to establish the mechanism and location, however this will be covered to some degree by the addition of the up to date Privacy Notice.	Information Security Manager March 2019 SOH dependant.	
4.8	**Regional Data Protection Meetings** *Observation:* Lincolnshire's Data Protection and Freedom of Information Manager has recently taken over the chair of the regional data protection meetings. Given some of the general comments made about the group during our audits we would suggest that: • An opportunity is taken to review the terms of reference for the group to ensure it represents what everyone would most gain from such a meeting; and • To avoid potential off topic conversation and reinvigorate group discussion. A similar recommendation has been made in all regional reviews to encourage engagement. *Risk:* Group discussions do not meet terms of reference or provide an effective forum.	The Terms of Reference for the Regional Data Protection meetings should be reviewed and updated, and all members should engage with the process to ensure it represents an effective forum for all in the context of both Data Protection, GDPR and wider Information Management.		To be established by the Regional DP Group Chair and attendees. Overseen by force SIRO's.	Meeting date pending	

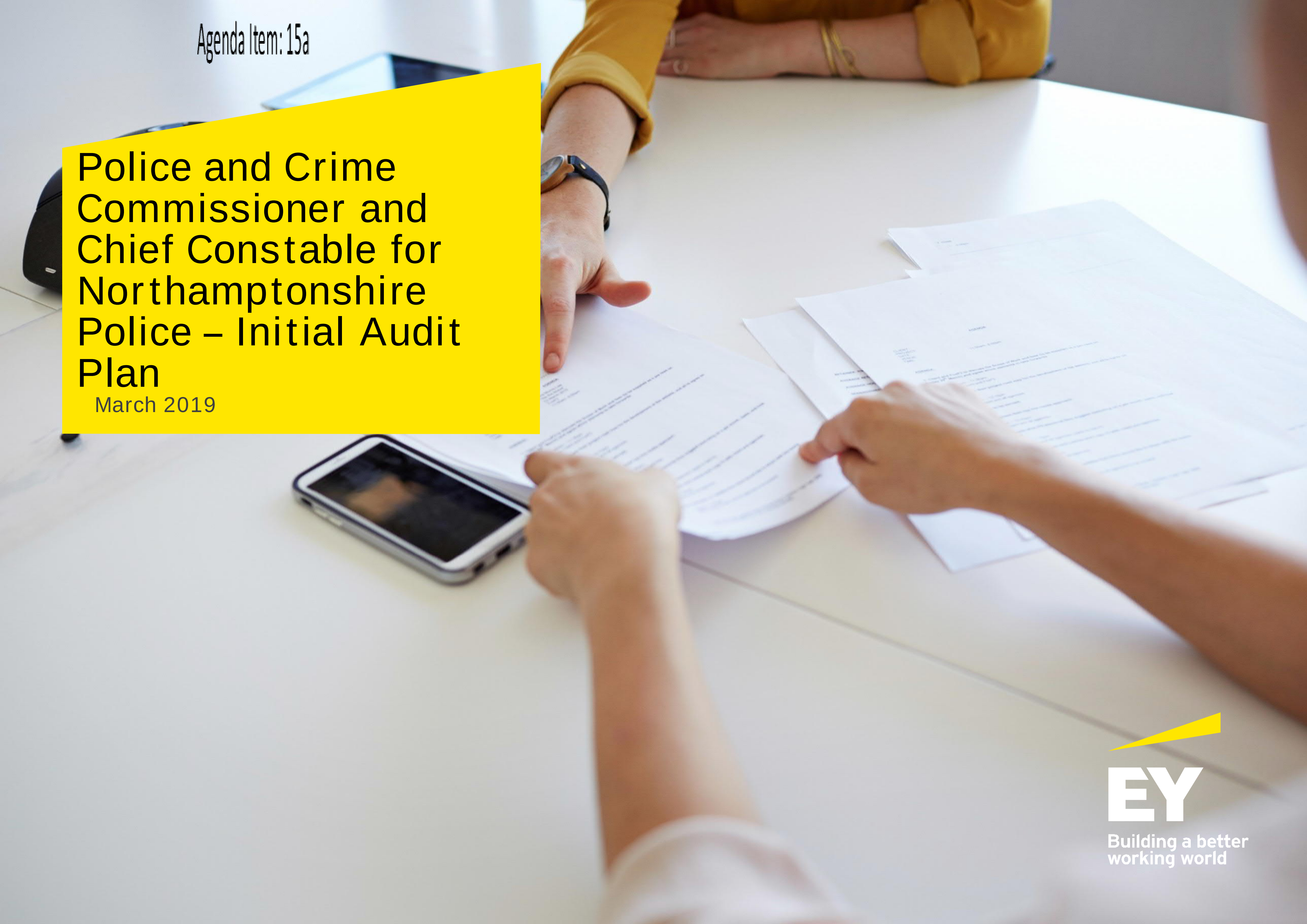
Service Delivery Model – February 2019

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	**Governance** *Observation:* The Force have created a new Force Strategy Board that is made up of five sub-boards: • Risk • Transformation • Leadership, Wellbeing & Culture • Corporate Planning & Resources • Service Improvement Audit reviewed the terms of reference for each forum to confirm that the Service Delivery Model has appropriate oversight and scrutiny within this governance structure. A Service Delivery Model representative was a member of all but one of the above meetings. It was noted that the Corporate Planning & Resources terms of reference did not include them. Through discussion with staff it was confirmed this was an oversight and the membership of the five meetings should have been consistent. The Change Board is the governance forum that has oversees the delivery of the Service Delivery Model programme. It is noted that the new Transformation Board has similar aims and objectives to the Change Board in regards to oversight of SDM and thus this increases the risk of duplication of work and / or items 'falling between the gaps' if each board believes issues are being dealt with by the other. *Risk:* Oversight of the SDM programme is not incorporated within the Force Governance structure.	The Corporate Planning & Resource terms of reference should be updated to ensure its membership aligns with the other Force Strategy Board sub boards and includes Service Delivery Model representation. The Force should review the roles of the Change Board and Transformation Board to ensure there is clarity in the roles of board to allow effective oversight and scrutiny to take place.	**2**	The FSB Terms of Reference were originally produced in draft and are being updated with this work being overseen by the DCC and Head of Corporate Services as part of a wider force governance review that is also considering the role of the Change Board.	March 2019 / DCC Nickless	
4.2	**SDM Reporting** *Observation:* The Transformation Board terms of reference states that at each meeting an SDM update report will be provided and includes the details of what are expected in this report; this includes: • Programme update – progress towards achieving the required outcomes and benefits, including cost savings targets; • Financial picture of the programme;	It should be made clear within the new governance structure where updates on Service Delivery Model are to be reported.	**2**	Developments and Changes to the Force Operating Model are being overseen by the Service Improvement Board with specific updates provided relating to the relevant thematic area. A programme board is being introduced, chaired by the DCC to design and deliver improvements to the Force Operating	March 2019 / DCC Nickless	

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	• Review and approval of proposed changes to the SDM programme requirements or top level ground rules or assumptions; and • Review and approval of proposed changes to the cost, schedule or outcomes of SDM delivery and work packages. However, these reports have yet to be produced and delivered to the Transformation Board. Audit were informed that a high level Force Strategy Board Highlight report has been provided to the Transformation Board, however this did not include any of the SDM update report expectations laid out in the terms of reference. *Risk:* Lack of oversight and scrutiny of the performance / outcomes of the Service Delivery Model.			Model – terms of reference are in development. This programme board will report into FSB (with revised terms of reference being developed as per 4.1).		
4.3	**Benefits Delivered** *Observation:* The full business case for the service delivery model included 34 specific benefits that would be delivered across five business areas, together with the overall benefits. A Demand Outcome Framework has been established which tracks the benefits of the SDM. Audit carried out a review of the framework and found 17/34 were being tracked and of these: • 7 of the outcomes are not currently being achieved; • For 6 of the outcomes it is unclear if they have been achieved as they may have more than one data set that is part of the outcome • 4 of the outcomes have shown improvement per the data. Moreover, of the 17 outcomes that are not being tracked: • 2 related to financial information i.e. cost savings. Audit were informed this is tracked through budget monitoring • 3/17 - related to victim/customer satisfaction and this is tracked elsewhere; • 12/17 - are not currently measured. *Risk:* Expected benefits of the service delivery model are not realised.	The benefits of the service delivery model should be clearly linked with the original business case. Where benefits are not currently being tracked, a review should be carried out to explore how these could be monitored. Where benefits are not being realised, actions should be taken to identify why they have not been realised to allow lessons to be learned for future projects. The Force should consider having one monitoring report that documents all the benefits that were anticipated and the current status of these benefits to clearly show performance of the service delivery model programme. In line with recommendation 4.2 above, this would be reported to the Transformation Board for oversight and scrutiny.	**2**	Lessons learned to support the development of a corporate memory is a strand being progressed within Corporate Services. Inadequate resources allocated to the Change Team over the past 18 months have resulted in significant issues, including the inability to support monitoring and continual improvement of the operating model, whilst the limited resources have been prioritised elsewhere to support the efficiency programme. Resourcing challenges are being sought to be addressed through the Corporate Services restructure and recruitment is underway to improve capacity. A new business change manager role has been appointed and this will support the development of a benefits management strategy. A full evaluation is due to commence on the appointment of new Research and Evaluation Analyst posts and this will consider benefits realisation. Furthermore, the force have invested in the Qlik Sense Visual Analytics tool. This will be	July 2019 / Corporate Services - Andrew Wilson, Head of Change	

	Observatio4.5n/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				used to better visualise the demand and performance actuals versus expectations for any changes made to the operating model. These will be automated reports accessible by a much larger audience (currently the Demand Monitoring and Outcome Framework requires manual population and there has been limited capacity to complete this).		
4.4	**Evaluation of Risk** *Observation:* An interim evaluation of the service delivery model was carried out and the terms of reference for the evaluation stated the review would cover "*The extent to which any new risks and issues identified post implementation have been effectively managed and/or resolved*." However, from a review of the interim evaluation outcomes it was unclear how this was covered during the evaluation. Audit were informed that this would be covered off when a full evaluation will be completed. *Risk:* The effectiveness of risk management is not reviewed and therefore lessons learned for future projects does not take place.	When the full evaluation of SDM takes place the effectiveness of risk management should be included within the evaluation.	**2**	The full evaluation is due to commence on the appointment of new Research and Evaluation Analyst posts. Effective risk management will be considered as part of this and any implementation of changes being considered through the Improvement Board looking at Response and Crime Process.	July 2019 / Corporate Services – Andrew Wilson, Head of Change	

Agenda Item: 15a



Police and Crime Commissioner and Chief Constable for Northamptonshire Police – Initial Audit Plan

March 2019

Building a better working world

The Police and Crime Commissioner for and Chief Constable of Northamptonshire Police

20th March 2019

2018/19 Initial Audit Plan

We are pleased to attach our summary Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Corporate Soles and the Joint Audit Committee with a basis to review our summary audit approach and scope for the 2018/19 audit. We are undertaking our work in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Panel's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Police and Crime Commissioner (PCC) and Chief Constable (CC). This is an initial audit plan as we have not yet completed all our planning and interim procedures. We have had planning discussions with the Chief Finance Officers on the 28th November 2019 and 20th February 2019. We have reviewed and carefully considered the work of your predecessor auditor, KPMG LLP. We have also considered your significant strategic, financial and risk management papers. This plan has also been informed by my attendance at your Joint Audit Committees in March, September and December 2018.

Our remaining audit strategy and interim audit procedures are taking place during the weeks of the 18th March and 25th March 2019. We have also allowed time during April and May to conclude any outstanding areas before the audit of the PCC and CC financial statements. At the Joint Audit Committee Final Accounts workshop on the 6th June 2019, we will provide you with an Audit Planning document including any matters arising from our interim audit work.

This report is intended solely for the information and use of the PCC and CC, Joint Independent Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 20th March 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Neil Harris
For and on behalf of Ernst & Young LLP
Enc

Overview of our initial audit strategy 2018/19

Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters and risk identification for the upcoming audit. It seeks to provide the Police and Crime Commissioner (PCC) and Chief Constable (CC) with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change from assessment made by KPMG	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Incorrect capitalisation of revenue expenditure	Fraud risk	New area of focus	Linking to our fraud risk above we have considered the capitalisation of revenue expenditure on property, plant and equipment as a separate risk, given the extent of the PCC's capital programme. In addition, we will also assess how material and significant revenue expenditure funded by statute is for 2018/19 financial year. A risks exits that such sums are not accordance with guidance and are inappropriately classified.
Valuation of land and buildings	Inherent Risk	No change from assessment made by KPMG	The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Group's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is a risk that fixed assets may be over/under stated or the associated accounting entries incorrectly posted.
Accounting for the Net Pension Liability	Inherent Risk	No change from assessment made by KPMG	The Group's pension fund deficit is a material estimated balance for both the PCC and CC. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters and risk identification for the upcoming audit. It seeks to provide the Police and Crime Commissioner (PCC) and Chief Constable (CC) with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Securing the PCC and CC financial resilience	Value for Money – Deploying resources in a sustainable manner	No change from assessment made by KPMG	The PCC and CC have agreed a balanced budget for the 2019/20 financial year. This plan depends on the PCC and CC delivering a programme of savings and efficiencies. In the medium term, the PCC and CC are forecasting budget shortfalls which will depend on achieving a programme of savings, efficiencies and transformation. At this stage we have not identified the PCC and CC arrangements to secure its financial resilience as a significant audit risk. However during our audit work, we will complete a financial resilience qualitative and quantitative assessment which will consider: • Current and planned levels and use of available reserves. • Arrangements to identify and implement savings, efficiencies and transformation, including from the enabling services programme and any assumed gains from collaborative and partnership working. • Outcomes from the CCs zero based budgeting exercise that was undertaken in the 18-19 financial year. • Robustness of assumptions underpinning the budget and medium term financial plans. If our initial assessment identifies any significant concerns, we may designate this area as a significant risk and undertake more detailed audit work to review the arrangements supporting material savings and efficiency programmes.
Multi-Force Shared Services (MFSS) Adequacy of arrangements for governance and risk management on the implementation of Project Fusion	Value for Money significant risk – Informed Decision Making and Deploying resources in a sustainable manner	Significant audit risk - New area of focus	We will follow-up KPMG's except for qualification on the governance arrangements for MFSS and the implementation of Project Fusion. We have noted from KPMG LLP's prior year Audit Results Report and their Annual Audit Letter the steps taken by management at PCC and CC to rectify the situation and improve project governance, accountability and oversight. We understand there are still significant risks to the MFSS project which is anticipated to go-live from 1st April 2019. We will review the PCC and CC arrangements including: • Project governance and accountability. • Risk management. • Consideration of financial, service and reputational implications and risks from further project slippage.

Overview of our 2018/19 audit strategy

Initial Planning Materiality. We will update the Joint Audit Committee on our materiality levels at the accounts workshop on the 6th June 2019.

Planning materiality

Based on our initial planning work and review of the audited 17-18 financial statements, we have assessed the amount at which misstatements would influence the economic decisions of the users of accounts. Our planned level of materiality is the following:

- PCC Group accounts – 2% of gross expenditure (£207.930million) which is £4.158million.
- PCC accounts – 2% of gross assets (£75.552million) which is £1.511million.
- CC accounts – 2% of gross expenditure (£174.562million) which is £3.491million.
- Police Pension Fund – 2% of benefits payable (£32.564million) which is £651,280.

Performance materiality

Performance materiality for the PCC Group, the subsidiaries (PCC and CC Single entity accounts) and the Police Pension Fund has been set at 50% of our planned level of materiality. This is to reflect that this is the first year we are your auditors and we will need to develop an understanding of your control environment to support the preparation of the financial statements. At the planning stage the level that determines the extent of our audit procedures is:

- PCC Group (£2.079million); PCC accounts (£755,520); CC accounts (£1.746million) and Police Pension Fund (£325,640).

Audit differences

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and police pension fund financial statements). we propose that misstatements identified below this threshold are deemed clearly trivial. At the planning stage, those thresholds are:

- PCC Group (£207,900); PCC accounts (£75,550); CC accounts (£174,550) and Police Pension Fund (£32,564).

Overview of our 2018/19 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of the PCC and CC for Northamptonshire give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and

- Our conclusion on the PCC and CC's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the PCC's and CC's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the PCC and CC.

Your audit team will be led by

Neil Harris – Associate Partner
Neil has over 25 years experience of Local Authorities, including Police audits, Pension Funds and their respective audits, and has been an Engagement Leader in EY for six years, having previously worked for the Audit Commission as a District Auditor between 2009 and 2012.

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error *

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

For the Group and PCC Single Entity, we have identified the potential for the incorrect classification of revenue spend as capital as well as revenue expenditure under statute, if material as a particular area where there is a risk of fraud or error.

Under ISA240 there is also a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We consider this risk is not material in relation to our audit.

What will we do?

We will undertake our standard procedures to address fraud risk, which include:

- Identifying fraud risks during the planning stages.
- Inquiring of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Considering the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- We will specifically consider how the PCC and CC have made judgements on whether to accrue or provide against known litigations, claims and costs. An example will focus on is the PCCs share of any costs associated with delays or changes to the MFSS project.

Our response to significant risks (continued)

Misstatements due to fraud or error - Incorrect capitalisation of Revenue Expenditure and Revenue Expenditure Financed through Capital under Statute

Misstatements that occur in relation to this risk may impact the following significant accounts:

PPE Additions – Valuation
CIES Net Cost of Services – Expenditure – Completeness
Note 17: Capital Expenditure and Financing – Presentation and Disclosure

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

This could materialize as a result of capitalizing expenditure on revenue items or miss-classifying Revenue Expenditure Financed through Capital under Statute (REFCUS)

What will we do?

Should capital expenditure and REFCUS be material to the financial statements in 2018/19 , we will undertake additional procedures to address the specific risk we have identified, which will include:

- Sample testing additions to property, plant and equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised;; and
- Sample test expenditure classed as REFCUS, ensuring that it meets the criteria for this treatment.

Our response to inherent risks

Valuation of Land & Buildings

Misstatements that occur in relation to this risk may impact the following significant accounts:

Property Plant & Equipment (Valuation)
Unusable Reserves: (Valuation & P&D)
Revaluation Reserve
Capital Adjustment Account

What is the risk?

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Group accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

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What will we do?

We will:

- Consider the work performed by the Group and PCC valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code of Practice. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Review assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- Consider changes to useful economic lives as a result of the most recent valuation;
- Test accounting entries have been correctly processed in the financial statements; and
- Make use of our valuation experts to review the change in valuation methodology and as deemed appropriate.

Our response to inherent risks, continued…

What is the risk?	What will we do?
Net Pension Liability Valuation The Local Authority Accounting Code of Practice and IAS19 require the CC to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. The PCC must also do similar in respect of the Police Pension Fund. The PCC and CC's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the respective balance sheets of the PCC and CC. The information disclosed is based on the IAS 19 report issued to the PCC and CC by the actuary to the administering body and also the Police Pension Fund. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	We will: • Liaise with the auditors of Northamptonshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Northamptonshire Police Force; • Assess the work of the LGPS Pension Fund and the Police Pension actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and • Review and test the accounting entries and disclosures made within the PCC and CC's financial statements in relation to IAS19.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but may be still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
IFRS 9 financial instruments This new accounting standard is applicable for local authority and police accounts from the 2018/19 financial year and will change: • How financial assets are classified and measured; • How the impairment of financial assets are calculated; and • The disclosure requirements for financial assets. There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9.	We will: • Assess the Group and PCC's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19; • Consider the classification and valuation of financial instrument assets; • Review new expected credit loss model impairment calculations for assets; and • Check additional disclosure requirements.
IFRS 15 Revenue from contracts with customers This new accounting standard is applicable for local authority and police accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. The 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised. The impact on Police accounting is likely to be limited as large revenue streams like council tax and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.	We will: • Assess the Group, PCC and CC implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19; • Consider application to the Group, PCC and CC revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and • Check additional disclosure requirements.

Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
► The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ► The overall assessment of threats and safeguards; ► Information about the general policies and process within EY to maintain objectivity and independence. ► Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]	► In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ► Details of non-audit services provided and the fees charged in relation thereto; ► Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ► Written confirmation that all covered persons are independent; ► Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ► Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ► An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements , the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Independence

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non –audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Neil Harris, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the PCC and/or CC. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, we are not undertaking any non-audit work on behalf of the Group. Therefore no additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Relationships, services and related threats and safeguards

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the PCC and/or CC Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2018

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018

Fees

Your proposed 2018-19 fee

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2018/19 accounts of opted-in principal local government and police bodies.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table below.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£	£	£
Total PCC Fee – Code work: Note 1	22,554	22,554	29,291
Total CC Fee – Code work Note 1	11,550	11,550	15,000
Total audit fees	34,104	34,104	44,291

All fees exclude VAT

Note 1:
The planned fees for 2018/19 may be subject to a scale fee variation due to increases in the scope of the audit as summarised below:

► The audit of significant risks reviewing the PCC and CC arrangements for informed decision making associated with their interest and exposure to the MFSS Project Fusion implementation.

In addition, the agreed fee presented is based on the following assumptions:

► Officers meeting the agreed timetable of deliverables;
► Our accounts opinion and value for money conclusion being unqualified;
► Appropriate quality of documentation is provided; and
► The PCC and CC have an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with management in advance. Any variations to the audit fee need to be approved by PSAA.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Required communications with the PCC and CC

We have detailed the communications that we must provide to the PCC and CC.

Required communications	What is reported?	Our Reporting to you: When and where
Terms of engagement	Confirmation by the PCC and CC of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report – March and June 2019
Significant findings from the audit	• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process • Findings and issues regarding the opening balance on initial audits	Audit results report – July 2019

Appendix B

Required communications with the PCC and CC (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements	Audit results report – July 2019
Misstatements	• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management	Audit results report – July 2019
Fraud	• Enquiries of the PCC and CC to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud	Audit results report – July 2019
Related parties	• Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity	Audit results report – July 2019

Appendix B

Required communications with the PCC and CC (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence	Audit planning report – March and June 2019 Audit results report – July 2019
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures	Audit results report – July 2019
Consideration of laws and regulations	• Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of the PCC and CC into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the PCC and CC may be aware of	Audit results report – July 2019
Internal controls	• Significant deficiencies in internal controls identified during the audit	Management letter/audit results report – September 2019

Appendix B

Required communications with the PCC and CC (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Group audits	• An overview of the type of work to be performed on the financial information of the components • An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components • Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work • Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted • Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements	Audit planning report – February and May 2019 Audit results report – July 2019
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report – July 2019
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – July 2019
Auditors report	• Key audit matters that we will include in our auditor's report • Any circumstances identified that affect the form and content of our auditor's report	Audit results report – July 2019
Fee Reporting	• Breakdown of fee information when the audit plan is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work	Audit planning report – March and June 2019 Audit results report – July 2019

Agenda Item 15b

Northamptonshire Commissioner Fire and Rescue Authority– Initial Audit Plan

March 2019

EY

Building a better working world

Northamptonshire Commissioner Fire and Rescue Authority

20th March 2019

2018/19 Initial Audit Plan

We are pleased to attach an indicative overview of our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Corporate Sole and the Joint Audit Committee with a basis to review our summary audit approach and scope for the 2018/19 audit. We are undertaking our work in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Panel's service expectations.

In accordance with the Home Secretary's decision on the Police and Crime Commissioner's business case for the governance of the Fire and Rescue Service and the Policing and Crime Act 2017, Northamptonshire Commissioner Fire and Rescue Authority (NCFRA) became a new legal entity established from the 1st January 2019. EY LLP have been appointed by Public Sector Audit Appointments Limited as NCFRAs appointed auditor for five years from the financial year ended 31st March 2019. This decision was ratified by PSAA Board on the 19th December 2018 and the Commissioner confirmed this in a decision record (number 91) on the 8th January 2019.

This document summarises our early assessment of the key risks driving the development of an effective audit for the NCFRA. Our first year audit will be a iterative process. We have not yet completed all our planning procedures and are expecting further clarifications before the 20th March 2019 Joint Audit Committee and Fire accounts workshop on the closedown timetable and the finalisation of NCFRA's opening balance sheet. We have had planning discussions with the Chief Finance Officer on the 28th November 2019, 20th February 2019 and a comprehensive set of email correspondence and supporting documentation. We have carefully considered the documents available to us so far, including relevant Commissioner decision records, business case, transfer scheme and orders, standing orders, budgets, medium term financial plans, governance and integrated risk management papers.

This report is intended solely for the information and use of the NCFRA, Joint Independent Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report and facilitate a workshop with you on 20th March 2019 which will help us to understand whether there are other matters which you consider may influence our audit. We will provide an update to our audit plan to the 6th June 2019 Joint Independent Audit Committee Final Accounts workshop.

Yours faithfully

Neil Harris
For and on behalf of Ernst & Young LLP
Enc

Overview of our initial audit strategy 2018/19

Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the initial accounting and auditing matters. It seeks to provide the NCFRA and the Joint Audit Committee with an overview of our initial risk identification for the first year of our audit.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Details
Misstatements due to fraud or error	Fraud risk	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. Under ISA240 there is also a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. Once we have considered the judgements associated with the opening balances and the income and expenditure transactions for the period to 31st March 2019, we will assess whether we can rebut this risk. As a minimum we expect to be: ➢ Identifying fraud risks during the planning stages. ➢ Inquiring of management about risks of fraud and the controls put in place to address those risks. ➢ Understanding the oversight given by those charged with governance of management's processes over fraud. ➢ Considering the effectiveness of management's controls designed to address the risk of fraud. ➢ Determining an appropriate strategy to address those identified risks of fraud. ➢ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
Completeness and accuracy of the opening balances and the disaggregation of the NCFRA balance sheet from Northamptonshire County Council.	Significant audit risk	The completeness of opening balances and the disaggregation of the NCFRA balance sheet from its predecessor body, Northamptonshire County Council, will be a complex exercise. There is a risk of material misstatement from: • Incorrect and incomplete postings to NCFRA from Northamptonshire County Council. • Incorrect accounting judgements associated with income, expenditure, assets and liabilities that transfer to NCFRA and are inconsistent with the statutory transfer scheme and orders. • Incorrect accounting judgements and disclosures associated with contracts, leases, funding and finance towards assets under constructions. • Incorrect accounting judgements and disclosures associated with any overage clauses and agreements. We will update the Joint Audit Committee on 6th June 2019 with our response to this risk once we have had further information from NCFRA and its closedown team.

Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the initial accounting and auditing matters. It seeks to provide the NCFRA and the Joint Audit Committee with an overview of our initial risk identification for the first year of our audit.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Details
Valuation of land and buildings	Significant risk	In the Property, Rights and Liabilities scheme, 23 Fire Stations transferred to NCFRA from the 1st January 2019, in addition to vehicles, plant and equipment. The fair value of Property, Plant and Equipment (PPE) will represent a significant balance in the first NCFRA financial statements. NCFRA are commissioning a revaluation of all of the 23 Fire Stations from their appointed valuer as at 31st March 2019. Management will be required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is a risk that fixed assets may be over/under stated or the associated accounting entries incorrectly posted. As this is the first year that NCFRA will be recognising valuation of 23 Fire Stations, there is a heightened risk of material misstatement from valuing these specialised assets. We therefore will be asking our EY Real Estates team to support us to review: • Work performed by the NCFRA appointed valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work. • A representative sample of these assets and test key asset information and assumptions used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre). • That the accounting entries have been correctly processed in the financial statements
Accounting for the net pension liability	Significant risk	NCFRA recognition for the first time of the net pension liability will be a material estimated balance. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates. We expect that we will need to: • Liaise with the auditors of Northamptonshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to NCFRA; • Assess the work of the LGPS Pension Fund and Firefighters Pension Scheme, the actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors. We will also consider any relevant reviews and specific engagement we need to have with the EY actuarial team for both LGPS and Firefighters Pension Scheme; and • Review and test the accounting entries and disclosures made within the NCFRA financial statements in relation to IAS19.

Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the initial accounting and auditing matters. It seeks to provide the NCFRA and the Joint Audit Committee with an overview of our initial risk identification for the first year of our audit.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Details
Faster closure of the accounts. Not being able to prepare a complete set of NCFRA accounts for audit by 31st May 2019 and/or the completion of the audit and approval of the accounts by 31st July 2019.	Significant risk	There are a number of factors which increase the risk that NCFRA will be unable to approve its first year set of accounts by the earlier closedown deadlines of 31st July 2019. These are: • Time required by NCFRA, with the support of closedown team in LGSS, to finalise the disaggregation of the opening balance sheet from Northamptonshire County Council. • Capacity and resilience of the NCFRA finance staff and closedown support to prepare accounts and supporting work papers for audit by the end of May 2019 and then respond to queries arising from the audit process. This is in light of competing priorities for the same team involved in the Police and Crime Commissioner and Chief Constable accounts and the LGSS team providing accounts closedown support for Northamptonshire County Council, Cambridgeshire County Council and Northampton Borough Council. • Complexity of first year judgements associated with the valuation of assets and net pension liability and accounting judgements related to contracts and leases. • Ability for EY LLP as the appointed auditor, to provide sufficient and appropriate resource to respond to the risks and complexity on this first year audit. Officers of NCFRA and EY LLP have already had discussions about the risks, implications and expectations of each other in communications and project planning. We will continue to keep this risk under review and provide an update to the Joint Audit Committee up to and at the 6th June 2019 meeting.
Securing NCFRAs financial resilience	Value for Money significant risk – deploying resources in a sustainable manner	The NCFRA has set a balanced budget for the 2019/20 financial year and expects to achieve its budget for the remainder of the 18-19 financial year. In accordance with the decision of the Home Secretary with the Fire governance business case, NCFRA are needing to build up from nothing its reserves and balances over the next 3 years to minimum and sustainable levels. Doing so will require NCFRA to deliver a programme of savings, efficiency and transformation. NCFRA's Chief Financial Officer has already and appropriately set out concerns on the adequacy of reserves and balances in the 19-20 budget, medium term financial plan and reserves strategy. We will consider the arrangements NCFRA has put in place and reported in the period to 31st March 2019 on its financial resilience and determine: • Whether we need to qualify our Value for Money Conclusion and if so, the basis for this and our proposed modification to the audit opinion. • How we take account in our audit work and reporting the arrangements NCFRA are putting in place to secure its financial resilience and any improvement recommendations. • How robust and aligned NCFRAs budget and medium term financial plan is to its Fire and Rescue Plan and Integrated Risk Management Plan.

Overview of our 2018/19 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of the NCFRA give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and

- Our conclusion on NCFRA's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on NCFRA's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the NCFRA.

Your audit team will be led by

Neil Harris – Associate Partner
Neil has over 25 years experience of Local Authorities, including Police and Fire audits, Pension Funds and their respective audits, and has been an Engagement Leader in EY for six years, having previously worked for the Audit Commission as a District Auditor between 2009 and 2012.

Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
► The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ► The overall assessment of threats and safeguards; ► Information about the general policies and process within EY to maintain objectivity and independence. ► Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]	► In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ► Details of non-audit services provided and the fees charged in relation thereto; ► Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ► Written confirmation that all covered persons are independent; ► Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ► Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ► An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements , the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non –audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Neil Harris, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in NCFRA. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, we are not undertaking any non-audit work on behalf of the Group. Therefore no additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Relationships, services and related threats and safeguards

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the NCFRA. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2018

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018

Your proposed 2018-19 fee

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2018/19 accounts of opted-in principal local government, fire and police bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

PSAA have not finalised the determination of the 2018/19 scale fee for NCFRA. PSAA have received representations from us and officers on NCFRA on the planned fee.

	Planned fee 2018/19
	£
Total NCRA Fee – Code work: Note 1	25,000
Total audit fees	25,000

All fees exclude VAT

Note 1:
The planned fees for 2018/19 has been proposed at £25,000 and has been discussed with the NCFRA Chief Financial Officer. The proposed fee is now with PSAA to approve and determine the 2018/19 scale fee. The basis for our proposed fee is the following:

- First year audit procedures to document and understand entity level controls, the business environment and the impact this has on our planned audit procedures and level of materiality.
- Responding to the risks associated with the completeness of opening balances and disaggregation of the balance sheet from Northamptonshire County Council.
- First year audit procedures, using specialists as required, to review the assumptions supporting valuation of land and buildings and net pension liability.
- Our response and any modifications required to our Value for Money conclusion and reporting associated with the risks to NCFRA's financial resilience.
- Less sample testing of income, expenditure and balance sheet transactions as only based on three months of the financial year.
- Leverage we can get from our work on the ERP system used by Northamptonshire County Council.
- Relative fee to other Fire and Rescue Authorities of a similar size.

In addition, the agreed fee presented is based on the following assumptions:

- ► Officers meeting the agreed timetable of deliverables;
- ► Our accounts opinion and value for money conclusion being unqualified;
- ► Appropriate quality of documentation is provided; and
- ► The PCC and CC have an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with management in advance. Any variations to the audit fee need to be approved by PSAA.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Required communications with the NCFRA

We have detailed the communications that we must provide to the NCFRA.

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the NCRA of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report – March and June 2019
Significant findings from the audit	• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process • Findings and issues regarding the opening balance on initial audits	Audit results report – July 2019

Required communications with the NCFRA (continued)

Required communications	What is reported?	Our Reporting to you When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements	Audit results report – July 2019
Misstatements	• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management	Audit results report – July 2019
Fraud	• Enquiries of the NCFRA to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud	Audit results report – July 2019
Related parties	• Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity	Audit results report – July 2019

Required communications with the NCFRA (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence	Audit planning report – March and June 2019 Audit results report – July 2019
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures	Audit results report – July 2019
Consideration of laws and regulations	• Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of the NCFRA into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the NCFRA may be aware of	Audit results report – July 2019
Internal controls	• Significant deficiencies in internal controls identified during the audit	Management letter/audit results report – September 2019

Appendix B

Required communications with the NCFRA (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Group audits (if applicable) – Note this is not going to be applicable to NCFRA.	• An overview of the type of work to be performed on the financial information of the components • An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components • Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work • Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted • Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements	Not applicable to NCFRA.
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report – July 2019
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – July 2019
Auditors report	• Key audit matters that we will include in our auditor's report • Any circumstances identified that affect the form and content of our auditor's report	Audit results report – July 2019
Fee Reporting	• Breakdown of fee information when the audit plan is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work	Audit planning report – March and June 2019 Audit results report – July 2019

ITEM 16

REPORT BY	Chief Finance Officer
SUBJECT	**Joint Independent Audit Committee (JIAC) - Agenda Plan – Updated March 19**
RECOMMENDATION	To discuss the agenda and note the report

Date of JIAC	10.12.18	20.03.19 FIRE AUDIT & ACCOUNTS WORKSHOP	20.03.19	6.6.19 FINAL ACCOUNTS WORKSHOP	26.7.19	30.9.19	November 2019 TBC WORKSHOP	11.12.19
Confirmed agenda to be circulated	19.11.18		22.02.19		28.06.19	02.09.19		22.11.19
Deadline for papers to be submitted to OPCC	29.11.18		06.03.19		12.07.19	16.09.19		04.12.19
Papers to be circulated	3.12.18		13.03.19	01.06.19	19.07.19	23.09.19		11.12.19

Date of JIAC	10.12.18	February 2019 TBC WORKSHOP	20.03.19	6.6.19 FINAL ACCOUNTS WORKSHOP	26.7.19	30.9.19	November 2019 TBC WORKSHOP	11.12.19
	Apologies		Apologies		Apologies	Apologies		Apologies
	Declarations		Declarations		Declarations	Declarations		Declarations
	Meetings log and actions		Meetings log and actions		Meetings log and actions	Meetings log and actions		Meetings log and actions
					Meeting of members and Auditors without Officers Present			
	Governance, Assurance and Strategies							
	Treasury Management Q2 update 2018/19		Capital Prog 2019/20 PFCC & CC NCFRA		JIAC Annual Report	MTFP process and plan update & Timetable PFCC & CC NCFRA		
		NCFRA External Audit and Accounts Assurances	Treasury Mgmt Strategy 2019/20 PFCC & CC NCFRA	Statement of Accounts Review: PFCC & CC NCFRA	Statement of Accounts: PFCC & CC NCFRA	Corporate Governance Framework Review PFCC & CC NCFRA	Seized and Found Property Update	
			Capital Strategy 2019/20 PFCC & CC NCFRA	JIAC annual report review	JIAC Annual Report and Terms of Reference Review	Treasury Management outturn 2018/19 & Q1 Update NCFRA PFCC		Estates Strategy
	HMICFRS Reviews							
			HMIC VFM					
			HMIC reviews – update CC NCFRA					HMIC reviews – update NCFRA

Date of JIAC	10.12.18	February 2019 TBC WORKSHOP	20.03.19	6.6.19 FINAL ACCOUNTS WORKSHOP	26.7.19	30.9.19	November 2019 TBC WORKSHOP	11.12.19
	Updates:							
	Update on: MFSS		Update on: MFSS		Update on: MFSS	Update on: MFSS		Update on: MFSS
	Update on: Fire Governance		Update on: Fire Governance		Update on: Enabling Services	Update on: Business Continuity and Disaster Recovery PFCC&CC NCFRA		Update on: Enabling Services
	Update on: Estates Strategy PCC & CC		Update on : Fire Governance					Update on: Estates Strategy PFCC
	Update on: CIPFA Training Day for Audit Committee Members (or other Training and Development)		Update on PFCC Monitoring Officer Arrangements		Update on: Fraud & Corruption Controls and Processes PFCC & CC NCFRA	Update on: ICT Governance, Behavioural Change and Finance Arrangements		Update on: CIPFA Training Day for Audit Committee Members (or other Training and Development)
	Risk Management:							
	Force strategic risk register		PFCC Risk Register			Force strategic risk register		
			NCFRA Risk Register			NCFRA Risk Register		

Date of JIAC	10.12.18	February 2019 TBC WORKSHOP	20.03.19	6.6.19 FINAL ACCOUNTS WORKSHOP	26.7.19	30.9.19	November 2019 TBC WORKSHOP	11.12.19
	Internal Audit:							
			Internal Audit Plan 19/20 PFCC & CC		Internal Audit Plan 19/20 NCFRA			
					Internal Audit Annual Report 18/19 PFCC & CC NCFRA			
	Progress report PCC & CC		Progress report PFCC & CC		Progress report PFCC & CC NCFRA	Progress report PCC & CC NCFRA		Progress report PCC & CC NCFRA
	Implementation of recommendations PCC & CC		Implementation of recommendations PFCC & CC		Implementation of recommendations PFCC & CC NCFRA	Implementation of recommendations PFCC & CC NCFRA		Implementation of recommendations PFCC & CC NCFRA
	External Audit:							
	External Audit Plan 18/19 PCC & CC		External Audit Plan 18/19 NCFRA		External Audit ISA260: PFCC & CC NCFRA	External Audit Annual Audit Letter: PFCC & CC NCFRA		External Audit Plan & Fee Letter 19/20: PFCC & CC NCFRA
			External Audit Verbal Update PFCC & CC NCFRA					
	Plan & AOB:							
	Agenda plan		Agenda plan		Agenda plan	Agenda plan (HK)		Agenda plan
	AOB		AOB		AOB	AOB		AOB
	Next meeting [1]		Next meeting		Next meeting	Next meeting		Next meeting