



**ITEM 1**

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

**JOINT INDEPENDENT AUDIT COMMITTEE**

**23 July 2018 at 10.00am to 13.00pm**

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

**If you should have any queries in respect of this agenda,  
please contact Helen Jennings on 03000 111 222 Ext 346858**

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

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

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<b>AGENDA</b>			<b>Papers attached/to follow</b>	<b>Time</b>
	There will be a private meeting of the committee members with the auditors before the start of the formal public meeting	JB		09:45
<b>Public Meeting of the Joint Independent Audit Committee</b>				
1	Apologies for non- attendance	JB		10.00
2	Declarations of Interests	Members		
3	Meeting Log and Actions – 19 <sup>th</sup> March 2018	HK	Paper	10:05
4	JIAC Annual Report 2017/18	JB	Paper	10.15
5	a) Statement of Accounts 2017/18 b) Letter of Management Representation c) ISA260	HK / PD / KPMG	Papers to follow	10:35
6	External Audit update	KPMG EY	Verbal	11:05
7	Internal Audit Annual Report 2017/18	Mazars	Paper	11:15
8	Internal Audit Progress Report	Mazars	Paper	11:25
9	Internal audit recommendations update report	RB	Paper	11:35
10	Risk Management, Policy & Procedures	RB	Paper	11:45
11	HMIC Reviews- Update	RS	Paper	11:55
12	MFSS update	RS/PD	Paper	12:05
13	Fire Governance Implementation Update	PB	Paper	12:15
14	Treasury Management Outturn 2017/18	HK/PD	Paper	12:25
15	Treasury Management Quarter 1 2018 / 2019	HK/PD	Paper	12:35
16	Agenda Plan	HK	Paper	12:45
17	AOB (Including member updates)	HK	Verbal	12:55
18	Date and venue of future JIAC meetings Wootton Hall, Northampton NN4 0JQ  30 July 2018 (13:00 to 15:00) Reserve date 10 September 2018 (10:00 to 13:00) 10 December 2018 (10:00 to 13:00) Suggested 2019 dates			

AGENDA		Papers attached/to follow	Time
	20 March 2019 (10:00 to 13:00) 26 July 2019 (10:00 to 13:00) 30 Sep 2019 (10:00 to 13:00) 11 Dec 2019 (10:00 to 13:00)		
19	Date and venue of future JIAC workshops i) Workshop – 20 September 2018 (14:00 to 16:00) (Estates Strategy and OBB overview) ii) Workshop – 23 November 2018 (11:00 to 13:00) (Police & Crime plan / ICT Developments)		
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:  <i>“That under Section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that if the public were present it would be likely that exempt information under Part 1 of Schedule 12A of the Act of the descriptions against each item would be disclosed to them”.</i>		
21	Confidential items – any	JB	

**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:**

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

*or by email to:*

*helen.jennings@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 M Pettitt

Mr A Knivett

**Martin Scoble**

**CHIEF EXECUTIVE & MONITORING OFFICER**

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### ITEM 3

#### Joint Independent Audit Committee (JIAC) ACTION LOG – 19 MARCH 2018

#### Attendees:

**Members: John Beckerleg (JB), Gill Scoular (GS), Tony Knivett (TK), Martin Pettit (MP)**

**Martin Scoble (MS), Helen King (HK), Rachel Swann (RS), Paul Dawkins (PD), Richard Baldwin (RB), Andrew Cardoza KPMG (AC), Mark Lunn Mazars (ML), Neil Harris EY (NH), David Hoose Mazars (DH), Gill Mercer Police and Crime Panel (PCP) Chair (GM)**

Agenda	Issue	Action	Responsible	Comments
1	Apologies for non-attendance	<ul style="list-style-type: none"> <li>Members to update HK on IT issues with Agenda and Papers. <b>Update: HK in discussions with the Head of ICT for JIAC provision.</b></li> </ul>	JIAC members	<ul style="list-style-type: none"> <li>Apologies received from BW (Mazars)</li> <li>Apologies received from MS (OPCC)</li> <li>Welcome to ML &amp; DH from Mazars</li> <li>Welcome to NH from EY</li> <li>Welcome to GM the PCP Chair</li> <li>JB mentioned that the format for the agenda and papers and timeliness was much better. However, two members still had issues with the format and would like to take up MS offer for a Force laptop to assist. They will liaise with HK separately</li> </ul>

2	Declarations of Interests	Nil	Members	<ul style="list-style-type: none"> <li>There were no new declarations of interest</li> </ul>
3	Meeting Log and Actions – September 2017	<ul style="list-style-type: none"> <li>September 2017 (represented) - Amend minute 5 to reflect EA wording (HK). <i>Update: Minutes amended</i></li> </ul>	CFO	<ul style="list-style-type: none"> <li>The minutes were accepted with the amendment of agenda item 5 to read:</li> </ul> <p>The external auditor indicated that he expected to give unqualified opinions on the accounts “<i>with the exception of the matters reported in the basis for qualified conclusion</i>” in respect of the previous Commissioner’s decision to sell Wootton Hall relating to securing economy, efficiency and effectiveness in its use of resources.</p>
	Meeting Log and Actions – December 2017	<ul style="list-style-type: none"> <li>December 2017 – Amend minutes 13 and 14 to reflect EA wording (HK) <i>Update: Minutes amended</i></li> <li>Estates Strategy – July JIAC Agenda (MS) <i>Update: A Workshop in September 2018 has been scheduled.</i></li> <li>VFM – consider and potentially review Derbyshire report (HK) <i>Update: HK reviewed report which updated on HMIC indicators – this could be added to the workplan in December/when available for 18/19 if members wish</i></li> <li>MTFP and Budget Timetable to be scheduled in the workplan (September/December) (HK) . <i>Update: On September 2018 Agenda</i></li> <li>Copy of Governance Framework to be sent to Members (HK) <i>Update: On website and a copy to the link sent to members.</i></li> </ul>	CFO	<ul style="list-style-type: none"> <li>Minutes accepted with revised wording in Item 13 External Audit - Annual Audit Letter and Item 14 – and a request that minutes are produced sooner after the meeting.</li> <li><b>Item 5 – Estates Strategy</b> - MP asked for clarification on the timescale and HK advised that this was scheduled on the agenda for the July JIAC.</li> <li>JB highlighted appreciation for the additional work carried out on the estates and felt most issues had now been concluded. A special internal audit was scheduled for estates procurement.</li> <li><b>Item 10 – MTFP</b> – JB asked HK to consider VFM, all discussed the HMIC indicators and AC suggested the Derbyshire report could be reviewed. JB requested an explanation of the MTFP process and budget timetable be tabled at a future meeting</li> <li><b>Item 4 – Governance Framework</b> – JB requested a copy of the final framework be sent to members. HK confirmed implementation date was the 1/4/18.</li> <li><b>Item 13 External Audit – Annual Audit Letter</b> – the wording to be amended to reflect: unqualified opinions were given on the accounts “<i>with the exception of the matters reported in the basis for qualified conclusion</i>” in respect of the previous Commissioner’s decision to</li> </ul>



				<p>sell Wootton Hall relating to securing economy, efficiency and effectiveness in its use of resources.</p> <ul style="list-style-type: none"> <li>• <b>Item 14</b> – Appointment of External Auditor – wording to be amended to reflect “KPMG aim to have concluded their work on the 2017/18 audit opinion by 31/7/18).</li> </ul>
4	Annual Internal Audit Plan 2018/19		Mazars	<ul style="list-style-type: none"> <li>• JB advised he felt the link to the Risk Register was helpful in the draft IA Plan.</li> <li>• The MFSS work would focus on contract management. JB queried whether there was enough time. This would be regularly reviewed.</li> <li>• TN queried the link with partners in the partnership audit and felt overall the report was helpful coverage of assurances required.</li> <li>• JB queried whether Q1 was too early for the ICT Strategy and was advised the Strategy was in place and Q1 was consistent with regional colleagues.</li> <li>• JB queried the inclusion of Fire. HK advised this would be reviewed when a decision on Fire is made.</li> </ul>
5	Internal Audit Progress Report		Mazars	<ul style="list-style-type: none"> <li>• The audit of Victims Voice was discussed and HK advised it would be helpful for the PCC to seek assurances as Voice is a new company which will be consolidated into the wider OPCC Group Accounts.</li> <li>• The Draft IA Plan for 2018/19 was supported.</li> </ul>
6	Implementation of Internal audit Recommendations	<ul style="list-style-type: none"> <li>• Mazars to produce Year End IA Report as soon as 17/18 audit reports completed. <b>Update: Report received and incorporated in AGS.</b></li> </ul>	Richard Baldwin	<ul style="list-style-type: none"> <li>• RB advised the report now included a comparison from the previous meeting, together with OPCC recommendations, forming a comprehensive report.</li> <li>• JB advised in general it felt like a good picture overall.</li> <li>• MP queried whether Limited Assurance on Payroll was a concern and PD advised that it was.</li> <li>• Many financial planning recommendations had been addressed in the 2018/19 budget.</li> <li>• Discussion on Op Balance and PD advised that Finance and HR are now involved. JB advised there was some discussion at the Assurance Board which had picked up previous monitoring issues.</li> </ul>

				<ul style="list-style-type: none"> <li>• MP queried E-CINS and its risk, RB advised it is a partnership sharing database for anti-social behaviour.</li> <li>• JB asked if action owners were addressing the recommendations. MP asked whether the Force Assurance Board was effective in clearing the outstanding recommendations and JB responded that the FAB Chair was reviewing the recommendations and generally the FAB was working well. RB advised a few needed to address their recommendations earlier or set more realistic completion dates.</li> <li>• GS felt the updates gave assurance and were helpful.</li> <li>• JIAC discussed Seized Property and lack of timescales and RB advised a paper was going to the Change Board in April – TK attends for JIAC.</li> <li>• HK requested Year End Report as soon as possible to assist with the AGS.</li> </ul>
7	Force Risk Register	<ul style="list-style-type: none"> <li>• HK and RB to Review Force Financial Risks following final settlement for 2018/19. Update: Head of Finance Reviewed and Updated</li> </ul>	Richard Baldwin	<ul style="list-style-type: none"> <li>• RB advised the Change Team Capacity Risk is to be considered at Change Board in April.</li> <li>• A number of risks are being considered at gold groups or other boards.</li> <li>• RB advised a group was being set up to consider NCC position and MP queried the potential impact on estates strategy or other issues. HK advised PCC is being kept updated and involved as required.</li> <li>• Discussion on Risk 105 mitigations confirmed these were staffing posts to release officers of admin tasks.</li> <li>• JB queried capacity risk in control room and RB advised it is being mitigated by overstaffing.</li> <li>• JB queried if risks need reviewing in light of 18/19 financial settlement as risk refers to previous MTFP. HK and RB to review.</li> <li>• GS queried whether some risks could be combined as there are a large number. RB advised these will be combined where possible.</li> <li>• JIAC noted the report.</li> </ul>

8	External Audit Plan 2017/18	<ul style="list-style-type: none"> <li>• Future workshop on VFM to be scheduled before next budget round after the accounts (HK) <b>Update: Members to consider where on the workplan they wish this to be and what to replace – HK suggests November when we should hopefully have the draft HMIC indicators</b></li> <li>• Decision Record on Wootton Hall Sale to be shared with members when finalised (MS).<b>Update: Exchange has taken place but completion on the sale is awaited. Police and Crime Panel regularly updated and Decision Record will be finalised on completion of sale.</b></li> </ul>	KPMG	<ul style="list-style-type: none"> <li>• AC introduced the draft Plan and advised that timescales were earlier than 16/17.</li> <li>• Fees were set at same as 16/17 and materiality has been increased from 1.5% to 1.7% and the Interim Audit is mainly complete- areas of note will be MFSS, actuarial and land &amp; building valuations and related party issues from previous years. AC to brief NH.</li> <li>• MP queried public inspection timescale. AC &amp; HK advised common period is from 1/6 and runs into July.</li> <li>• TK queried whether JIAC could take a view from VFM &amp; AC advised they could but also could review HMIC indicators or hold a workshop.</li> <li>• JB discussed materiality levels in respect of OPCC and Voice with AC.</li> <li>• Discussion on the impact on the 2017/18 audit work of the VFM assessment in 2016/17 regarding Wootton Hall and the decision to reverse the decision which would include financial assessment. MP requested to see the Decision Record on this when it is finalised. HK advised it is in draft pending completion of sale.</li> <li>• The Draft EA Plan was supported.</li> </ul>
9	External Audit Introduction		EY	<ul style="list-style-type: none"> <li>• NH from EY was introduced and gave an overview of the focus of the EY work which commences from 18/19.</li> <li>• EY and NH have been in Police for over 5 years. EY will look at all Forces and OPCCs in the Region, to ensure regional consistency and best practice in addition to all Northants Public Sector.</li> <li>• NH confirmed the conversations to start the handover from KPMG will be starting shortly.</li> <li>• JB advised EY they were welcome to attend the July meeting.</li> </ul>
10	MFSS – SRO Update	<ul style="list-style-type: none"> <li>• Update on MFSS to be added to Workplan (HK) <b>Update: On July 2018 Agenda</b></li> </ul>	Rachel Swann	<ul style="list-style-type: none"> <li>• PD presented the paper and updated JIAC on the upgrade from version R12 to R13, including highlighting some of the concerns from both the</li> </ul>

				<p>previous payroll implementation and the MFSS implementation, delays to implementation and additional support used.</p> <ul style="list-style-type: none"> <li>• PD advised there were still issues but some mitigations were helping with improved governance and a Joint SRO had been appointed for Notts and Northants. Whilst currently on track for the autumn, Avon &amp; Somerset wished to defer their start date.</li> <li>• All were progressing towards this but it was not without issues. Also taking place are conversations about future legal vehicles. It was currently a S22 partnership agreement.</li> <li>• MP invited officers to review whether the current arrangements still represented value for money (for example, by comparison with the original business case)</li> <li>• JIAC discussed capacity which PD confirmed was limited in terms of HR and finance teams and JB offered support if resources were required.</li> <li>• JIAC noted the report and asked to be updated as the project continues.</li> </ul>
11	OPCC HR Policies	<ul style="list-style-type: none"> <li>• Consider Unison involvement in consultation on the HR Policies and length of consultation (NM). Update: NM scheduled to liaise with unions during consultation. This has been slightly delayed by the Director due to other priorities.</li> </ul>	Nicci Marzec	<ul style="list-style-type: none"> <li>• MP queried unison involvement and whether the length of consultation period was enough and HK agreed to ensure NM was aware of these points.</li> <li>• Other OPCC policies are also being reviewed.</li> <li>• JIAC noted the report.</li> </ul>
12	Victims Voice		Paul Bullen	<ul style="list-style-type: none"> <li>• PB outlined the implementation of Victims Voice in 18/19 as a new company to deliver PCC requirements for Victims. Previously undertaken as a contract but at a decision point in 2017, the PCC decided to set up a Teckal compliant company rather than recommission services. It includes Victims and Restorative Justice and is intended to roll in other victim contracts.</li> </ul>

				<ul style="list-style-type: none"> <li>• Members queried performance monitoring information and PB/HK advised these were based on national MOJ reporting requirements.</li> <li>• Discussion also took place on Restorative Justice (RJ).</li> <li>• Members questioned why a company was set up. PB advised a number of routes were reviewed and Teckal compliance was significant. Members were concerned about the company route and with the PCC on the Voice Board which they felt represented a conflict of interest.</li> <li>• HK advised Voice will have their own corporate governance framework and disclosure for related parties will be included in the Statement of Accounts.</li> <li>• JIAC noted the report.</li> </ul>
13	Finance Update for Force & OPCC	<ul style="list-style-type: none"> <li>• Meet with GS to discuss reserves (HK) Update: to be scheduled post 2017/18 Accounts sign off.</li> <li>• See if the link for the Police and Crime Panel agenda and papers can be shared (HK). Update: This takes place before each meeting.</li> </ul>	CFO/ACOFR	<ul style="list-style-type: none"> <li>• PD outlined that monitoring has developed during the year but will be further developed in 18/19.</li> <li>• MP is keen to continue to see the reports offline, however, HK advised regular updates go to each PCP. JIAC felt it would be helpful if PCP papers could be shared.</li> <li>• GS has requested a discussion with HK on reserves.</li> <li>• JIAC noted the report and if PCP papers can be shared will only see the report if required or by exception.</li> </ul>
14	Capital programme		CFO/ACOFR	<ul style="list-style-type: none"> <li>• JIAC welcomed the planned introduction of a capital strategy which could inform the capital programme in future years.</li> <li>• Members reflected the report was consistent with the budget considered by the PCP in February 2018.</li> <li>• Capital is included in monthly monitoring and will be reviewed quarterly, with the TM Strategy. ICT will be included in the first review.</li> <li>• JIAC noted the report.</li> </ul>

15	Treasury Management Strategy 2018/19	<ul style="list-style-type: none"> <li>MP, GS and HK to meet post the production of the final accounts to discuss the prudential Code and TM Strategy. Update: to be scheduled post closure of accounts 2017/18.</li> </ul>	CFO/ACOFR	<ul style="list-style-type: none"> <li>Members felt the Treasury Management strategy was an improvement on previous years</li> <li>After agreement from CIPFA, HK had shared the updated Prudential code with MP. MP and GS would welcome an opportunity to discuss the TM Strategy and the Prudential Code in more detail.</li> <li>The JIAC recommended the TM Strategy.</li> </ul>
15	Agenda Plan	<ul style="list-style-type: none"> <li>Agenda Plan to come to each meeting (HK). Update: On agenda.</li> </ul>	JB	<ul style="list-style-type: none"> <li>Members discussed the Agenda Plan handed out and the items added to it during the meeting.</li> </ul>
16	AOB (Including member updates)	<ul style="list-style-type: none"> <li>Members recruitment Pack to be shared for comments (HK). Update: shared and members comments incorporated. Advert is out and applications awaited.</li> </ul>	JB	<ul style="list-style-type: none"> <li>Members to comment on AGS papers to HK offline and are interested in the work on the performance framework as it develops.</li> <li>TK felt the Mazars training session was positive and gave some feedback to assist with future events.</li> <li>HK advised she would share the recruitment pack with members for comment.</li> </ul>
17	Date and venue of next meeting	<ul style="list-style-type: none"> <li>Next JIAC meeting: 23 July 2018 (&amp; Reserve Date 30/7/18) Update: meeting scheduled</li> <li>Workshop dates to be confirmed – either 6 June or 15 June 2018 (post meeting confirmed as 6/6/18 on condition that accounts are produced by the 31/5/18). Update: 6/6/18 workshop took place.</li> </ul>	JB HK	





## AGENDA 4

### NORTHAMPTONSHIRE POLICE AND CRIME COMMISSIONER and NORTHAMPTONSHIRE CONSTABULARY

#### JOINT INDEPENDENT AUDIT COMMITTEE

23 JULY 2018

<b>REPORT BY</b>	Chair of the Joint Independent Audit Committee
<b>SUBJECT</b>	Annual Report 2017-18
<b>RECOMMENDATION</b>	To approve the report and submit it to the Police and Crime Commissioner (PCC) and Chief Constable (CC) and, possibly, the Police and Crime Panel.

#### 1. Purpose of report

This report fulfils three purposes:

- a) A review of the Committee's terms of reference;
- b) A self assessment by the Committee's members;
- c) An annual report, as required by the terms of reference, for inclusion in the Annual Accounts

#### 2. Recommendations

The Committee is invited to:

- a) Comment on the report; and
- b) recommend that the PCC and CC:
  - a. Note the report; and
  - b. Agree the proposed revisions to the Committee's terms of reference.

#### 3. Role of the Committee

This is the fifth annual report of the Joint Independent Audit Committee (JIAC) created under the Home Office Financial Code of Practice for Police Services.

The purpose of the Committee is:



*'To support the Police and Crime Commissioner and the Chief Constable to discharge their responsibilities by providing independent assurance on the adequacy of their corporate governance, risk management arrangements and the associated control environments, treasury management and the integrity of financial statements and reporting.'*

The full responsibilities of the JIAC are contained in its terms of reference.

This Audit Committee became operational in November 2012.

#### **4. Committee membership**

Membership of the Committee during the financial year, which has not changed, was:

<b>Name</b>	<b>Appointment</b>	<b>Qualifications</b>
John Beckerleg (Chair)	Appointed 1 October 2014	MA, CIPFA, MBA, SSA
Tony Knivett	Appointed December 2013	CQSW
Martin Pettitt	Appointed December 2013	CIPFA
Gill Scoular	Appointed 1 December 2014	CIPFA

The Police and Crime Commissioner (OPCC) and Chief Constable agreed in 2017 that the size of the Committee should be increased to 5. It was also agreed that a recruitment process should be undertaken to achieve this and also to identify a replacement member for Mr. Pettitt who will come to the end of his period of office in November 2018.

Preparations for the recruitment have been made but a number of factors have delayed the process. It is expected that interviews will take place during August 2018.

#### **5. Committee's Terms of Reference**

The Committee has established terms of reference derived from the CIPFA best practice model. The Committee is required to review its terms of reference annually and the latest terms of reference are attached as Appendix 1.

The JIAC covers two organisations: the Police and Crime Commissioner (PCC) and the Force. Recently the Home Office has approved a proposal from the PCC to take on the governance of the Northamptonshire Fire and Rescue Service (from Northamptonshire County Council). It is anticipated that the transfer will take place in the autumn 2018. The PCC and the Chief constable (CC) have concluded that the audit committee requirements for the Fire Service would be best undertaken by expanding the scope of the JIAC.

The arrangements for appointing the External Auditor have changed so that decisions are now made locally.

The terms of reference also need to be changed to reflect the agreed increase in JIAC membership from 4 to 5 members.

The above proposals to change the terms of reference have been incorporated in Appendix 1.

#### **6. How the Committee discharges its responsibilities**

The Committee's terms of reference drive the work programme and there is a well established approach to agenda planning which has been further developed during 2017-18.

The Committee held 4 formal meetings in the year. The meetings were open to the public. No items were considered in private, which is viewed as good practice and will be continued as far as possible. Attendance at meetings was as follows:

<b>Name</b>	<b>Attendance / Possible attendance</b>
John Beckerleg (Chair)	4/4
Tony Knivett	4/4
Martin Pettit	4/4
Gill Scoular	3/4

The Committee's meetings have been generally well supported by officers from both the Force and OPCC, particularly since the appointment of the PCC chief finance officer. Alongside better agenda planning, the quality and timeliness of reports has improved. Further consideration is being given to producing minutes more promptly and within the timescale set within the terms of reference.

In addition representatives of the Internal Auditor and the External Auditor attended the meetings and the Committee took the opportunity to discuss topics in private with the auditors without officers being present.

To enable the Committee members to be effective, they need to understand the plans, priorities, programmes and issues facing the Force and OPCC. The beneficial programme of workshops was not as extensive in 2017-18 as previous years and the way in which the workshops are organised is under review. In 2017-18 the areas covered have included:

- Estates strategy
- Finance Review
- Internal Audit of JIAC effectiveness
- Collaborations including the Multi Function Shared Service

In addition JIAC members were able to attend a regional workshop organised by the internal auditors which provided an update on a number of topics and the chance to compare JIAC practice with those of similar audit committees.

One topic which is outstanding is in relation to 'Information security and information management' which was requested by the Committee following instances elsewhere in the Country where information had not been used appropriately by Police Forces.

Last year it was identified that the JIAC agendas were too long and the aim was to reduce the frequency of reports (for example, reporting the risk register every 6 months to demonstrate that the risk management processes are working rather than each meeting). This has helped but the main improvement will be driven by the good quality reports and governance documents (e.g. estates strategy, capital strategy, meaningful treasury management statement) which have begun to give the JIAC the assurance it seeks in key areas. A further suggestion that is included in the JIAC's objectives for 2018/19 is to develop

officer / JIAC briefings outside the formal meetings so that the public meeting can focus on key issues whilst maintain an effective challenge.

## **6. Assessment of the Audit Committee's performance against its plan and terms of reference**

The Committee is keen to be effective and in particular make a positive and constructive contribution to the work of the Force / OPCC and the achievement of their strategic priorities.

In June 2017, the Committee was concerned about the lack of key documents which underpin the assurance framework and the financial control arrangements. More detail is given in Appendix 2. By the end of 2017-18 these documents have been produced and, even though some will be reviewed and refined further, there is now a much better basis for the control arrangements.

The Committee has undertaken its responsibilities as set out within the agreed terms of reference including consideration of:

- A revised governance framework for both organisations;
- An Estates Strategy;
- The development of financial planning (medium term financial plan and capital programme);
- The Treasury Management policy (although the required policy and strategy for 2017-18 was not produced until December 2017);
- The operation of risk management;
- 2017/18 Accounts (to an earlier closedown deadline), the Annual Governance statements (including follow up) and the External Auditor's report; and
- Internal Audit Plan 2018/19, specific internal audit reports (recommendations and follow up) and the Internal Auditor's Annual Report for 2017/18.

The Committee has continued to explore how to assess the arrangements for value for money which exist in the two organisations. Greater openness and clarity around the decision making and prioritisation (e.g. in the Police and Crime Panel) has helped but there are some important areas where the Committee will continue its investigation (e.g. multi-force shared service).

In the previous Annual Report the Committee set out its aims and objectives for 2017/18. These are described in Appendix 2 including the progress achieved. There is some further work to be undertaken in relation to recruiting new members to the JIAC and providing feedback to the organisations.

The Internal Audit Plan 2017/18 included an internal audit review of the effectiveness of the JIAC. This was completed by May 2017 and the recommendations, which were contained in the JIAC objectives for 2017/18, have been addressed during the year.

Appendix 3 sets out the objectives for 2018-19.

A draft of this report has been shared with the OPCC and CC so that officers with knowledge of the work of the JIAC have the opportunity to provide feedback and shape the way the Committee operates.

## **7. Identification of key issues**

During 2017/18 the Committee considered a range of topics and issues. Some of the key ones were:

Annual Accounts 2017/18 – the deadline to complete the closure of the Annual Accounts was brought forward. Finance staff worked hard to ensure that this deadline was met. JIAC reviewed the draft accounts at a workshop in June. These contained the required annual governance statements which provide the committee with assurance.

The committee will formally consider the Annual Accounts at its July 2018 meeting alongside the External Auditor's report.

Value for money – The JIAC is responsible for considering VFM arrangements. These can take many forms: for example, within resource planning, as part of programme management, and in everyday decision making. The Committee has continued to explore the extent to which the organisations have arrangements in place to secure VFM. This has been helped by gaining a better understanding of the budgeting process and the involvement of a JIAC member in the Force Change Governance Board where significant business cases are considered. The Force has undertaken processes to identify potential savings and has more recently embarked on a process of Outcome Based Budgeting which the JIAC will review in 2018-19.

Learning from elsewhere – attempts to try to establish a national forum to share best practice across police audit committees have not been successful. However the JIAC has taken advantage of regional briefings, national workshop and role shadowing to explore best practice from elsewhere. It seems that the JIAC experience in shaping its role and agenda is similar to that of other audit committees. A key theme has been to establish ways in which the Committee gains assurance in the governance arrangements (rather than reviewing detailed points).

Collaboration – there are many examples of collaborative working between forces involving Northamptonshire. The JIAC has gained increased assurance on collaborations from the existence of legal agreements, the self-assessments undertaken using a framework devised by the previous internal auditors, the systematic testing by the current internal auditors, Mazars, who have undertaken joint internal audits of each of the East Midlands collaborations and from two specific presentations at the regional audit workshop.

There is an important exception to this assurance: the Multi Force Shared Service (MFSS) where there are concerns about the operation and cost of operating this collaboration. This is an area that was also highlighted in last year's Annual Report. A programme has been established with appropriate governance to improve this position and manage an upgrade to the financial systems. This will be an area that the JIAC will continue to keep under review in 2018-19.

Risk management – The risk management processes are well established and the risk registers for the two organisations are regularly monitored (including by the JIAC). The two organisations have agreed to combine their risk registers which has improved the consistency and comprehensiveness of the reporting. Risk management, including new software, will be the subject of an internal audit study in 2018/19. Related work on the assurance maps will continue to be developed.

Transformation / change programmes – There are a challenging number of change programmes which have been discussed and which are progressing currently. A representative of the JIAC sits on the Force Change Governance Board which provides a helpful link. A key programme implemented in 2017-18 was the Service Delivery Model seeking to allocate resources, including staffing, to the highest policing priorities. Other

programmes which continue into 2018-19 (e.g. MFSS, emergency services communications network, Fire service integration) will be kept under review.

Estates programme – The Committee has welcomed and considered a new Estates Strategy which provides a better basis for decisions affecting the property portfolio. Last year the Committee had expressed concern about the proposal to sell the Wootton Hall HQ building and the External Audit also expressed concern in an exception to his otherwise unqualified VFM assessment of the 2016-17 accounts. This decision was reversed in 2016/17 and contracts have been exchanged on the renegotiated land sale. The PCC intends to publish the decision record after the sale is completed.

The Estates process was the subject of an internal audit in 2017/18 resulting in a limited assurance opinion. Areas for improvement were met with a positive response from management (acknowledging both what has been done and what remains to be done).

Capital programme – there is now a comprehensive capital programme. This is supported by the IT and Estates strategies. It also provides an important input to the Treasury management Strategy and the Medium Term Financial Plan.

Medium term financial plan (MTFP) – during the year the JIAC received a report on the MTFP and the detailed workings which supported the plan.

Governance framework – following the decision last year to have a common Governance framework covering the OPCC and Force work was undertaken during 2017-18 to revise and improve the existing documents. The opportunity was also taken to align the Northamptonshire framework with those for Leicestershire and Nottinghamshire. The document was reviewed by JIAC and was implemented on 1 April 2018.

Assurance arrangements – the Force Assurance Board has a remit to consider matters of governance and assurance across a wide spectrum of the Force's work. The Committee is represented on this Board, which is a helpful way of gaining an insight into matters directly covered by the Committee's terms of reference.

Lines of Accountability - The Committee has explored the way in which accountability works between the two organisations. Specifically, how the PCC holds the Chief Constable to account. The arrangements are becoming clearer following the establishment of an Accountability Board with the purpose of exercising this accountability. In addition there has been closer working between the JIAC and the Police and Crime Panel including the presentation of the JIAC Annual report for 2016-17 to the Panel in 2017 and the Panel Chair attending a JIAC meeting.

Human Resources (HR) policies – The JIAC received information about the comprehensive updating of all of the OPCC HR policies. Implementation of the policies has taken longer than originally expected and JIAC will seek confirmation when this has happened.

HMICFRS – the Committee has received information about the conclusions of the Police (and Fire) Inspectorate (HMICFRS) and the actions being undertaken to address recommendations made. The Committee was assured by the process to respond to the recommendations.

Victims Voice – There were changes in the organisational arrangements in place to support victims. The service previously provided by an external body was brought back in house and is now managed via a controlled company. This new arrangement was explored by the JIAC including the governance arrangements (some of which fall outside the remit of

the JIAC) and potential conflicts of interest. This area is the subject of an internal audit in 2018/19.

## **8. Assessment of Internal Audit**

Mazars were appointed as the internal auditor for four years with effect from 1 April 2015 following a competitive tendering process involving neighbouring Counties. More recently the Chief Finance Officers across the region have concluded that they wish to extend the contract with Mazars for a further three years. There are distinct benefits in having the same internal auditor covering the region (for example, for audits of shared service arrangements).

The internal audit plan for 2017/18 was approved by the JIAC in March 2017, and the Committee recommended the Commissioner and the Chief Constable to sign off the plan. Progress against the audit plan has been good.

Mazars include performance monitoring information in their regular reports to the Committee and the JIAC keep these under review.

The Force and OPCC have generally accepted the recommendations made in the internal audit reports (or explained why a particular recommendation has not been accepted). Managers have progressed the agreed actions in most cases to the agreed timescale and the Committee continues to monitor progress until actions have been completed. Some recommendations have been outstanding for some time and may even have been repeated in follow audits.

The Audit Plan for 2018-19 was presented to the March 2018 meeting of the Committee and agreed.

## **9. Assessment of External Audit**

The external auditor is KPMG.

The 2016-17 accounts were closed by the statutory deadline. The Auditor has provided unqualified opinions on the accounts with an exception in relation to the VFM opinion. This was in relation to the decision to dispose of the Wootton hall HQ building; a decision which has subsequently not been implemented.

In addition the Auditor has presented the External Audit Plan for 2017/18.

The Committee is satisfied about the effectiveness of the external audit process and grateful for the help and advice of the Auditor during the year.

The arrangements for appointing Auditors have been changed and new appointments are required for the 2018-19 accounts. The Committee supported an officer recommendation to subscribe to the procurement process run by Public Sector Audit Appointments to select and appoint a new auditor. The outcome of this procurement was that from 201-19 there will be a new external auditor, Ernst and Young, who will cover the region's Forces. The JIAC will work to brief the new auditor and ensure a smooth handover.

## **10. Looking forward**

Appendix 3 sets out the draft Aims and Priorities for the Committee for 2018/19.

These reflect:

- Any outstanding recommendations from 2017-18;
- Known areas of concern / high risk; and
- Emerging areas or change programmes likely to be related to the control framework.

## **12. Conclusion**

The Committee has continued to develop its approach over the past 12 months and sought to ensure that the building blocks essential to sound governance and a robust financial control framework are in place. So, in addition to some elements which were already in place at the start of the year (e.g. risk management and handling the HMIC reports) it is pleasing to record that a number of other documents are now in existence. This provides a sound basis for the future.

Whilst there has been progress in a number of areas, it is worth highlighting the prompt closure of accounts to an earlier timetable. This is due in no small part to the efforts of the finance team and also indicates how far things have improved in the last two years.

The JIAC will continue to undertake the responsibilities assigned to it in the agreed terms of reference and seek to ensure that it makes a constructive contribution to achieving the agreed priorities. It is important that the JIAC adds value to the organisations in discharging its responsibilities and so will continue to assess its own effectiveness. There are some key areas which will form a focus for the JIAC work programme in 2018-19. The ongoing work programme is set out in appendix 3.

There will be changes in the JIAC membership in the coming years. Recruitment and induction arrangements will be important but so will the chance to bring fresh skills and ideas to the work of the Committee.

The Committee wishes to record its appreciation for the support it has received from the Force and OPCC, as well as the internal and external auditors.

J Beckerleg  
Chair of Joint  
Independent Audit Committee

**Joint Independent Audit Committee - Existing terms of reference**

**NORTHAMPTONSHIRE OFFICE OF THE POLICE AND CRIME COMMISSIONER and  
CHIEF CONSTABLE**

**JOINT INDEPENDENT AUDIT COMMITTEE**

**TERMS OF REFERENCE**

**1 Purpose**

To support the Police and Crime Commissioner and the Chief Constable to discharge their responsibilities by providing independent assurance on the adequacy of their corporate governance, risk management arrangements and the associated control environments and the integrity of financial statements and reporting.

**2 Membership**

- a) The Commissioner and Chief Constable jointly will appoint the Committee.
- b) The Committee shall consist of no fewer than five members.
- c) A quorum shall be two members.
- d) At least one member shall have a CCAB qualified accountant with recent and relevant financial experience
- e) The Commissioner and Chief Constable jointly will appoint the Chair of the Committee, following discussion with the members of the Committee.
- f) The Chair shall normally be a CCAB qualified accountant, with recent and relevant financial experience.
- g) Members shall normally be appointed for a period of up to three years, extendable by no more than one additional three year periods, so long as members continue to be independent.
- h) In the absence of the Chair at any meeting of the Committee, the members attending the meeting will elect a Chair for the meeting.

**3 Secretary of the Committee**

The Chief Executive of the Commission will nominate an officer from the Commissioner's Office to act as Secretary to the Committee.

**4 Frequency of Meetings**

- a) Meetings shall be held at least four times each year, timed to align with the financial reporting cycle.
- b) Extra-ordinary meetings can held for specific purposes at the discretion of the Chair.
- c) External or internal auditors may request the Chair to call a meeting if they consider one is necessary.

**5 Protocols for Meetings**

- a) Agenda and supporting papers will be circulated to members at least five working days prior to any meeting.
- b) Minutes shall be prepared and distributed to members of the Committee, regular attendees and the Commissioner and Chief Constable in draft, unapproved format within 10 working days of the meeting.



- c) All papers/minutes should be read prior to the meeting and the meeting will be conducted on this basis with papers being introduced concisely
- d) It is expected that all actions are reviewed prior to the meeting and updates provided even if individuals cannot attend the meeting.
- e) The Chair of the Committee shall draw to the attention of the Commissioner and Chief Constable any issues that require disclosure or require executive action

**f) QUESTIONS AND ADDRESSES BY THE PUBLIC**

**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. Order of questions and address**

(a) Questions will be asked and addresses given in the order notice of them was received, except that the Chair of the Committee may group together similar questions or addresses.

(b) A list of questions and addresses of which notice has been given shall be circulated to members of the Committee at or before the meeting.

**iii. 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. 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.

**iv. 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.

**v. 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.

**6 Attendance at Meetings**

- a) The Committee may invite any person to attend its meetings.
- b) The Commissioner and Chief Constable shall be represented at each meeting of the Committee.
- c) The Commissioner's representation will normally comprise the statutory officers and/or appropriate deputies;
- d) The Chief Constable shall normally be represented by the Deputy Chief Constable and the Assistant Chief Officer (Finance and Resources) of the Force, and / or deputies.
- e) Internal and External auditors will normally attend each meeting of the Committee.
- f) There should be at least one meeting each year where the Committee meets the external and internal auditors without the Commissioner's and Chief Constable's officers being present. This need not be the same meeting; and such meetings would usually take place after the normal Committee meeting has concluded.

## **7 Authority**

- a) The Committee is authorised by the Commissioner and the Chief Constable to:
  - investigate any activity within its terms of reference;
  - seek any information it requires from any employee;
  - obtain outside legal or other independent professional advice;
  - secure the attendance of outsiders with relevant experience and expertise if it considers this necessary;
  - undertake training of its new members as required.
- b) All employees are directed to co-operate with any request made by the Committee.
- c) The Committee may only make decisions within the remit set out in these Terms of Reference. The Committee has no authority to reverse decisions made by the Commissioner or Chief Constable. It has no authority to incur expenditure.

## **8 Duties**

The Committee's scope encompasses:

- the Office of the Police and Crime Commissioner (including the Fire and Rescue Service after the date of transfer of governance);
- the interface between the OPCC and associated bodies and directly controlled companies but not the bodies themselves;
- the Northamptonshire Police Force; and
- Any collaborative / partnership arrangements involving the OPCC or Force.

The duties of the Committee shall be:

### **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:

- a) Review of corporate governance arrangements against the 'Good Governance framework';
- b) Consideration of the framework of assurances to assess if it adequately reflects the Commission's and Force's priorities and risks;
- c) Consideration of the processes for assurances in relation to collaborations, partnerships and outsourced activities.
- d) Consideration of the processes for assurances that support the Annual Governance Statement;
- e) Consideration of VFM arrangements and review of assurances;
- f) To review any issue referred to it by the statutory officers of the Commission and the Chief Constable and to make recommendations as appropriate;
- g) To monitor the effective development and operation of risk management and to make recommendations as appropriate;
- h) To be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies
- i) Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

## **B External Financial Reporting**

To scrutinise the draft statements of accounts and annual governance statements prior to approval by the Commissioner and Chief Constable and publication. The Committee will challenge where necessary the actions and judgements of management, and make any recommendations as appropriate, to ensure the integrity of the statements.

Particular attention should be paid to the following:

- Critical accounting policies and practices, and any changes in them;
- Decisions requiring a significant element of judgement;
- The extent to which the financial statements are affected by unusual transactions in the year and how they are disclosed;
- The clarity of disclosures;
- Significant adjustments resulting from the audit;
- Compliance with accounting standards;
- Compliance with other legal requirements

## **C Internal Audit**

The Committee shall monitor and review the internal audit function to ensure that it meets mandatory Internal Audit Standards and Public Sector Internal Standards and provides appropriate independent assurance to the JIAC, Chief Executive of the Commission, the Commissioner and Chief Constable.

This will be achieved by:

- a) Overseeing the appointment of the internal auditors and making recommendations to the Commissioner and Chief Constable, who will make the respective appointments;
- b) Consideration of the internal audit strategy and annual plan, and making recommendations as appropriate;
- c) Consideration of the head of internal audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over corporate governance arrangements, and make recommendations as appropriate;
- d) Consideration of summaries of internal audit reports, and managers' responses, and make recommendations as appropriate;

- e) Consideration of the management and performance of internal audit, and its cost, capacity and capability, in the context of the overall governance and risk management arrangements, and to make recommendations as appropriate;
- f) Consideration of a report from internal audit on agreed recommendations not implemented within a reasonable timescale and make recommendations as appropriate;
- g) Consideration of the effectiveness of the co-ordination between Internal and External Audit, to optimise the use of audit resources;
- h) Consideration of any issues of resignation or dismissal from the Internal Audit function.

## **D External Audit**

The Committee shall review and monitor External Audit's independence and objectivity and the effectiveness of the audit process.

This will be achieved by consideration of:

- a) the Commission's and Force's relationships with the external auditor;
- b) proposals made by officers and Public Sector Audit Appointments (PSAA) regarding the appointment, re-appointment and removal of the external auditor;
- c) the qualifications, expertise and resources, effectiveness and independence of the external auditor annually;
- d) the external auditor's annual plan, annual audit letter and relevant specific reports as agreed with the external auditor, and make recommendations as appropriate;
- e) the draft Management Representation letters before authorisation by the Commissioner and Chief Constable, giving particular consideration to non-standard issues;
- f) the effectiveness of the audit process;
- g) the effectiveness of relationships between internal and external audit other inspection agencies or relevant bodies;
- h) the Commissioner's and Chief Constable's policies on the engagement of the External Auditors to supply non-audit services, taking into account relevant guidance.

## **E Other Assurance Functions**

The Committee shall review the findings of other significant assurance functions, both internal and external to the organisation.

## **F Counter Fraud**

The Committee shall satisfy itself:

- a) that the Commission and Force have adequate arrangements in place for detecting fraud and preventing bribery and corruption;
- b) that effective complaints and whistle blowing arrangements exist and proportionate and independent investigation arrangements are in place.

## **9 Reporting**

- a) The Chairman shall be entitled to meet with the Commissioner and Chief Constable ideally prior to their approving the accounts each year;
- b) The Committee shall annually review its Terms of Reference and its own effectiveness and recommend any necessary changes to the Commissioner and Chief Constable;

- c) The Committee shall prepare a report on its role and responsibilities and the actions it has taken to discharge those responsibilities for inclusion in the annual accounts;
- d) Such a report shall specifically include:
  - o A summary of the role of the Committee
  - o The names and qualifications of all members of the Committee during the period
  - o The number of Committee meetings and attendance by each member; and
  - o The way the Committee has discharged its responsibilities
  - o An assessment of the Committee's performance against its plan and terms of reference;
  - o Identification of the key issues considered by the Committee and those highlighted to the Commissioner and Chief Constable
  - o An assessment of Internal and external Audit
- e) If the Commissioner and / or the Chief Constable do not accept the Committee's recommendations regarding the appointment, re-appointment or removal of the external auditor the Committee shall include a statement explaining its recommendation and the reasons why the Commissioner / Chief Constable has taken a different stance in its annual report.

## **10 Standing Agenda Items**

The agenda for each meeting of the Committee shall normally include the following:

### **Procedural items:**

Apologies for absence  
Declaration of Interests  
Minutes of the last meeting  
Matters Arising Action Log  
Date, time and venue of next meeting

### **Business items:**

Progress Reports

- Internal Audit
- External Audit

Update on implementation of Audit Recommendations  
Items for escalation to the Commissioner and / or Chief Constable  
Agenda Plan for the next four meetings

## **11 Accountability**

The Committee is accountable to the Commissioner and Chief Constable.

### The Joint Independent Audit Committee's – Aims and Objectives 2017-18

(Note: \*IA indicates that this is also a recommendation from the Internal Audit review of JIAC effectiveness in 2017)

Aims and objectives	Comment
Recruit a fifth member for the JIAC to provide a wider range of skills and experience and ensure that there is an appropriate induction programme (Autumn 2017) [*IA]	The objective of increasing the size of the Committee to five has been agreed. Initial work on the recruitment (e.g. person specification and process) has been completed. However the actual recruitment has been delayed for a number of reasons. The action will be carried forward to 2018-19 and will need to include recruiting a further member to replace a retiring Committee member.
Monitor the implementation of the finance review (throughout 2017-18)	The JIAC has maintained an interest in the recruitment to key finance posts during the year which has been successfully completed. There are aspects of the work of the finance teams which continue to stretch the capacity of the team and JIAC will continue to monitor this.
Review the revised government frameworks for the PCC and CC (expected by September 2017) and monitor the implementation of the governance documents (during 2017-18)	The revised Governance Framework, covering the OPCC and Force, were completed early in 2018 and implemented with effect from 1 April 2018.

<p>Press for the production of appropriate documents which underpin the governance framework and financial control arrangements (including the estates strategy, capital programme, treasury management strategy, medium term financial plan and reserves policy) (by September 2017)</p>	<p>This was a major area of concern for the JIAC in June 2017. Considerable progress on each of these areas have been made by the end of 2017-18:</p> <ul style="list-style-type: none"> <li>• An Estates strategy has been produced to guide the evolution of the property portfolio in the coming years</li> <li>• A capital programme has been developed which accurately reflects the estates programme, IT strategy and equipment requirements</li> <li>• A treasury management strategy for 2018-19 has been produced which now reflects affordable capital expenditure and meaningful borrowing levels</li> <li>• A medium term plan has been prepared which takes account of the capital programme and emerging pressures / identifying savings over the next 3 years</li> <li>• A reserves strategy accompanied the 2018/19 budget, precept and medium term financial plan which was supported by the Police and Crime Panel in February 2018.</li> </ul> <p>The JIAC has supported moves by the OPCC to simplify the multitude of reserves previously held.</p>
<p>Continue the JIAC involvement in the Change Board and the Force Assurance Board (ongoing)</p>	<p>Members of JIAC are actively involved in both the Force Assurance Board and the Change Governance Board. This is providing a helpful insight into the topics which the organisations are working on and their associated risks</p>
<p>Ensure that JIAC members' disclosure of interests is complete and up to date (September 2017)</p>	<p>Complete</p>

<p>Consider improvements in the provision of information about JIAC particularly on the OPCC website and including: terms of reference; disclosed interests: minutes and annual report (October 2017) [*IA] and the possibility of some form of document repository for JIAC members.</p>	<p>The PCC website (under the section Governance/Public meetings) shows the JIAC terms of reference, minutes and annual reports. Disclosed interests are not shown (but could be).</p> <p>A documentary repository has been discussed but it has not been easy to define the content or work out an effective approach to ensure that appropriate documents are captured. An alternative to secure the same outcome may be the consideration of separate officer briefings outside of the formal public meetings.</p>
<p>Review JIAC governance arrangements [*IA]:</p> <ul style="list-style-type: none"> <li>• Terms of reference possibly incorporating items excluded</li> <li>• Regular meetings with PCC and CC</li> <li>• Presenting the Annual report to the PCC Board</li> <li>• Inviting PCC and CC to attend the JIAC meetings at least on an annual basis</li> <li>• Keeping the JIAC agenda under review and develop the annual work plan</li> <li>• Providing greater clarity about matters on which the JIAC wishes further assurance</li> <li>• Consider repeating a skills audit for JIAC</li> <li>• Consider, as appropriate, involving other officers or independent experts to present to the Committee</li> </ul>	<ul style="list-style-type: none"> <li>• The terms of reference are reviewed annually. The main areas that are 'excluded' and which might fall within the Committee's remit are: ethics (which is overseen separately) and the oversight of associated bodies (e.g. OPCC controlled companies).</li> <li>• A meeting has been held with the CC and one is scheduled with the PCC</li> <li>• The 2016-17 report was presented to the Police and Crime Panel and the intention is to repeat this in 2018. In addition the annual report for 2017-18 will be forwarded to the PCC and CC.</li> <li>• Efforts have been made to reduce the number of items on the agenda and improve the forward planning of agendas.</li> <li>• Whilst efforts have been made to ensure that JIAC focuses on its assurance responsibilities, this needs to be developed further.</li> <li>• An assessment of skills will form part of the recruitment for new JIAC members to ensure a wide range of skills are available to the Committee</li> <li>• Other officers have been encouraged to present to the JIAC (e.g. on the Governance Framework and HR polices) but there has not been a need to draw in independent experts.</li> </ul>



<p>To monitor the capacity risk in respect of increasing workloads regarding the implementation and monitoring of the SDM, the upgrade and migration to the Fusion operating system, implementation of the estates strategy and the potential inclusion of the Fire Service within the OPCC remit.</p>	<p>This has been discussed at a number of JIAC meetings. Capacity remains a concern given the increasing demands on the service and some specific developments relating to the control framework such as the Multi-Force Shared Service.</p>
<p>Continue to seek input / insight from other audit committees in the region with a view to driving best practice (2017/18)</p>	<p>Members of JIAC attended a regional seminar organised by the Internal Auditor which provided both a valuable update on recent developments and a chance to network with the members of other audit committees across the region.</p> <p>The Chair attended:</p> <ul style="list-style-type: none"> <li>• the Leicestershire Audit Committee to understand how another committee operates and is supported.</li> <li>• A national training event run by the Chartered institute of Public Finance and Accountancy, specifically aimed at police audit committees.</li> </ul>

## The Joint Independent Audit Committee's – Draft Aims and Objectives 2018-19

<b>Aims and Objectives</b>
Recruit a fifth member for the JIAC to provide a wider range of skills and experience and ensure that there is an appropriate induction programme (Autumn 2018) [*IA]
Understand the IT strategy and governance in the two organisations (OPCC and Force)
Continue to monitor the arrangements with the Multi-Force Shared Service and implementation of the change programme
Understand the governance arrangements for the Fire and Rescue Service when under the control of the OPCC and the governance of the change programme to achieve the transfer
Develop a better understanding of counter fraud activity
Understand the approach to budgeting including the outcome based budgeting approach which is being implemented
Review the Force Management statement to understand the assurance it provides and the relationship with other plans such as the Police and Crime plan
Consider how the committee can update itself and gain renewed assurance about the performance management arrangements which exist.
Consider the development of officer briefings outside of the formal JIAC meetings so that the meetings focus on the key issues





## AGENDA ITEM 5

### NORTHAMPTONSHIRE POLICE AND CRIME COMMISSION and NORTHAMPTONSHIRE CONSTABULARY

#### JOINT INDEPENDENT AUDIT COMMITTEE

23 JULY 2018

REPORT BY	Helen King and Paul Dawkins
SUBJECT	Statement of Accounts Update
RECOMMENDATION	The Committee is asked to consider and where required, approve:  a) the statement of accounts, b) ISA260, and c) Letter of management representation.

#### 1. BACKGROUND AND TIMESCALES

- 1.1 This is the first year that the tighter statutory closedown timescales were implemented.
- 1.2 The dates for the draft accounts were moved backwards from 30/6/18 to 31/5/18 and the final signed and audited accounts from 30/9/18 to 31/7/18.
- 1.2 Whilst this timescale has been challenging not only at a local level, but nationally across policing and the public sector. The Finance Team and KPMG have worked extremely hard to meet these new and challenging timescales and we are appreciative of this.

#### 2. JIAC SCRUTINY, CHALLENGE AND REVIEW

- 2.1 Following the publication on the draft statement of accounts on 31/5/18, copies were shared with members and a half day workshop was held with KPMG, Officers and Members on the 6 June 2018 at which the accounts were worked through in detail.
- 2.2 This workshop was very positive useful comments, feedback and observations were considered and have been incorporated into the final pre-audit approved statement of accounts documents contained within this report and documents.

### **3. AUDIT FIELDWORK**

- 3.1 Following interim audit work in February 2018, KPMG on site fieldwork commenced at the beginning of July 2018.
- 3.2 Whilst KPMG have concluded on site, the Committee is advised that work is ongoing in a small number of areas.

### **4. PRE-AUDIT CERTIFIED STATEMENT OF ACCOUNTS**

- 4.1 The draft statement of accounts have been updated and changes are:

#### **4.3.1 The significant changes are;**

- The inclusion of Voice's pension fund & its accounting entries, which has significantly changed and increased the associates disclosure (please note that this is net nil within the PCC & thus Group accounts, so only changes the disclosure note);
- The inclusion of the borrowing note within the Note 39 financial instruments;
- The new disclosure for unison FTE, costings and working times, in accordance with the new publishing requirement, have been disclosed within the narrative of the CC & Group. These are the same figures, because it is a single statutory reporting requirement;

#### **4.3.2 The other changes or inclusions of note are;**

- There were a few figures that had been netted off within the accounts because of mapping;
  - The transfer from Land & Buildings to Assets Held for Sale, this was split onto a separate line & thus the intra PPE category adjustment comes back to zero and the transfer is now solely on the Transfer to AHFS line;
  - The reversal of the accumulated depreciation on revalued assets was separated from the depreciation charge line;
  - Within the CIES, the transfer of assets in 16/17 had a contra entry which was removed between Other Operating Exp & Financing & Investment income;
  - Two figures within note 37 (Pensions – reconciliation of scheme liabilities) were netted off;
- A narrative relating to the transfer of the £76k Voice pension deficit within the pensions note included;
- As advised at the JIAC workshop, the presentation of the Police Pension Fund was slightly incorrect and this was updated;
- There was an error in the computation of total numbers of people leaving the organisation within the termination benefit note (1 FTE).

- 4.3.3 The primary reasons for change were;

- JIAC member comments\*;
- KPMG pre JIAC review\*;
- KPMG's KGS (off shore computational team) review\*; &
- KPMG's actual audit work.

\*Some of these items duplicated each other.

- 4.3.4 After adjusting for each of these, the tables were removed out of the word documents, put them excel and cross cast each & then matched those figures to the workings.

5. **SUMMARY**

- 5.1 Members are advised that whilst there are a small number of areas where work is being finalised, the statements of accounts attached are pre-sign off with KPMG and potentially are subject to small changes.
  - 5.2 It is acknowledged that members would prefer an opportunity to review the accounts again prior to the meeting and are therefore shared within this report with the caveats outlined.
  - 5.3 The draft ISA260 and Letter of Management Representation will be tabled on the day of the meeting.
- 

**Chief Officer Portfolio Holder:** Helen King, Paul Dawkins



COMMUNITY JUSTICE SECURITY



# **Northamptonshire Police and Crime Commissioner - Group Statement of Accounts for the year 2017/18**

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## Foreword by the Police and Crime Commissioner – Mr S Mold

The Statement of Accounts is produced annually to give local taxpayers, employees and other interested parties clear information about Northamptonshire Police finances. The narrative report is designed to provide an explanation of the financial position and to assist in the interpretation of the financial statements. It contains information about the activities of the Office of the Police and Crime Commissioner and the main influences on the financial statements to provide a link between the Police activities; Police and Crime Plan; future challenges and how these impact on its financial resources.

These accounts reflect the financial performance of the Office of The Police and Crime Commissioner for Northamptonshire (OPCC) and are in accordance with the Police Reform and Social Responsibility Act 2011. I am responsible for Policing across Northamptonshire, commissioning services from the police and other agencies, working collaboratively to improve outcomes for local people and communities and ensuring value for money.

My narrative report is structured as follows:

1. The Role of the Police and Crime Commissioner (PCC)
2. Funding of Northamptonshire Police
3. Police and Crime Plan 2017-21
4. Budget 2017/18
5. Strategic Overview and Collaboration
6. Key Deliverables and Outcomes
7. 2017/18 Performance Review
8. Budget 2018/19
9. Looking Ahead

### **1. THE ROLE OF THE POLICE AND CRIME COMMISSIONER (PCC)**

The role of the Police and Crime Commissioner is to represent the public. The legal responsibilities of the Commissioner are enshrined in legislation and the functions are set out in the Police Reform and Social Responsibility Act 2011 (and acts amended by that act).

This sets out the high level responsibilities of the PCC and that of the Chief Constable. In addition, the Financial Management Code of Practice for the Police (England) builds on the Policing Protocol and describes the working financial relationship between both parties. The main roles of the PCC are:

- Set the strategic direction for Policing through the Police and Crime Plan
- Be responsible for the totality of the policing in the County of Northamptonshire
- Have a strategic duty and electoral mandate to ensure an efficient and effective police service and to hold the Police Force to account on behalf of the public
- Have a statutory responsibility for the Police Fund (section 21 of the Police Reform and Social Responsibility Act 2011)
- Hold the Chief Constable to account
- To hire or remove the Chief Constable
- Lead support services for victims and witnesses of crime
- Decide how a budget is allocated between the Force and the OPCC (the 2017/18 total budget envelope amounted to £123.125m)
- Improve community safety and help evolve the criminal justice system, and
- Contribute to Police resourcing debate in national forum and international responses to threats

Policing is being delivered in an environment of continuing austerity and ever decreasing financial support from Central Government. I will continue to work with partners in the public sector and beyond to deliver the best policing service for Northamptonshire and this includes working closely with the Chief Constable to deliver real and lasting change. The law requires that I hold the Chief Constable to account for the performance of the Force and retain the ability to challenge where necessary to deliver real and lasting change.

### **2. FUNDING OF NORTHAMPTONSHIRE POLICE**

Funding of Police Service is from two distinct areas; these are;

#### Central Government (Funding and Legislative changes)

The Government sets the national policing priorities; passes new laws and allocates central funding to each Police and Crime Commissioner, through the Core Settlement (otherwise known as the Police Grant) as well as the ex-DCLG funding.

## Local Government

The remainder of the Police annual funding settlement is met by precept, which is included as part of the police precept charged against the rates. Local Authorities are then required to hand these funds to the designated Policing body, i.e. the PCC. The receipting Authorities for Northants Police are:

Council Tax Base  Tax Base	Band D Properties		Band D Properties		% change
	2016/17 Tax Base Number of Properties	Precept  £	2017/18 Tax Base Number of Properties	Precept  £	
Corby	17,892.00	3,667,144	18,336.00	3,832,957	2.48
Daventry	28,838.02	5,910,641	29,857.91	6,241,498	3.53
East Northamptonshire	30,084.00	6,166,017	30,871.00	6,453,274	2.62
Kettering	30,450.00	6,241,032	31,234.00	6,529,155	2.57
Northampton	64,357.94	13,190,803	65,709.00	13,735,809	2.10
South Northamptonshire	33,849.70	6,937,835	34,474.00	7,206,445	1.84
Wellingborough	23,480.00	4,812,461	23,849.00	4,985,395	1.57
<b>Total</b>	<b>228,951.66</b>	<b>46,925,933</b>	<b>234,330.91</b>	<b>48,984,533</b>	

### **2.1 National Perspective**

One of my key roles is to lobby central Government on behalf of the public in Northamptonshire. There are a number of areas that I am currently seeking further debate with the Home Office and other government departments. During 2017/18, I continued to lobby for both a fairer funding settlement from the funding formula review and the opportunity to set a precept level above the 2% referendum limit to mitigate the significant medium term financial shortfall facing Northamptonshire Police. Whilst the funding formula review is unlikely to take place before the next Comprehensive Spending Review, in the 2018/19 funding settlement, Police and Crime Commissioners (PCCs) were given the flexibility to increase precept by up to £12 per annum (£1 per month) to help mitigate these pressures. Furthermore, the settlement also gave PCCs potential to levy a precept increase of up to £12 per annum in 2019/20.

We also take the lead nationally following the new government initiative for greater joint working between Emergency Services. This change in the law means there is greater opportunity for our Fire and Rescue Services and our Police Force to work much more closely together to keep communities safe.

## Central Government

The Home Secretary produces the Strategic Policing Requirement, which outlines the resources and capabilities that are required for Northamptonshire to support any national efforts to prevent and deter threats to National Security.

I have a statutory duty to have regard to this and will continue to ensure that Northamptonshire contributes to the national agenda with appropriate levels of resourcing whenever required. This includes lobbying the Government (in particular the

Home Office and Ministry of Justice) for change that will make a difference to the safety of residents in Northamptonshire.

I personally represent PCCs and Northamptonshire on the Board of a number of key national workstreams and projects to help drive forward change and improvements and work with colleagues in the Association of Police and Crime Commissioners (APCC) to ensure that a collective voice is heard.

### Legislative Changes - Blue Light Integration

The Police and Crime Bill received Royal assent on the 31<sup>st</sup> of January 2017. This bill will enhance local accountability of the Fire and Rescue Services by enabling PCC's to take over the governance from the existing Fire Rescue Authorities; where a local case is made.

In Northamptonshire we are pioneers in developing potential blue light integration and in 2017/18 I submitted a business case to take advantage of the opportunities this Act presents. The business case put forward the case for change of governance, but to keep Police and Fire as separate organisations. The benefits include:

- Greater accountability to the public as a result of single elected Commissioner
- Greater transparency in the funding of Fire and Rescue precept
- Single strategic vision in keeping 'Northamptonshire safer'
- Potential for even more efficiencies in operational activities in-particular potential rationalisation of the Estates portfolio
- Greater clarity on the source of funding via the use of specific grant that will come direct to the Service as opposed to currently paid via the County Council (which can be used to fund any of their functions)

Public consultation to the proposed business case was positive and was approved by the Minister in Spring 2018.

Blue light integration will allow for a more streamlined decision making process, thus enabling further progress on delivering a more efficient and effective service to the public.

### Additional Funding Sources

As part of the broader central government engagement I intend to seek and influence decisions over the use of the Government's Transformation Fund through the Police Reform and Transformation Board so that people in Northamptonshire benefit from funding at every opportunity.

## **2.2 Local Perspective**

### The General Public

The public ultimately hold policing to account. At national level this is through voting for individual MPs and ultimately through general elections. At local level ratepayers vote for

the Police and Crime Commissioner in each 'policing' geographical area as well as paying rates for the police element of the council tax rates.

During the period October to December 2017, the PCC undertook consultation on the level of the precept to gain the views of local residents. This consultation was led by the Institute of Public Safety, Crime and Justice and included the views of 1,222 local residents. Whilst results across local authority boundaries and demographics varied slightly, all groups were overwhelmingly supportive of an increase in excess of 19 pence per week (5%).

### **3. POLICE AND CRIME PLAN 2017-2021**

One of the duties of the Police and Crime Commissioner is to produce and publish a Police and Crime Plan for the Force Area. Fundamentally this is a plan for the residents of Northamptonshire to make the County safer. The Police and Crime Plan was published in February 2017, and will be effective until 2021. My commitment is to deliver better policing, support to victims and continuing to strive to deliver a safer Northamptonshire. I will ensure that the public feel safe and thrive in Northamptonshire with fewer people involved in the Criminal Justice system whether as a victim or as an offender by:

- Keeping children and young people safe
- Community partnership
- Protecting people from harm
- Putting victims at the heart of justice

### **4. BUDGET 2017/18**

The PCC is the recipient of all funding, including the police grant from the government and funding raised by the Council Tax precept, related to policing and crime reduction. How this money is allocated is a matter for the PCC, except in relation to a small number of specific grants, such as those for counter-terrorism, in consultation with the Chief Constable; who may provide professional advice and recommendations.

Shortly after being elected, I set out my commitment to ensuring the Office of Police and Crime Commissioner is as efficient as possible and that we have the maximum amount of money available to go directly towards making Northamptonshire safer.

The budget set at the beginning of the year was £123.1m and was allocated as follows

- Total Force Revenue Budget £114.9m
- OPCC Revenue Budget £4.6m
- Capital Financing £1.7m
- Contribution to Earmarked Reserves £1.9m

The net 2017/18 budget underspend relating to Force was £0.272m. There was a subsequent transfer of £0.032m to reserves for insurance purposes, adjusting the final outturn to £0.240m. These funds have been allocated to the General Fund in the first instances and may be reallocated to Earmarked Reserves through the Commissioners strategy in 2018/19. The OPCC outturn was £0.238m underspend. These funds have been transferred to OPCC Initiatives Reserve and will be used for carry forward requests in 2018/19.

## **5. STRATEGIC OVERVIEW AND COLLABORATION**

### **5.1 Estates**

During the tenure of the first Police and Crime Commissioner he made a decision to sell the current Police Headquarters at Wootton Hall; with the contract being executed prior to my appointment. When I entered office, Northamptonshire Police were without a designated headquarters or wider estates strategy, something Her Majesty's Inspector of Constabulary highlighted as being a threat to the future efficiency and effectiveness of the Force. I prioritized the work to formally revise the original contract terms of the sale of part of Wootton Hall in a move that codifies the joint Northamptonshire Police and Fire Headquarters to remain on the current site, for which contracts have been exchanged and completion will take place in the near future. This provides both clarity and stability for both Police and Fire staff and an opportunity to develop the site, which further maximises the collaboration opportunities between both parties.

The Police 'estate' has suffered from years of under-investment and I'm delighted that despite the difficult nature of this situation, work on the Northern Area Accommodation has completed and an Estates Strategy has been developed together with the Force to provide investment in the estate and support the delivery of the demand-led Service Delivery Model, implemented in the Autumn of 2017. The Estates Strategy is available on the PCC website.

### **5.2 Regional and National Collaboration**

The Home Office has actively encouraged collaborative working between Police Forces and Fire Authorities. For over 10 years Forces and Police Authorities and PCC's within the East Midlands Region (Northamptonshire, Derbyshire, Leicestershire, Lincolnshire and Nottinghamshire) have collaborated on a wide range of activities both formally and informally.

Driving the collaboration agenda are 5 guiding principles:

- i. that local policing remains local
- ii. any collaboration helps deliver a more efficient and/or effective policing for Northamptonshire
- iii. all areas of business are considered
- iv. decisions not to participate in a particular collaboration are reviewed regularly, as circumstance may change
- v. any cost and/or benefits are shared between participating Forces

As the collaborative approach has matured, we have been able to develop a mix of collaborative activities that sees two, three, four or all five Forces taking part. Some of these arrangements include:

- East Midlands Criminal Justice Service

This is a collaboration in relation to post charge case and file building and other aspects of criminal justice system support.

- East Midlands Operational Support Services

In 2017/18, this collaboration took place across four East Midland Forces and related to firearms roads, policing, dogs and other specialist tactical services. A review of the collaboration took place during the year by the four forces and, as a result the collaboration has been restructured for 2018/19 and will provide for three East Midlands Forces.

- East Midlands Specialist Operation Unit

This collaboration includes homicide investigation, major crime and serious and organised criminality and groups.

- EMCHRS (East Midlands Centralised HR Services)

This is a collaboration that relates to Human Resources (HR) and learning and development.

- MFSS (Multi Force Shared Service)

This transaction Shared Service for Finance and HR.

### **5.3 Police and Fire Collaboration**

The Policing and Crime Act 2017 provided new legislation to:

- Place a statutory duty on the three emergency services to collaborate.
- Enable Police and Crime Commissioners (PCCs) to be represented on the Fire Authority.
- Enable PCCs to make a local case to take on governance of the fire and rescue service as the fire authority.
- Further enable the PCC to make a local case for fire and rescue and police to become a single organisation under a single chief officer.

In the spring and summer of 2017, I consulted on a business case which considered all four options, including the preferred option to take on governance. The consultation ran for eight weeks from the 20th June to 1st August 2017 where 1,212 people took part from a range of demographics both internally within the police and fire services and from within the wider community. Overall, 60.8% of respondents to the consultation were supportive of the PCC taking on the governance of the Fire and Rescue Service within Northamptonshire.

The business case was submitted to the Home Office in the summer of 2017 and was approved in April 2018 with an implementation date of Autumn 2018.

Collaboration can deliver real efficiencies and I am committed to ongoing consideration of further collaborations, whether within East Midlands or elsewhere, with the proviso that any future arrangements would provide benefits for the people of Northamptonshire and only if such arrangements increase effectiveness; make processes more efficient and/or provide savings to be reinvested in other areas requiring investing.

The OPCC, the Fire Service and Northamptonshire County Council are working hard together to implement the change by the Autumn of 2018 to become the Police, Fire and Crime Commissioner.

I will continue to look at opportunities to save costs in the County by collaborating with others to provide an effective and efficient Police Service. However, all collaboration

agreements will be kept under review to ensure efficiencies are maintained, thus ensuring local policing remains local.

## **6. KEY DELIVERABLES AND OUTCOMES**

### Digital Transformation

Digital technology is an area in which both the OPCC and the Force will work closely to review and where applicable improve how the organisation uses digital technology. It is vital that we maintain focus as threats of online or cyber-crime are increasingly evolving in complexity and ever changing threats.

We have been able to identify key areas on which we can build technological transformation in our use of IT and how innovative and proven technological solutions can improve performance of the Force and the wider local criminal justice system and this is supported by the ICT Strategy developed by the Force in March 2018.

### Crime and Disorder Grants

As the PCC I have the authority to make crime and disorder grants to 'organisations' that deliver against the set objectives as documented in my Police and Crime Plan. During 2017/18, I continued with the approach through the Community Foundation to grant-making to ensure that groups and organisations are able to easily apply and have access to funds to support their work. This new approach is to provide grants through the *Northamptonshire Community Foundation*. More information can be found on the Northampton Community Foundation Website (<http://www.ncf.uk.com>).

### Early intervention

One of the cornerstones of the Police and Crime Plan is responding to the needs of individuals, children and families at the earliest opportunity to reduce harm and risk. The likelihood that people will become victims or perpetrators of crime will reduce through early intervention and is an essential tool in terms of the police working closely with partners across the County to share information and identify the right support for people at the right time. In January 2018, as part of the 2018/19 budget, I have set aside £0.6m funding in my OPCC managed budgets and ring fenced the sum of £1.5m from reserves to drive forward developments and initiatives in this important area.

### Victims Voice

In October 2014, the PCC assumed the statutory responsibilities for commissioning support for Victims and Witnesses of Crime. It is vital that every victim and witness to crime is provided with the support they need to recover and thrive. I am determined that the services we offer are seamless and can meet the different needs of communities across our County.

During 2017/18, I took the decision not to recommission the adult element of the previous Victims services but to instead create a wholly owned company limited by guarantee to deliver the service. The reasons for this decision included:

- A desire to have greater control over the service



- To increase the flexibility to respond to changing patterns of crime than are afforded by a traditional contract
- To provide a more sustainable, long term model for the service without the cyclical nature of contracts
- The ability over time to bring external funding in through developing commercial products and services

The new company started to deliver services in 2017/18.

## **7. 2017/18 PERFORMANCE REVIEW**

There are a number of external checks and balances that are in operation to ensure that Northamptonshire Police comply with legislative requirements; best practice and efficiency reviews can be summarised under the following headings:

### Her Majesty's Inspector of Constabularies (HMICFRS)

Each year the HMICFRS assesses each Police Force in England and Wales on their effectiveness efficiency and legitimacy (known as the PEEL assessments) with a judgement as outstanding, good, requires improvement or inadequate based on inspectors' findings, analysis and the Inspectors' professional judgement across the year.

The latest report was produced following an inspection in September 2017 and rated Northamptonshire as requiring improvement in the areas of preventing crime and tackling anti-social behaviour, investigating crime and reducing reoffending, protecting vulnerable people and tackling serious and organised crime.

Whilst acknowledging the progress recognised by HMICFRS in their report, I have advised the Chief Constable that I expect to see operational issues resolved swiftly to enable hard working staff and officers to keep Northamptonshire safe. I will continue to ensure that this is the case and will personally oversee the force's work on this on behalf of the public.

The rating is not at a level of performance I accept and I will continue to liaise closely with the Chief Constable to ensure that improvements are being made.

### The Accountability Board

The accountability for performance and service delivery is undertaken through the Accountability Board. Members of the board are the Commissioner (the Chair), the Chief Executive, the Chief Constable and other Chief Officers. There is a formal agenda which will have a schedule of assurance in the form of standard agenda items. These will be discussed and agreed with the Force at an agenda setting meeting.

- The records of the Accountability Board are published on the OPCC website.
- Focus on areas of concern in performance and service delivery at a strategic level.
- Discussions between the Force and the OPCC in respect of the strategic budget setting and medium term financial planning.
- Strategic consideration of key identified corporate level risks and scrutiny activity.

### Independent Custody Visitor Scheme

The Northamptonshire Police and Crime Commission has a statutory duty to operate an effective *Independent Custody Visiting Scheme*. This scheme allows for volunteers to visit detainees in custody to check on their welfare. It offers mutual protection to detainees and police officers by providing independent scrutiny of the treatment of detainees and the conditions they are being kept in.

There are 18 ICVs in Northamptonshire and 7 new ICVs were recruited to the scheme during the last performance year. The custody facilities at the Weekly Woods Custody Centre in Kettering and the Criminal Justice Centre in Northampton are each visited at least once a week, where ICVs speak with detainees being held there. Between 1st April 2017 and 31<sup>st</sup> March 2018, the following took place:

- 98 custody visits took place and of the 767 detainees being held in custody during these visits:
- 400 detainees were seen and spoken to, and 252 were not available to receive a visit (in interview, asleep, intoxicated, seeing the doctor or their solicitor)
- 42 refused a visit when offered.

### Annual Victims Experience Report

This is an independent study published by the Institute for Public Safety Crime and Justice (IPSCJ).

This report was commissioned by the OPCC and was compiled by the University of Northampton. It is based on surveys conducted during the period of October 2017 to March 2018, across a broad demographic of 1175 victims of crime covering burglary, vehicle crime violence, anti- social behaviour (ASB), hate crime and domestic abuse. The latest report documented that:

- 68% of victims remain satisfied with the overall service provided (a fall of 6% on 16/17)
- Victims of vehicle crime reported the lowest level of satisfaction at 58% (a reduction of 12% on the same period in 16/17)
- 'Ease of contact' and 'treatment by officers and staff' remains quite high with 84% being satisfied in both of these aspects.
- Being properly kept informed of progress was a particular issue for 'victims' with 48% expressing satisfaction (a drop from 67% in the previous reporting period)
- Domestic Abuse victims had very high levels of satisfaction, 96% for ease of contact, 90% for action taken, 97% for treatment and 95% for overall service. Like other incident types, satisfaction was lowest for being kept informed of progress at 68% which is still relatively high compared to the other victim groups

I commissioned this report to ensure that we are listening to victims of crime and adapting as necessary in order to deliver the help and support people need from their police and victim support services. I will continue to work with the Chief Constable Simon Edens and his team to make sure we are listening to people's concerns so that we continue to make progress in these areas.

### The Public Perceptions Report

This is another independent report, which was commissioned by the OPCC and was published by the University of Northampton's Institute for Public safety, Crime and Justice. The survey is reported on a quarterly basis. At the beginning of Q3 2017/18 (October) there was a shift in the surveying methodology; an online survey was introduced to supplement the telephone survey. As such the changes in results for this quarter's report should be treated with caution. In the period April to December 2017, 2087 surveys were achieved with residents of Northamptonshire. The main findings for this period were:

- 39.2% of residents agree that the police and local council are dealing with anti-social behaviour and crime issues which is lower than in 16/17 (54.7%)
- 88.2% perceive that the police treat people with respect (compared to 93.1% in 16/17). Reductions were identified in the proportion of residents that perceive the police to be reliable, treat people with respect, are fair, deal with minor crimes and local concerns in the first three quarters of 2017/18 compared to 2016/17.
- The proportion of residents that said that they were concerned about their home being burgled, having their car stolen, having things stolen from their car and being physically attacked was higher in the first three quarters of 2017/18 compared to 2016/17.
- There was a statistically significant higher level of concern about all anti-social behaviour problems apart from 'abandoned/ burnt-out cars' in the first three quarters of 2017/18 compared to 2016/17.

### Review of Complaints against the Force

In accordance with the Independent Police Complaints Commission (IPCC) guidelines, the Force Professional Standards Department (PSD) is the appropriate authority in the first instances to assess any complaints made against Northamptonshire Police.

Some of the more serious complaints are referred to the IPCC to handle and investigate, but many are retained and handled by the PSD. In addition, the Police and Crime Commissioner's statutory role to scrutinise the Force and its performance, the OPCC regularly attends Dip sample meetings with that department, where cases are selected, at random, by the Commission and then carefully assessed and scrutinised to ensure any complaints handled by the department, are done so in accordance with the guidelines set down by the IPCC.

## **8. BUDGET 2018/19**

The budget for 2018/19 for the OPCC has been set at £5.227m, which reflects the additional commissioning responsibility moved from the Force for custody healthcare of over £1m and the new responsibilities for complaints which will be moving to the PCC during the year.

The OPCC budget reflects the direct spend of the PCC across a range of areas of service delivery for local communities. This includes investment in a wide range of areas of front-line service delivery, including:

- victim and witness support services
- drug treatment
- local crime prevention initiatives
- restorative practice
- the youth offending team and the young peoples' partnership
- road safety
- anti-social behaviour
- public protection and the management of dangerous offenders and child safeguarding

The budget also covers public engagement activity for the Force and the Commissioner, alongside a small Commission team focused on financial and resource management; policy; change management; and service improvement, such as leading the improvements in victim services.

The revenue budgets directly managed by the Commission in 2018/19 are:

- The Office of the Police and Crime Commissioner
- Commissioning
- Early Intervention
- Research and Public Involvement
- Delivery and Accountability
- Complaints
- Police and Crime Plan Delivery Fund

The agreed revenue budget for the OPCC for 2018/19 is £5.227m (excluding capital financing charges and contribution to earmarked reserves) and the breakdown, together with projected budget estimates for the following 4 years is as follows:

	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>
OPCC Office	1,677	1,677	1,677	1,677	1,677
OPCC Commissioning, Public Involvement, Intervention, Complaints & Delivery	3,300	3,690	3,990	3,990	4,290
OPCC Police and Crime Plan Delivery Fund	250	250	250	250	250
<b>OPCC Managed Budgets</b>	<b>5,227</b>	<b>5,617</b>	<b>5,917</b>	<b>5,917</b>	<b>6,217</b>

In 2017/18 I supported the Chief Constable with an additional £2.0m of funding towards delivery of the new Service Delivery model (for 46 new frontline posts) which became operational in Autumn 2017. In 2018/19 I provided further funding in the base budget to support additional capacity and resilience in key operational areas. To do this I set aside the sum of £1.250m to provide additional capacity for the following specific priorities:

- Serious & Organised Crime
- Rape & Serious Sexual Offences
- Domestic Abuse
- Police/Fire Interoperability
- Missing Persons
- Public Confidence

In addition, I set funding aside from reserves to support:

- Road Safety
- Early Intervention & Prevention
- Police Officer recruitment

In both years, I have been able to support the financial requests made by the Chief Constable, however, I have made it clear that I expect this investment, made on the back of our efficiencies, to pay real dividends in improvements to frontline policing and force performance.

## **9. LOOKING AHEAD**

Policing is, by its very nature, a complex and ever-evolving undertaking and whilst my Police and Crime Plan sets out the strategic priorities for the next four years, I am cognisant of the fact that demands may change over time. This is why all Police and

Crime Commissioners are required to keep the Police and Crime Plan under review to ensure the strategic priorities we set keep pace with the ever-changing world of criminal behaviour. In Autumn 2018 the current Chief Constable Simon Edens will retire and I am in the process of recruiting a new Chief Constable to take Northamptonshire to the next level.

The Police and Crime Plan is also essentially a change document and I want the Force to own and deliver the plan, whilst continually improving and enhancing the service they provide to all of our residents. There is no question that when a Police response is needed, one will be provided. However, as the Police and Crime Commissioner for Northamptonshire, I feel it is vital that the priorities of local residents are reflected in the priorities I set for the Force and that they receive the service they expect and deserve.

In 2017/18, I supported the Force with additional investment to address the gaps in performance identified by HMICFRS in the 2015 and 2016 inspections. However, the new model had not been implemented by the time the 2017 HMICFRS PEEL assessment for Northamptonshire was undertaken. Whilst HMICFRS advised that:

- *"The Force has made considerable efforts to respond to previous HMICFRS recommendations, but some of the changes have yet to result in tangible improvements in the service to the public.*
- *Now that the building blocks for more effective policing have been put in place, the Force recognises that it needs to sustain its efforts in order to further improve the quality of services it provides to the public."*

The report, which has been produced following an inspection in September 2017 rated Northamptonshire as requiring improvement in the areas of preventing crime and tackling anti-social behaviour, investigating crime and reducing reoffending, protecting vulnerable people and tackling serious and organised crime.

We will continue to have conversations with Government ministers to lobby them with regard to a fairer funding settlement for Northamptonshire Police. These discussions are ongoing and I have spelt out to them the challenges facing Northamptonshire Police and the need for a new funding settlement to recognise the pressures we face in dealing with large urban/rural areas.

The 2018/19 police settlement has increased precept flexibility for both the current and 2019/20 financial years and this will assist in addressing funding shortfalls in the short term. However, there will continue to be financial shortfalls in the medium term and work is in hand to make sure that our key priority services are maintained to the highest standards possible with the available funding. We will continue to be robust in driving out all possible savings and ensure that, as far as practicably possible, our staff are delivering the right service at the right time.

## Chief Finance Officer's Foreword and Financial Summary

The purpose of this narrative report is to offer a guide on the most important matters reported in the accounts as well as providing information about the strategic direction of the Force.

This includes information on the budget preparation process, final accounts, performance information, medium term financial plans and other contextual information such as workforce numbers and strategic risks. The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It therefore aims to provide information to help the reader.

The accounts are prepared on a going concern basis, assuming that the Police and Crime Commissioner will continue in operation for the foreseeable future. Additionally, the accounts have been prepared in accordance with the Accounts and Audit Regulations 2015, the Code of Practice on Local Authority Accounting 2017/18 and the Service Reporting Code of Practice 2017/18.

The objectives of the Statement of Accounts are to provide useful information to a wide range of users about the financial position, financial performance and cash flows of the Police and Crime Commissioner. The information provided also allows for an assessment of the Commissioner's performance in terms of stewardship and the management of the resources entrusted to him. The accounts are, therefore, necessarily detailed and technical and explanatory notes are included. This foreword is divided into the following main areas:

1. Legislative background
2. Relationship between the Police and Crime Commissioner and Chief Constable
3. What is included in the Statement of Accounts
4. Changes to the statements for 2017/18
5. Budget Settlement 2017/18
6. Budget Settlement 2018/19
7. Review of Revenue Budget 2017/18
8. Cashflow
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10. Capital
11. Statement on Provisions
12. Pensions
13. Material Assets acquired and Liabilities incurred
14. Material and unusual charges
15. People
16. Exceptional Item
17. Medium Term Financial Plan
18. Impact of the current economic climate
19. Summary and Conclusion

## **1. Legislative Background**

The Police Reform and Social Responsibility Act 2011 established the Police and Crime Commissioner and the Chief Constable as separate legal entities. The legal transfer of operational policing to the Chief Constable, who also became the employer of police staff members, was completed on 1 April 2014.

The PCC is elected by the public every 4 years to secure and maintain an efficient and effective Police Force and to hold the Chief Constable to account for the exercise of his function and those persons under his direct control. The Chief Constable has a statutory responsibility for the control, direction and delivery of operational policing service in the Northamptonshire Police Area.

This set of accounts focuses on those discrete activities which the PCC is directly responsible for, such as the commissioning services for victims and witnesses of crime; for community safety as well as the "PCC Group" which includes all aspects of operational policing under the direction and control of the Chief Constable.

The Chief Constable has produced a separate set of accounts which explains how the resources provided by the PCC have been used to deliver operational policing Services.

## **2. Relationship between the Police and Crime Commissioner and the Chief Constable**

Each has specific roles and responsibilities under legislation; these are:

### The Police and Crime Commissioner:

- Appoints the Chief Constable and may suspend him or require him to resign or retire
- Must maintain the Police Force and ensure that it is efficient and effective
- Must issue a Police and Crime Plan
- Must hold the Chief Constable to account for his actions and those of his officers and staff
- Receives all income from grants, precept and charges

### The Chief Constable:

- Holds office as a servant of the crown and is not an employee
- Has direction and control over police officers and is the employer of police staff
- Is operationally independent
- Must have regard to the Commissioner's Police and Crime Plan
- Holds no property, rights or liabilities
- May not borrow money

## **3. What is included in the Statement of Accounts?**

The accounts are prepared using International Financial Reporting Standards (IFRS). Although these are the same standards that a large company would use in preparing its financial statements, some adjustments to costs are made by the Commissioner where they are not a charge to local taxpayers.

This document contains two sets of accounts; the Police and Crime Commissioner Single Entity accounts and the Police and Crime Commissioner Group accounts, which incorporate the accounts produced by the Chief Constable and other group entities.



## Single Entity Statements and Group Statements

These comprise of the following:

### 3.1. Annual Governance Statement

This statement explains how the Police and Crime Commissioner complied with his Code of Corporate Governance. Preparation and publication of the Statement fulfils his statutory requirement under the Accounts and Audit Regulations 2011 to conduct a review at least once in each financial year of the effectiveness of his system of internal control and to include a statement reporting on the review with his Statement of Accounts.

### 3.2 Expenditure Funding Analysis (EFA)

The analysis reconciles the amounts reported internally in line with the General Fund and the amounts reported in the Comprehensive Income and Expenditure Statement.

### 3.3 Movement in Reserves Statement (MiRS)

This statement shows the movement in the year on the different reserves held by the Police and Crime Commissioner. It shows how the deficit / (surplus) for the year in the Comprehensive Income and Expenditure Statement is adjusted by the costs that are not a charge to local taxpayers.

### 3.4 Comprehensive Income and Expenditure Statement (CIES)

This statement shows the income and expenditure accounting cost in the year of providing services under IFRS.

### 3.5 Balance Sheet (BS)

The balance sheet shows the Police and Crime Commissioner's assets, liabilities, and reserve balances at the financial year end date.

### 3.6 Cash Flow Statement

This statement shows the reason for changes in in cash balances during the year and the balance held by the Police and Crime Commissioner at the end of the financial year.

### 3.7 Notes to the Financial Statement

These include information required by the Code and additional material items of interest to assist the reader's understanding of the reported figures.

#### 3.7.1 Events after the reporting period and authorised for issue date

This summarises any major events that happened between the year end and the authorised for issue date. Events coming to light after the authorised for issue date will not be included in the financial statements.

#### 3.7.2 Police Pension Fund Account

The Police Pensions scheme is unfunded and holds no assets. The purpose of this account is to demonstrate the cash-based transactions taking place over the year and to identify the arrangements needed to balance the account.

### 3.7.3 Accounting Policies

These outline the principles used for how we account and prepare our financial statements. The nature of this document also means that some technical words are unavoidable.

### 3.7.4 Glossary of financial terms

The nature of this document means that technical words are unavoidable. The glossary is intended to simplify and explain such words.

## **4. Changes to the statements for 2017/18**

There are no changes to the Financial Statements, however, because of the significance of early changes, it is appropriate to note that:

### Narrative Statement

Whilst the narrative disclosure was a new element within the 2015/16 statement of accounts, within this financial year this statement has been expanded to provide the 'reader' with additional information regarding the strategic objectives of the group as well as changes to the funding and the challenges that face policing as well as the potential additional collaborative arrangements.

### Transfer of Assets from CC to OPCC

Under agreement, on 1st April 2016 the PCC took ownership through absorption of the items previously recognised as Chief Constable's operational assets. In previous financial years within the Force accounts held vehicles; equipment and IT Equipment and as such were recorded in the Balance sheet. In 2016/17 it was deemed that all such assets should be allocated to the PCC and as a result these were 'transferred' to the OPCC's Balance Sheet. As a result in 2016/17 there was an adjustment for this transfer of £16.364m (the carrying value and unusable reserves of the assets) between the CC and PCC, creating a gain and loss, which is neutralised at group level.

## **5. Budget Settlement 2017/18**

The PCC is the recipient of all funding, including the police grant from the government and funding raised by the Council Tax precept, related to policing and crime reduction. How this money is allocated is a matter for the PCC, except in relation to a small number of specific grants, such as those for counter-terrorism, in consultation with the Chief Constable; who may provide professional advice and recommendations.

The budget set at the beginning of the year was £123.1m and was allocated as follows:

- Total Force Revenue Budget £115.6m
- OPCC Revenue Budget £3.9m
- Capital Financing £1.7m
- Contribution to Earmarked Reserves £1.9m

During the year a number of virements took place between the budgets managed by the OPCC and the Force in areas such as Witness Care Unit and Chief Officer Insurances.

Therefore, the revised budget position for the year and the allocation of the £123.1m was as follows:

- Total Force Revenue Budget £115.5m
- OPCC Revenue Budget £4.0m
- Capital Financing £1.7m
- Contribution to Earmarked Reserves £1.9m

## **6. Budget Settlement 2018/19**

### Public Consultation Police Funding and Strategic objectives

The Institute for Public Safety, Crime & Justice conduct a public perceptions survey about Northamptonshire residents experiences of crime, anti-social behaviour and policing on behalf of the Northamptonshire Police and Crime Commission and Northamptonshire Police. This survey is conducted in two ways: residents can complete the survey online or they are contacted randomly by the Institute by telephone and asked to complete the survey.

As part of this survey, in the period October to December 2017, 1,222 residents were asked the question 'The average household pays £4.02 a week towards policing within their council tax. In light of this, which one of the following statements best represents your views?':

- I don't pay council tax
- I would be prepared to pay an increase of up to 8 pence a week which would give Northamptonshire Police around an extra £800,000 towards making Northamptonshire safer
- I would be prepared to pay an increase of up to 19 pence a week which would give Northamptonshire Police around an extra £2 million towards making Northamptonshire Safer (Due to government capping rules a public vote would need to take place costing up to an additional £650,000)
- I would be prepared to pay an increase of up to 38 pence a week which would give Northamptonshire Police around an extra £4 million towards making Northamptonshire Safer (Due to government capping rules a public vote would need to take place costing up to an additional £650,000)
- I would be prepared to an increase of up to 57 pence a week which would give Northamptonshire Police around an extra £6 million towards making Northamptonshire Safer (Due to government capping rules a public vote would need to take place costing up to an additional £650,000)
- I don't know
- I would not be prepared to pay any more for policing than I do now
- Prefer not to say'

11% (139) of respondents did not respond or selected 'prefer not to say', 4% (44) said that they do not pay council tax and 9% (112) said that they did not know whether they would be prepared to pay more council tax for policing or not.

Of those that stated whether they would be prepared to pay more, 83% (771) said that they would. Nearly a third stated that they would be prepared to pay 57 pence a week more (31%), however, the next highest proportion of residents were those that said that they would be prepared to pay 8 pence a week more (22%).

The survey results indicate that based on the sample population the majority of ratepayers would be prepared to pay over 5% within the Police precept to fund and as a result such assumptions have been built into the Medium Term Financial Plan.

The 2018/19 Police Settlement gave greater flexibility for a PCC to increase the level of precept up to £12 per annum (£1 per month) for both 2018/19 and 2019/20, if certain criteria are met. This potential increase equated to 5.74% and based on the results of the consultation and the challenges facing the Police in the short and medium term, the PCC increased the precept to this level and set a Band D council tax of £221.04 for 2018/19.

The 2018/19 revenue budget was approved in February 2018 and the PCC had £127.1m available. These resources were allocated as per the table below:

<b>Budget 2018/19</b>	<b>Amount £000</b>
Force	118,665
OPCC Managed budgets*	5,227
Capital Financing	2,799
Reserves	417
<b>TOTAL</b>	<b>127,108</b>

\* The budget for £1m for custody healthcare allocated to the OPCC to take forward the commissioning.

## **7. Review of Revenue Budget 2017/18**

### a) Funding

The government provided the majority of the money required to fund the Police and Crime Commissioner's expenditure. The remainder is paid by local taxpayers through the Precept (Police portion of Council tax). The budget is set in February each year in the context of the 5 year Strategic Financial Plan. The 2017/18 budget was approved in February 2017 by the Police and Crime Commissioner.

### b) Financial Management

Rigorous budgetary control arrangements are in place together with a devolved system of budgetary control, which ensured resources were allocated to priorities as required. Monthly control reports on budgetary performance for the group are considered.

The table below shows the outturn position for the financial year:

	<b>BUDGET 2017/18</b>	<b>OUTTURN 2017/18</b>	<b>VARIANCE</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Police Pay	50,895	50,955	60
PCSO (Police Community Support Officer) Pay	3,195	3,023	(172)
SDM (Service Delivery Model)	1,004	611	(393)
Police Pensions	11,261	11,285	24
Crime, Protection, Intelligence & Local Policing	8,028	7,992	(36)
Operations	10,556	10,380	(176)
Transformation Programme	1,259	1,724	465
Business Support Departments	18,860	18,327	(533)
Collaboration & Regional	7,756	8,179	423
Other Non-Devolved	2,685	2,751	66
<b>TOTAL FORCE</b>	<b>115,499</b>	<b>115,227</b>	<b>(272)</b>
Capital Financing	1,702	1,702	0
OPCC	4,047	4,047	0
<b>TOTAL EXPENDITURE</b>	<b>121,248</b>	<b>120,976</b>	<b>(272)</b>
<b>RESERVES</b>	1,877	1,877	0
<b>Other Reserves</b>	0	32	32
<b>TOTAL</b>	<b>123,125</b>	<b>122,885</b>	<b>(240)</b>

Comments on the variations for individual services are given below:

**Police Pay – overspend of £0.06m**

The part-year unbudgeted impact of the Police Officer 1% bonus announced as part of the 2017 Pay Award of £0.3m has been included. This took the Force from a projected underspend to a net £60k overspend position. Unbudgeted leavers in early 2017/18 and a reduction in FTE towards late 2017 created an in year underspend, with establishment being met by March 2018.

**PCSO Pay – underspend of (£0.172m)**

The PCSO pay underspent by £0.172m which is due to a higher number of leavers than expected, resulting in an adjustment to recruitment in later months.

**Service Delivery Model (SDM) – underspend of (£0.393m)**

The SDM underspend is a result of delays in recruitment and the finalisation of the plan through 2017/18.

### **Police Pensions – overspend of £0.024m**

An overspend of £86k was caused by the costs of the new pension provider contract and Guaranteed Minimum Pension (GMP) reconciliation work but this was offset in part by a £62k pensions underspend.

### **Operational Commands (Crime and Operations) – underspend of (£0.212m)**

Operational Command has two main budget elements:

#### Crime and Local Policing

This area of the budget was £0.036m underspent against a budget of £8.028m, which represents a 0.45% variance.

#### Operational Support

This area of the budget was £0.176m underspent against a budget of £10.556m, which represents a minor 1.67% variance and is mainly due to Police Officer overtime.

### **Transformation Programme – overspend of £0.465m**

The £465k overspend was due to unbudgeted posts and revenue costs within the Transformation Programme, SDM and Niche programmes. The appropriate costs and savings were considered within the 2018/19 MTFP following a business case to clarify the ongoing 'business as usual' cost of these projects.

### **Business Support Departments – underspend of (£0.533m)**

The underspend is due to vacant staff roles awaiting recruitment and the planned reduction in maintenance expenditure on buildings in light of the development of the overarching Estates Strategy.

### **Collaboration and Regional – overspend of £0.423m**

The net £423k overspend is mainly caused by EMOpSS (£298k) and Emergency Services Network (£142k) offset by other small regional variances.

### **Other Non-Devolved (OND) Budgets – overspend of £0.066m**

The OND budgets were overspent by £0.066m as a result of a requirement of £0.107m to increase bad and doubtful debts, partly offset by an underspend in national levies and legal expenses.

### **OPCC – Budget – Nil after a £0.238m contribution to reserves**

The OPCC 2017/18 revenue budget was set at £3.909m. There were subsequent virements during the year between the Force and OPCC resulting in a revised budget of £4.047m, broken down as follows:

<b>Service Area</b>	<b>Total Budget £000</b>	<b>Expenditure Funded from Reserves £000</b>	<b>Transfer to/(from) Reserves £000</b>	<b>Year End Actual £000</b>	<b>Year End Variance £000</b>
PCC Office Budget	1,766			1,646	(120)
Police and Crime Institute	295			220	(75)
Public Involvement	100			85	(15)
Early Intervention	752			724	(28)
Commissioning	1,134	111	(111)	1,134	-
PCC Initiatives & 2016/17 Carry Forwards	-	129	(129)	-	-
Agile Estates	-	167	(167)	-	-
	<b>4,047</b>	<b>407</b>	<b>(407)</b>	<b>3,809</b>	<b>(238)</b>

The outturn position was £3.809m; a net underspend of £0.238m which was transferred to reserves for carry forwards into 2018/19. The main variances were as follows:

### **PCC Office budget was a net underspend of £0.120m**

<b>Description</b>	<b>Total Budget £000</b>	<b>Expenditure £000</b>	<b>YE Variance £000</b>
Salaries	1,323	1,190	(133)
Redundancy & Pension	0	92	92
Recruitment	0	24	24
Accounts/Finance Consultants	100	7	(93)
Training Conferences and Seminars	20	10	(10)
Internal & External Audit Costs	100	83	(17)
Subscriptions	55	58	3
Legal Costs	15	73	58
Consultants (Non-finance) Fees	30	24	(6)
Professional Fees	25	14	(11)
Staff Travel and Hotels	31	20	(11)
Other	67	47	(20)
Partnership Projects	0	4	4
	<b>1,766</b>	<b>1,646</b>	<b>(120)</b>

The material variances on the OPCC budgets are summarised below:

### **PCC Office Budget - Salaries, Redundancy & Pension & Recruitment – Underspend (£17k)**

Salaries were underspent due to PCC staff members departing and the time spent recruiting to vacant posts, offset by redundancy, pension and recruitment costs.

**PCC Office Budget - Accounts/Finance Consultants and Others (net) – Underspend (£103k)**

The budget was based on two finance consultants, one of whom left during the year and a second consultant who was working on implementation of the Fusion project, met 50% by the Force and 50% from Nottinghamshire.

Small underspendings of £10k (net) arose from other office budgets. These equated to £68k in total and were offset by £58k in legal costs from the land arrangements for the headquarters site.

**Police and Crime Institute – Underspend (£75k)**

The budget was based on a contribution to the institute for services. Savings arose where an OPCC employee left during the year to take up a role in the Institute.

**Public Involvement – Underspend (£15k)**

A small underspend arose during the year.

**Early Intervention – Underspend (£28k)**

During the year, £0.5m was transferred to reserves to support the 2018/19 budget proposals for Early Intervention.

**Commissioning, PCC Initiatives and 2016/17 carry forwards – no variance**

The 2016/17 carry forwards, agile estates costs and expenditure on Victims Voice set-up costs were met from the PCC initiative reserve during the year.

**Carry Forwards 2017/18 - £248.8k**

On the 29<sup>th</sup> April 2018, the PCC reviewed all OPCC carry forward requests to be met in 2018/19 and agreed to the sum of £248.8k. As this sum is in excess of the total underspend £0.238m transferred to reserves, the balance will be met from reserves.

**General Fund Balances and Earmarked Reserves**

General Fund balance is forecast to be £3.760m at 31st March 2018 (balance as at 31 March 2017 was £3.520m) representing 2.93% of the proposed net revenue budget 2018/19 (£127.108m).

In line with the police grant settlement for 2018/19, the PCC's Reserves Strategy was considered at the Police and Crime Panel on the 1<sup>st</sup> February 2018, is available on the PCC website and will be updated annually after the statement of accounts are published in June of each year.



The Reserves Strategy gives a guideline level of General Reserves of 3% with a minimum level of 2.5%. The current level of 2.93% is just below the guideline level but is above the minimum level.

However, it is considered that this level of general fund balance is justified in the context of the climate of financial austerity, and the need to balance the availability of resources for frontline services together with ensuring a prudent level of general reserves are maintained.

The level of all cash backed Reserves at 31st March 2017 totaled £10.335m, increasing to £10.957m (£11.654m including regional reserves) at 31st March 2018, as set out in the reserves tables at the end of this narrative statement.

## 8. Cashflow

Total cash and cash equivalents at 31 March 2018 is £5.136m including share of Joint Venture and Associates cash balances (in 2017/18 £12.859m.) The main factors that will affect cash in the future are:

- Acquisitions and disposals relating to the capital programme
- The value of reserve balances grants and contributions unapplied.

## 9. Analysis of Borrowing

The Police and Crime Commissioner's power to borrow is set out in Part 1 of the Local Government Act 2003, together with a duty to determine and keep under review how much borrowing is affordable. Controls on borrowing are contained within the CIPFA Prudential Code for Capital Finance in Local Authorities and, under the provisions of the 2003 Act, the Police and Crime Commissioner must have regard to the Code when carrying out his duties under the Act.

The key objectives of the Prudential Code are to ensure, within a clear framework, that capital investment plans are affordable, prudent and sustainable. A key prudential indicator is the operational boundary for external debt, which limits the amount of long-term debt outstanding. The limit is set at £25m for 2017/18 and has not been breached.

Borrowing is managed to ensure a reasonable spread of maturity and to minimise interest payable. At 31st March 2018 the level of PWLB debt outstanding was £1.3m (no change from 2016/17). The breakdown to maturity is shown below:

<b>Debt - Year to Maturity</b>	<b>£000</b>
Less Than One Year	0
Between One and Two Years	0
Between Two and Five Years	0
More Than five years	1,300
<b>Total</b>	<b>1,300</b>

As a consequence of the decision not to proceed with the sale of Police Headquarters at Wootton Hall, it was decided that it would be financially prudent to finance capital through the use of internal resources namely via Earmarked Reserves, details of which can be found within the earmarked reserves and General Fund balances within the reserves tables.

## 10. Capital

In addition to revenue expenditure, money is spent on assets such as buildings, computers and vehicles, which will be used by or on behalf of the Police and Crime Commissioner in the long term. Capital expenditure can be financed from:

- Unsupported (or prudential) borrowing, which does not attract government support. The Police and Crime Commissioner decides how much to borrow based on what is affordable, prudent and sustainable within the meaning of the Prudential Code
- Capital grants
- Usable capital receipts arising from the sale of surplus assets
- Amounts set aside from the revenue account

The approved Capital Programme totaled £85.300m with estimated payments in 2017/18 of £17.638m. The reported outturn for 2017/18 was £12.247m with the slippage of expenditure falling in later years.

There are four approved schemes within the capital programme which have decreased in overall cost. These are summarised as follows:

Name of Scheme	Approved Budget £000	Actual Spend £000	Slippage £000	Reason
Digital Recording	112	0	(112)	No longer required in this form.
Payroll	177	0	(177)	No longer required.
Organisational Development	61	0	(61)	No longer required.
Tri Force	294	0	(294)	No longer required as a capital programme.
<b>Total</b>	<b>644</b>	<b>0</b>	<b>(644)</b>	

However, there were ten capital schemes which had slippage above £0.1m; they were:

Name of Scheme	Approved Budget £000	Actual Spend £000	Slippage £000	Reason
Niche	505	103	(402)	Lower than anticipated final project costs, with resources returning to 'Business as Usual' within the revenue budget.
Agile Working	1,372	237	(1,135)	Expenditure slowed as a new business case and budget is anticipated within 2018/19.
IT Replacement Equipment	959	99	(860)	Changed planning resulting from the regional Tri Force IT collaboration.
IT Infrastructure Hardware Replacement	613	69	(544)	Delays in Network and Server implementation.
Essential Services Network (ESN)	249	5	(244)	National delays in program delivery
Tri Force Regional IT	1,793	1,592	(201)	Overarching changes in the timing of regional plans.
New Estates Strategy	1,523	723	(800)	Delays as a result of the changes to the estates strategy.
Property Enhancements	250	103	(147)	As above.
Vehicles and Safer Roads Team Vehicles	1,411	1,083	(328)	Delays in the purchasing of replacement vehicles.
<b>TOTAL INCREASE</b>	<b>8,675</b>	<b>4,014</b>	<b>(4,661)</b>	

The remaining 15 schemes had a total of (£0.086m) of slippage resulting from minor delays in the programmes.

<b>Funding</b>	<b>Revised Programme £000</b>
Capital Grants	424
Innovation Funding and other specific Home Office grants (£25k)	439
Useable Capital Receipts	0
Revenue Funded	1,941
Capital Reserve	1,897
Prudential Borrowing	0
External Funding	0
Internal Borrowing	7,546
<b>TOTALS</b>	<b>12,247</b>

## 11. Statement of Provisions

Provisions are made where an event has taken place that gives the Police and Crime Commissioner a legal or constructive obligation that requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. These accounts include number provisions. Further details are included in the notes to the Group Financial Statements.

<b>Provision</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>
<b>Short Term</b>		
Insurance Provision	938	1,362
Dilapidations Provision	355	0
Other	67	0
<b>Long Term</b>		
Insurance Provision	0	0
Dilapidations Provision	615	310
Other	0	0
<b>Total</b>	<b>1,975</b>	<b>1,672</b>

## 12. Pensions

The Police and Crime Commissioner's staff, Police Staff and Police Officers are offered retirement benefits as part of their terms and conditions of employment. Although these benefits will not actually be payable until employees retire, International Accounting Standard (IAS) 19 requires that the commitment to make future payments is disclosed at the time that employees and officers earn their future entitlement.

The Police and Crime Commissioner and Chief Constable participate in two pension schemes:

- The Police Pension Scheme for police officers – this is an unfunded defined benefit final salary scheme administered by the Chief Constable on behalf of the Police and Crime Commissioner. There are no investment assets built up to meet the pensions’ liabilities and cash has to be generated from employee and employer contributions to meet actual pension payments as they fall due. Under the Police Pensions Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than amounts payable, the Police and Crime Commissioner must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If, however, the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the Police and Crime Commissioner, who then must repay the amount to central government. From 2015 member benefits will be accrued based on a retirement age of 60.
- The Local Government Pension Scheme offered to all staff employed by the Police and Crime Commissioner and Chief Constable, is administered locally by Northamptonshire County Council. This is a funded defined benefit final salary scheme and both employers and employees pay contributions calculated at a level intended to balance the pensions’ liabilities with investment assets.

Within the Local Government Pension scheme two records are maintained; one for the staff employed by the Police and Crime Commissioner and one for the staff employed by the Chief Constable. The requirements of IAS19 have a significant adverse impact on the net cost of services although, as the adjustments are reversed out in the Movement in Reserves Statement, not at the level of local taxation. There is also a significant adverse impact on the balance sheet which shows the estimated value of the Police and Crime Commissioner’s pension commitments should they be called now.

The value of net pension liabilities in the Group Balance Sheet is £1,341.513m, (2016/17 £1,311.157m) comprising £1,263.230m for Police Officers and £78.283m for Police Staff.

### **13. Material assets acquired and liabilities incurred**

A summary of capital expenditure for the year is described in the capital section of this report. No material liabilities have been incurred during the year.

### **14. Material and unusual charges**

The accounts conform to proper practice and contain full and frank disclosures of all material sums. The increase in the group pension’s liability of £30.356m has had a material impact on the accounts.

Although this amount is substantial, it is a notional debit and as such does not represent cash payments to be made by the Police and Crime Commissioner or Chief Constable or a charge on the General Fund.

In accordance with CIPFA’s Code of Practice, following the revaluation of property, an impairment to the newly built Northern Accommodation Hub of £12.794m has been charged to the Surplus and Deficit on Provision of Services and through to the Capital Adjustment Account, as there was no existing Revaluation Reserve to offset the charge. This charge does not impact Council Tax charges.

This impairment represents the reduction in valuation and is in large a result of the difference between the replacement cost and the costing basis used for the valuation of property in accordance with the Royal Institute of Chartered Surveyors (RICS) and the Code of Practice. This newly built site therefore varied to the RICS valuation by the £12.794m.

## 15. People

At 31<sup>st</sup> March 2018 Northamptonshire Police Force and the OPCC Budgeted establishment was 2,070 FTE. The analysis is shown in the table below:

Category of employee	2016/17	2017/18
Police Officers	1,220	1,209
PCSO	86	81*
Police Staff	677	761
PCC Staff	23	19
<b>Total</b>	<b>2,006</b>	<b>2,070</b>

\* The movement in PCSO establishment is mainly due to changes to partnership-funded posts. As at 1<sup>st</sup> April, the OPCC was commissioning new contracts for PCSOs from existing and new partner organisations. Budgeted establishment was therefore 81 FTE excluding any PCSOs due to be wholly funded by partners.

The new Chief Finance Officer (and S151 officer) to the PCC commenced in the role in November 2017 and the new Force Head of Finance commenced in May 2018. All other statutory, Director and Chief Officer roles in both the OPCC and the force remained unchanged from 2016/17. However, following the Chief Constable's decision to retire in Autumn 2018, recruitment for a new Chief Constable for Northamptonshire is currently underway.

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, which came into effect on 1 April 2017, the spend is as follows:

- The number of employees who were relevant union officials during the relevant period was **three**
- How many employees who were relevant union officials during the relevant period spent of their working hours on facility time
  - a. 0%; - **None**
  - b. 1 – 50%; - **None**
  - c. 51-99% - **One**
  - d. 100% - **Two**
- Percentage of the total pay bill spent on facility time was **0.33%**
- Time spent on paid trade union activities as a percentage of total paid facility time hours was 100%

## 16. Exceptional Item

For 2016/17, there was an exceptional item within the Expenditure and Funding Analysis (EFA) and Comprehensive and Expenditure Statement (CIES) for the OCC & OPCC accounts of £16.364m. This relates entirely to the loss and gain from the transfer of

assets between the Corporate Soles, through absorption. This ultimately is a net nil transaction at Group level.

## 17. Medium Term Financial Plan

The PCC's medium term financial plan (MTFP) reflects the impact of the government's budget statement in Autumn 2017.

The Provisional Police Finance Settlement was announced in a written ministerial statement by the Minister for Policing and Fire, the Rt Hon Nick Hurd MP on 19<sup>th</sup> December 2017. Full details of the settlement can be found on the Home Office pages of the gov.uk website.

The MTFP for 2018-23 has been developed on the principles previously established:

- To make the best use of available resources
- To maximise income and funding
- To target expenditure and investments to priorities and value for money opportunities
- To exploit fixed assets to deliver maximum value
- To optimise delivery costs
- To provide sufficient financial reserves in the context of unprecedented uncertainty, transformation and change

Medium Term Plan	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
<b>FUNDING</b>					
Police Grant	73,052	73,052	73,052	73,052	73,052
Precept & CTS	52,957	56,941	59,229	61,641	64,151
Estimated CT Surplus	1,099	750	750	750	750
	<b>127,108</b>	<b>130,743</b>	<b>133,031</b>	<b>135,443</b>	<b>137,953</b>
<b>EXPENDITURE</b>					
<b>Delegated to the Force</b>					
Additional net pressures	117,915	118,665	121,263	125,282	127,852
Additional investment		3,217	4,019	2,571	1,928
Agreed Savings to be identified	1,250	(619)			
	(500)				
	<b>118,665</b>	<b>121,263</b>	<b>125,282</b>	<b>127,853</b>	<b>129,780</b>
<b>Capital Financing</b>	<b>2,799</b>	<b>3,992</b>	<b>4,781</b>	<b>3,992</b>	<b>4,596</b>
<b>Managed by the OPCC</b>					
OPCC Office Budget	1,677	1,677	1,677	1,677	1,677
Commissioning, Public Involvement, Intervention, Complaints & Delivery	3,300	3,690	3,990	3,990	4,290
Police and Crime Plan Delivery Fund	250	250	250	250	250
	<b>5,227</b>	<b>5,617</b>	<b>5,917</b>	<b>5,917</b>	<b>6,217</b>
<b>Contribution to/from reserves</b>	<b>417</b>	<b>(129)</b>	-	-	-
<b>TOTAL</b>	<b>127,108</b>	<b>130,743</b>	<b>133,031</b>	<b>135,443</b>	<b>137,953</b>
<b>Shortfall</b>	-	-	<b>2,949</b>	<b>2,319</b>	<b>2,641</b>

The revenue budget for 2018/19 of £127,108k required a rise in the precept of 5.74% as permitted by government to support the budget. As can be seen in the table above, even with a similar rise assumed for 2019/20 and 2% thereafter, there is continued pressure on the amount of police grant that is forecast to be received over the period of the MTFP. Additionally, the increase in demand and different types of crime continue to develop, making further investment in these areas likely in the coming years.

### **18. Impact of the current economic climate**

Since the start of austerity measures to 2017/18, and the government spending review, budget reductions have in the main been delivered. However, the scale of the financial challenge, rising crime levels and the changing nature of crime has created a need for the continued development of a new model for policing. The Service Delivery Model became operational in 2017/18 and delivered a new Policing Service for Northamptonshire.

Throughout 2018/19 the Force will be conducting a zero-based budgeting project to align priorities to demand and operational need and to identify ways to balance the longer term budget. A key enabler to support the delivery of the new model for policing will be Information Technology, and improvements in financial management information systems will further support delivery of better and more cost effective policing into the future.

### **19. Summary and Conclusion**

The PCC and Chief Constable continue to demonstrate a strong track record of effective financial management and delivering outturn within the approved budget. The budgeting process continues to develop with rigorous challenge from both the Chief Constable and the PCC.

Since 2010/11 cash savings of over £37m have been delivered and the latest medium term plan 2017/18 to 2022/23 identifies further cash savings which need to be found of £2.6m.

The decision to remain within Wootton Hall and build on the existing facilities for both the Police and Fire staff, together with the implementation of the Service Delivery Model, has not only provided clarity and stability but also has provided the basis for the development of an Estates Strategy which gives the opportunity to develop the site that is fit for the 21st century.

The financial outlook remains challenging and there is a significant amount of economic uncertainty as a result of the Brexit referendum and the commencement of exit negotiations. However, we are confident that the PCC, Chief Constable and their respective leadership teams will continue to deliver strong and effective financial management in order to maintain an appropriate level of funding for essential operational services in Northamptonshire.

Helen King  
Chief Finance Officer

Stephen Mold  
Northamptonshire Police and Crime  
Commissioner

Date:

Date:

## Annual Governance Statement for Group Statement of Accounts 2017/18

### **BACKGROUND AND FRAMEWORK**

In the financial year 2017/18, the implications of the Police Reform and Social Responsibility Act 2011 continued for the two corporations' sole of the Office of the Police and Crime Commissioner (OPCC) and the Office of the Chief Constable (OCC). The focus has been to develop the governance arrangements and strategies in place and to drive forward performance improvements and change in the area of Fire Governance and services to Victims.

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

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

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

- **Principle A:** Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law:
- **Principle B:** Ensuring openness and comprehensive stakeholder engagement.
- **Principle C:** Defining outcomes in terms of sustainable, economic, social and environmental outcomes.
- **Principle D:** Determining the interventions necessary to optimise the achievement of intended outcomes.
- **Principle E:** Developing Capacity and Capability.
- **Principle F:** Managing Risks and Monitoring Performance
- **Principle G:** Implementing good practices in transparency, reporting and accountability.

### **WHAT IS GOVERNANCE**

Governance as defined in the 2016 framework is:

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

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

Senior leaders have a significant responsibility not only to ensure that good governance arrangements are properly codified and documented but also that the proper culture



exists so that the concept of good governance, including transparency and openness, is effectively conveyed throughout their organisation.

This statement explains how the Police and Crime Commissioner (PCC) has complied with the CIPFA/SOLACE framework and also meets the requirements of the Accounts and Audit Regulations in relation to the publication of an Annual Governance Statement.

### **THE ANNUAL GOVERNANCE STATEMENT**

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

This governance statement provides a high level overview. It comments on the effectiveness of governance arrangements over 2017/18 and makes proposals to improve processes, or mitigate issues or risks identified.

### **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The Corporate Governance Framework comprises the systems and processes, and culture and values, by which the OPCC is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the OPCC to monitor that the achievement of its strategic objectives have led to the delivery of appropriate, value for money services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the PCC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Work on updating the Corporate Governance Framework took place together with Leicestershire and Nottinghamshire (OPCC's and OCC's ) during 2016/17 and 2017/18. The final version incorporates consistent delegations and controls across the three Forces and OPCCs, was approved by the Northamptonshire PCC and Chief Constable (CC) in 2017/18 and implemented with effect from 1 April 2018. A near final draft was shared with the Joint Independent Audit Committee (JIAC) at their meeting in December 2017 and final copies shared in April 2018.

### **THE GOVERNANCE FRAMEWORK**

Both the PCC and CC continued to seek that appropriate management and reporting arrangements were in place to enable them to satisfy themselves that the approach to corporate governance was both adequate and effective in practice. These arrangements included:

- A revised Corporate Governance Framework developed during the year in conjunction with Leicestershire and Nottinghamshire OPCC's and OCC's.
- A revised Decision Record methodology implemented.

- A revised Accountability Board Process where the PCC holds the CC to account for policing in Northamptonshire and minutes are publicly available on the PCC's website.
- A Risk Management Strategy, reviewed quarterly by the PCC and OPCC Directors.
- An Annual Governance Statement produced by both the OPCC and the CC.
- A Regional Annual Governance Statement for East Midlands Serious and Organised Crime (EMSOU) activities.
- An effective Joint Independent Audit Committee (JIAC).
- Ensuring that there is an effective Internal Audit function.
- Attendance by the chair, CFO and JIAC member at a Regional Audit Committee workshop.
- Attendance by the JIAC Chair and/or members at key meetings, for example, the Change Board and the Force Assurance Board to gain understanding and assurance.

The system of internal control is based on a system of financial, contractual, management and administrative controls and is reviewed by both internal and external audit. In addition to the arrangements above, the system includes:

- A Police and Crime Plan, developed in 2016/17 and remaining current for 2017/18.
- Updates to every Police and Crime Panel meeting on the OPCC Delivery Plan.
- A developing Performance Management Framework, focused on achieving the objectives set out in the Plan.
- The Force holds a regular Performance Implementation Group (PIG) at which the Director of Delivery represents the OPCC.
- Budgeting systems that seek to align resources with priorities and the new operational Service Delivery Model implemented in 2017.
- Regular financial reporting for both the OPCC and the CC, both of which have been developed during the year and development will continue in 2018/19.
- Effective risk management strategies, registers and action plans.
- A Commissioning Framework to support the priorities for PCC Commissioning.
- Engagement in Value for Money benchmarking such as is conducted by HMICFRS.
- Input into the new Force Management Statement being prepared by the Force.
- Development of the new joint Governance Framework approved in 2017/18 and implemented on the 1 April 2018.
- Approval by the Home Secretary of the Fire Governance Business Case to evidence the case to transfer Fire Governance to the PCC.
- Development of the Voice Grant and Service Level Agreements and work undertaken towards the Voice Governance Framework.
- To supplement the JIAC meetings, workshops are held during the year to focus on key areas of risk or internal control and supplement the lead member approach undertaken for key meetings such as the Force Assurance and Change Boards.

## **COMPLIANCE WITH THE SEVEN PRINCIPLES SET OUT IN THE CIPFA/SOLACE FRAMEWORK**

### **PRINCIPLE A: BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES AND RESPECTING THE RULE OF LAW**

The Corporate Governance Framework which provides guidance on expected behaviours to ensure integrity and builds on the clear statements made by the PCC and the Chief Executive in relation to openness, transparency and standards of ethical behaviour. This includes an agreement to adhere to the College of Policing (CoP) Code of Ethics as the basis for how the OPCC and staff behave. The Force internal ethics committee is in place and values have been included as an overarching element of the Police and Crime Plan.

The Force Professional Standards Department (PSD) investigate all instances of Fraud, Corruption and Whistleblowing. The Chief Financial officers (Section 151) for both the PCC and the CC and the Monitoring Officer have specific responsibility in legislation for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements and for reporting any such instances to the PCC, CC, JIAC or Police and Crime Panel.

For 2017/18, related party disclosures have been undertaken for all key staff in the OPCC, CC and JIAC members and this information is disclosed within the Statement of Accounts. Additionally, the PCC and all members of OPCC staff complete a declaration of business interests.

All posts in the OPCC have defined role and job descriptions and the CEO has developed a performance appraisal process to support these, which will be implemented in 2018/19. HR policies and procedures are currently being finalised by a senior staff member in the OPCC and an update on these was provided to the March 2018 JIAC. These are scheduled for implementation in the summer of 2018.

**Recommendation 1** – To review the current published code of conduct against the CoP code of ethics to ensure consistency of approach in OPCC. This review has been completed. The Joint Corporate Governance Framework, and OPCC Gifts and Hospitality and Business Interests policies have been reviewed and updated and Equality and Diversity will be considered as part of the review and update of HR policies. This review will continue to be undertaken annually.

**Recommendation 2** – Complete the review of the Corporate Governance Framework. This has been completed and the new framework was implemented on the 1 April 2018.

**Recommendation 3** - Complete the formal review of existing HR policies, practices and procedures and consider recommendations made. This remains ongoing and is scheduled for completion by the summer of 2018.

**Recommendation 4** – Undertake a review of commissioning and contracts to ensure the values of the OPCC are included in how these services are procured and delivered. This has been completed and is now built in to business as usual.

## **PRINCIPLE B: ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT**

The Commissioner's purpose is set out in statute. The vision for Northamptonshire policing<sup>1</sup> is set out in the Police and Crime Plan 2017 – 2021 which sets out the strategic direction of the PCC's activities. It is underpinned by a delivery plan and the PCC provides an update at each Police and Crime Panel meeting.

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

All agendas, papers and meetings of the JIAC are open to the public and papers are available on the PCC website. The minutes of the Accountability Board are also published to transparently demonstrate the PCC holding the Chief Constable to account in line with his statutory role.

Papers, reports and decisions made by the PCC are published on the website, together with consultation and details of future public events and public surveys.

The OPCC undertakes regular council taxpayer, customer and victim survey activities, ensuring that these can be used to inform council tax levels, service delivery by the Force and services which the PCC has commissioned. During 2017/18, the PCC launched a "Time to Talk" consultation which was focussed on getting a better understanding of the experience of people with mental illness, and better inform the delivery of services. This consultation has now closed and the results are being collated.

**Recommendation 5** – Complete OPCC communications strategy and forward plan for community and stakeholder engagement to better inform and deliver strategic outcomes. Due to changes in staffing, this recommendation remains ongoing for completion in 2018/19.

## **PRINCIPLE C: DEFINING OUTCOMES IN TERMS OF SUSTAINABLE, ECONOMIC, SOCIAL AND ENVIRONMENTAL OUTCOMES**

The widespread public and internal consultation that took place in relation to the Police and Crime Plan has secured support for the outcomes required by the PCC. The Plan was informed by the strategic policing requirement and used to direct the resources of the PCC and the CC through the revenue and capital budgets and commissioning framework. It informs where resources are most needed and targets investment to priority areas.

The PCC has in place a treasury management strategy (which includes a minimum revenue provision policy statement), which, together with the reserves strategy, revenue budget and capital programme are considered by the PCC in proposing and setting his level of precept.

Grants for financial support are administered independently, via a community foundation, with resources being allocated in line with the anticipated delivery against the objectives of the Police and Crime Plan.

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<sup>1</sup> "We want to create a system that people can have trust and confidence in; where victims feel that they have the help and support they need from Northamptonshire Police"

The Force and PCC support a number of collaborative arrangements, in the East Midlands, cross-region and nationally, aimed at better delivering positive outcomes. A number of these relate to the national Strategic Policing Requirement. The PCC has a statutory responsibility to consider the national requirement and collaborative working enables him to respond in an efficient and cost effective manner. In 2017/18, the PCCs appointed a Regional Governance Team to continue to drive and develop collaboration forwards.

The East Midlands PCCs and CCs established an Efficiency Board, which will review each regional collaboration in terms of economy, efficiency and effectiveness and also to ensure that they meet the needs of local people and Commissioners.

**Recommendation 6** – Complete full performance framework for defined outcomes in the Police and Crime Plan. A workshop was undertaken in 2017/18 and work is in progress with the Force to develop this further. This recommendation remains ongoing.

**Recommendation 7** – Consider review of regional collaboration appropriateness and optimisation. Internal Audit have done a lot of work to review the overall governance arrangements, which can be developed to see if the collaborations meet the identified needs and provide VFM. This has been completed. The Regional Governance Team will continue to drive and develop regional collaborations (with three or more forces included) moving forwards.

**Recommendation 8** – In conjunction with the Force develop an annual financial timetable to aid the planning, delivery and transparency of financial decisions and forecasts/modelling. With the changes to staffing in the OPCC and Force during the year, this recommendation remains ongoing and will be completed in 2018/19.

**Recommendation 9** – Evaluate the performance and outcomes from the Community Foundation community granting mechanism. This has been completed and is now built into business as usual for all commissioning activities.

**Recommendation 10** – Recommendations and subsequently agreed actions from the JIAC annual report taken forwards along with annual report being presented to the Police and Crime Panel. This has been partially completed - the annual report of the JIAC was considered at the Police and Crime panel in September 2017 for the first time. The remaining actions are ongoing and will be considered and addressed by the JIAC and the chair in the 2018/19 JIAC annual report.

#### **PRINCIPLE D: DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF INTENDED OUTCOMES**

The PCC has, in conjunction with the CC, prepared a Medium Term Financial Plan (MTFP) as part of an informed and detailed consultation process. The MTFP includes clear and robust assumptions and was considered by the JIAC in December 2017 and the Police and Crime Panel in January 2018. As part of the 2018/19 budget, the CC identified a number of priority areas for investment amounting to £1.25m. In March 2017/18 the CC presented business cases to the PCC to meet these priorities, all of which were approved.

New areas of business are considered at the Force Change Board (attended by representatives of the OPCC) and business cases support all proposals before consideration, advice by statutory officers and appropriate sign off.

Significant decisions are documented on a Decision Record and published on the OPCC website.

The 2016/17 Annual Governance Statement highlighted the lack of strategic planning in terms of the Estates Strategy. During 2017/18, the Chief Executive worked closely with the Force to identify and fully consult on the operational estate needed to deliver the new operational service delivery model (SDM). This strategy was published in April 2018.

Both the Force and the OPCC have been using Multi-Force Shared Services (MFSS) for the delivery of financial and human resource transactions. In December 2017, it was recognised that the upgrade programme and the quality and governance of the service needed to be addressed, costs had increased and the service was underperforming. The PCC and partners recognised this, have appointed an Interim Chief Executive and are taking tangible steps to address and improve both service delivery, accountability and transparency as this remains an area of concern.

The PCC recognises the requirement for effective infrastructure to be in place to support the operational delivery of his strategic objectives and has received an ICT Strategy from the Force which is anticipated will enable more effective and efficient operational outcomes.

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

**Recommendation 11** – Complete performance monitoring and reporting framework with IPSCJ. This recommendation remains ongoing.

**Recommendation 12** – Complete the operational needs driven Estates Strategy, which will then inform the development of the capital programme. This recommendation has been completed, the Estates Strategy has been published and an Internal Audit has been undertaken in this area.

## **PRINCIPLE E: DEVELOPING CAPACITY AND CAPABILITY**

The OPCC were subject to a number of vacancies during 2017/18 which included the roles of Chief (S151) and Deputy Chief Finance Officers. The S151 was covered by the Force S151 officer from April to when the newly appointed Chief Finance Officer commenced in November 2018. Similarly, the Head of Finance Force role was vacant, but a temporary resource supported the delivery in this important area, together with additional resource for MFSS arrangements. These areas were highlighted as capacity issues for the final accounts in 2015/16, however, additional temporary resources and the CIPFA online tool to assist with the compilation of the Statement of accounts mitigated this in 2016/17. Permanent appointments will mitigate this risk further.

Further key vacancies and maternity leave in the OPCC impacted on the capacity and resilience in the office but by May 2018, all but one of these roles had been recruited to, and additional temporary resource provided to support the transfer of Fire governance arrangements.

In March 2018, the Chief Constable announced his intention to retire in October 2018 and work is underway to recruit to this vital role which will lead the Force and take forward operational and performance development and improvements.

The development of HR policies and the performance appraisal process outlined earlier will continue to develop staff capacity and skills to deliver the Police and Crime Plan.

In January 2017, the PCC took the decision not to recommission the adult element of the previous Victims services (Victims Voice) but to instead create a wholly owned company limited by guarantee to deliver the service. The reasons for this decision included:

- A desire to have greater control over the service
- To increase the flexibility to respond to changing patterns of crime than are afforded by a traditional contract
- To provide a more sustainable, long term model for the service without the cyclical nature of contracts
- The ability over time to bring external funding in through developing commercial products and services

The new company started to deliver services in 2017/18.

## **PRINCIPLE F: MANAGING RISK AND MONITORING PERFORMANCE**

During 2017/18, the PCC and his office continued to demonstrate his commitment to transparency, sharing information and briefings with the Force, the Police and Crime Panel and the JIAC. The PCC meets regularly with the CC, the Chair and Vice Chair of the Panel and holds regular briefings for councillors and attends numerous engagement events.

Performance forms a significant part of the Accountability Board and a representative of the OPCC attends the regular Performance Implementation Group meetings to discuss performance at a more operational level and identify the issues and challenges. Whilst Northamptonshire has mirrored the national trend where crime levels have increased, the PCC has highlighted areas of Force performance which are a concern, such as call and response times, public confidence and satisfaction levels.

The PCC and CC have a joint risk management policy and manage and record risks in the same manner, through the same system. Risks are reviewed regularly and considered at JIAC meetings.

During 2017/18, Mazars continued as internal auditors for the Region. Regular review and planning meetings took place with Leicestershire and Nottinghamshire and wider Chief Finance Officer (CFO) and Finance Director (FD) meetings to update on progress and review and plan regional collaboration and local audits.

Mazars attended each JIAC meeting to routinely report and give assurance on the adequacy and effectiveness of internal control. In addition, they contribute to the JIAC forward plan and agenda setting to inform and highlight national and regional themes, considerations and practices.

**Recommendation 13** – Train OPCC staff in risk awareness and management. The PCC and Directors review risks quarterly, the PCC has agreed to co-fund a new Risk Management System where training will be delivered as part of that system, therefore, this recommendation remains ongoing.

**Recommendation 14** – Use the risk register, Delivery Plan, audit recommendations within internal planning processes. This has been completed and is now built into business as usual.

**Recommendation 15** – Develop, present and continually monitor progress of the OPCC action log. This has been completed and is built in to business as usual. The OPCC actions have been included within the overall internal audit action log which enables all Force and OPCC actions to be considered at each JIAC meeting.

## **PRINCIPLE G: IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING AND ACCOUNTABILITY**

There are detailed delivery plans that support the achievement of the Police and Crime Plan objectives. Processes are in place to hold to account OPCC staff internally for delivery. There are nominated leads for all areas and performance is reported initially to the Chief Executive.

External governance is managed through a revised system of assurance that relies on appropriate attendance at meetings and forums by OPCC staff to fully understand activities and associated risks. There is a robust, formal Accountability meeting regularly between the PCC and CC and this is supported by regular informal meetings between them.

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

In 2017/18, Comparing Police and Crime Commissioners (CoPaCC, the independent organisation set up to monitor policing governance in England and Wales) awarded the Transparency Quality Mark to the Northamptonshire PCC for the way in which he provides public access to information about the PCC and OPCC.

## **REVIEW OF EFFECTIVENESS**

The OPCC and OCC have a responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal control. The review of effectiveness is informed by the work of the JIAC and the senior managers within the OPCC and OCC who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

The OPCC and OCC continued to invest in an Internal Audit programme in 2017/18 which continued to give assurance under the arrangements for two corporation soles.

The 2017/18 Internal Audit Plan was discussed at the JIAC on the 6 March 2017 and was prepared following discussion and consideration of the Risk Register, Assurance requirements and informed by regional themes. These ensured specific audits on:

- Audit Committee Effectiveness
- Seized Property
- Victims Code of Practice
- Fleet Management
- Core Financial Systems
- Procurement Follow Up
- Data Quality



- Financial Planning
- Estates Management
- Counter-Fraud Review

Additionally, following scrutiny and concerns raised by the JIAC, an additional audit has been scheduled in 2018/19 into historic estates procurement arrangements.

The collaboration internal audit plan for 2017/18 was the final year using the consistent methodology for regional activities and the following areas were covered:

- EMCHRS Learning and Development
- EMSOU Forensic Services
- EMCHRS Occupational Health
- Criminal Justice (EMCJS)
- Proceeds of Crime Act

The Internal Audit Annual Report for 2017/18 has been produced and will be reported to and considered by the JIAC at their next meeting in July 2018.

The Internal Audit Opinion for the Police and Crime Commissioner reflected that at the time of the audit opinion, the Estates Strategy had not been issued as follows:

*"Our overall opinion is that generally adequate and effective control and governance processes were in place to manage the achievement of the organisation's objectives. We have, however, identified weaknesses in respect of estates management that require addressing."*

The Chief Constable received a similar Internal Audit opinion, with the weakness of seized property that requires addressing, as opposed to estates.

The report further advised *"through our delivery of the Internal Audit Plan, our review of the JIAC's effectiveness and attendance at JIAC meetings, we are satisfied that the governance framework for the Office of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police has been effective for the year ended 31 March 2018."*

Locally, six audits received satisfactory assurances, whilst two (estates and seized property) received limited assurances and these will be revisited in 2018/19. Regionally, two audits received significant assurances and two satisfactory assurances.

There were four JIAC meetings held during the year, which were supplemented by workshops. At each meeting the JIAC review the future workplan. During the year, the JIAC completed an Audit Committee effectiveness self-assessment review, reviewed their terms of reference and produced an annual report. It is intended that an annual report will be produced for 2017/18.

In addition to standard items on the agenda covering Statement of Accounts, Risk Management, Internal and External Audit Plans and updates on recommendations, during the year, the JIAC received a number of updates or sought extra assurance on areas of specific risk or concern, such as:

- the Estates strategy and the cost of the previous strategy
- the Multi Force Shared Services (MFSS) upgrade, timescales and issues
- the Capital Programme
- Force and OPCC Budget Monitoring
- the 2018/19 budget and the Medium Term Financial Plan

- Treasury Management Strategies for 2017/18 and 2018/19
- the Corporate Governance Framework
- the change of external auditors in 2018/19, and
- the PCC's Accountability Framework

The Chair and one member were offered and accepted a second term in their roles. The PCC and CC are recruiting for two new members in 2018 to ensure consistency and continuity as two existing members approach the end of their second term within the next 18 months. Looking forwards, the JIAC and the PCC will consider what arrangements are required for the Fire governance transfer.

The second round of self-assessment reviews have been completed by regional collaboration teams and will be independently reviewed by Mazars, the Regional Internal Auditors to provide a consistent and objective review and to assist in informing the 2018/19 Regional Collaboration Internal Audits.

### **HMICFRS PEEL INSPECTION**

As part of their annual inspections of police effectiveness, efficiency and legitimacy (PEEL), HMICFRS assessed how effective the force is at keeping people safe and reducing crime. This inspection assessed the force as requiring improvement in a number of areas. This is an area of concern and further details can be found in the Annual Governance Statement in the accounts of the Chief Constable.

### **SIGNIFICANT GOVERNANCE ISSUES**

There were no formal reports issued by the S151 or Monitoring Officer during the year, outcomes of Monitoring Officer Investigations, objections from local electors or ombudsman referrals.

The Independent auditor's report to the members of Police and Crime Commissioner for Northamptonshire was received on the 29 September 2017.

The report highlighted that there was nothing to report in respect of their opinion on the financial statements.

In respect of the Conclusion on Police and Crime Commissioner for Northamptonshire's arrangements for securing economy, efficiency and effectiveness in its use of resources the following was received:

#### ***"Basis for qualified conclusion***

*On May 2016, the Police and Crime Commissioner approved a decision to sell Wootton Hall, the Force's Headquarters. The decision was taken on the day before his term of office finished. Our review of this decision identified significant weaknesses in the governance arrangements for informed decision making by the Police and Crime Commissioner in that:*

- *the decision to sell the Force's Headquarters was not supported by a business case that included detailed financial costings and analysis;*
- *the replacement Force's Headquarters had not been fully costed;*
- *No analysis had been undertaken to determine if the sale price met the 'best value' statutory requirements for the disposal of the Force's assets.*

*The newly elected Police and Crime Commissioner immediately initiated a review of the decision. This review identified that the financial implications (both capital and revenue) had not been fully or accurately considered. The review further identified that if the decision had been followed through this could have resulted in a significant financial loss. On 19 January 2017, the Police and Crime Commissioner approved the decision to reverse the proposed sale of Wootton Hall.*

### **Qualified Conclusion**

*On the basis of our work, having regard to the guidance issued by the C&G in November 2016, with the exception of the matters reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, Northamptonshire Police and Crime Commissioner put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017."*

During 2017/18, within his update reports, the PCC updated the Police and Crime Panel on the progress of the decision and accompanying arrangements and the Decision Record will be finalised and published on their completion.

Whilst the 2018/19 financial settlement has enabled a balanced budget for 2018/19 and 2019/20, there are additional pressures, the impact of Brexit on funding is unknown, the next Comprehensive Spending Review is awaited and financial shortfalls are evident in the medium term. The PCC will continue to actively seek a fairer funding settlement for Northamptonshire and support the Force in investing in ICT to facilitate the delivery of the efficiencies required.

### **ACTIONS**

The 2015/16 OPCC AGS actions have either been completed or were built into the 2016/17 recommended actions which have been updated within this statement. Of these, nine have been completed and six remain ongoing for completion in 2018/19 as highlighted earlier within this statement. Furthermore, the following risks and actions have been identified for 2017/18:

1. To ensure the effective transfer of Fire Governance to the PCC.
2. To work with colleagues to ensure acceptable management and delivery of the MFSS upgrade and arrangements.
3. To ensure the effective delivery of Victim Services through the Voice arrangements, ensuring effective governance arrangements are in place and to facilitate effective transfer of further victims' services to Voice as appropriate.
4. To ensure the effective implementation of the Policing and Crime Act 2017 responsibilities are delivered in respect of Complaints.
5. To scrutinise and challenge the action plans and processes which are in place or required to deliver the improvements identified and required in the recent HMIC reports.
6. To ensure the Force has in place suitable financial monitoring arrangements and robust savings plans in place to meet the pressures identified and enable balanced budgets in 2018/19 and future years

**CONCLUSION**

We propose over the coming year to take steps to address the above matters to progress the actions and further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.

Helen King  
Chief Finance Officer  
Section 151

Martin Scoble  
Chief Executive Officer

Stephen Mold  
Northamptonshire Police and  
Crime Commissioner

Date:

Date:

Date:



**East Midlands Police Collaboration**  
Derbyshire Leicestershire Lincolnshire Northamptonshire Nottinghamshire

**ANNUAL GOVERNANCE STATEMENT**  
**FOR REGIONAL COLLABORATION 2017/18**

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

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

DCC (East Midlands) monitors performance. This is reported to the East Midlands Police & Crime Commissioners and Chief Constables' (EMPCC/CC) Board on a quarterly basis.

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

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

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

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

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

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

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

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

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

Signed

A handwritten signature in blue ink that reads "Chris Haward".

Date 30/04/18

Chris Haward  
Deputy Chief Constable (East Midlands)

## Statement of Responsibilities for the Statement of Accounts

### **The PCC's Responsibilities**

The PCC is responsible for holding the Chief Constable to account to ensure financial management of the Police service is adequate and effective and that a sound system of internal control is in place including arrangements for risk management. The OPCC must make arrangements for the proper administration of its financial affairs and to ensure that one of its officers, namely the CFO, has the responsibility for that administration.

The PCC also has a specific responsibility to sign the Statement of Accounts following review by the Joint Independent Audit Committee meetings.

### **The CFO's Responsibilities**

The CFO to the PCC is responsible for the preparation of the OPCC's Group Accounts in line with statutory best practice set out in the CIPFA/LASAAC Code of Practice on Local OPCC Accounting in Great Britain ("The Code") and the Accounts and Audit Regulations 2005.

The accounts are required to present fairly the financial position of the OPCC at the accounting date and its income and expenditure for the year ended 31 March 2018.

In preparing this Statement of Accounts, the Section 151 Officer:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
- Kept proper accounting records which are up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **The Role of the Chief Constable**

The Chief Constable, assisted and advised by his Chief Finance Officer, is responsible for day-to-day financial management of the Force and for ensuring that the Force stays within its approved revenue and capital budgets, in accordance with the financial framework agreed by the Police and Crime Commissioner.

Northamptonshire Police Financial Services staff under the supervision of, and with the assistance of the PCC's Office, carries out the preparation of the accounts and liaises with the external auditors, KPMG LLP, during the audit process.

### **Chief Finance Officer (OPCC and CC) Certificate**

I certify that the Statement of Accounts presents a true and fair view of the financial position of the OPCC and Northamptonshire Police Force as at 31 March 2018 and the income and expenditure for the year ended 31 March 2018.

Helen King  
Chief Finance Officer  
Section 151

Date:

Stephen Mold  
Northamptonshire Police and  
Crime Commissioner

Date:

## Group- Expenditure and Funding Analysis

2016/17			2017/18			
Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
50,681		50,681	Police Pay	51,512	646	52,158
3,124		3,124	PCSO Pay	3,023		3,023
11,093	(7,540)	3,553	Police Pensions	11,494		11,494
18,214	(524)	17,690	Operations	19,160		19,160
740		740	Specials, Cadets & Volunteers	591		591
18,800	115	18,915	Business Support & Other Non Devolved Expenditure	19,188	89	19,277
7,907		7,907	Collaboration & Regional	8,513	23	8,536
11,246	1,873	13,119	PCC	8,217	14,958	23,175
<b>121,805</b>	<b>(6,076)</b>	<b>115,729</b>	<b>Net Cost of Services</b>	<b>121,698</b>	<b>15,716</b>	<b>137,414</b>
159	(159)		JV Outturn (Surplus)/Deficit transfer Financial Statements	91	(91)	
(121,080)	36,067	(85,013)	Other Income and Expenditure	(122,143)	34,171	(87,972)
<b>884</b>	<b>29,832</b>	<b>30,716</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>(354)</b>	<b>49,796</b>	<b>49,442</b>
(16,785)			Opening Combined General Fund Balance	(10,335)		
884			Plus / less Surplus or Deficit on the General Fund (Statutory basis)	(354)		
5,566			Transfers to/from other Reserves	(965)		
<b>(10,335)</b>			<b>Closing Combined General Fund</b>	<b>(11,654)</b>		

## Group - Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the OPCC, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (surplus)/deficit on the Provision of Services line shows the true economic cost of providing the OPCC's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase/ Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken.

	General Fund Balance	Earmarked General Fund Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2017</b>	(3,520)	(6,815)	(10,335)	1,255,097	1,244,762
<b>Movement in reserves during 2017/18</b>					
Surplus or deficit on the provision of services	49,442		49,442		49,442
Other Comprehensive Income / Expenditure			0	(7,948)	(7,948)
<b>Total Comprehensive Income and Expenditure</b>	<b>49,442</b>	<b>0</b>	<b>49,442</b>	<b>(7,948)</b>	<b>41,494</b>
Adjustments between accounting basis and funding basis under regulations	(50,761)		(50,761)	50,761	0
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(1,319)</b>	<b>0</b>	<b>(1,319)</b>	<b>42,813</b>	<b>41,494</b>
Transfers to / from Earmarked Reserves	1,079	(1,079)	0	0	0
<b>Increase or Decrease in 2017/18</b>	<b>(240)</b>	<b>(1,079)</b>	<b>(1,319)</b>	<b>42,813</b>	<b>41,494</b>
<b>Balance at 31 March 2018</b>	<b>(3,760)</b>	<b>(7,894)</b>	<b>(11,654)</b>	<b>1,297,910</b>	<b>1,286,256</b>

	General Fund Balance	Earmarked General Fund Reserves	Total Usable Reserves	Unusable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2016</b>	(4,404)	(12,381)	(16,785)	1,021,092	1,004,307
<b>Movement in reserves during 2016/17</b>					
Surplus or deficit on the provision of services	30,716		30,716		30,716
Other Comprehensive Income / Expenditure				209,739	209,739
<b>Total Comprehensive Income and Expenditure</b>	<b>30,716</b>	<b>0</b>	<b>30,716</b>	<b>209,739</b>	<b>240,455</b>
Adjustments between accounting basis and funding basis under regulations	(24,266)		(24,266)	24,266	0
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>6,450</b>	<b>0</b>	<b>6,450</b>	<b>234,005</b>	<b>240,455</b>
Transfers to / from Earmarked Reserves	(5,566)	5,566	0		0
<b>Increase or Decrease in 2016/17</b>	<b>884</b>	<b>5,566</b>	<b>6,450</b>	<b>234,005</b>	<b>240,455</b>
<b>Balance at 31 March 2017</b>	<b>(3,520)</b>	<b>(6,815)</b>	<b>(10,335)</b>	<b>1,255,097</b>	<b>1,244,762</b>



## Group- Comprehensive Income and Expenditure Statement

This account summarises the resources that have been generated and consumed in providing services and managing the Group during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Joint Associated Non-Entity (Joint Venture) accounting entries are consolidated in the Comprehensive Income and Expenditure service headings. Note 40 to the accounts gives a separate breakdown of these entries.

2016/17				2017/18		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
52,262	(761)	51,501	Police Pay	53,125	(1,004)	52,121
3,377	(252)	3,125	PCSO Pay	3,252	(229)	3,023
19,791	(17,059)	2,732	Police Pensions	22,071	(16,276)	5,795
10,950	(1,347)	9,603	Crime & Local Policing	11,542	(1,274)	10,268
12,082	(4,155)	7,927	Operational Support	11,591	(3,241)	8,350
742	(2)	740	Specials, Cadets & Volunteers	564	(1)	563
17,798	(553)	17,245	Business Support Exp	19,589	(988)	18,601
1,865	(48)	1,817	Other Non-Devolved Budgets	6,529	(264)	6,265
17,796	(9,902)	7,894	Collaboration & Regional	18,268	(10,026)	8,242
11,067	(106)	10,961	Police and Crime Commissioner	22,316	0	22,316
2,188	(844)	1,344	Commissioning	2,150	(1,060)	1,090
985		985	Non Distributed Costs	780	0	780
<b>150,903</b>	<b>(35,029)</b>	<b>115,874</b>	<b>Cost of Services</b>	<b>171,777</b>	<b>(34,363)</b>	<b>137,414</b>
			Intra-Group Funding Transfer			
1,101	(46)	1,055	Other Operating Expenditure (Note 7)	1,388	(78)	1,310
37,270	(20)	37,250	Financing and Investment Income and Expenditure	34,765	(29)	34,736
	(123,463)	(123,463)	Taxation and Non Specific Grant Income	0	(124,018)	(124,018)
			<b>Exceptional Item*</b>			
189,274	(158,558)	30,716	<b>(Surplus) or deficit on Provision of Services</b>	207,930	(158,488)	49,442
		(676)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(3,430)
		<b>210,415</b>	Re-measurement of the net defined benefit liability / asset			<b>(4,518)</b>
		<b>209,739</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(7,948)</b>
		<b>240,455</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>41,494</b>

## Group - Balance Sheet

This account shows the overall financial position of the Group at 31 March 2018. It therefore differs from the other financial accounts shown in this statement in that it deals with the position of the OPCC at the end of the 2017/18 financial year instead of dealing with day-to-day transactions within that financial year.

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
58,186	Property, Plant and Equipment (Note 18)	52,479
4,266	Intangible Assets (Note 23)	2,983
11	Long Term Investments	11
<b>62,463</b>	<b>Long Term Assets</b>	<b>55,473</b>
2,000	Short-term Investments	0
66	Assets Held for Sale (Note 20)	2,900
463	Inventories (Note 27)	431
11,027	Short Term Debtors (Note 26)	11,612
12,859	Cash and Cash Equivalents (Note 33)	5,136
<b>26,415</b>	<b>Current Assets</b>	<b>20,079</b>
(19,208)	Short-Term Creditors (Note 29)	(17,323)
(1,360)	Provisions (Note 28)	(1,362)
<b>(20,568)</b>	<b>Current Liabilities</b>	<b>(18,685)</b>
0	Long-Term Creditors	0
(615)	Long Term Provisions (Note 28)	(310)
(1,300)	Long Term Borrowing (Note 39)	(1,300)
(1,311,157)	Other Long-Term Liabilities (Note 37)	(1,341,513)
<b>(1,313,072)</b>	<b>Long Term Liabilities</b>	<b>(1,343,123)</b>
<b>(1,244,762)</b>	<b>Net Assets</b>	<b>(1,286,256)</b>
(10,335)	Usable Reserves	(11,654)
1,255,097	Unusable Reserves (Note 17)	1,297,910
<b>1,244,762</b>	<b>Total Reserves</b>	<b>1,286,256</b>

## Group - Cash Flow Statement

This statement shows a summary of the cash flowing in and out of the Group arising from transactions with third parties for revenue and capital purposes. Cash is defined for this statement as cash in hand and deposits repayable on demand.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
30,716	Net (surplus) or deficit on the provision of services	49,442
(47,324)	Adjustment to surplus or deficit on the provision of services for noncash movements	(55,519)
1,545	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	1,084
<b>(15,063)</b>	<b>Net cash flows from operating activities</b>	<b>(4,993)</b>
8,881	Net cash flows from investing activities	12,716
<b>(6,182)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>7,723</b>
6,677	Cash and cash equivalents at the beginning of the reporting period	12,859
<b>12,859</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>5,136</b>

## Note 1 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 42, the OPCC has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Influences on-going concern status, such as future levels of funding for central government departments
- Possible impairment of investments
- Whether other entities with which the OPCC has a relationship are subsidiaries, associates or jointly controlled entities
- The potential outcome of legal claims by or against the OPCC
- The condition of the local and national housing/industrial building market
- The economic standing of significant debtors and creditors

## Note 2 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the OPCC about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the OPCC's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase £0.149m for every year that useful lives had to be reduced.</p>
Vehicles, Plant and Equipment and Intangible Assets	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The nature of the authority is that for example some equipment, e.g. vehicles can be driven in extreme conditions, which could result in increased impairments or reduced useful economic lives, however, historically this has not been the case.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for vehicles would increase by £0.234m for every year that useful lives had to be reduced.</p>

Joint Venture	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The nature of the authority is that the Joint Venture's helicopter can be used driven in extreme conditions, which could result in increased impairments or reduced useful economic lives, however, historically this has not been the case.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Provisions	The Authority requested an external expert assess its liability at the end of the 2017/18 Financial Year and has made a provision of £0.424m for the settlement of insurance claims, based on the number of known claims.  As none of these claims have yet been settled the extent of the liability is still unknown.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.043m to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied.	The assumptions interact in complex ways. During 2017/18, the Authority's actuaries advised that the net pension's liability had increased by £30.36m as a result of estimates being corrected. If laws and regulations surrounding the management of the Police Pension scheme were to change, the maximum additional liability the Force could face would be £1341.5m, being the total pension liability.
Arrears	At 31 March 2018, the OPCC had a balance of sundry debtors for £1.020m. A review of balances suggested that a bad debts provision of £0.031m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.201m to set aside as an allowance.
Investments	At 31 March 2018, the OPCC held a balance of investments of £4.497m, before IFRS accounting adjustments for cash & cash equivalents.  <ul style="list-style-type: none"> <li>• A review of these investments showed they were all banking institutes were either Within the top 30 most secure (rating completed by Building Society's Association, ranked by group assets), or</li> <li>• Other financial investment bodies are reviewed for credit worthiness via a stability assessment, based on short and long term market forecasts provided by the three main credit rating agencies.</li> </ul> <p>However, in the current economic climate other financial institutes have previously failed.</p>	If one of these institutes were to fail, the maximum liability the OPCC could face would £3m for an internally managed fund.

### Note 3 - Events After the Balance Sheet Date

On the 11 April 2018, the Home Secretary approved Northamptonshire PCC's proposal to take on responsibility for Northamptonshire Fire and Rescue Service, advising that a transfer of governance would be in the interests of economy, efficiency and effectiveness. Work is underway between Northamptonshire County Council, the PCC and the Home Office to develop the necessary statutory instrument to give effect to the proposal, which, subject to discussions and parliamentary considerations is anticipated, will take effect by early autumn 2018.

Any further events taking place after the draft Statement of Accounts were provided to our external auditors on 31 May 2018, are not financially reflected within the Financial Statements.

Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### Note 4 - Officers' Remuneration

#### Employee Remuneration

In accordance with the Code of Practice and LAAP Bulletin 85 from April 2010, the number of employees whose remuneration was paid in year, excluding pension contributions, exceeded £50,000 or more in the year, were as follows:

2016/17		2017/18	2017/18	2017/18
Total	Earnings Band	Officers	Police Staff	Total Employees
40	50,000 to 54,999	44	7	51
8	55,000 to 59,999	14	4	18
7	60,000 to 64,999	1	1	2
5	65,000 to 69,999	5	1	6
5	70,000 to 74,999	2	6	8
1	75,000 to 79,999	1		1
1	80,000 to 84,999	2		2
	85,000 to 89,999	1	2	3
1	95,000 to 99,999			
	110,000 to 114,999	1		1
1	115,000 to 119,999			
1	150,000 to 154,999	1		1
<b>70</b>		<b>72</b>	<b>21</b>	<b>93</b>

The disclosure above includes senior officers and requires the outlining of total taxable pay, including personal Additional Voluntary Contributions, whereas the Senior Officers table overleaf outlines the entire remunerations by post. Therefore, the two tables are not completely comparable which will result in differing bandings if the two are compared.

Senior Officers of the organisation whose remunerations, excluding pension contributions, exceeded £50,000 requiring disclosure by post or name were:

**2017/18**

<b>Post Holder Information</b>	<b>Start Date</b>	<b>Leaving date</b>	<b>Salary</b>	<b>Expense Allowances(1)</b>	<b>Loss of office (2)</b>	<b>Other(3)</b>	<b>Total Excluding Pension</b>	<b>Employers Contribution</b>	<b>Total Including Pension</b>
			£	£	£	£	£	£	£
<b>Police and Crime Commissioner</b>									
Stephen Mold - Police and Crime Commissioner	12/05/2016		70,000	7,112			77,112	12,600	89,712
<b>Office of the Police and Crime Commissioner</b>									
Director for Resources	01/11/2016	06/04/2017	1,266	10	46,736		48,012	177	48,189
Chief Executive	15/11/2016		85,879	3,396			89,275	15,458	104,733
Strategic Resource Officer	01/11/2016	06/04/2017	3,104		31,286		34,390	144	34,534
Director For Delivery - 1	01/09/2016		72,717	1,429			74,146	13,089	87,235
Director of Technology and Digital Transformation	22/11/2016		72,717				72,717	13,089	85,806
Director for Delivery - 2	21/11/2016		72,717	507			73,224		73,224
Chief Finance Officer	09/11/2017		32,312	698			33,010	5,816	38,826
Director for Early Intervention	07/11/2016		72,717	4,778			77,495	13,089	90,584
<b>Voice Ltd</b>									
Chief Executive	01/08/2017		39,420	18			39,438	8,756	48,194
<b>Chief Constable</b>									
Simon Edens - Chief Constable	27/07/2015		152,352	955			153,307		153,307
Deputy Chief Constable 1	19/03/2015	01/06/2017	22,591	47		890	23,528	4,608	28,136
Deputy Chief Constable 2	15/05/2017		95,100	533		2,657	98,290	23,200	121,490
Assistant Chief constable	31/07/2015	14/05/2017	17,090	137		531	17,758	8,472	26,230
Assistant Chief constable 2	15/05/2017		85,647	190		5,820	91,657	20,892	112,549
ACO Finance and Resources*	14/01/2016								
Director of HR Tri Force Collaboration	14/01/2016		89,498	7,877		2,941	100,316	16,110	116,426

(1) Expenses Allowances include taxable and non-taxable expenses

(2) This was paid to members of the Commissioner's staff to settle the contractual and statutory entitlements arising from the ending of the individual's employment.

(3) Other include Rent Allowance, Housing Allowance, Car Allowance, ACPO Med Allowance

\* The ACO Finance and Resources post is shared between Northamptonshire (24.63%), Leicestershire (35.53%) and Nottinghamshire (39.84%). From 1<sup>st</sup> April 2018 this post will be shared between Northamptonshire (50%) and Leicestershire (50%). As the individual is employed by Leicestershire, the total salary costs associated with this post is not included within the table above.

**Note:** In 2016/17 Employers Pension Contribution was not disclosed.

<b>2016/17</b>						
<b>Post Holder Information</b>	<b>Start Date</b>	<b>Leaving date</b>	<b>Salary</b>	<b>Expense Allowances</b>	<b>Other</b>	<b>Total Excluding Pension</b>
			<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Police and Crime Commissioner</b>						
Adam Simmonds - Police and Crime Commissioner	22/11/2012	11/05/2016	7,903			7,903
Stephen Mold - Police and Crime Commissioner	12/05/2016		62,097	2,176		64,273
<b>Office of the Police and Crime Commissioner</b>						
Acting Chief Executive*	12/10/2015	31/10/2016	43,856	811		44,667
Director for Resources*	01/11/2016		24,567	386		24,953
Chief Executive	15/11/2016		31,661	1,115		32,776
Acting Director for Resources**	12/10/2015	31/10/2016	32,795	940		33,735
Strategic Resource Officer**	01/11/2016		19,976	158		20,134
Assistant Chief Executive (Visibility)	22/11/2012	31/08/2016	31,656	149		31,805
Acting Director for Delivery***	12/10/2015	31/08/2016	29,999	226		30,225
Director For Delivery - 1***	01/09/2016		42,418	171		42,589
Director of Technology and Digital Transformation	22/11/2016		38,378			38,378
Director for Delivery - 2	21/11/2016		26,259	28		26,287
Director for Early Intervention	07/11/2016		29,087	928		30,015
<b>Chief Constable</b>						
Simon Edens - Chief Constable	27/07/2015		151,472	357		151,829
Deputy Chief Constable 1	19/03/2015		113,769	50	8,877	122,696
Assistant Chief Constable	31/07/2015		97,161	249	3,188	100,598
ACO Finance and Resources ****	14/01/2016					
Director of HR Tri Force Collaboration	14/01/2016					

\* The post holder is the same person

\*\* The post holder is the same person

\*\*\* The post holder is the same person

\*\*\*\* The ACO Finance and Resources and Director of HR Tri Force Collaboration posts are shared between Northamptonshire (24.63%), Leicestershire (35.53%) and Nottinghamshire (39.84%). As both individuals are employed by Leicestershire, the total salary costs associated with these posts are not included within the table above.



## Note 5A - Note to the Expenditure and Funding Analysis

<b>2017/18</b>	<b>Net Capital Statutory Adjustments</b>	<b>Net Pensions Statutory Adjustments</b>	<b>Other Statutory Adjustments</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Police Pay			646	646
Business Support Exp		13	76	89
Collaboration & Regional PCC	14,930	159	23	15,099
<b>Net Cost of Services</b>	<b>14,930</b>	<b>172</b>	<b>755</b>	<b>15,857</b>
Joint Venture and Associates	(91)			(91)
Other Income and Expenditure	(840)	34,702	168	34,030
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>13,999</b>	<b>34,874</b>	<b>923</b>	<b>49,796</b>

<b>2016/17</b>	<b>Net Capital Statutory Adjustments</b>	<b>Net Pensions Statutory Adjustments</b>	<b>Other Statutory Adjustments</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Police Pensions		(8,360)	820	(7,540)
Business Support Exp		1,563	(412)	1,151
PCC	8,146	985	13	9,144
<b>Net Cost of Services</b>	<b>8,146</b>	<b>(5,812)</b>	<b>421</b>	<b>2,755</b>
Other Income and Expenditure	(15,774)	37,207	78	21,511
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>(7,628)</b>	<b>31,395</b>	<b>499</b>	<b>24,266</b>

The differences between statutory charges and adjustments within the Expenditure and Funding Analysis (EFA) statement are the transfers to and from reserves in accordance with the EFA statement.

## Note 5B - Segmental Analysis of Income and Expenditure

<b>2017/18</b>	<b>Revenues from External Customers £000</b>	<b>Interest Revenue £000</b>	<b>Interest Expense £000</b>	<b>Depreciation and Amortisation £000</b>
Police Pensions	(16,276)			
Operations	(422)			
Specials, Cadets & Volunteers				
Business Support & Other Non Devolved Exp	(7,731)	(29)	63	
Collaboration & Regional	(8,919)			
PCC	(1,093)			6,889
<b>Total</b>	<b>(34,441)</b>	<b>(29)</b>	<b>63</b>	<b>6,889</b>

<b>2016/17</b>	<b>Revenues from External Customers £000</b>	<b>Interest Revenue £000</b>	<b>Interest Expense £000</b>	<b>Depreciation and Amortisation £000</b>
Police Pay	(761)			
PCSO Pay	(252)			
Police Pensions	(17,059)			
Operations	(5,780)			
Specials, Cadets & Volunteers	(2)			
Business Support & Other Non Devolved Exp	(698)	(20)	63	
Collaboration & Regional	(9,396)			
PCC	(950)			8,327
<b>Total</b>	<b>(34,898)</b>	<b>(20)</b>	<b>63</b>	<b>8,327</b>

## Note 5C - Expenditure and Income Analysed by Nature

<b>2016/17</b>		<b>2017/18</b>
<b>£000 Nature of Expenditure or Income</b>		<b>£000</b>
	(3,909) Fees, charges and other service income	(3,696)
	(159) Surplus or deficit on associates and joint ventures	(91)
	(20) Interest and investment income	(29)
	(72,103) Income from local taxation	(49,882)
	(69,350) Government grants and contributions	(73,053)
	(6,136) Other income	(23,675)
	143,354 Employee pay and pension benefits (IAS19)	150,372
	29,785 Other service expenses	41,156
	8,186 Depreciation, amortisation and impairment	6,889
	63 Interest payments	63
	919 Precepts and levies	1,190
	86 Gain or loss on disposal of non-current assets	198
	30,716 Surplus or Deficit for Year	49,442

## Note 6 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Group in the year, in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the OPCC, to meet future capital and revenue expenditure.

**2017/18**

	<b>General Fund Balance</b>	<b>Movement in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>
<b>Adjustments to the Revenue Resources</b>		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
- Pension cost (transferred to (or from) the Pensions Reserve)	(34,874)	34,874
- Financial Instruments (transferred to the Financial Instruments Adjustments Account)		
- Council tax and NDR (transfers to or from the Collection Fund)	(191)	191
- Holiday pay (transferred to the Accumulated Absences reserve)	(804)	804
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(19,189)	19,189
<b>Total Adjustments to Revenue Resources</b>	<b>(55,058)</b>	<b>55,058</b>
- Adjustments between Revenue and Capital Resources		
- Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	239	(239)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	4,040	(4,040)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>4,279</b>	<b>(4,279)</b>
- Other adjustments	19	(19)
<b>Total Adjustments</b>	<b>(50,760)</b>	<b>50,760</b>

**2016/17**

	<b>General Fund Balance</b>	<b>Movement in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:		
- Pension cost (transferred to (or from) the Pensions Reserve)	(31,393)	31,393
- Council tax and NDR (transfers to or from the Collection Fund)	(78)	78
- Holiday pay (transferred to the Accumulated Absences reserve)	(373)	373
- Reversal of entries included in the (Surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(6,979)	6,979
<b>Total Adjustments to Revenue Resources</b>	<b>(38,823)</b>	<b>38,823</b>
- Adjustments between Revenue and Capital Resources		
- Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	235	(235)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	14,286	(14,286)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>14,521</b>	<b>(14,521)</b>
- Other adjustments	36	(36)
<b>Total Adjustments</b>	<b>(24,266)</b>	<b>24,266</b>

## Note 7 - Other Operating Expenditure

Other Operating Expenditure includes levies; gains or losses on the disposal of non-current assets in the CIES for 2017/18.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
919	Levies	1,190
182	Gains/losses on the Disposal of Non-Current Assets	198
(46)	Other	(78)
<b>1,055</b>	<b>Total Other Operating Expenditure</b>	<b>1,310</b>

## Note 8 - Financing and Investment Income and Expenditure

The CIES includes financing and investment income and expenditure including interest payable and similar charges: pensions' interest costs and expected return on pension assets, interest income, income, expenditure, changes in the fair values of investment properties, and other income.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
63	Interest payable and similar charges	63
37,207	Net interest on the net defined benefit liability (asset)	34,702
(20)	Interest receivable and similar income	(29)
<b>37,250</b>	<b>Total</b>	<b>34,736</b>

## Note 9 - Taxation and Non-Specific Grant Income

The CIES includes income comprising of council tax income, NNDR, non-ring fenced government grants and all capital grants.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
(47,923)	Council tax income	(49,882)
(24,180)	Non-domestic rates income and expenditure	
(49,815)	Non-ringfenced government grants*	(73,052)
(1,545)	Capital grants and contributions	(1,084)
	Other tax or non-specific grant income / expenditure	
<b>(123,463)</b>	<b>Total</b>	<b>(124,018)</b>

\* The Police main grant and other non-ringfenced governments grants have been consolidated and presented as one core police grant under Non-ringfenced government grants in 2017/18.

## Note 10 - Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement or within Notes 5-9, such as the disposals of Fixed Assets and Investments or reversals of provisions, the nature of these material amounts are set out below:

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
938	Insurance Provision	1,362
355	Legal Provision	
67	Redundancy	
	Property Dilapidations (Short Term)	
615	Property Dilapidations (Long Term)	310
	Building Impairment	12,794
<b>1,975</b>	<b>Total</b>	<b>14,466</b>

## Note 11 - Trading Operations

The Group does not have any trading operations. All commercial activities have been outsourced.

## Note 12 - Members' Allowances

During 2017/18 a total of £0.014m was paid in Allowances and Reimbursements for OPCC members (2016/17 £0.013k).

<b>2016/17</b>		<b>2017/18</b>
<b>Group Description</b>		<b>Group</b>
<b>£000</b>		<b>£000</b>
13	Allowances and Re-imburements	14
	Other Expenses (including travel)	
<b>13</b>	<b>Total</b>	<b>14</b>

## Note 13 - External Audit Costs

During the year the group incurred direct external audit fees for KPMG LLP. The audit Fee of £45k in both 16/17 and 17/18 related to the statutory audit work for Statement of Accounts, which is a statutory requirement. In 2017/18 the group paid an additional £2.5k for external audit fees relating to 2016/17 audit and a further £1k for a mandatory National Fraud Initiative (NFI), which was paid to the Audit Commission. Therefore the total charge for external audit fees was £48.5k, with £47.5k being payable to KPMG LLP.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
45	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	45
<b>45</b>	<b>Total</b>	<b>45</b>

## Note 14 - Grant Income

The OPCC credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18.

### Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

31 March 2017 Group		31 March 2018 Group
£000		£000
(43,171)	Revenue Support Grant	(66,408)
(6,644)	Council Tax Burden Grant	(6,644)
	Non Ring Fenced Government Grants	
(1,151)	Capital Grants and Contributions	(645)
	Agile Innovation Fund Capital Grant	
(394)	Other Capital Grants and Contributions	
<b>(51,360)</b>	<b>Total</b>	<b>(73,697)</b>

### Credited to Services

31 March 2017 Group		31 March 2018 Group
£000		£000
0	Drug Intervention Programme	
12	Loan Charges Grant	
(17,059)	Pension Top Up Grant	(16,276)
(28)	Department of Health	
(844)	Ministry of Justice	(848)
(40)	Police Transformation Grant	(439)
(46)	Sales of Goods and Services	
(284)	Proceeds of Crime	(141)
<b>(18,289)</b>	<b>Total</b>	<b>(17,704)</b>



## Note 15 - Related Parties

IPSAS 20 Related Party Disclosures, based on IAS 24, requires the OPCC and Police Force to disclose material transactions and outstanding balances with related parties – bodies or individual's that have the potential to control or influence the OPCC or to be controlled or influenced by the OPCC.

Central Government has effective control over the general operations of the OPCC. It is responsible for providing the statutory framework within which the OPCC operates, and provides the majority of funding in the form of general or specific grants. Details of government grants are set out in Note 14 to the Core Financial Statements.

The OPCC has direct control over the OPCC's financial and operating policies. Chief Officers might also be in a position to influence significantly the policies of the OPCC.

During the year, the PCC set up a company "Victims Voice" to deliver support services to victims (these services were previously provided by Victim Support). In 2017/18, the PCC provided 100% of the funding to Victims Voice which equated to a grant in the year of £0.450m (part of the Ministry of Justice Grant received by the PCC) and for which the £0.163m underspend was returned to the PCC at year end in line with the grant agreement.

The PCC is the chair of the Victims Voice Board which is comprised of the Victims Voice Chief Executive and a member of the Police and Crime Institute.

During the set up phase between June and October 2017, the Director of Delivery also served on the Board, in addition he has advised Victims Voice in a professional capacity during the year. Advice during the year was also provided to Victims Voice by mainly the Chief Finance Officer, Finance Advisor and the Head of Commissioning and Criminal Justice. Advice was also provided from specialist staff in the force from areas such as ICT and estates.

As the OPCC staff have direct control over Victim's Voice and provide advice, as such they may have the opportunity to significantly influence the policies of Victims Voice. Measures are in place to mitigate this influence and with a grant agreement and a service level agreement in place, together with the development of a corporate governance framework and the requirements of the Ministry of Justice Grant conditions.

Key members of staff in the OPCC and Chief Officers are required, at the end of each year, to declare whether they, or any member of their immediate family, have had any related party transactions (i.e. significant financial dealings) with the OPCC during the financial year. For 2017/18 this has included Joint Independent Audit Committee members (JIAC), for which two returns have been received.

Both the OPCC and the Police Service maintain a register of business interests, and has a Business Interest Policy which sets out the criteria for deciding whether the Business Interest is compatible with the individual's role within the organisation.

During 2017/18, the following related party transactions are reported within the OPCC:

The PCC contributed the sum of £0.100m to the Community Foundation, an organisation which awards grants to local organisations. Two members of the OPCC are part of the decision making process for the awards to ensure alignment with the Police and Crime Plan objectives.

The PCC contributed £0.220m to the Institute for Public Safety Crime and Justice (IPSCJ) for commissioned services (e.g. the annual budget perception and victim perception surveys) and the part year salary of a member of OPCC staff. From October 2017, the member of staff left the OPCC to become a permanent employee of the IPSCJ and also became a member of the Victims Voice Board.

During the year, the Director of Early Intervention was a Trustee for Groundwork for which the OPCC provided funding of £0.067m prior to their appointment. In December 2017 the Director of Early Intervention was appointed as a Board member for Northamptonshire Emergency Cadets for which the OPCC had provided funding in 2016/17 of £0.100m.

During the year, the Director of Delivery represented the OPCC on the Crimestoppers Board and the OPCC contributed the sum of £0.018m directly and the Community Foundation awarded a grant of £0.005m

## Note 16 - Transfers to/from Earmarked Reserves

This note sets out the Group amounts set aside from the General Fund and earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet the General Fund requirements in 2017/18.

The adequacy of reserves is assessed as part of the annual budget process where the strategic, operational and financial risks facing the OPCC are considered. The Reserves Policy is published annually in the Budget Report where the rationale for each Reserve is clearly stated.

As at the 1 April 2018, the General Fund balance stood at £3.760m.

	Balance at 1 April 2016	Transfers in 2016/17	Transfers out 2016/17	Balance at 31 March 2017	Transfers in 2017/18	Transfers out 2017/18	Balance at 31 March 2018
<b>Initiatives Fund</b>	<b>(2,941)</b>	(910)	2,717	<b>(1,134)</b>	(838)		<b>(1,972)</b>
<b>Insurance</b>	<b>(83)</b>	(919)		<b>(1,002)</b>	(80)		<b>(1,082)</b>
<b>Invest to Save</b>	<b>0</b>	(977)		<b>(977)</b>			<b>(977)</b>
<b>Pensions</b>	<b>(1,280)</b>	(6)		<b>(1,286)</b>			<b>(1,286)</b>
<b>Safer Roads</b>	<b>(1,194)</b>	(112)		<b>(1,306)</b>	(162)		<b>(1,468)</b>
<b>Capital</b>	<b>(3,010)</b>	(10,270)	12,754	<b>(526)</b>	(4,360)	4,886	<b>0</b>
<b>Regional</b>	<b>(674)</b>		90	<b>(584)</b>	(195)		<b>(779)</b>
<b>CC Carry Forwards</b>	<b>(2,053)</b>	(387)	2,440	<b>0</b>	(167)		<b>(167)</b>
<b>Employee Benefits</b>	<b>(1,146)</b>		1,146	<b>0</b>			<b>0</b>
<b>Victims</b>	<b>0</b>			<b>0</b>	(163)		<b>(163)</b>
<b>Total General Fund</b>	<b>(12,381)</b>	<b>(13,581)</b>	<b>19,147</b>	<b>(6,815)</b>	<b>(5,965)</b>	<b>4,886</b>	<b>(7,894)</b>
<b>General</b>	<b>(4,404)</b>	(1,532)	2,416	<b>(3,520)</b>	(240)		<b>(3,760)</b>
	<b>(16,785)</b>	<b>(15,113)</b>	<b>21,563</b>	<b>(10,335)</b>	<b>(6,205)</b>	<b>4,886</b>	<b>(11,654)</b>

On 31 March 2018, the total Earmarked Reserves and General Fund balance stood at £11.654m (£10.335m in 2016/17). These were made up as follows:

### Initiatives Fund Reserve £1.972m

The opening balance was £1.134m. During the year there was an additional £0.838m contribution to meet the Commissioner's objectives in future financial years.

**General Fund balance £3.760m**

After taking account of transfers to and from reserves and the required provisions, the OPCC generated a surplus of £0.240m that was transferred into the General Fund Balance.

**Insurance Reserve balance £1.082m**

The Insurance Earmarked Reserve is designed to meet potential future claims. An increase to the insurance reserve of £0.080m is designed to meet potential future claims. The adequacy of this will be reviewed on a regular basis to ensure compliance with Insurance advice.

**Invest to Save Earmarked Reserve balance £0.977m**

This is an earmarked reserve and it has been set up to fund specific agreed schemes that will deliver long term efficiency savings for the Force.

**Pensions Reserve balance £1.286m**

The pensions reserve is maintained for those liabilities relating to Police Officers pension payments that still fall to be met by the OPCC. These include one-off lump sum payments due when an officer retires on ill health and payments of injury awards. It was deemed that this reserve was adequate, however this reserve will be continually reviewed to ensure that it still fit for purpose and will be adjusted as circumstances change.

**Safer Roads Reserve balance £1.468m**

The opening balance was £1.306m and there was an in year revenue contribution amounting to £0.162m. This balance is specifically assigned to Safer Roads and in-particular speed awareness training is the funding generator and both the training and support staff are funded from this source. This reserve has a significant balance. However, there are potential calls on this reserve. Firstly, if training income is significantly reduced there will have to be a revenue adjustment to account for potential revenue staffing shortfall.

**Capital Reserve balance £0m**

The reserve was set up to fund the future capital spending to ensure the OPCC can continue to fund its capital programme at the planned levels, the current balance was fully utilised in year.

**Regional Reserve balance £0.779m**

The reserve comprises of £0.697m from the Joint Venture accounts and £0.082m carry forward from other regional underspends.

**CC Carry forwards £0.167m**

The reserve comprises 2017/18 underspends earmarked to fund carry forward initiatives in 2018/19.

**Victims Reserve balance £0.163m**

This is a new earmarked reserve and it has been set up to fund services to improve Victim outcome.

## Note 17 - Unusable Reserves

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
(13,412)	Revaluation Reserve	(16,405)
(43,141)	Capital Adjustment Account	(28,686)
1,311,157	Pension Reserve	1,341,513
(1,586)	Collection Fund Adjustment Account	(1,395)
2,079	Accumulated Absences Account	2,883
<b>1,255,097</b>	<b>Total</b>	<b>1,297,910</b>

### Revaluation Reserve

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
(13,236)	<b>Balance 1 April</b>	(13,412)
(1,932)	Upward revaluation of assets	(3,430)
1,256	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	
<b>(676)</b>	<b>Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services</b>	<b>(3,430)</b>
500	Difference between fair value depreciation and historical cost depreciation	437
<b>500</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>437</b>
	Other movements to the Surplus or Deficit on Provision of Services	
	Other movements to Other Comprehensive Income and Expenditure	
<b>(13,412)</b>	<b>Balance 31 March</b>	<b>(16,405)</b>

The Revaluation Reserve contains the gains made by the OPCC arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of and the gains are realised

## Capital Adjustment Account

31 March 2017		31 March 2018
£000		£000
(35,062)	<b>Balance 1 April</b>	(43,141)
4,888	Charges for depreciation and impairment of non-current assets	4,153
	Revaluation losses on non-current assets	12,794
3,453	Amortisation of intangible assets	2,910
	Revenue expenditure funded from capital under statute	
182	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	463
8,523	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	20,320
(500)	Adjusting Amounts written out of the Revaluation Reserve	(437)
8,023	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	19,883
(1,545)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,084)
(235)	Statutory provision for the financing of capital investment charged against the General Fund	(239)
(14,286)	Capital expenditure charged against the General Fund	(4,086)
(16,066)	<b>Capital financing applied in year:</b>	(5,409)
(36)	Other movements	(19)
<b>(43,141)</b>	<b>Balance 31 March</b>	<b>(28,686)</b>

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting, for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the OPCC as finance for the costs of acquisition, construction and enhancement.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 5 & 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve, which is directly transferred between the two reserves.

## Pension Reserve

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
1,069,349	Balance 1 April	1,311,157
210,415	Re-measurements of the net defined benefit (liability)/asset	(4,518)
61,061	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	67,034
(29,668)	Employer's pensions contributions and direct payments to pensioners payable in the year	(32,160)
<b>1,311,157</b>	<b>Balance 31 March</b>	<b>1,341,513</b>

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The OPCC accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the OPCC makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve, therefore, shows a substantial shortfall in the benefits earned by past and current employees and the resources the OPCC has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

## Collection Fund Adjustment Account

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
(1,664)	Balance 1 April	(1,586)
78	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	191
<b>(1,586)</b>	<b>Balance 31 March</b>	<b>(1,395)</b>

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

## Accumulated Absences Account

31 March 2017		31 March 2018
£000		£000
1,705	<b>Balance 1 April</b>	2,079
(1,705)	Settlement or cancellation of accrual made at the end of the preceding year	(2,079)
2,079	Amounts accrued at the end of the current year	2,883
<b>2,079</b>	<b>Balance 31 March</b>	<b>2,883</b>

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

## Note 18 - Property, Plant and Equipment

Movements to 31 March 2018	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
<b>at 1 April 2017</b>	39,469	15,443	15,644	70,556
Additions	7,075	3,425	589	11,089
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,429			3,429
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(12,794)			(12,794)
Derecognition – disposals	(180)	(6,503)		(6,683)
Reclassifications and transfers	15,322	271	(15,593)	0
Reclassifications to Assets Held for Sale	(2,900)			(2,900)
<b>at 31 March 2018</b>	<b>49,421</b>	<b>12,636</b>	<b>640</b>	<b>62,697</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>at 1 April 2017</b>	(1,366)	(11,004)	0	(12,370)
Depreciation charge	(1,746)	(2,703)		(4,449)
Depreciation written out to the Revaluation Reserve	296			296
Derecognition – disposals		6,305		6,305
<b>at 31 March 2018</b>	<b>(2,816)</b>	<b>(7,402)</b>	<b>0</b>	<b>(10,218)</b>
<b>Net Book Value</b>				
<b>at 31 March 2018</b>	<b>46,605</b>	<b>5,234</b>	<b>640</b>	<b>52,479</b>
<b>at 31 March 2017</b>	<b>38,103</b>	<b>4,439</b>	<b>15,644</b>	<b>58,186</b>

## Movements to 31 March 2017

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or Valuation</b>				
<b>at 1 April 2016</b>	37,020	18,071	5,183	60,274
Re-classification on transfer	1,392	(3,514)	(104)	(2,226)
<b>Revised 1 April 2016</b>	<b>38,412</b>	<b>14,557</b>	<b>5,079</b>	<b>58,048</b>
Additions	431	1,437	12,484	<b>14,352</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	676			<b>676</b>
Derecognition – disposals	(50)	(1,857)		<b>(1,907)</b>
Reclassifications and transfers	0	1,306	(1,919)	<b>(613)</b>
<b>at 31 March 2017</b>	<b>39,469</b>	<b>15,443</b>	<b>15,644</b>	<b>70,556</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>at 1 April 2016</b>	(269)	(11,035)	(128)	(11,432)
Re-classification on transfer	(83)	2,181	128	2,226
<b>Revised 1 April 2016</b>	<b>(352)</b>	<b>(8,854)</b>		<b>(9,206)</b>
Depreciation charge	(1,014)	(3,874)		<b>(4,888)</b>
Derecognition – disposals		1,724		<b>1,724</b>
<b>at 31 March 2017</b>	<b>(1,366)</b>	<b>(11,004)</b>	<b>0</b>	<b>(12,370)</b>
<b>Net Book Value</b>				
<b>at 31 March 2017</b>	<b>38,103</b>	<b>4,439</b>	<b>15,644</b>	<b>58,186</b>
at 31 March 2016	38,060	5,703	5,079	48,842

The figures contained within this note are represented by the OPCC assets, Joint Venture assets & the assets held for sale.

The OPCC's final capital expenditure figure in Note 24 to the Accounts, of £12.247m, was made up of intangible assets in Note 23 & the Joint Venture expenditure.

## Note 19 - Impairment Losses

For the Financial period of 2017/18 there was an impairment of £12.794m charged to the Surplus and Deficit on the Provision of Service. This charge related to the revaluation of the newly constructed Northern Accommodation Hub. This represents the difference between the construction value and the financial valuation in accordance with the Code of Practice.



## Note 20 - Assets Held for Sale

The OPCC during 2017/18, holds 1 asset that is classified as Assets Held for Sale, this is Mereway Operational Building.

<b>Current</b>	<b>Non-current</b>		<b>Current</b>	<b>Non-current</b>
<b>31 March 2017</b>	<b>31 March 2017</b>		<b>31 March 2018</b>	<b>31 March 2018</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
66		Balance outstanding at start of year	66	
		Assets disposed in Year	(66)	
		Assets newly classified as held for sale:		
		- Property Plant and Equipment	2,900	
<b>66</b>	<b>0</b>	<b>Balance Outstanding year end</b>	<b>2,900</b>	<b>0</b>

## Note 21 - Investment Properties

The OPCC does not hold any investment property interests that could be classified and accounted for as investment properties, therefore, no adjustments or disclosures are required.

## Note 22 - Leases

The OPCC holds premises and some equipment on an operating lease basis, made payments of £283k for the year and was committed to making the following lease payments.

<b>2017/18</b>	<b>Future Years Committed Expenditure</b>			
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
	<b>Land</b>	<b>Buildings</b>	<b>Equipt.</b>	<b>Total</b>
Leases expiring in 2018/19	17	23	17	57
Leases expiring between 2019/20 and 2022/23	57	78		135
Leases expiring 2023/24 and after	39	52		91
<b>Total</b>	<b>113</b>	<b>153</b>	<b>17</b>	<b>283</b>

As at the end of 31st March 2017 and 2018, the group had no Finance Leases.

	<b>Future Years Committed Expenditure</b>			
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
	<b>Land</b>	<b>Buildings</b>	<b>Equipt.</b>	<b>Total</b>
Leases expiring in 2019/20	8	11		19
Leases expiring between 2020/21 and 2023/24	57	78		135
Leases expiring 2024/25 and after	39	52		91
<b>Total</b>	<b>104</b>	<b>141</b>	<b>0</b>	<b>245</b>

## Note 23 - Intangible Assets

The Group accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period in which the software is expected to be of use to the Group.

The carrying amount of intangible assets is amortised on a straight-line basis over three years or where appropriate over the asset life, such as the Multi Force Shared Service (MFSS) which is six and a half years. Amortisation of £2.911m was charged to revenue in 2017/18.

The movement on Intangible Asset balances during the year is as follows:

<b>31 March 2017</b>			<b>31 March 2018</b>	
<b>Internally Generated Assets</b>	<b>Total</b>		<b>Internally Generated Assets</b>	<b>Total</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
Balance at start of year:				
9,612	9,612	Gross carrying amounts	11,270	11,270
(4,000)	(4,000)	Accumulated amortisation	(7,004)	(7,004)
<b>5,612</b>	<b>5,612</b>	<b>Net carrying amount at start of year</b>	<b>4,266</b>	<b>4,266</b>
Additions:				
1,494	1,494	Internal development	1,628	1,628
0	0	Purchases	0	0
(449)	(449)	Other disposals	(1,605)	(1,605)
613	613	Reclassifications and transfers	0	0
0	0	Other adjustments	0	0
(3,453)	(3,453)	Amortisation for the period	(2,911)	(2,911)
449	449	Amortisation written off on disposal	1,605	1,605
<b>4,266</b>	<b>4,266</b>	<b>Net carrying amount at end of year</b>	<b>2,983</b>	<b>2,983</b>
Comprising:				
11,270	11,270	Gross carrying amounts	11,293	11,293
(7,004)	(7,004)	Accumulated amortisation	(8,310)	(8,310)
<b>4,266</b>	<b>4,266</b>	<b>Total</b>	<b>2,983</b>	<b>2,983</b>

\* Due to the nature of some of the key operational equipment within Intangible Assets, all lines above the (Surplus)/Deficit on the Provision of Services line from Local to National Policing include elements of Amortisation of Intangible Assets.

## Note 24 - Capital Expenditure and Capital Financing

The capital financing requirement measures the OPCC's need to borrow for a capital purpose. The following statement shows the effect of the OPCC's capital investment decisions in 2017/18 upon the capital financing requirement. The capital financing requirement reduced by £0.239m, this was due to the OPCC providing for a repayment of borrowing through revenue. There was no further borrowing to finance capital expenditure during the year.

### Capital Expenditure and Capital Financing

31 March 2017		31 March 2018
£000		£000
6,204	Opening Capital Financing Requirement	5,985
	Capital Investment:	
14,352	Property Plant and Equipment	11,089
1,495	Intangible Assets	1,628
0	Assets Held for Sale	0
0	Revenue Expenditure Funded from Capital Under Statute	0
0	Other Capital Expenditure	0
<b>15,847</b>	<b>Total Capital Spending</b>	<b>12,717</b>
	Sources of Finance:	
0	Capital receipts	0
(1,545)	Government Grants and other contributions	(1,084)
	Sums set aside from revenue:	
(14,286)	- Direct revenue contributions	(4,086)
(235)	- Minimum revenue provision	(239)
<b>(16,066)</b>	<b>Total Sources of Finance</b>	<b>(5,409)</b>
<b>5,985</b>	<b>Closing Capital Financing Requirement</b>	<b>13,293</b>

## Note 25 - Construction Contracts

At 31 March 2018 the OPCC had no construction contracts in progress.

## Note 26 - Debtors

These amounts represent sums falling due within one year to the OPCC from various sources, together with bad debt provision and prepayments.

31 March 2017		31 March 2018	
	£000		£000
1,356	Central Government Bodies	4,552	
5,343	Other Local Authorities	4,141	
130	NHS Bodies	83	
81	Public Corporations and Trading Funds		
4,117	Other Entities and Individuals	2,836	
<b>11,027</b>	<b>Total Debtors</b>	<b>11,612</b>	

## Note 27 - Inventories

The following stocks were held as available for issue as at 31 March 2018:

	Vehicle Fuel		Vehicle Parts and Operational Equipment		Uniforms		Total	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	<b>107</b>	<b>108</b>	<b>75</b>	<b>50</b>	<b>291</b>	<b>305</b>	<b>473</b>	<b>463</b>
Purchases	108	73	50	71	305	288	<b>463</b>	<b>431</b>
Recognised as an expense in the year	(107)	(108)	(75)	(50)	(291)	(305)	<b>(473)</b>	<b>(463)</b>
<b>Balance Outstanding at Year End</b>	<b>108</b>	<b>73</b>	<b>50</b>	<b>71</b>	<b>305</b>	<b>288</b>	<b>463</b>	<b>431</b>

## Note 28 - Provisions

An independent evaluation of the Insurance Provision as at 31 March 2018 has identified a requirement of £1.362m for future year's potential claims, an increase of £0.424m.

The Group created a new £0.067m provision within 2016/17 for the costs associated with the termination of senior officer employment contracts, which was utilised within 2017/18

### Current Provisions

<b>2017/18</b>	<b>Insurance Provision</b>	<b>Property Dilapidations</b>	<b>Loss of Office</b>	<b>Legal</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening Balance</b>	<b>(938)</b>		<b>(67)</b>	<b>(355)</b>	<b>(1,360)</b>
Increase in provision during year	(424)				(424)
Utilised during year			67	355	422
<b>Closing Balance</b>	<b>(1,362)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,362)</b>

<b>2016/17</b>	<b>Insurance Provision</b>	<b>Property Dilapidations</b>	<b>Loss of Office</b>	<b>Legal</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening Balance</b>	<b>(855)</b>	<b>(300)</b>			<b>(1,155)</b>
Increase in provision during year	(938)		(67)	(355)	(1,360)
Utilised during year	855	300			1,155
<b>Closing Balance</b>	<b>(938)</b>	<b>0</b>	<b>(67)</b>	<b>(355)</b>	<b>(1,360)</b>

## Long Term Provisions

<b>2017/18</b>	<b>Property Dilapidations</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
Opening Balance	(615)	(615)
Increase in provision during year		0
Utilised during year	305	305
<b>Closing Balance</b>	<b>(310)</b>	<b>(310)</b>

<b>2016/17</b>	<b>Property Dilapidations</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
Opening Balance		0
Increase in provision during year	(615)	(615)
Utilised during year		0
<b>Closing Balance</b>	<b>(615)</b>	<b>(615)</b>

The Insurance provision provides financial resources for Motor, Property, Public and Employers Liability claims. Costs outside of the known and expected provision will be met by the Force's legal revenue budget or reserves. The main assumptions and methodologies are:

This report uses the Chain Ladder actuarial method for forecasting ultimate mature loss levels from the last available data point for a given risk and year. The Chain Ladder method has been applied to the progression of incurred losses, plotted at annual intervals. The full stated methodology is the Chain Ladder method which assumes that the development profile of historic mature underwriting (policy) years will be repeated as the more immature years' run-off. However, in applying the development factors, any anomalies are first excluded before calculating average development factors. If the assumptions underlying the Chain Ladder method are not borne out then the future development of claims will differ from the predictions in this report, but we believe this forecasting method is robust, evidenced by the fact that it is used extensively by insurance companies.

The recommended fund injection for future losses is based on the projected ultimate claims under the Chain Ladder Method with a margin added for prudence.

## Note 29 - Creditors

These amounts represent sums owed by the Group to various sources, together with receipts in advance.

31 March 2017		31 March 2018
£000		£000
(1,912)	Central Government Bodies	(2,501)
(2,088)	Other Local Authorities	(2,625)
(114)	NHS Bodies	(1)
(15,094)	Other Entities and Individuals	(12,196)
<b>(19,208)</b>	<b>Total Creditors</b>	<b>(17,323)</b>

## Note 30 - Capitalisation of Borrowing Costs

The OPCC did not borrow any new money to finance the capital programme and therefore has not capitalised any borrowing.

## Note 31 - Contingent Liabilities

Our insurance consultants, Gallacher Heath, suggested the OPCC do not have any Contingent Liabilities for 2017/18 as 2016/17.

The Police and Crime Commissioner of Northamptonshire, along with other OPCC, Forces and the Home Office, continue to have 25 claims (with potential for further cases coming forwards) lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until later in 2018. Legal advice continues to suggest that there is a strong defence against these claims. The quantum and who will bear the cost is also uncertain, if the claims are partially or fully successful and therefore at this stage it is not practicable to estimate the financial impact. For these reasons, no provision has been made in the 2017/18 Accounting Statements.

## Note 32 - Contingent Assets

The OPCC have no contingent assets for 2017/18.



## Note 33 - Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
12,859	Cash and Bank balances	5,136
<b>12,859</b>	<b>Total Cash and Cash Equivalents</b>	<b>5,136</b>

## Note 34 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

The cash flows for operating activities include the following items:

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
(20)	Interest received	(29)
63	Interest paid	63
<b>43</b>	<b>Total</b>	<b>34</b>

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
(4,888)	Depreciation	(4,153)
	Impairment and downward valuations	(12,794)
(3,453)	Amortisation	(2,910)
(3,383)	(Increase)/decrease in creditors	1,663
(3,192)	Increase/(decrease) in debtors	585
(12)	Increase/(decrease) in inventories	(31)
(31,393)	Movement in pension liability	(34,874)
(182)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(265)
(821)	Other non-cash movements charged to the surplus or deficit on provision of services	(2,740)
<b>(47,324)</b>	<b>Total</b>	<b>(55,519)</b>

The surplus or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
1,545	Any other items for which the cash effects are investing or financing cash flows	1,084
<b>1,545</b>	<b>Total</b>	<b>1,084</b>

## Note 35 - Cash Flow from Investing Activities

The cash flows for investing activities include the following items:

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
16,079	Purchase of property, plant and equipment, investment property and intangible assets	12,714
(7,025)	Purchase of short-term and long-term investments	
(173)	Other receipts from investing activities	2
<b>8,881</b>	<b>Net cash flows from investing activities</b>	<b>12,716</b>

**Note 36 - Termination Benefits**

Exit Package Cost Band (including Special Payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total cost of Exit Packages in each Band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £000	2017/18 £000
£0 - £20,000	7	6	1		8	6	59	34
£20,001 - £40,000	3	1			3	1	79	31
£40,001 - £60,000		1				1		47
<b>Total</b>	<b>10</b>	<b>8</b>	<b>1</b>	<b>0</b>	<b>11</b>	<b>8</b>	<b>138</b>	<b>112</b>

## Note 37 - Pension Schemes Accounted for as Defined Contribution Schemes

### Pensions

There was a transfer of pension liability between the PCC and Voice during 2017/18 amounting to £76k, which is outlined within the Joint Operations and Associates note.

#### a) Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the OPCC offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the OPCC has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Group participates in pension schemes for both Police Staff and Police Officers, as follows:

- The Local Government Pension Scheme for police staff; this is administered by Northamptonshire County Council. This is a funded scheme, meaning that the OPCC, CC and Voice employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The Actuary to the fund is Hymans Robertson LLP. These schemes are all pooled under one LGPS pension group.
- The Police Pension Scheme for police officers, which includes four pension schemes; the Police Pension Scheme (PPS), the New Police Pension Scheme (NPPS) and Police Pension Scheme 2015 (PPS). Both schemes are unfunded and administered by Equiniti on behalf of the OPCC, meaning that there are no investment assets built-up to meet the pension's liabilities, and cash has to be generated to meet actual pension's payments as they eventually fall due. Both are defined benefit schemes (lump sum payments and periodic pension). New funding arrangements commenced on 1 April 2006 that required a police pension fund account to be created. This account is credited with employer contributions, and any shortfall over retirements benefits paid is met by a contribution by the OPCC. However, the OPCC's contribution is met by Home Office Pensions Top Up Grant. If there is a surplus it is paid to the OPCC in the first instance before being recouped by the Home Office. The level of pension contribution rates are set nationally by the Home Office, following a review by the Government Actuary's Department (GAD).

#### (b) Transactions Relating to Retirement Benefits

Under IAS 19 the cost of retirement benefits is recognised in the Income and Expenditure Account when employees earn them, rather than when the benefits are actually paid as pensions. However, the charge that is required to be made against the precept is based on the cash payable in the year, by reversing the real cost of retirement benefits out of the Statement of Movement in the General Fund Balance.

#### Pensions liabilities and future considerations

The current service costs contained in the table, below, are within the following values contained within the Comprehensive Income and Expenditure Statement.

- Local Government Pension Scheme, within Police Staff Pay and Allowances.
- Police Pension Scheme, within Police Officer Pay and Allowances

## Group Pensions Revenue Items

	<u>Local Government Pension Scheme</u>		<u>Police Pension Scheme</u>		<u>TOTAL</u>	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
<u>Comprehensive Income and Expenditure</u>	£000	£000	£000	£000	£000	£000
<b>Net Cost of Services</b>						
Current service cost	(5,336)	(9,209)	(23,260)	(22,340)	(28,596)	(31,549)
Unfunded Benefits	(5)	(3)			(5)	(3)
Past service cost			(980)	(780)	(980)	(780)
<b>Net Operating Expenditure</b>						
Interest Costs**	(6,448)	(5,782)	(35,090)	(32,670)	(41,538)	(38,452)
Expected return on employers assets**	4,326	3,747	0	0	4,326	3,747
<b>Net Charge to the Income and Expenditure Account</b>	<b>(7,463)</b>	<b>(11,247)</b>	<b>(59,330)</b>	<b>(55,790)</b>	<b>(66,793)</b>	<b>(67,037)</b>
<b><u>Movement In Reserves</u></b>						
Movement on Pensions Reserve	(11,153)	(18,391)	53,600	55,790	42,447	37,399
(Reversal of net charges made for retirement benefits in accordance with IAS 19)						
<b><u>Actual amount charged against Council Tax (General Fund Balance) for pensions</u></b>						
Employers contributions to the Scheme	3,773	4,097	10,980	10,828	14,753	14,925
Additional contributions to the Police Pensions Fund Account				17,232		17,232

\*\* The net of interest costs and return on assets reconciles to the amount included within financing and investment income and expenditure on the face of the CIES

In addition to the recognised gains and losses included in the CIES, actuarial gain of £4.518m (loss of £210.42m in 2016/17) were included within other Comprehensive Income & Expenditure.

The estimated 2018/19 pension scheme contributions for the Police Pension Scheme are £10.8m and £4.0m for the Local Government Pension Scheme.

In accordance with the Code of Practice and the Police Service Expenditure Analysis the items within the table above are credited / debited to the CIES in the following ways:

Current Service Costs & Employers contributions to the scheme and additional contributions to the Police Pensions Fund Account are all apportioned across the Local Policing to National Policing headings by officer numbers; and

Past Service Costs are wholly included within the heading Non-Distributed Costs; Interest Costs and Expected Return on Employers Assets are included within Financing & Investment Income & Expenditure.

## Defined Benefit Pension Schemes

Assets and Liabilities in relation to Retirement Benefits

### Reconciliation of the Present Value of the Schemes Liabilities

Group	Funded Liabilities Local Govt. Scheme		Unfunded Liabilities Police Pension Scheme	
	31-Mar-17 £'000	31-Mar-18 £'000	31-Mar-17 £'000	31-Mar-18 £'000
<b>Opening Defined Benefit Obligation - 1 April</b>	<b>(182,691)</b>	<b>(218,893)</b>	<b>(1,009,510)</b>	<b>(1,235,400)</b>
Current Service Cost (Grossed up for employee contributions)	(5,336)	(9,209)	(17,530)	(22,340)
Interest Cost	(6,448)	(5,782)	(35,700)	(32,670)
Contributions by Scheme Participants	(1,431)	(1,447)	(5,730)	(5,470)
Actuarial (Gains)/ Losses	(26,570)	5,340	(198,180)	(100)
Past Service (Costs)/ Gains	0	0	(370)	(780)
(Loses)/ Gains on Curtailments	(5)	0	0	0
Transfers in			(200)	(160)
Estimated Unfunded Benefits Paid	5	3	0	0
Estimated Benefits Paid	3,583	3,602	31,820	33,690
<b>Closing Defined Benefit Obligation 31st March</b>	<b>(218,893)</b>	<b>(226,386)</b>	<b>(1,235,400)</b>	<b>(1,263,230)</b>

### Reconciliation of the Fair Value of the Schemes Assets

Pension Asset – Local Government Pension Scheme Only

	<b>31 March 2017</b>	<b>31 March 2018</b>
	<b>£000</b>	<b>£000</b>
<b>Pensions Asset 1 April</b>	<b>122,854</b>	<b>143,136</b>
Expected Return on Assets	4,326	3,747
Contributions by Members	1,431	1,447
Employers Contributions (Incl Injuries) - excluding Top-Up Grant	3,773	4,097
Contributions in Respect of Unfunded Benefits	5	3
Actuarial Gains/ (Losses)	14,335	(722)
Estimated Unfunded Benefits paid	(5)	(3)
Estimated Benefits Paid	(3,583)	(3,602)
<b>Fair Value of Pensions Asset 31 March</b>	<b>143,136</b>	<b>148,103</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The estimated return on scheme assets in the year was £3.747m (£4.326m in 2016/17).

The OPCC's total pension liability of £1,341.513m, reconciles to the Unusable Reserves within the Balance Sheet of £1,297.911m, by adding back the figures within the Movement in Reserves Statement of the Capital Adjustment Account, the Collection Fund Adjustment Account, the Revaluation Reserve, to the Unusable Reserves total and then subtracting the Employee Benefit Reserve (Note 17)

The OPCC did not elect to restate fair value of scheme assets for 2005/06 as permitted by IAS 19.

The liabilities show the underlying commitments that the OPCC has in the long run to pay retirement benefits. The total liability has a substantial impact on the net worth of the OPCC as recorded in the balance sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of the OPCC remains healthy.

- Local Government Pension Scheme (LGPS) The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Police Pension Schemes Finance is only required to be raised to cover police pensions when the pensions are actually paid. Any deficit on the Pensions Fund Account for the year is funded by the OPCC with Home Office Top-Up Grant payable to cover the OPCC's Contribution

### **Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Pension Scheme liabilities are assessed by the Government Actuary's Department (GAD) and the Local Government Pension Scheme by Hymans Robertson LLP, an independent firm of actuaries. The main assumptions used in their calculations have been:

## Assumptions are the same for both OPCC & Group

	Local Govt. Pension Scheme		Police Pension Scheme	
	2016/17	2017/18	2016/17	2017/18
<b>Expected Return on Assets</b>	%	%	%	%
Investments	8.6	17.3	n/a	n/a
<b>Mortality Assumptions</b>	yrs	yrs	yrs	yrs
Longevity at 65 for current pensioners				
Men	22.1	23.9	23.2	22.6
Women	24.2	26.1	25.2	24.2
Longevity at 65 for future pensioners				
Men	23.9	23.9	25.2	24.5
Women	26.1	26.1	27.3	26.1
<b>Financial Assumptions</b>	%	%	%	%
Rate of Inflation	2.4	2.4	2.4	2.3
Rate of Increase in Salaries	2.7	2.7	4.3	4.3
Expected Return on Assets	23.3	0.8	n/a	n/a
Rate for Discounting Scheme Liabilities (Gross)	2.7	2.7	2.6	2.7
Take up Option to Convert annual Pension into retirement Lump Sum	50	50	n/a	n/a

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries, we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this will reduce the value of the OPCC's pension liabilities and this has been included within Non-Distributed Costs on the face of the Income and Expenditure Account.

The Police Pension Scheme has no assets to cover its liabilities. Assets in the Local Government Pension Fund are valued at fair value, principally market value for investment, and consist of the following categories by proportion of the total assets held by the Fund:

31 March 2017			31 March 2018	
%	Description		%	
83	Equity Investments		82	
8	Bonds		7	
7	Property		8	
2	Cash and Liquidity		3	
<b>100</b>	<b>Total</b>		<b>100</b>	



## Note 38 - Defined Benefit Pension Scheme

### **POLICE PENSION FUND ACCOUNT**

This statement shows movements of funds related to police officer pensions. The Group and CC is required to operate a Police Officer Pension Fund from 1 April 2006, under the Police Pension Fund Regulations 2008. The regulations specify the transactions that are paid into and out of the fund.

The Pensions Fund combines the accounting transaction of four pension schemes. These are the Police Pensions Scheme which was set up in 1987, 2006 Police Pensions Scheme, which was created under the Police Pension Regulations 2006, which applies to new recruits from 1 April 2006 and the 2015 Police Pension Scheme, which was created on 1 April 2015 and involved transfers in from the 1987 and 2006 schemes, based on length of service. The fourth scheme is the injury award scheme.

The Police Officer Pension Schemes are unfunded, which means there are no investment assets. Under these arrangements the Pension Fund Revenue Account balances to nil at the year-end by receiving a grant directly from the Home Office under the Top Up Grant arrangements. There are certain exceptions to these arrangements such as injury awards, which will continue to be charged directly to the CC's and Groups Income and Expenditure Account.

	<b>2016/17</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
<b>Contributions Receivable</b>		
From Employer		
Normal	(8,997)	(9,210)
Early Retirements	(1,225)	(1,253)
From members	(5,691)	(5,621)
<b>Transfers in</b>		
Individual Transfers in from other schemes	(199)	(204)
<b>Benefits Payable</b>		
Pensions	24,402	25,665
Commutations and lump sum retirement benefits	6,526	6,909
Lump Sum death benefits	0	
Other	126	(10)
<b>Payments to and on account of leavers</b>		
Refunds of Contributions	51	0
Individual transfers out to other schemes	0	
Account to meet deficit/ amount payable to the local policing body/Police Operating Account in respect of the surplus for the year	0	0
Other		
Sub-total for the year before transfer from the CC of an amount equal to the deficit	<b>14,993</b>	<b>16,276</b>
Additional funding payable by the CC to fund the deficit for the year	1,225	1,253
Payments in respect of the Milne vs GAD court case	(56)	0
Income in respect of the Milne vs GAD court case	56	0
Net amount payable/ receivable for the year	<b>1,225</b>	<b>1,253</b>

Details of the long-term pension obligation can be found within Notes 16 and 17.

There is an adjustment of 2.9% to the cashflow due to a reduction in the employer contribution rate for police pension schemes in 2017/18 being reflected in a reduction in HMT pensions top up funding.

## **Net Asset Statement**

There were no unpaid pensions due or recoverable overpayments of pensions as at 31 March 2018.

### **Notes to the Police Pension Fund Account**

#### **A. Employer and Officer Contributions to the Pension Fund**

These are based on percentages of pensionable pay set nationally by the Home Office and subject to a three yearly review by the Government's Actuary's Department. The current percentages of pensionable pay are: -

Employer Contributions 24.2%

#### Contributions by Police Officers

	<b>1987</b>	<b>2006</b>	<b>2015</b>
Tier 1	14.25%	11.00%	12.44%
Tier 2	14.25%	12.05%	13.44%
Tier 3	15.05%	12.75%	13.78%

#### **B. Transfer Values**

These are received or paid in respect of officers changing employer and taking or bringing their accrued pension benefits with them.

#### **C. Pensions Fund Liabilities**

The Pension Fund does not take account of liabilities to pay pensions and other benefits after the period end. There are no IAS19 adjustments in this statement, they are part of the Group and CC Core Financial Statements and can be referred to in notes 37 to 38.

#### **D. Accounting Policies**

Accounting Policies conform to those in the Statement of Accounts (Note 42).

#### **E. Home Office Pensions Top-Up Grant**

The Home Office Grant is received by the Group and CC to cover the Group and CC's deficit contribution to the Pension Fund Account. On the other hand, if the Pension Fund Account was in surplus, resulting in a contribution being made to the Group and CC, an equivalent amount is recouped by the Home Office.

The funding arrangements for the police pension scheme in England and Wales changed on 1 April 2006. Before then the scheme did not have a percentage of pensionable pay type of employer's contribution; rather each OPCC was responsible for paying pensions on a pay-as-you-go basis.

Under the current arrangements the scheme remains unfunded but is no longer on a pay-as-you-go basis as far as individual Police Officers are concerned. The Group and CC's no longer meet the pension liability directly: instead the Force pays an employer's contribution based on a percentage of pay into the Pension Fund. Each OPCC is required by legislation to operate a pension fund and the amounts that must be paid into and paid out of the pension fund are specified by regulation.

At the end of the financial year the pension fund is balanced to nil by a financial transfer from or to the police fund, made by the Secretary of State. Any payment from or to the Secretary of State in relation to the transfer is paid into or out of the police fund.

## Note 39 - Financial Instruments

Northamptonshire Police has implemented a seven-step approach to considering financial instruments, as illustrated in the recommended practice, and has updated its accounting policies in recognition of the introduction of the three new reporting standards. The OPCC is satisfied that it has no premiums or discounts for early settlement attached to its debt arrangements, no overhanging premiums or discounts, no unrecognised financial guarantees and no contracts to forward purchase financial assets. The OPCC has reviewed its contractual arrangements and it has no contracts that could be classified as derivatives.

The OPCC has reconsidered its treatment of its managed portfolio of investments following clarification of the recommended practice and consultation with its fund managers. The investments are considered to be part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. They are, therefore, held for trading and treated as Fair Value through Profit and Loss. The managed portfolio funds have been recalled during the year into the OPCC bank accounts for internal borrowing purposes.

The OPCC has the following financial instruments held in its balance sheet as at 31 March 2018.

Group	2016/17		2017/18	
	£000	£000	£000	£000
	Long Term	Current	Long Term	Current
<b>Financial Liabilities</b>				
Amortised Cost				
Borrowing	1,300	0	1,300	0
Fair Value through Profit and Loss				
Borrowing	0	0	0	0
Creditors				
Amortised Cost	0	18,941	16,565	
<b>Financial Assets</b>				
Fair Value through Profit and Loss				
Managed Portfolio	0	7,685	0	
Loans and Receivables				
Debtors and Prepayments	0	11,027	10,814	
Cash in Hand	0	2	2	
Money Market Investments	0	12,260	4,499	
Joint Venture Cash Balance	0	599	441	

Gains on Financial Assets at Fair Value through the CIES were £0.034m during 2017/2018.

The OPCC manages its debt portfolio through a combination of short (between 1 and 5 years) and long term (five years plus) borrowing, in order to manage its liability to interest and repayment costs.

All of the borrowings (of the £1.300m) as at 31 March 2018 are held by the Public Works Loans Board and, therefore, represents negligible risk to default of the debt holder. As approved within the OPCC's Treasury Management Strategy, the limits for the fixed and variable debts are £25m.

### Group Income, Expense, Gains and Losses Statement

	2016/17				2017/18					
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000
Interest expense				63	63				63	63
<b>Total expense in (Surplus) or Deficit on the Provision of</b>				63	63				63	63
Interest income				(20)	(20)				(29)	(29)
<b>Total income in (Surplus) or Deficit on the Provision of</b>				43	43				34	34
(Surplus)/deficit arising on revaluation of financial assets in				209,739	209,739				4,518	4,518
<b>Net gain/(loss) for the year</b>				209,782	209,782				4,552	4,552

### Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated interest rates at 31 March 2018 for new loans through PWLB are between 2.10% and 2.63%, based on new lending rates for equivalent loans at that date (10 year & 25 year rates)
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount less cost of collection by third party agency if applicable.

The carrying value of the liabilities is lower than the fair value amount because the organisations portfolio of loans includes a number of fixed rate loans from the Public Works Loan Board (PWLB) where the interest rate payable is lower than the prevailing rates at the Balance Sheet date.

	2016/17		2017/18	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Loans	1,300	1,887	1,300	2,144

The fair value of the assets is higher than the carrying amount because the OPCC's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date.

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

Long term assets are held at face value as a reflection of a fair approximation of fair value as at 31 March 2018.

Short term investments and cash and cash equivalents, short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

**Interest rate exposure – the maximum percentage of borrowing at Fixed and Variable Rates**

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
Fixed Rate – maximum limit	100%	100%	100%
Variable Rate – maximum limit	100%	100%	100%

**Liquidity Risk**

Liquidity risk – the possibility that the OPCC might not have funds to meet its commitments to make payments.

The OPCC manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategies reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The OPCC has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and whilst the Public Works Loan Board (PWLB) provides access to longer term funds, it also acts as a lender of last resort to OPCC's (although it will not provide funding to an OPCC whose actions is unlawful). The OPCC is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity profile of loans raised is spread over a period of up to 30 years, to mitigate the risk of encountering difficulties in raising liquidity on favourable terms in any one year. The team monitor the maturity profile and amend it accordingly through either new borrowing or the rescheduling of the existing debt.

The maturity analysis of financial liabilities is as follows (note: this reflects loan principal, but not accrued interest)

**Amount of fixed rate borrowing maturing in each period as a percentage of total fixed rate borrowing – prudential limits**

<b>Period Limit</b>	<b>Upper Limit</b>	<b>Actual 2017/18</b>	<b>Lower</b>
Under 12 months	0%	0.00%	0%
12 months to 10 years	33%	53.85%	0%
10 years and above	100%	46.15%	0%

**Credit risk – the possibility that other parties might fail to pay amounts due to the OPCC**

Whilst the current credit crisis in international markets has raised the overall possibility of default, the OPCC maintains strict credit criteria for investment counterparties. No breaches of the OPCC’s counterparty criteria occurred during the reporting period and the OPCC does not expect any losses from non-performance by any of its counterparties in relation to deposits.

In accordance with the Prudential Code, and as a result of the credit crisis, in order to minimise the OPCC’s risk to investments, the Treasury Management Strategy sets the limits to which principals are invested for greater than one year. However, the OPCC is within these limits as no investment was greater than 364 days as at 31 March in either 2017/18 or 2016/17.

Money Market Investments are made with a spread of periods, from overnight to one year, using the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moody’s and Standard & Poors - forming the core element. The minimum credit rating criteria for investment counterparties is Short Term F1, Long Term A, Support C and Individual 3 (Fitch or equivalent rating) with the lowest available rating being applied to the criteria. The OPCC only invests in highly rated bodies, which hold smaller risk levels than some higher yield institutes. The maximum risk the OPCC held in one institute within 2017/18 was £5m.

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

**5/10/40 rule – Good diversification**

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

**Developed major government bonds – Seek higher yielding assets.**

This offers potential exposure to other higher yielding sovereign governments, e.g. Australia or New Zealand, where interest rates have already risen. These would be hedged back into Sterling with no currency exposure.

**Short positions using derivatives.**

This is the ability to sell a market first, with a view to buying the asset back at a future date. This strategy would involve the use of highly liquid and commonly used derivatives, known as financial futures contracts, of the major developed markets.

The Target Return Fund has further aspects including:

### **Corporate Bond Exposure**

Strong diversification characteristics, typically no more than 1% will be held in any one corporate bond issuer for investment grade credits (BBB rated or better). For high yield corporate bonds, the issuer limit is less than 0.5%.

### **Emerging Market Sovereign Debt**

Generally no more than 2% is held in any one emerging market issuer e.g. Brazil, Mexico, Turkey or Malaysia. Relative value strategies imply the fund would be short one market relative to another, thus reducing the overall risk to the sector.

### **Foreign Exchange**

This is the active management of currency exposure.

The organisations maximum exposure to credit risk in relation to its investments in banks and building societies of £4.497m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the organisations deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

### **Summary**

The model has far greater exposure to AAA assets, which equates to the most secure Investments available on the market. Whilst it also has exposure to lower credit quality, which represents a potential risk, the positions would be very small and well diversified.

### **Debtors and Prepayments**

Customers for the OPCC's goods and services are assessed for their ability to pay in accordance with parameters set by the OPCC. The OPCC does not allow credit for its trade debtors beyond the standard 30-day period and makes prudent financial provision for bad debts based on an assessment of each type of debt and the age of those debts.

Outstanding invoices can be analysed by age as follows:

<b>Age of Trade Debts</b>	<b>31 March 2017 £000</b>	<b>31 March 2018 £000</b>
0-14 Days	2,001	501
15-30 Days	109	31
31-60 Days	38	110
61-90 Days	25	177
91+ Days	87	201
<b>Total</b>	<b>2,260</b>	<b>1,020</b>

Whilst reviewing its debtors portfolio the OPCC has provided against £0.201m within 2017/18 and £0.087m in 2016/17.

Inter-governmental organisational debt has been assessed with negligible prospect of this debt being unrecoverable. Therefore, the highest debt held by a non-governmental or public body where offsetting arrangements with Group creditors to the same company was £0.034m within 2017/18 and only 53% of the £1.02m debtor portfolio was held by a non-public body. Therefore, the maximum single risk the OPCC holds is the full bad-debt provision of £0.201m.

### **Cash In Hand**

The OPCC's cash-in-hand position of £0.002m within 2017/18 and £0.002m at 2016/17 is as a result of the tight financial controls and positive cash management strategy in place. This deposit is held with a well-recognised financial institution with a high credit rating. The levels of risk are, therefore, negligible. However, the maximum level of risk would be the full cash-in-hand balance, which is monitored on a daily basis to maintain it at less than £100k at any given point, which would, therefore, represent the maximum liability faced by the OPCC.

### **Interest rate risk**

The OPCC is exposed to interest rate movements on its borrowings which have a complex impact on the OPCC, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account would rise;
- Borrowings at fixed rates – the fair value of the borrowing would fall.

The OPCC currently has no variable rate borrowings; therefore, changes in interest rates will have no impact on the carrying value of the OPCC's borrowings. However, the impact of a 1% increase in interest rates would reduce the fair value of fixed rate borrowings by £0.8m.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement.

### **Price risk**

The OPCC, excluding the pension fund, does not invest in equity shares or marketable bonds.

### **Foreign exchange risk**

The OPCC has no financial assets or liabilities denominated in foreign currencies. It, therefore, has no exposure to loss arising from movements in exchange rates.

## **Nature and Extent of Risks Arising from Financial Instruments**

### **Financial Liabilities**

Financial liabilities are carried in the Balance Sheet at amortised cost. The OPCC has carefully considered the nature of its borrowing activities in relation to the recommended practice. It is recommended that annual charges to the Income and Expenditure Account for interest payable be based on the carrying amount of the liability multiplied by the effective interest rate of the instrument. The OPCC has fixed rate loans and some variable rate loans:



For the fixed rate instruments it is clear that the nominal interest rate (the coupon rate on the debt security) would be the same as the effective interest rate, as there are no premiums or discounts and the instrument carries the same interest rate for the whole term.

For the variable rate instruments, this would also be the case as again there are no premiums or discounts or transaction costs included in the initial carrying amount.

### **Financial Assets**

The fair value has been assessed as being the same as the carrying value due to the investments being short-term in nature, and the portfolio of investments are valued at market value (bid price).

### **Gains and Losses from Financial Assets and Liabilities**

Gains and Losses on assets and liabilities are clearly shown in the Comprehensive Income and Expenditure Statement. Interest on Investments of £0.02m was earned during the year, and interest on loans of £0.63m was paid out.

### **Credit Risk Exposure**

This is the risk that one party to a financial instrument will fail to meet their contractual obligations, causing a loss for the other party. Exposure to this risk is managed through the OPCC's Treasury Management Strategy. The OPCC only invests in approved institutions with secure credit ratings; there are also limits in place as to how much can be invested with counterparties.

### **Treasury Management Policy**

Given the global banking crisis that occurred during 2008/09, the OPCC's Policies on Treasury Management came under scrutiny. The, below, is an extract from the OPCC's Treasury Management Policy Statement (S6.1) that refers to the type of instruments the OPCC is permitted to invest in:

"OPCC's, other public bodies and investment institutions where their credit rating is assessed by IBCA (or an equivalent body) as AA- or better. The CC may add to this list of organisations which achieve different credit ratings, such as UK Building Societies, but must specifically report this to the OPCC".

The OPCC monitors the credit ratings of the institutions it invests in on a daily basis to reduce credit risk exposure from both new and existing investments.

### **Liquidity Risk Exposure**

The organisation has a comprehensive cash flow management system that seeks to ensure that cash is available as needed.

This is the risk that a party will be unable to raise funds to meet its commitments associated with financial instruments. As the OPCC currently has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the OPCC will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The financial liabilities, however, do mature at different times.

### Market Risk Exposure

This is the risk that the value of an instrument will fluctuate because of changes in interest rates, market prices or foreign currency exchange rates. The OPCC has limited risk. PWLB interest rates are a mix of fixed and variable rates. Investments are only temporarily invested (less than a year). The OPCC does not invest in equity shares and has no financial assets or liabilities in foreign currencies.

The organisation has a Treasury Management policy and number of strategies for managing interest rate risk. The Policy is to aim to keep a maximum of 10% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the organisations cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget monthly during the year. This allows any adverse changes to be accommodated and the analysis will also advise whether new borrowing taken out are fixed or variable.

#### Analysis of Long term borrowing (Group & OPCC)

All long term borrowing is held with the Public Works Loan Board (PWLB)

<b>2016/17</b>		<b>2017/18</b>
£000		£000
0	Not more than 2 years	0
0	More than 2 years less than 5 years	0
(700)	More than 5 years less than 10 years	(700)
(600)	More than 10 years	(600)
<b>(1,300)</b>	<b>Total Long Term Borrowing</b>	<b>(1,300)</b>

A significant proportion of the OPCC long-term borrowing - 54% matures between 5 to 10 years and the remainder after 10 years.

## Note 40 – Joint Operations & Associate Entities

The OPCC's share of joint operations is as follows:

Ownership %'age	Arrangement	Net Op Exp Income		Surplus/(Deficit)
		£000	£000	£000
14.70%	EM Technical Support Unit	307	(315)	(8)
14.70%	EM Legal Services	235	(239)	(4)
50.00%	EM Strategic Commercial Unit	498	(497)	1
14.70%	EM Major Crime	142	(140)	2
14.70%	EM Serious Organised Crime	2,286	(2,495)	(209)
33.33%	EM Air Support	200	0	200
18.80%	EM Criminal Justice	134	(134)	0
18.80%	EM Operational Support Services	1,410	(1,409)	1
14.70%	EM Occupational Health Unit	246	(248)	(2)
14.70%	EM Forensics	1,321	(1,322)	(1)
16.90%	EM Learning & Development	466	(498)	(32)
22.87%	Multi Force Shared Services	1,261	(1,261)	0
16.01%	ESN	90	(129)	(39)
<b>Total</b>		<b>8,596</b>	<b>(8,687)</b>	<b>(91)</b>

The OPCC's share of Associate Entities is as follows:

Ownership %'a Voice	Net Op Exp Income		Surplus/ (Deficit)	
	£'000	£'000	£'000	
100.00%	Cost of Services	152	(162)	(10)
	Remeasurement of the net defined benefit liability / asset			(3)
	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>(13)</b>
	MiRS - CIES to Unusable Reserve			10
	Balance Sheet - Pension Liability			(89)
	Balance Sheet - Pension Reserve			89

Total Comprehensive Income & Expenditure is £0.104m ((£91k) Joint Operations and (£13k) Associate).

After an external review of Joint Operation accounting, the MFSS arrangement has now been incorporated into the Joint Operations statements.

## Joint Operations & Associate Entities – Movement in Reserves

	General Fund Balance	Earmarked General Fund Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
2017-18	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2016</b>	<b>0</b>	<b>(584)</b>	<b>(584)</b>	<b>(1,552)</b>	<b>(2,136)</b>
PCC to Voice Transfer of Pension Reserves				(76)	(76)
<b>Movement in reserves during 2016/17</b>					
(Surplus) or deficit on the provision of services	(101)		<b>(101)</b>		<b>(101)</b>
Other Comprehensive Income / Expenditure				(3)	<b>0</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(101)</b>	<b>0</b>	<b>(101)</b>	<b>(3)</b>	<b>(104)</b>
Adjustments between accounting basis and funding basis under regulations	(12)		<b>(12)</b>	12	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(113)</b>	<b>0</b>	<b>(113)</b>	<b>9</b>	<b>(104)</b>
Transfers to / from Earmarked Reserves	202	(202)	<b>0</b>		<b>0</b>
<b>Increase or Decrease in 2016/17</b>	<b>89</b>	<b>(202)</b>	<b>(113)</b>	<b>9</b>	<b>(104)</b>
<b>Balance at 31 March 2017</b>	<b>89</b>	<b>(786)</b>	<b>(697)</b>	<b>(1,619)</b>	<b>(2,316)</b>

	General Fund Balance	Earmarked General Fund Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
2016-17	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2015</b>	<b>0</b>	<b>(674)</b>	<b>(674)</b>	<b>(1,303)</b>	<b>(1,977)</b>
<b>Movement in reserves during 2015/16</b>					
(Surplus) or deficit on the provision of services	(159)		<b>(159)</b>		<b>(159)</b>
Other Comprehensive Income / Expenditure					<b>0</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(159)</b>	<b>0</b>	<b>(159)</b>	<b>0</b>	<b>(159)</b>
Adjustments between accounting basis and funding basis	249		<b>249</b>	(249)	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>90</b>	<b>0</b>	<b>90</b>	<b>(249)</b>	<b>(159)</b>
Transfers to / from Earmarked Reserves	(90)	90	<b>0</b>		<b>0</b>
<b>Increase or Decrease in 2015/16</b>	<b>0</b>	<b>90</b>	<b>90</b>	<b>(249)</b>	<b>(159)</b>
<b>Balance at 31 March 2016</b>	<b>0</b>	<b>(584)</b>	<b>(584)</b>	<b>(1,552)</b>	<b>(2,136)</b>

## Joint Operations & Associate Entities – Comprehensive Income and Expenditure Statement

2016-17			2017-18		
Expenditure	Income	Net	Expenditure	Income	Net
£'000	£'000	£'000	£'000	£'000	£'000
7,161	(7,176)	(15)	8,748	(8,628)	120
<b>7,161</b>	<b>(7,176)</b>	<b>(15)</b>	<b>8,748</b>	<b>(8,628)</b>	<b>120</b>
50			50 Other Operating Expenditure		
			Financing and Investment Income and Expenditure		
			(Surplus) or Deficit on Discontinued Operations		
			(194)		
			(194) Taxation and Non Specific Grant Income		
			(221)		
			(221)		
<b>7,211</b>	<b>(7,370)</b>	<b>(159)</b>	<b>8,748</b>	<b>(8,849)</b>	<b>(101)</b>
			(Surplus) or deficit on revaluation of Property, Plant and Equipment		
			Remeasurement of the net defined benefit liability / asset		
			(3)		
			<b>0 Other Comprehensive Income and Expenditure</b>		
			<b>(3)</b>		
			<b>(105) Total Comprehensive Income and Expenditure</b>		
			<b>(104)</b>		

## Joint Operations & Associate Entities – Balance Sheet

<b>2016-17</b>	<b>2017-18</b>
<b>£'000</b>	<b>£'000</b>
1,444 Property, Plant and Equipment	1,538
75 Intangible Assets	97
<b>1,519 Long Term Assets</b>	<b>1,635</b>
66 Assets Held for Sale	0
Inventories	
319 Short Term Debtors	745
499 Cash and Cash Equivalents	635
<b>884 Current Assets</b>	<b>1,380</b>
(267) Short-Term Creditors	(788)
Provisions	
<b>(267) Current Liabilities</b>	<b>(788)</b>
Provisions	
Long Term Liabilities	89
<b>0 Long Term Liabilities</b>	<b>89</b>
<b>2,136 Net Assets</b>	<b>2,316</b>
(584) Usable Reserves	(786)
(1,552) Unusable Reserves	(1,530)
<b>(2,136) Total Reserves</b>	<b>(2,316)</b>

## Joint Operations & Associate Entities – Pension Schemes

### Pensions (Voice only)

#### a) Participation in Pension Schemes

- The Company's employees belong to two Pension Schemes. A Local Government Pension Scheme (LGPS) which is a defined benefit pension scheme managed by Northamptonshire County Council, and an additional defined contribution scheme.

#### **Total Pension Costs for the period**

	<b>Period ending 31/03/18 £'000</b>
Local Government Pension Scheme Contributions	17
Defined Contribution Scheme Contributions	10
FRS 102 Defined Contribution Current Service Cost	26
FRS 102 Defined Contribution net interest cost	1

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the LGPS was 31 March 2016.

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Northamptonshire County Council Local Authority. The total contribution made for the period ended 31 March 2018 was £22,000, of which employer's contributions totalled £17,000 and employees' contributions totalled £5,000.

#### **Principal Actuarial Assumptions**

The following are the principal actuarial assumptions used by the Actuary:

##### **Financial Assumptions**

	<b>31/03/2018</b>
Rate of Increase in salaries	2.60%
future pension increases	2.30%
Discount rate for scheme liabilities	2.70%
Inflation assumptions	2.30%
Commutation of pensions to lump sums	50%

##### **Mortality Assumptions**

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a., improvements will decline for the over 90's.

	<b>Males</b>	<b>Females</b>
Current Pensioners	22.1	24.2
Future Pensioners	23.9	26.1

The return on the Fund in market value terms for the period to 31 March 2018 is based on actual Fund returns as provided by the Administering Authority. For the period to 31/03/18 this was 0.3%

The split of Assets in the fund is as follows:

		<b>Estimated Fair Value as at 31/03/18 £'000</b>
Equities	73%	209
Bonds	16%	46
Properties	8%	23
Cash	3%	9
<b>Total</b>		<b><u>286</u></b>

**The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:**

	<b>31/03/2018 £'000</b>
Fair Value of Plan Assets	286
Present Value of Plan Liabilities	<u>(375)</u>
Total	<b><u>(89)</u></b>

**Amounts recognised in the income statement:**

	<b>£'000</b>
<b>Amounts recognised in Administrative Expenses</b>	
Current Service Cost	(26)
Amounts recognised in Interest Costs	
Net Interest cost	<u>(1)</u>
<b>Total</b>	<b><u>(27)</u></b>
Amounts recognised in other comprehensive income	
Return on Assets excluding amounts included in net interest	<u>(3)</u>
<b>Total</b>	<b><u>(3)</u></b>
<b>Opening Scheme Deficit</b>	<b>(76)</b>
Current Service Cost	(26)
Interest income on Plan Assets	4
Interest cost on defined obligation	(5)
Employer Contributions	17
Return on Assets excluding amounts included in net interest	<u>(3)</u>
<b>Closing Scheme Deficit</b>	<b><u>(89)</u></b>



<b>Opening Defined Benefit Obligation</b>	<b>(339)</b>
Current Service Cost	(26)
Interest cost on defined obligation	(5)
Employee Contributions	(5)
<b>Closing Defined Benefit Obligation</b>	<b>(375)</b>
<b>Opening Plan Assets</b>	<b>263</b>
Interest income on Plan Assets	4
Employee Contributions	5
Employer Contributions	17
Return on Assets excluding amounts included in net interest	(3)
<b>Closing Plan Assets</b>	<b>286</b>

### Note 41 - Accounting Standards Issued, Not Adopted

The 2016/17 accounting policy changes that need to be reported are confirmed in LAAP Bulletin 105 – Closure of the 2016/17 Accounts and Related Matters. Appendix C of the 2017/18 Code provides further details of the disclosures required.

Section B of LAAP Bulletin (Page 7)

The additional disclosures that will be required in the 2016/17 and 2017/18 financial statements in respect of accounting changes that are introduced in the 2017/18 Code are:

- Amendment to the reporting of pension fund scheme transactions
- Amendment to the reporting of investment concentration

The 2017/18 Code Appendix C provides more detail (Page 305/306). The above 2 amendments relate to paragraph 6.5.5.1 m and w of the code respectively.

Para 6.5.5 relates to the Disclosures for Defined Benefit Pension Funds (page 214). The heading specifically excludes police and fire and rescue services pension funds.

There are therefore no Accounting Standards that have been issued but not yet adopted that need to be disclosed in the 2017/18 Statement of Accounts.

## Note 42 - Accounting Policies

In applying the accounting policies, we have had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Influences on-going concern status, such as future levels of funding for central government departments
- Possible impairment of investments
- Whether other entities with which the OPCC has a relationship are subsidiaries, associates or jointly controlled entities
- The potential outcome of legal claims by or against the OPCC
- The condition of the local and national housing/industrial building market
- The economic standing of significant debtors and creditors

### GENERAL PRINCIPLES

The financial statements have been prepared in accordance with the Code of Practice (the code) on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit Regulations 2011 and the Service Reporting Code of Practice for Local Authorities 2017/18 (SeRCOP), although this Code no longer requires statements or notes to be prepared in accordance with SeRCOP. The Accounting policies contained in the Code apply International Financial Reporting Standards (IFRS) as adapted for the public sector by the International Public Sector Accounting Standards (IPSAS). Any exceptions are disclosed below.

#### **1 Recognition of Income and Expenditure**

The OPCC complies with IAS 39 in only recognising creditor liabilities when services are rendered or goods received. Debtors are recorded at historical cost, but the balance has been written down to fair value through a bad debt provision.

Both revenue and capital transactions are recorded on an accruals basis. This means that income and expenditure is accounted for in the year in which it becomes due regardless of whether cash has actually been received or paid in the year.

#### **In particular:-**

- Fees, charges and rents due from the customers are accounted for as income at the date the OPCC provides the relevant goods or services.
- The cost of supplies and services are accrued in that accounting period during which they were consumed or received except for works, which are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest payable and receivable on borrowings is accounted for in the year to which it relates; on a basis that it reflects the overall effect of the loan or investment.

- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to the income and expenditure account for the income that might not be collected.

## **2 Financial Instruments**

### **2.1 Financial Liabilities**

As per the recommended practice for local OPCC's, loans and other liabilities are held at amortised cost.

### **2.2 Financial Assets**

Although the OPCC invests reserve balances and has actively managed financial instruments, they are held for re-investment by the OPCC, not for speculative motives, they are not equity investments and are not, therefore, "available for sale". The OPCC recognises there is often evidence of short-term profit taking in its portfolio of managed investments and the value of the investments is reflected at market value (bid price) in the Balance Sheet, with accrued interest being reflected as part of the balance due to the OPCC.

In accordance with the bank mandate with the OPCC facility provider, the Force is able to net off all three bank accounts held to enable an 'end of day' position to be gained over the balance of these three accounts. The facility provider and the OPCC take the view that there is one single balance for management purposes and as such, the net position is the position recognised within these statements.

## **3 Government Grants and Contributions**

Revenue grants and contributions are credited to the Comprehensive Income and Expenditure Statement in the same period as the expenditure to which they relate. For the OPCC grants to support expenditure in general (e.g. Revenue Support Grant) are credited to the foot of the Comprehensive Income and Expenditure Statement after Net Operating Expenditure, within the Group accounts, income is transferred to the CC through an intra-company adjustment within Taxation and Non Specific Grant income line.

## **4 Intangible Fixed Asset**

Intangible assets include software licences and agreements that are capitalised at cost. Intangible assets are amortised on a straight-line basis over the useful life of the asset (between three and seven years). As the amortisation charge is not an allowable charge against Council Tax, it is neutralised by adjustment between Accounting Basis and Funding Basis under Regulation, with the corresponding entry in the Capital Adjustments Account. The MFSS (Multi Force Shared Service) is to be amortised over 6 and a half years and new assets are amortised the year they come into use.

Internally generated Intangible Assets are measured at cost during their construction (project staff, physical equipment and associated cost to bring the asset into its useful life) and when transferred is assessed for impairment against marketable value or use in service.

Additions to assets, will be added to the carrying value of the asset and amortised over the remaining Useful Economic Life, where it meets the recognition criteria.

In accordance with IAS38, assets which are Police specific or that do not have a comparable active market for valuation purposes, will be measured at cost less accumulated amortisation, with the useful life being reviewed annually.

## **5 Tangible Fixed Assets Recognition**

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised in accordance with IAS 16 (Recognition, Revaluation & Measurement of Tangible Fixed Assets). Subsequent capital expenditure is capitalised where it provides an enhancement of the economic benefits of the asset in excess of those previously assessed.

Where assets are bought into Fixed Assets from Assets Under Construction, these will be valued using the appropriate methodology, including componentisation as applicable.

The de minimis level policy is to capitalise all capital expenditure, £10,000 and over, on an individual asset basis (or a grouping of assets).

### **5.1 Measurement**

Northamptonshire OPCC current property valuer is Pygott & Crone, through the Perfect Circle consortium, at 36a Silver Street, Lincoln, LN2 1EW.

The Land and buildings portfolio is revalued over a five year period as directed by the Northamptonshire PCC.

In accordance with good practice a rolling programme of revaluation of one fifth of the property portfolio each year has been undertaken from 1 April 2017 and the programme is annually reviewed to ensure key properties of significance are included in the valuation if changes in policy have taken place which would make revaluation appropriate for that year.

All revaluations undertaken ensure that any changes to the use of assets within the portfolio are accounted for.

Surpluses arising from revaluations of land and buildings are taken to the Revaluation Reserve, with the corresponding entries against fixed assets. Any reductions in values are covered in impairment losses.

The latest revaluation was carried out on 31 March 2018. All valuations are in accordance with Royal Institute of Chartered Surveyors Appraisal and Valuation Standards ensuring compliance with the CIPFA code of practice as modified by IFRS's.

## 5.2 Depreciation

A depreciation charge is made to the Comprehensive Income and Expenditure Statement for all tangible fixed assets, which have a finite useful life. Depreciation is calculated on a straight line basis as follows:

Operational Buildings	Over the life of the asset (10-48 years)
Vehicles	Over the life of the asset (2-10 years with some specialist vehicles over 3-20 years)
IT Hardware	3-5 years
Other Plant & Equipment	3-5 years

New Assets are depreciated in the first year of being an operational asset, but not in the year of disposal.

In accordance with FRS 15, freehold land is not depreciated. Assets under construction are not depreciated until completion.

As the depreciation charge is not an allowable charge against Council Tax, it is neutralised by adjustment between Accounting Basis and Funding Basis under Regulations, with the corresponding entry to the Capital Adjustment Account.

## 5.3 Impairment Losses

Besides identifying impairments at the five year revaluation review, impairment reviews are carried out in the intervening periods but only if an event or circumstance indicates that the carrying amount of the fixed asset may not be recoverable. When an impairment loss is clearly due to clear consumption of economic benefit or takes the value of the asset below historic cost, the loss is recognised in the Comprehensive Income and Expenditure Statement. However, other impairment losses offset any balance held in the revaluation reserve, with any balance charged to the Comprehensive Income and Expenditure Statement. As these impairment adjustments are not an allowable charge against Council Tax, it is neutralised by adjustment between Accounting Basis and Funding Basis under Regulations, with the corresponding entry to the Capital Adjustment Account.

## 5.4 Disposals

The gain or loss on disposal is the amount by which the disposal proceeds are more or less than the carrying amount (net book value) of the fixed asset. The Comprehensive Income and Expenditure Account recognise this gain or loss.

In order that this gain or loss is excluded from the charge to Council Tax, it is neutralised in the Accounting Adjustments between Accounting Basis and Funding Basis under Regulation.

If, however, the asset is carried at current value, in addition to the entries above, the balance on the revaluation reserve in respect of asset disposals is written off to the Capital Adjustment Account. In most cases the asset will be re-valued to its carrying value at the point of disposal so there will be no profit or loss, unless there is an unamortised grant attached to the asset, which will be released to the Income and Expenditure account in full, resulting in a profit on disposal. For 2017/18 the OPCC only recognises a profit on disposal if the asset disposed of is more than £10,000.

## **5.5 Componentisation**

Where an item of Property, Plant and Equipment has major components whose cost and life span is significantly different from the rest, the components are depreciated separately.

The criteria for componentisation are as follows:

- (i) a de-minimis level on implementation is set at £600,000 on the net book value of any asset.  
And
- (ii) any single component must exceed £100,000 in value.

Provided that both of these criteria are met the asset will be split into the appropriate components based on its type.

## **6 Redemption of Debt**

Outstanding loan debt relating to police services was transferred to Northamptonshire Police from Northamptonshire County Council on 1 April 1995. Instalments of principal are charged to revenue in accordance with the statutory minimum revenue provision. This is calculated at 4% of the Capital Financing Requirement at the beginning of the year. This is charged to the Capital Adjustment Account with a corresponding adjustment in Accounting Basis and Funding Basis under Regulations.

Valuation is based upon amortised cost, with fair value based upon the cash flow over the remaining term of the debt.

## **7 Capital Receipts**

Capital receipts from the disposal of assets are held in the Capital Receipts Reserve Account until such time as they are used to finance capital expenditure. Individual receipts of less than £10,000 are credited to revenue income.

## **8 Stocks and Stores**

Stocks and stores are maintained covering such items as vehicle spares, uniforms, stationery, office equipment and provisions. Stocks are valued at the lower of cost or net realisable value in line with the requirements of IAS 2.

## **9 Reserves**

Reserves are maintained to finance expenditure on projects that will be carried out in future years and to protect the OPCC against unexpected events. Certain reserves/accounts are kept to manage the accounting process for tangible fixed assets (Revaluation Reserve, Capital Adjustment Account) and retirement benefits (Pensions Reserve IAS 19). These do not represent usable resources for the OPCC.

## **10 Provisions**

Provisions are made for liabilities or losses which are likely to be incurred, or certain to be incurred, but with uncertain amounts or dates on which they will arise, by charging expenditure to the Comprehensive Income and Expenditure Statement in anticipation of the liability having to be met. When expenditure is incurred to which the provision relates they should be charged to the Provisions Account.

## **11 Investments**

Investments are shown in the Balance Sheet at cost, less any provision required for loss in value. Note 39 covers how the OPCC's investments are disclosed in relation to recently introduced Financial Reporting Standards covering Financial Instruments.

Valuation is based upon amortised cost, with fair value based upon the cash flow over the remaining term of the investment. Investments with a life below 12 months will be held at amortised cost.

## **12 Transactions relating to Retirement Benefits**

As part of the terms and conditions of employment of its officers and other employees, the OPCC offers retirement benefits. Although these benefits will not actually be payable until employees retire, the OPCC has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

### **The OPCC participates in two pension schemes:**

#### **i) The Police Pension Scheme for Police Officers**

The Police Pension Scheme (PPS) is an unfunded defined benefit final salary scheme administered by Kier Services on behalf of OPCC, and is governed by the Police Pension Regulations 1987 (as amended) and related regulations that are made under the Police Pensions Act 1976. The new Police Pensions Scheme (NPPS) is also governed by the Police Pensions Act 1976 (as amended by the Police Pension Regulations 2006) & the latest Pension Scheme (2015) is also governed by the Police Pensions Act 1976 (as amended by the Police Pension Regulations 2015).

They are unfunded which means there are no investment assets built up to meet pension's liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The funding arrangements for police officer pensions changed on 1 April 2006, when an employer's contribution rate was set by the Home Office (currently 24.2% of pensionable salary), which is charged to the Comprehensive Income and Expenditure Statement.

Also from 1 April 2006, each OPCC was required by legislation to operate a Pension Fund Account. The amounts that must be paid into and out of the Account are specified by regulation. Officer's contributions and the employer's contribution are paid into the pension's account from which pension payments are made. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year are less than amounts payable, the OPCC must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If, however, the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the OPCC, which then must repay the amount to central government.

#### **ii) The Local Government Pension Scheme for civilian employees**

The Local Government Pension Scheme for civilian employees, administered locally by Northamptonshire County Council, is a funded defined benefit final salary scheme, meaning that the OPCC and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Actuarial valuations of the fund are undertaken every three years to determine the contributions rates needed to meet its liabilities.

The Accounts show the full implementation of IAS 19 (Retirement Benefits). IAS 19 requires organisations to recognise retirement benefits in the Comprehensive Income and Expenditure Statement when they are earned, even though the benefits will not be payable until employees retire. However, as statutory procedures require the charge against Council Tax to be based on the amounts payable by the OPCC to the pension fund during the year, an appropriation is made with the pension's reserve which equals the net change in the pension's liability, recognised in the Comprehensive Income and Expenditure Statement Account. The neutralising entry is within adjustments made between Accounting Basis and Funding Basis under Regulations.

The Balance Sheet discloses the OPCC's net liability in relation to retirement benefits. The figures are based on the Actuary's latest estimate.

Notes 37, 38 to 42 to the Core Financial Statements provide further information about the pension schemes.

### **13 Leasing**

These Accounts have been prepared in accordance with IAS 17. Rentals paid under operating leases have been accrued and accounted for in the period to which they relate. Further information on Operating Leases is available in note 22 to the Accounts.

The organisation assesses its position on operating leases and lessor arrangements on an annual basis none have been recorded in the accounts; however, it recognises lessor arrangements as the minimum payments on the asset and the residual value of that asset. For operating leases the organisation would not recognise an asset and would account for the associated repayments via the expense costs within the Comprehensive Income & Expenditure Statement.

### **14 Overheads and Support Services**

Under the revised Expenditure Funding Analysis within the Comprehensive Income and Expenditure Statement, departments such as Financial Services, Estates and Facilities, and ISD, have been apportioned over nine nationally recognised areas of service. The cost of Corporate and Democratic Core and of Non-Distributable Costs are not allocated to services but shown separately in the Comprehensive Income and Expenditure Statement.

### **Joint Arrangements**

The OPCC has interests in the following Joint Arrangements; the East Midlands (EM) Special Operations Unit (EMSOU), Occupational Health, Learning & Development, Occupational Health, Legal, MFSS, EM Strategic Commercial Unit (EMSCU) & EMoPSS. Leicestershire Police acts as lead OPCC for both Joint Associate Non-Entity (JANE) schemes.

The OPCC contributes to the running costs of:

#### **EMSOU**

A collaboration between the five Forces in the East Midlands region (Derbyshire, Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire). The Unit



works exclusively on serious and organised crime, focusing on firearms criminality, drug trafficking, money laundering and other types of organised crime.

### **EMTSU**

Also a collaboration of the Forces supporting EMSOU. The East Midlands Technical Surveillance Unit is designed to adopt a common approach to support local, regional and national policing operations and a "one stop shop" approach, coordinating regional TSU activity.

### **Major Crime & Forensics**

Also a collaboration of the Forces supporting EMSOU and EMTSU. The unit provides a joint regional facility to investigate major crimes through a central tasking process and is designed to professionalise and improve police responses to high profile investigations.

### **Multi Force Shared Service (MFSS)**

MFSS is a collaboration to deliver HR, Finance and Systems processes to front line policing.

The OPCC share is 14.7% for all of EMSOU, EMTSU and the Major Crime Collaborations.

All of these collaborations are governed by formal Section 22 Agreements and the OPCC shares are fully incorporated in the Comprehensive Income & Expenditure Statement, Balance Sheet, Movement in Reserves Statement and the Cash Flow Statement.

## **15 Value Added Tax**

VAT is included in the Accounts of the OPCC, whether of a capital or revenue nature, only to the extent that it is not recoverable.

## **16 Contingent Assets and Contingent Liabilities**

They are not recognised in the accounting statements but disclosed in the notes to Core Statements.

## **17 Exceptional Items and Prior Period Adjustments**

Exceptional items are included in the cost of the service to which they relate or on the face of the Comprehensive Income and Expenditure Statement if that degree of prominence is necessary in order to give a fair presentation of the Accounts.

Extraordinary items are disclosed and described on the Comprehensive Income and Expenditure Statement after dealing with all items within the ordinary activities of the OPCC.

Material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors, are accounted for by restating the comparative figures for the preceding period in the Statement of Account and notes and adjusting the opening balance of reserves for the cumulative effect. The cumulative effect of the adjustments is at the foot of the statement of total movements in gains and losses of the current period.

## **19 Events After The Balance Sheet Date**

Events after the balance sheet date are reflected up to the date when the Statement of Accounts is authorised for issue. The date when the Statement of Accounts was authorised for issue and who gave that authorisation is disclosed in the notes to the Statement of Accounts, including confirmation that this is the date up to which events after the balance sheet date have been considered.

## **20 Accounting Convention**

The accounting convention adopted in these financial statements is historical cost modified by the revaluation of land and buildings.

## **21 Estimation Techniques Used**

The Code distinguishes between accounting concepts and estimation techniques that have been used, when required. The techniques below describe the steps taken to arrive at key monetary values in the Statement of Accounts:

- Capital Creditors – quantity surveyors estimate of the value of the work undertaken. Payroll Creditors i.e. overtime – average overtime rates;
- IAS 19 Valuation – actuarial valuations of future pension's liabilities are provided by independent actuaries.
- Bad Debts are valued at the receivable value. Therefore the cost of collection of debt assessed as recoverable are deducted from the outstanding value.
- Assets are valued at Market Value (MV) and Depreciated Replacement Cost (DRC) for specialist vehicles, but held in Fixed Assets at the depreciated cost assessed as MV/ DRC less the cumulative depreciation over the Useful Economic Life of that asset.

## **22 Comparison with Previous Years**

Comparative figures for the previous financial year are shown in the Accounts. The same items are treated alike from one year to the next, except where notes explain otherwise.

## **23 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition, and that are readily convertible to or change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the OPCC's cash management.

## **24 Employee Benefits**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, annual leave and flexible working hours, leave for current employees, and are recognised as an expense for services in the year in which employees render service to the OPCC. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time

off in lieu, flexi-time or annual leave) earned by employees but not taken before the year-end that employees can carry forward into the next financial year.

## **25 Revenue Expenditure Funded from Capital Under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the OPCC has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses-out the amounts charged so that there is no impact on the level of council tax.

## **26 Actuarial Gains and Losses**

Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

## **27 Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the organisation to terminate an officer or staff employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the OPCC is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the OPCC to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

## **28 Interest In Companies and Other Entities**

The OPCC is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. The OPCC has involvement with Victims Voice, a company set up by guarantee in 2017/18 and has concluded that the requirement to produce Group Accounts applies in relation to it.

**Accounting Period**

The period of time covered by the Accounts, normally a period of twelve months commencing on 1 April.

**Accrual**

The recognition, in the correct accounting period, of income and expenditure as it is earned and incurred, rather than as cash is received or paid.

**Agency Arrangements**

Services which are performed by, or for, another OPCC or public body where the agent is reimbursed for the cost of work done.

**Budget**

A statement of the OPCC's plans in financial terms. A budget is prepared and approved by the PCC before the start of each financial year and is used to monitor actual expenditure throughout the year.

**Capital Expenditure**

Expenditure on the acquisition of a fixed asset or expenditure which adds value to the life or value of an existing fixed asset.

**Capital Financing Requirement**

The Capital Financing Requirement represents capital expenditure financed by external debt and not by capital receipts, revenue contributions, capital grants or third party contributions at the time of spending. It measures the OPCC's underlying need to borrow for a capital purpose.

**Capital Receipts**

These are proceeds from the sale of capital assets.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy. This is the main professional body for accountants working in the public services.

**Contingent Liabilities**

A potential liability at the balance sheet date when the Accounts are submitted for approval. The liability will be included in the balance sheet if it can be estimated with reasonable accuracy otherwise the liability will be disclosed as a note to the Accounts.

**Corporate Democratic Core**

This includes the cost of the corporate infrastructure (e.g. the Chief Executive and Treasury Offices, and external audit fees), and the cost of democratic representation.

**Council Tax**

The local tax levied on householders, based on the relative market values of property, which helps to fund local services.

**Creditors**

Individuals or organisations to whom the OPCC owes money.

**Current Assets and Liabilities**

Current assets are items that can be readily converted into cash. Current liabilities are items that are due immediately or in the short-term.

**Debtors**

Individuals or organisations who owe the OPCC money.

**Deferred Liabilities**

Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time.

**Earmarked Reserves**

Monies set aside that are intended to be used for a specific revenue or capital purpose.

**Employee Costs**

The salaries and wages of employees together with national insurance, superannuation and all other pay-related allowances. Training expenses and professional fees are also included.

**Finance Lease**

A finance lease normally involves payment by a lessee to a lessor of the full cost of the asset, together with a return on the finance provided by the lessor. The lessee has substantially all the risks and rewards associated with the ownership of an asset, other than legal title.

**International Financial Reporting Standards (IFRS)**

These standards are developed by the Accounting Standards Board to regulate the preparation of financial statements. The Companies Act 1985, which was later adopted by the SORP making it mandatory for Public Bodies and therefore requires compliance of these Standards or disclosures in the notes if there are any material departures from those standards.

**Fixed Assets**

These consists of: -

Tangible: These are assets that yield benefits to the OPCC for a period of more than one year (e.g. buildings and equipment).

Intangible: Under IAS 38 (Goodwill and Intangible Assets), intangible assets are those that do not have physical substance but are identifiable (e.g. software and software licences).

**Formula Grant Distribution System**

A mechanism by which Central Government determines how much Revenue Support Grant, Home Office Police Grant and Business Rates each local OPCC should receive in a given year to provide a common level of service. For the police service it is principally based on the resident and daytime populations, plus relevant socio-economic characteristics, for the area covered by an OPCC.

**IAS 19 Retirement Benefits**

An accounting standard that requires the recognition of long-term commitments made to employees in respect of retirement benefits in the year in which they are earned.

**Impairment**

A reduction in value in an asset caused by a general fall in prices, obsolescence or a clear consumption of economic benefit.

**Interest Income**

The money earned from the investment of surplus cash.

**Net Book Value**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current values less the cumulative amounts provided for depreciation.

**Non-Distributed Costs**

This consists of charges for police officers and police staff early retirements.

**Operating Lease**

An operating lease involves the lessee paying a rental for the hire of an asset for a period of time that is substantially less than its useful economic life. The lessor retains most of the risks and rewards of ownership.

**Outturn**

The actual amount spent in the financial year.

**Payments in Advance**

These represent payments made prior to supplies and services received.

**Pension – Defined Benefit Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. The scheme rules define the benefits independently of the contribution payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

**Pension Assets – Expected Rate of Return**

For a funded defined benefits scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Pension – Interest Costs**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settle.

**Pension – Past Service Costs**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**Pension Fund**

A fund which makes pension payments on retirement of its participants.

**Pensions Top-Up Grant (PTUG)**

A grant from the Home Office that funds the difference between a nationally agreed employer's contribution paid into the Pension Fund Account, employee contributions and benefits paid to pensioners during the year.

**Precept**

The method by which the OPCC obtains the income it requires from council tax via the collection Authorities (i.e. the seven district councils in Northamptonshire).

**Provision**

An amount set aside to provide for a liability which is likely to be incurred but the exact amount and the date on which it will arise is uncertain.

**Prudential Code**

The code developed by CIPFA that sets out a framework for self-regulation of capital spending, in effect allowing OPCC's to invest in capital projects which best meet their service delivery objectives as long as they are affordable, prudent and sustainable. The code came into Force from 1 April 2004 and is incorporated into the Local Government Act 2003 and associated regulations.

**Public Works Loan Board (PWLB)**

A government agency which provides longer-term loans to Local OPCC's at interest rates only slightly higher than those at which the government itself can borrow.

**Receipts in Advance**

These represent income received prior to supplies and services being provided by the OPCC.

**Receipts and Payments**

Amounts actually paid or received in a given accounting period irrespective of the period for which they are due.

**Retirement Benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**Revenue Contributions**

Capital Expenditure funded from the Revenue Account which reduces the requirement to borrow.

**ANNEX A**



COMMUNITY JUSTICE SECURITY

**Northamptonshire  
Police and Crime  
Commissioner  
Statement of Accounts for  
the year 2017/18**



## PCC- Expenditure and Funding Analysis

Net Expenditure Chargeable to the General Fund	2016/17 Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	2017/18 Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
11,246	1,873	13,119	415	23	438
		Collaboration and Regional PCC	8,217	15,099	23,316
<b>11,246</b>	<b>1,873</b>	<b>13,119</b>	<b>8,632</b>	<b>15,122</b>	<b>23,754</b>
		<b>Net Cost of Services</b>			
109,990		109,990	114,049	240	114,289
159	(159)	0	91	(91)	
569		569	240	(240)	
(121,080)	(3,616)	(124,696)	(123,366)	(636)	(124,002)
	(16,364)	(16,364)			
		Exceptional Item*			
<b>884</b>	<b>(18,266)</b>	<b>(17,382)</b>	<b>(354)</b>	<b>14,395</b>	<b>14,041</b>
		<b>(Surplus) or Deficit on Provision of Services</b>			
(16,785)		Opening Combined General Fund Balance	(10,335)		
884		Plus / less (Surplus) or Deficit on the General Fund (Statutory basis)	(354)		
5,566		Transfers to/from other Reserves	(965)		
<b>(10,335)</b>		<b>Closing Combined General Fund Balance</b>	<b>(11,654)</b>		

\* The Exceptional Item relates entirely to the transfer of assets through absorption from the CC to PCC

## PCC- Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the OPCC, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (surplus)/deficit on the Provision of Services line shows the true economic cost of providing the OPCC's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase/ Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken.

	General Fund Balance	Earmarked General Fund Reserves	Total Usable Reserves	Unusable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2017</b>	(3,520)	(6,815)	(10,335)	(56,803)	(67,138)
<b>Movement in reserves during 2017/18</b>					
Surplus or deficit on the provision of services	14,041		<b>14,041</b>		14,041
Other Comprehensive Income / Expenditure			<b>0</b>	(3,546)	(3,546)
<b>Total Comprehensive Income and Expenditure</b>	<b>14,041</b>	<b>0</b>	<b>14,041</b>	<b>(3,546)</b>	<b>10,495</b>
Adjustments between accounting basis and funding basis under regulations	(15,360)		<b>(15,360)</b>	15,360	0
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(1,319)</b>	<b>0</b>	<b>(1,319)</b>	<b>11,814</b>	<b>10,495</b>
Transfers to / from Earmarked Reserves	1,079	(1,079)	<b>(0)</b>	0	(0)
<b>Increase or Decrease in 2017/18</b>	<b>(240)</b>	<b>(1,079)</b>	<b>(1,319)</b>	<b>11,814</b>	<b>10,495</b>
<b>Balance at 31 March 2018</b>	<b>(3,760)</b>	<b>(7,894)</b>	<b>(11,654)</b>	<b>(44,989)</b>	<b>(56,643)</b>

	General Fund Balance	Earmarked General Fund Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2016</b>	(4,404)	(12,381)	(16,785)	(32,744)	(49,529)
<b>Movement in reserves during 2016/17</b>					
(Surplus) or deficit on the provision of services	(17,382)		<b>(17,382)</b>		<b>(17,382)</b>
Other Comprehensive Income / Expenditure				(227)	<b>(227)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(17,382)</b>	<b>0</b>	<b>(17,382)</b>	<b>(227)</b>	<b>(17,609)</b>
Adjustments between accounting basis and funding basis under regulations (Note 6)	23,832		<b>23,832</b>	(23,832)	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>6,450</b>	<b>0</b>	<b>6,450</b>	<b>(24,059)</b>	<b>(17,609)</b>
Transfers to / from Earmarked Reserves	(5,566)	5,566	<b>0</b>		<b>0</b>
<b>Increase or Decrease in 2016/17</b>	<b>884</b>	<b>5,566</b>	<b>6,450</b>	<b>(24,059)</b>	<b>(17,609)</b>
<b>Balance at 31 March 2017</b>	<b>(3,520)</b>	<b>(6,815)</b>	<b>(10,335)</b>	<b>(56,803)</b>	<b>(67,138)</b>

## PCC- Comprehensive Income and Expenditure Statement

This account summarises the resources that have been generated and consumed in providing services and managing the OPCC during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Joint Associated Non-Entity (Joint Venture) accounting entries are consolidated in the Comprehensive Income and Expenditure service headings. Note 40 to the accounts gives a separate breakdown of these entries.

2016/17			2017/18		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
7,161	(7,176)	(15)	8,668	(8,538)	130
11,067	(106)	10,961	22,316		22,316
		Collaboration & Regional			
		10,961	2,150	(1,060)	1,090
2,188	(844)	1,344	33,134	(9,598)	23,536
<b>20,416</b>	<b>(8,126)</b>	<b>12,290</b>	<b>33,134</b>	<b>(9,598)</b>	<b>23,536</b>
		<b>Cost of Services</b>			
109,990		109,990	114,289		114,289
		Intra-Group Funding			
		Transfer			
182	(46)	136	197		197
		Other Operating			
		Expenditure			
29		29	37		37
		Financing and			
		Investment Income and			
		Expenditure			
	(123,463)	(123,463)		(124,018)	(124,018)
		Taxation and Non			
		Specific Grant Income			
(16,364)		(16,364)			
		Exceptional Item*			
<b>114,253</b>	<b>(131,635)</b>	<b>(17,382)</b>	<b>147,657</b>	<b>(133,616)</b>	<b>14,041</b>
		<b>Surplus or Deficit on</b>			
		<b>Provision of Services</b>			
		(676)			(3,429)
		Surplus or deficit on			
		revaluation of Property,			
		Plant and Equipment			
		449			(117)
		Remeasurement of the			
		net defined benefit			
		liability / asset			
		<b>(227) Other Comprehensive</b>			<b>(3,546)</b>
		<b>Income and</b>			
		<b>Expenditure</b>			
		<b>(17,609) Total Comprehensive</b>			<b>10,495</b>
		<b>Income and</b>			
		<b>Expenditure</b>			

\* The Exceptional Item relates entirely to the transfer of assets through absorption from the CC to PCC

## PCC- Balance Sheet

This account shows the overall financial position of OPCC and the Group at 31 March 2018. It therefore differs from the other financial accounts shown in this statement in that it deals with the position of the OPCC at the end of the 2017/18 financial year instead of dealing with day-to-day transactions within that financial year.

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
58,186	Property, Plant and Equipment	52,479
4,266	Intangible Assets	2,983
11	Long Term Investments	11
<b>62,463</b>	<b>Long Term Assets</b>	<b>55,473</b>
2,000	Short-term Investments	0
66	Assets Held for Sale	2,900
462	Inventories	431
11,027	Short Term Debtors	11,612
12,859	Cash and Cash Equivalents	5,136
<b>26,414</b>	<b>Current Assets</b>	<b>20,079</b>
(17,176)	Short-Term Creditors	(14,570)
(1,360)	Provisions	(1,362)
<b>(18,536)</b>	<b>Current Liabilities</b>	<b>(15,932)</b>
(1,300)	Long Term Borrowing	(1,300)
(615)	Long Term Provisions	(310)
(1,288)	Other Long-Term Liabilities	(1,367)
<b>(3,203)</b>	<b>Long Term Liabilities</b>	<b>(2,977)</b>
<b>67,138</b>	<b>Net Assets</b>	<b>56,643</b>
(10,335)	Usable Reserves	(11,654)
(56,803)	Unusable Reserves	(44,989)
<b>(67,138)</b>	<b>Total Reserves</b>	<b>(56,643)</b>

## PCC- Cash Flow Statement

This statement shows a summary of the cash flowing in and out of the PCC arising from transactions with third parties for revenue and capital purposes. Cash is defined for this statement as cash in hand and deposits repayable on demand.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
(17,382)	Net (surplus) or deficit on the provision of services	14,041
774	Adjustment to surplus or deficit on the provision of services for noncash movements	(20,118)
1,545	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	1,084
<b>(15,063)</b>	<b>Net cash flows from operating activities</b>	<b>(4,993)</b>
8,881	Net cash flows from investing activities	12,716
<b>(6,182)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>7,723</b>
6,677	Cash and cash equivalents at the beginning of the reporting period	12,859
<b>12,859</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>5,136</b>

## Note 1 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Group Statement Note 42, the OPCC has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Influences on the going concern status, such as future levels of funding for police OPCC's from central government departments
- Possible impairment of investments
- Whether other entities with which the OPCC has a relationship are subsidiaries, associates or jointly controlled entities
- The potential outcome of legal claims by or against the OPCC
- The condition of the local and national housing/industrial building market
- The economic standing of significant debtors and creditors

## Note 2 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

Refer to Note 2 Group Statements of Accounts.

## Note 3 - Events After the Balance Sheet Date

On the 11 April 2018, the Home Secretary approved Northamptonshire PCC's proposal to take on responsibility for Northamptonshire Fire and Rescue Service, advising that a transfer of governance would be in the interests of economy, efficiency and effectiveness. Work is underway between Northamptonshire County Council, the PCC and the Home Office to develop the necessary statutory instrument to give effect to the proposal, which, subject to discussions and parliamentary considerations is anticipated, will take effect by early autumn 2018.

Any further events taking place after the draft Statement of Accounts were provided to our external auditors on 31 May 2018, are not financially reflected within the Financial Statements.

Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Note 4 - Officers' Remuneration

### Employee Remuneration for the OPCC

In accordance with the Code of Practice and LAAP Bulletin 85 from April 2010, the number of employees whose remuneration was paid in year, excluding pension contributions, exceeded £50,000 or more in the year, were as follows:

<b>2016/17</b>		<b>2017/18</b>	<b>2017/18</b>
<b>Total</b>	<b>Earnings Band</b>	<b>PCC Staff</b>	<b>Total Employees</b>
3	50,000 to 54,999	1	1
1	60,000 to 64,999		
1	65,000 to 69,999		
2	70,000 to 74,999	4	4
	85,000 to 89,999	1	1
<b>7</b>	<b>Total</b>	<b>6</b>	<b>6</b>

The disclosure above requires the outlining of total taxable pay, including personal Additional Voluntary Contributions, whereas the Senior Officers table overleaf outlines the entire remunerations by post. Therefore, the two tables are not completely comparable.

Senior Officers of the organisation whose remunerations, excluding pension contributions, exceeded £50,000 requiring disclosure by post or name were:

**2017/18**

<b>Post Holder Information</b>	<b>Start Date</b>	<b>Leaving date</b>	<b>Salary £</b>	<b>Expense Allowances(1) £</b>	<b>Loss of office(2) £</b>	<b>Other(3) £</b>	<b>Total Excluding Pension £</b>	<b>Employers Pension Contribution £</b>	<b>Total Including Pension £</b>
<b>Police and Crime Commissioner</b>									
Stephen Mold - Police and Crime Commissioner	12/05/2016		70,000	7,112			77,112	12,600	89,712
<b>Office of the Police and Crime Commissioner</b>									
Director for Resources	01/11/2016	06/04/2017	1,266	10	46,736		48,012	177	48,189
Chief Executive	15/11/2016		85,879	3,396			89,275	15,458	104,733
Strategic Resource Officer	01/11/2016	06/04/2017	3,104		31,286		34,390	144	34,534
Director For Delivery - 1	01/09/2016		72,717	1,429			74,146	13,089	87,235
Director of Technology and Digital Transformation	22/11/2016		72,717				72,717	13,089	85,806
Director for Delivery - 2	21/11/2016		72,717	507			73,224		73,224
Chief Finance Officer	09/11/2017		32,312	698			33,010	5,816	38,826
Director for Early Intervention	07/11/2016		72,717	4,778			77,495	13,089	90,584

**(1)**Expenses Allowances include taxable and non-taxable expenses

**(2)** This was paid to members of the Commissioner's staff to settle the contractual and statutory entitlements arising from the ending of the individual's employment.

**(3)**Other includes Rent Allowance, Housing Allowance, Car Allowance, ACPO Med Allowance.

**Note:** In 2016/17 Employers Pension Contribution was not disclosed.



2016/17

Post Holder Information	Start Date	Leaving date	Salary £	Expense Allowances £	Other £	Total Excluding Pension £
<b>Police and Crime Commissioner</b>						
Adam Simmonds - Police and Crime Commissioner	22/11/2012	11/05/2016	7,903			7,903
Stephen Mold - Police and Crime Commissioner	12/05/2016		62,097	2,176		64,273
<b>Office of the Police and Crime Commissioner</b>						
Acting Chief Executive*	12/10/2015	31/10/2016	43,856	811		44,667
Director for Resources*	01/11/2016		24,567	386		24,953
Chief Executive	15/11/2016		31,661	1,115		32,776
Acting Director for Resources**	12/10/2015	31/10/2016	32,795	940		33,735
Strategic Resource Officer**	01/11/2016		19,976	158		20,134
Assistant Chief Executive (Visibility)	22/11/2012	31/08/2016	31,656	149		31,805
Acting Director for Delivery***	12/10/2015	31/08/2016	29,999	226		30,225
Director For Delivery - 1***	01/09/2016		42,418	171		42,589
Director of Technology and Digital Transformation	22/11/2016		38,378			38,378
Director for Delivery - 2	21/11/2016		26,259	28		26,287
Director for Early Intervention	07/11/2016		29,087	928		30,015

\* The post holder is the same person

\*\* The post holder is the same person

\*\*\* The post holder is the same person

\*\*\*\* The ACO Finance and Resources and Director of HR Tri Force Collaboration posts are shared between Northamptonshire (24.63%), Leicestershire (35.53%) and Nottinghamshire (39.84%). As both individuals are employed by Leicestershire, the total salary costs associated with these posts are not included within the table above.

## Note 5A – Note to the Expenditure and Funding Analysis

<b>2017/18</b>	<b>Net Capital Statutory Adjustments</b>	<b>Net Pensions Statutory Adjustments</b>	<b>Other Statutory Adjustments</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
PCC	15,803	159	10	15,972
<b>Net Cost of Services</b>	<b>15,803</b>	<b>159</b>	<b>10</b>	<b>15,972</b>
Other Income and Expenditure	(840)	37	191	(612)
<b>Difference between the Statutory Charge and the (Surplus) or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>14,963</b>	<b>196</b>	<b>201</b>	<b>15,360</b>

<b>2016/17</b>	<b>Net Capital Statutory Adjustments</b>	<b>Net Pensions Statutory Adjustments</b>	<b>Other Statutory Adjustments</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
PCC	8,146	985	13	9,144
<b>Net Cost of Services</b>	<b>8,146</b>	<b>985</b>	<b>13</b>	<b>9,144</b>
Other Income and Expenditure	(32,138)	(916)	78	(32,976)
<b>Difference between the Statutory Charge and the (Surplus) or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>(23,992)</b>	<b>69</b>	<b>91</b>	<b>(23,832)</b>

## Note 5B - Segmental Analysis of Income and Expenditure

	Revenues from External Customers	Depreciation and Amortisation
<b>2017/18</b>	<b>£000</b>	<b>£000</b>
Collaboration & Regional*	(8,117)	174
PCC	(1,278)	6,889
<b>Total</b>	<b>(9,395)</b>	<b>7,063</b>

	Revenues from External Customers	Depreciation and Amortisation
<b>2016/17</b>		
PCC	(950)	8,171
	<b>(950)</b>	<b>8,171</b>

\*Income for 2016/17 Collaboration & Regional was £7.176m

## Note 5C - Expenditure and Income Analysed by Nature

2016/17	2017/18
£000 Nature of Expenditure or Income	£000
(159) Surplus or deficit on associates & JV	(91)
(72,103) Income from local taxation	(49,882)
(52,011) Government grants and contributions	(73,052)
(106) Other income	(1,923)
1,656 Employee benefits expenses	1,699
3,458 Other service expenses	15,916
8,186 Depreciation, amortisation and impairment	6,889
(16,278) Gain or loss on disposal of non-current assets	198
109,990 Intra Company Adjustment	114,289
(15) Other expenditure	(2)
<b>(17,382) Surplus or Deficit for Year</b>	<b>14,041</b>

## Note 6 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the OPCC in the year, in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the OPCC, to meet future capital and revenue expenditure.

<b>2017/2018</b>	<b>General Fund Balance</b>	<b>Movement in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>
<b>Adjustments to the Revenue Resources</b>		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
- Pension cost (transferred to (or from) the Pensions Reserve)	(196)	196
- Council tax and NDR (transfers to or from the Collection Fund)	(191)	191
- Holiday pay (transferred to the Accumulated Absences reserve)	(80)	80
- Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(19,191)	19,191
<b>Total Adjustments to Revenue Resources</b>	<b>(19,658)</b>	<b>19,658</b>
<b>Adjustments between Revenue and Capital Resources</b>		
- Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	239	(239)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	4,040	(4,040)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>4,279</b>	<b>(4,279)</b>
- Other adjustments	19	(19)
<b>Total Adjustments</b>	<b>(15,360)</b>	<b>15,360</b>
<b>2016/17</b>	<b>General Fund Balance</b>	<b>Movement in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>
<b>Adjustments to the Revenue Resources</b>		
- Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:		
- Pension cost (transferred to (or from) the Pensions Reserve)	(67)	67
- Council tax and NDR (transfers to or from the Collection Fund)	(78)	78
- Holiday pay (transferred to the Accumulated Absences reserve)	34	(34)
- Reversal of entries included in the (Surplus) or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(6,978)	6,978
<b>Total Adjustments to Revenue Resources</b>	<b>(7,089)</b>	<b>7,089</b>
<b>Adjustments between Revenue and Capital Resources</b>		
- Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	235	(235)
- Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	14,286	(14,286)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>14,521</b>	<b>(14,521)</b>
- Transfer of Assets from CC	16,364	(16,364)
- Other adjustments	36	(36)
<b>Total Adjustments</b>	<b>23,832</b>	<b>(23,832)</b>

## Note 7 - Other Operating Expenditure

Other Operating Expenditure includes levies; gains or losses on the disposal of non-current assets in the CIES for 2017/18.

2016/17		2017/18
£000		£000
182	Gains/losses on the Disposal of Non-Current Assets	197
(46)	Other	
<b>136</b>	<b>Total Other Operating Expenditure</b>	<b>197</b>

## Note 8 - Financing and Investment Income and Expenditure

The CIES includes financing and investment income and expenditure including interest payable and similar charges: pension's interest costs and expected return on pension assets, interest income, income, expenditure, changes in the fair values of investment properties, and other income.

2016/17		2017/18
£000		£000
29	Net interest on the net defined benefit liability (asset)	37
<b>29</b>	<b>Total</b>	<b>37</b>

## Note 9 - Taxation and Non-Specific Grant Income

The CIES includes income comprising of council tax income, NNDR, non-ring fenced government grants and all capital grants.

2016/17		2017/18
£000		£000
(47,923)	Council tax income	(49,882)
(24,180)	Non-domestic rates income and expenditure	0
(49,815)	Non-ringfenced government grants*	(73,052)
(1,545)	Capital grants and contributions	(1,084)
<b>(123,463)</b>	<b>Total</b>	<b>(124,018)</b>

\* The Police main grant and other non-ring-fenced governments' grants have been consolidated and presented as one core police grant under Non-ring-fenced government grants.

## Note 10 - Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement or within notes 5-9, such as the disposals of Fixed Assets and Investments or reversals of provisions, the nature of these material amounts are set out below:

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
938	Insurance Provision	1,362
320	Legal Provision	
66	Redundancy	
650	Property Dilapidations (Long Term)	310
	Impairment	12,794
<b>1,974</b>	<b>Total</b>	<b>14,466</b>

## Note 11 - Trading Operations

The OPCC do not have any trading operations. All commercial activities have been outsourced.

## Note 12 - Members' Allowances

During 2017/18 a total of £0.014m was paid in Allowances and Reimbursements for OPCC Members (2016/17 £0.013m)

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
	13 Allowances and Re-imbursements	14
	<b>13 Total</b>	<b>14</b>

## Note 13 - External Audit Costs

During the year the OPCC incurred direct external audit fees for KPMG LLP. The audit Fee of £30k in both 16/17 and 17/18 related to the statutory audit work for Statement of Accounts, which is a statutory requirement. In 2017/18 the PCC paid an additional £2.5k for external audit fees relating to 2016/17 audit and a further £1k for a mandatory National Fraud Initiative (NFI), which was paid to the Audit Commission. Therefore the total charge for external audit fees was £33.5k, with £32.5k being payable to KPMG LLP.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
30	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	30
	Fees payable in respect of other services provided by external auditors during the year	
	<b>30 Total</b>	<b>30</b>

## Note 14 - Grant Income

The OPCC credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18.

### Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

31 March 2017 PCC		31 March 2018 PCC
£000		£000
(43,171)	Revenue Support Grant	(66,408)
(6,644)	Council Tax Burden Grant	(6,644)
(1,151)	Capital grants and contributions	(645)
(394)	Agile Innovation Fund Capital Grant	
<b>(51,360)</b>	<b>Total</b>	<b>(73,697)</b>

### Credited to Services

31 March 2017 PCC		31 March 2018 PCC
£000		£000
(844)	Ministry of Justice	(848)
(40)	Police Transformation Grant – Police/Fire	(439)
(46)	Sale of Goods and Services	
(20)	Proceeds of Crime	(20)
<b>(950)</b>	<b>Total</b>	<b>(1,307)</b>



## Note 15 - Related Parties

IPSAS 20 Related Party Disclosures, based on IAS 24, requires the OPCC and Police Force to disclose material transactions and outstanding balances with related parties – bodies or individual's that have the potential to control or influence the OPCC or to be controlled or influenced by the OPCC.

Central Government has effective control over the general operations of the OPCC. It is responsible for providing the statutory framework within which the OPCC operates, and provides the majority of funding in the form of general or specific grants. Details of government grants are set out in Note 14 to the Core Financial Statements.

The OPCC has direct control over the OPCC's financial and operating policies. Chief Officers might also be in a position to influence significantly the policies of the OPCC.

During the year, the PCC set up a company "Victims Voice" to deliver support services to victims (these services were previously provided by Victim Support). In 2017/18, the PCC provided 100% of the funding to Victims Voice which equated to a grant in the year of £0.450m (part of the Ministry of Justice Grant received by the PCC) and for which the £0.163m underspend was returned to the PCC at year end in line with the grant agreement.

The PCC is the chair of the Victims Voice Board which is comprised of the Victims Voice Chief Executive and a member of the Police and Crime Institute.

During the set up phase between June and October 2017, the Director of Delivery also served on the Board, in addition he has advised Victims Voice in a professional capacity during the year. Advice during the year was also provided to Victims Voice by mainly the Chief Finance Officer, Finance Advisor and the Head of Commissioning and Criminal Justice. Advice was also provided from specialist staff in the force from areas such as ICT and estates.

As the OPCC staff have direct control over Victim's Voice and provide advice, as such they may have the opportunity to significantly influence the policies of Victims Voice. Measures are in place to mitigate this influence and with a grant agreement and a service level agreement in place, together with the development of a corporate governance framework and the requirements of the Ministry of Justice Grant conditions.

Key members of staff in the OPCC and Chief Officers are required, at the end of each year, to declare whether they, or any member of their immediate family, have had any related party transactions (i.e. significant financial dealings) with the OPCC during the financial year. For 2017/18 this has included Joint Independent Audit Committee members (JIAC), for which two returns have been received.

Both the OPCC and the Police Service maintain a register of business interests, and has a Business Interest Policy which sets out the criteria for deciding whether the Business Interest is compatible with the individual's role within the organisation.

During 2017/18, the following related party transactions are reported within the OPCC:

The PCC contributed the sum of £0.100m to the Community Foundation, an organisation which awards grants to local organisations. Two members of the OPCC are part of the decision making process for the awards to ensure alignment with the Police and Crime Plan objectives.

The PCC contributed £0.220m to the Institute for Public Safety Crime and Justice (IPSCJ) for commissioned services (e.g. the annual budget perception and victim perception surveys) and the part year salary of a member of OPCC staff. From October 2017, the member of staff left the OPCC to become a permanent employee of the IPSCJ and also became a member of the Victims Voice Board.

During the year, the Director of Early Intervention was a Trustee for Groundwork for which the OPCC provided funding of £0.067m prior to their appointment. In December 2017 the Director of Early Intervention was appointed as a Board member for Northamptonshire Emergency Cadets for which the OPCC had provided funding in 2016/17 of £0.100m.

During the year, the Director of Delivery represented the OPCC on the Crimestoppers Board and the OPCC contributed the sum of £0.018m directly and the Community Foundation awarded a grant of £0.005m

## Note 16 - Transfers to/from Earmarked Reserves

Refer to Note 16 Group Statements of Accounts.

## Note 17 - Unusable Reserves

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
(13,412)	Revaluation Reserve	(16,405)
(43,141)	Capital Adjustment Account	(28,686)
1,288	Pension Reserve	1,367
(1,586)	Collection Fund Adjustment Account	(1,395)
48	Accumulated Absences Account	130
<b>(56,803)</b>	<b>Total</b>	<b>(44,989)</b>

### Revaluation Reserve

Refer to Note 17 Group Statements of Accounts.

### Capital Adjustment Account

Refer to Note 17 Group Statements of Accounts.

### Pension Reserve

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
772	Balance 1 April	1,288
449	Remeasurements of the net defined benefit (liability)/asset	(117)
214	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	346
(147)	Employer's pensions contributions and direct payments to pensioners payable in the year	(150)
<b>1,288</b>	<b>Balance 31 March</b>	<b>1,367</b>

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The OPCC accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the OPCC makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve, therefore, shows a substantial shortfall in the benefits earned by past and current employees and the resources the OPCC has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

## Collection Fund Adjustment Account

31 March 2017		31 March 2018	
£000		£000	
(1,664)	Balance 1 April	(1,586)	
78	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	191	
<b>(1,586)</b>	<b>Balance 31 March</b>	<b>(1,395)</b>	

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

## Accumulated Absences Account

31 March 2017		31 March 2018	
£000		£000	
82	<b>Balance 1 April</b>	48	
(82)	Settlement or cancellation of accrual made at the end of the preceding year	(48)	
48	Amounts accrued at the end of the current year	130	
<b>48</b>	<b>Balance 31 March</b>	<b>130</b>	

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

## Note 18 - Property, Plant and Equipment

Movements to 31 March 2018	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
<b>at 1 April 2017</b>	39,469	15,443	15,644	70,556
Additions	7,075	3,425	589	11,089
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,429			3,429
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(12,794)			(12,794)
Derecognition – disposals	(180)	(6,503)		(6,683)
Reclassifications and transfers	15,322	271	(15,593)	0
Reclassifications to Assets Held for Sale	(2,900)			(2,900)
<b>at 31 March 2018</b>	<b>49,421</b>	<b>12,636</b>	<b>640</b>	<b>62,697</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>at 1 April 2017</b>	(1,366)	(11,004)	0	(12,370)
Depreciation charge	(1,746)	(2,703)		(4,449)
Depreciation written out to the Revaluation Reserve	296			296
Derecognition – disposals		6,305		6,305
<b>at 31 March 2018</b>	<b>(2,816)</b>	<b>(7,402)</b>	<b>0</b>	<b>(10,218)</b>
<b>Net Book Value</b>				
<b>at 31 March 2018</b>	<b>46,605</b>	<b>5,234</b>	<b>640</b>	<b>52,479</b>
<b>at 31 March 2017</b>	<b>38,103</b>	<b>4,439</b>	<b>15,644</b>	<b>58,186</b>

### Movements to 31 March 2017

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
<b>at 1 April 2016</b>	37,020	18,071	5,183	60,274
Re-classification on transfer	1,392	(3,514)	(104)	(2,226)
<b>Revised 1 April 2016</b>	<b>38,412</b>	<b>14,557</b>	<b>5,079</b>	<b>58,048</b>
Additions	431	1,437	12,484	14,352
Revaluation increases/(decreases) recognised in the Revaluation Reserve	676			676
Derecognition – disposals	(50)	(1,857)		(1,907)
Reclassifications and transfers	0	1,306	(1,919)	(613)
<b>at 31 March 2017</b>	<b>39,469</b>	<b>15,443</b>	<b>15,644</b>	<b>70,556</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>at 1 April 2016</b>	(269)	(11,035)	(128)	(11,432)
Re-classification on transfer	(83)	2,181	128	2,226
<b>Revised 1 April 2016</b>	<b>(352)</b>	<b>(8,854)</b>		<b>(9,206)</b>
Depreciation charge	(1,014)	(3,874)		(4,888)
Derecognition – disposals		1,724		1,724
<b>at 31 March 2017</b>	<b>(1,366)</b>	<b>(11,004)</b>	<b>0</b>	<b>(12,370)</b>
<b>Net Book Value</b>				
<b>at 31 March 2017</b>	<b>38,103</b>	<b>4,439</b>	<b>15,644</b>	<b>58,186</b>
at 31 March 2016	38,060	5,703	5,079	48,842

The figures contained within this note are represented by the OPCC assets, Joint Venture assets & the assets held for sale.

The OPCC's final capital expenditure figure was £12.247m and was made up of intangible assets in Note 23 of the group & the Joint Venture expenditure.

### Note 19 - Impairment Losses

For the Financial period of 2017/18 there was an impairment of £12.794m charged to the Surplus and Deficit on the Provision of Service. This charge related to the revaluation of the newly constructed Northern Accommodation Hub. This represents the difference between the construction value and the financial valuation in accordance with the Code of Practice.

### Note 20 - Assets Held for Sale

Refer to Note 20 Group Statements of Accounts.

### Note 21 - Investment Properties

The OPCC does not hold any investment property interests that could be classified and accounted for as investment properties, therefore, no adjustments or disclosures are required.

### Note 22 - Leases

Refer to Note 22 Group Statements of Accounts.

### Note 23 - Intangible Assets

Refer to Note 23 Group Statements of Accounts.

### Note 24 - Capital Expenditure and Capital Financing

Refer to Note 24 Group Statements of Accounts.

### Note 25 - Construction Contracts

At 31 March 2018 the OPCC had no construction contracts in progress.

## Note 26 - Debtors

Refer to Note 26 Group Statements of Accounts.

## Note 27 - Inventories

Refer to Note 27 Group Statements of Accounts.

## Note 28 - Provisions

Refer to Note 28 Group Statements of Accounts.

## Note 29 - Creditors

These amounts represent sums owed by the Group to various sources, together with receipts in advance.

2016/17		2017/18
£000		£000
(1,912)	Central Government Bodies	(2,501)
(2,088)	Other Local Authorities	(2,625)
(114)	NHS Bodies	(1)
	Public Corporations and Trading Funds	
(13,063)	Other Entities and Individuals	(9,443)
<b>(17,176)</b>	<b>Total Creditors</b>	<b>(14,570)</b>

## Note 30 - Capitalisation of Borrowing Costs

The OPCC did not borrow any new money to finance the capital programme and therefore has not capitalised any borrowing.

## Note 31 - Contingent Liabilities

Our insurance consultants, Gallacher Heath, suggested the OPCC do not have any Contingent Liabilities for 2017/18 as 2016/17

## Note 32 - Contingent Assets

For the Financial period 2017/18 there were no Contingent Assets.

## Note 33 - Cash and Cash Equivalents

Refer to Note 33 Group Statements of Accounts.

## Note 34 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
(4,888)	Depreciation	(4,153)
	Impairment and downward valuations	(12,794)
16,364	Gain on transfer of asset from CC	
(3,453)	Amortisation	(2,910)
(2,976)	(Increase)/decrease in creditors	2,386
(3,192)	Increase/(decrease) in debtors	585
(12)	Increase/(decrease) in inventories	(31)
(67)	Movement in pension liability	(196)
(182)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(265)
(820)	Other non-cash movements charged to the surplus or deficit on provision of services	(2,740)
<b>774</b>	<b>Total</b>	<b>(20,118)</b>

The surplus or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
1,545	Any other items for which the cash effects are investing or financing cash flows	1,084
<b>1,545</b>	<b>Total</b>	<b>1,084</b>



## Note 35 - Cash Flow from Investing Activities

The cash flows for investing activities include the following items:

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
16,079	Purchase of property, plant and equipment, investment property and intangible assets	12,714
(7,025)	Purchase of short-term and long-term investments	
(173)	Other receipts from investing activities	2
<b>8,881</b>	<b>Net cash flows from investing activities</b>	<b>12,716</b>

## Note 36 - Termination Benefits

The OPCC has taken account of termination benefits in accordance of IAS 19. The termination benefits are dealt with separately from other employee benefits because the event which gives rise to an obligation is the termination rather than employee service. The OPCC would have incurred costs if the termination was either a decision to terminate an employee's employment prior to their retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

The OPCC terminated the contracts of a number of employees in 2017/18 incurring liabilities of £0.112m, of which £0.031m relates to the Chief Constables account. The previous year's total was £0.138m.

Exit Package Cost Band (including Special Payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total cost of Exit Packages in each Band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £000	2017/18 £000
£0 - £20,000	1				1		1	
£20,001 - £40,000	2	1			2	1	50	31
£40,001 - £60,000		1				1		47
<b>Total</b>	<b>3</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>2</b>	<b>51</b>	<b>78</b>

## Note 37 - Pension Schemes Accounted for as Defined Contribution Schemes

### Pensions

There was a transfer of pension liability between the PCC and Voice during 2017/18 amounting to £76k, which is outlined within the Joint Operations and Associates note.

#### a) Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the OPCC offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the OPCC has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Group participates in pension schemes for both Police Staff and Police Officers, as follows:

- The Local Government Pension Scheme for police staff; this is administered by Northamptonshire County Council. This is a funded scheme, meaning that the OPCC, CC and Voice employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The Actuary to the fund is Hymans Robertson LLP. These schemes are all pooled under one LGPS pension group.
- The Police Pension Scheme for police officers, which includes three pension schemes; the Police Pension Scheme (PPS), the New Police Pension Scheme (NPPS) and Police Pension Scheme 2015 (PPS). Both schemes are unfunded and administered by Equiniti on behalf of the OPCC, meaning that there are no investment assets built-up to meet the pension's liabilities, and cash has to be generated to meet actual pension's payments as they eventually fall due. Both are defined benefit schemes (lump sum payments and periodic pension). New funding arrangements commenced on 1 April 2006 that required a police pension fund account to be created. This account is credited with employer contributions, and any shortfall over retirements benefits paid is met by a contribution by the OPCC. However, the OPCC's contribution is met by Home Office Pensions Top Up Grant. If there is a surplus it is paid to the OPCC in the first instance before being recouped by the Home Office. The level of pension contribution rates are set nationally by the Home Office, following a review by the Government Actuary's Department (GAD).

#### (b) Transactions Relating to Retirement Benefits

Under IAS 19 the cost of retirement benefits is recognised in the Income and Expenditure Account when employees earn them, rather than when the benefits are actually paid as pensions. However, the charge that is required to be made against the precept is based on the cash payable in the year, by reversing the real cost of retirement benefits out of the Statement of Movement in the General Fund Balance.

#### Pensions liabilities and future considerations

The current service costs contained in the table, below, are within the following values contained within the Comprehensive Income and Expenditure Statement, forming part of note 15, the reconciliation to the subjective analysis

- Local Government Pension Scheme, within Police Staff Pay and Allowances.
- Police Pension Scheme, within Police Officer Pay and Allowances

## OPCC Pensions Revenue Items

<b><u>Comprehensive Income and Expenditure</u></b>	<b><u>Local Government Pension Scheme</u></b>	
	<b>2016/17</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
<b>Net Cost of Services</b>		
Current service cost	(186)	(309)
Past service cost		
<b>Net Operating Expenditure</b>		
Interest Costs**	(90)	(108)
Expected return on employers assets**	61	71
<b>Net Charge to the Income and Expenditure Account</b>	<b>(215)</b>	<b>(346)</b>
<b><u>Movement In Reserves</u></b>		
Movement on Pensions Reserve		
(Reversal of net charges made for retirement benefits in accordance with IAS19)	(283)	(542)
<b><u>Actual amount charged against Council Tax</u></b>		
(General Fund Balance) for pensions Employers contributions to the Scheme	147	150

\*\* The net of interest costs and return on assets reconciles to the amount included within financing and investment income and expenditure on the face of the CIES

In addition to the recognised gains and losses included in the CIES, actuarial gain of £0.117m (loss of £0.449m in 2016/17) were included within other Comprehensive Income & Expenditure.

The estimated 2018/19 pension scheme contributions for the Police Pension Scheme are £10.8m and £4.0m for the Local Government Pension Scheme.

In accordance with the Code of Practice and the Police Service Expenditure Analysis the items within the table above are credited / debited to the CIES in the following ways:

Current Service Costs & Employers contributions to the scheme and additional contributions to the Police Pensions Fund Account are all apportioned across the Local Policing to National Policing headings by officer numbers; and

Past Service Costs are wholly included within the heading Non-Distributed Costs; Interest Costs and Expected Return on Employers Assets are included within Financing & Investment Income & Expenditure.

## Note 38 - Defined Benefit Pension Scheme

Assets and Liabilities in relation to Retirement Benefits

### Reconciliation of the Present Value of the Schemes Liabilities

	<b>Funded Liabilities Local Govt. Scheme</b>	
	<b>31 March 2017</b>	<b>31 March 2018</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Defined Benefit Obligation - 1 April</b>	<b>(3,587)</b>	<b>(3,823)</b>
Current Service Cost (Grossed up for employee contributions)	(186)	(309)
Interest Cost	(90)	(108)
Contributions by Scheme Participants	(48)	(49)
Actuarial Gains/ (Losses)	(1,118)	133
Past Service (Costs)/ Gains	1,206	0
(Loses)/ Gains on Curtailments	0	0
Estimated Unfunded Benefits Paid	0	0
Estimated Benefits Paid	0	0
<b>Closing Defined Benefit Obligation 31st March</b>	<b>(3,823)</b>	<b>(4,156)</b>

### Reconciliation of the Fair Value of the Schemes Assets

Pension Asset – Local Government Pension Scheme Only

<b>OPCC</b>	<b>31 March 2017</b>	<b>31 March 2018</b>
	<b>£000</b>	<b>£000</b>
<b>Pensions Asset 1 April</b>	<b>2,815</b>	<b>2,535</b>
Expected Return on Assets	61	71
Contributions by Members	48	49
Gains & Losses Effect of Settlement	(1,205)	
Employers Contributions (Incl Injuries) - excluding Top-Up Grant	147	150
Pension Fund Asset Split (Group to Single Entity)	0	0
Contributions in Respect of Unfunded Benefits	0	0
Actuarial Gains / (Losses)	669	(16)
Estimated Unfunded Benefits paid	0	0
Estimated Benefits Paid	0	0
<b>Fair Value of Pensions Asset 31 March</b>	<b>2,535</b>	<b>2,789</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The estimated return on scheme assets in the year was £0.71m (£0.61m in 2016/17).

The OPCC's total pension liability of £1.367m, reconciles to the Unusable Reserves within the Balance Sheet of £1,298m, by adding back the figures within the Movement in Reserves Statement of the Capital Adjustment Account, the Collection Fund Adjustment Account, the Revaluation Reserve, to the Unusable Reserves total and then subtracting the Employee Benefit Reserve (Note 17)

The OPCC did not elect to restate fair value of scheme assets for 2005/06 as permitted by IAS 19.

The liabilities show the underlying commitments that the OPCC has in the long run to pay retirement benefits. The total liability has a substantial impact on the net worth of the OPCC as recorded in the balance sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of the OPCC remains healthy.

- Local Government Pension Scheme (LGPS) The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Police Pension Schemes Finance is only required to be raised to cover police pensions when the pensions are actually paid. Any deficit on the Pensions Fund Account for the year is funded by the OPCC with Home Office Top-Up Grant payable to cover the OPCC's Contribution

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Pension Scheme liabilities are assessed by the Government Actuary's Department (GAD) and the Local Government Pension Scheme by Hymans Robertson LLP, an independent firm of actuaries. The main assumptions used in their calculations have been:

### Assumptions are the same for both OPCC & Group

	Local Govt. Pension Scheme		Police Pension Scheme	
	2016/17	2017/18	2016/17	2017/18
<b>Expected Return on Assets</b>	%	%	%	%
Investments	8.6	17.3	n/a	n/a
<b>Mortality Assumptions</b>	yrs	yrs	yrs	yrs
Longevity at 65 for current pensioners				
Men	22.1	23.9	23.2	22.6
Women	24.2	26.1	25.2	24.2
Longevity at 65 for future pensioners				
Men	23.9	23.9	25.2	24.5
Women	26.1	26.1	27.3	26.1
<b>Financial Assumptions</b>	%	%	%	%
Rate of Inflation	2.4	2.4	2.4	2.3
Rate of Increase in Salaries	2.7	2.7	4.3	4.3
Expected Return on Assets	23.3	0.8	n/a	n/a
Rate for Discounting Scheme Liabilities (Gross)	2.7	2.7	2.6	2.7
Take up Option to Convert annual Pension into retirement Lump Sum	50	50	n/a	n/a

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries, we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this will reduce the value of the OPCC's pension liabilities and this has been included within Non-Distributed Costs on the face of the Income and Expenditure Account.

The Police Pension Scheme has no assets to cover its liabilities. Assets in the Local Government Pension Fund are valued at fair value, principally market value for investment, and consist of the following categories by proportion of the total assets held by the Fund:

<b>31 March 2017</b>	<b>Description</b>	<b>31 March 2018</b>
<b>%</b>		<b>%</b>
83	Equity Investments	82
8	Bonds	7
7	Property	8
2	Cash and Liquidity	3
<b>100</b>	<b>Total</b>	<b>100</b>

### Note 39 - Financial Instruments

Refer to Note 39 Group Statement of Accounts.

### Note 40 - Joint Operations & Associate Entities

Refer to Note 40 Group Statements of Accounts.

### Note 41 - Accounting Standards Issued, Not Adopted

Refer to Note 41 Group Statements of Accounts.

**Northamptonshire Chief  
Constable  
Statement of Accounts for  
the year 2017/18**





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## Foreword by the Chief Constable – Mr S Edens

The Statement of Accounts is produced annually to give local taxpayers, employees and other interested parties clear information about Northamptonshire Police finances. The narrative report is designed to provide an explanation of the financial position and to assist in the interpretation of the financial statements. It contains information about the activities of the Office of the Police and Crime Commissioner and the main influences on the financial statements to provide a link between the Police activities; Police and Crime Plan; future challenges and how these impact on its financial resources.

These accounts reflect the financial performance of the Chief Constable for Northamptonshire (CC). I am responsible for Policing across Northamptonshire, working collaboratively to improve outcomes and ensuring value for money.

My narrative report is structured as follows:

1. Statutory Framework
2. Funding of Northamptonshire Police
3. Budget 2017/18
4. Strategic Overview and Collaboration
5. 2017/18 Performance Review
6. Budget 2018/19

## Narrative Report 2017/18

### 1. **STATUTORY FRAMEWORK**

The Chief Constable was established as a statutory entity under the Police Reform and Social Responsibility Act 2011 (PRSRA). The PRSRA provides that there will be a Police and Crime Commissioner for each police area with responsibility for ensuring the maintenance of the Police Force for the area, securing that the Police Force is efficient and effective and holding the Chief Constable to account.

The Commissioner has wider responsibilities than those solely relating to the Police Force (refer to the Group Accounts for the full explanation). These include responsibility for the delivery of community safety and crime reduction; the enhancement of the delivery of criminal justice in their area and providing support to victims. The PRSRA established the Chief Constable as a separate statutory entity, distinct from the Commissioner and with operational independence.

### 2. **FUNDING OF POLICE (Northamptonshire)**

Funding of Police Service is from two distinct areas; these are;

#### Central Government (Funding and Legislative changes)

The Government sets the national policing priorities; passes new laws and allocates central funding to each Police and Crime Commissioner, through the Core Settlement (otherwise known as the Police Grant) as well as the ex-DCLG funding.

#### Local Government

The remainder of the Police annual funding settlement is met by precept, which is included as part of the police precept charged against the rates. Local Authorities are then required to hand these funds to the designated Policing body, i.e. the PCC. The receiving Authorities for Northants Police are:

Council Tax Base  Tax Base	Band D Properties		Band D Properties		% change
	2016/17	Precept	2017/18	Precept	
	Tax Base £	£	Tax Base £	£	
Corby	17,892.00	3,667,144	18,336.00	3,832,957	2.48
Daventry	28,838.02	5,910,641	29,857.91	6,241,498	3.53
East Northamptonshire	30,084.00	6,166,017	30,871.00	6,453,274	2.62
Kettering	30,450.00	6,241,032	31,234.00	6,529,155	2.57
Northampton	64,357.94	13,190,803	65,709.00	13,735,809	2.10
South Northamptonshire	33,849.70	6,937,835	34,474.00	7,206,445	1.84
Wellingborough	23,480.00	4,812,461	23,849.00	4,985,395	1.57
<b>Total</b>	<b>228,951.66</b>	<b>46,925,933</b>	<b>234,330.91</b>	<b>48,984,533</b>	

## **2.1 National Perspective**

One of the key roles of the PCC is to lobby central Government on behalf of the public in Northamptonshire. There are a number of areas that he is currently seeking further debate with the Home Office and other government departments. During 2017/18, he continued to lobby for both a fairer funding settlement from the funding formula review and the opportunity to set a precept level above the 2% referendum limit to mitigate the significant medium term financial shortfall facing Northamptonshire Police. Whilst the funding formula review is unlikely to take place before the next Comprehensive Spending Review, in the 2018/19 funding settlement, Police and Crime Commissioners (PCCs) were given the flexibility to increase precept by up to £12 per annum (£1 per month) to help mitigate these pressures. Furthermore, the settlement also gave PCCs potential to levy a precept increase of up to £12 per annum in 2019/20.

### **Additional Funding Sources**

As part of the broader central government engagement our Commissioner intends to seek and influence decisions over the use of the Government's Transformation Fund through the Police Reform and Transformation Board so that people in Northamptonshire benefit from funding at every opportunity.

## **2.2 Local Perspective**

### **The General Public**

The public ultimately hold policing to account. At national level this is through voting for individual MPs and ultimately through general elections. At local level ratepayers vote for the Police and Crime Commissioner in each 'policing' geographical area as well as paying rates for the police element of the council tax rates.

During the period October to December 2017, the PCC undertook consultation on the level of the precept to gain the views of local residents. This consultation was led by the Institute of Public Safety, Crime and Justice and included the views of 1,222 local residents. Whilst results across local authority boundaries and demographics varied slightly, all groups were overwhelmingly supportive of an increase in excess of 19 pence per week (5%).

## **3. BUDGET 2017/18**

The PCC is the recipient of all funding, including the police grant from the government and funding raised by the Council Tax precept, related to policing and crime reduction. How this money is allocated is a matter for the PCC, except in relation to a small number of specific grants, such as those for counter-terrorism, in consultation with the Chief Constable; who may provide professional advice and recommendations.

The budget set at the beginning of the year was £123.1m and was allocated as follows

- Total Force Revenue Budget £114.9m
- OPCC Revenue Budget £4.6m
- Capital Financing £1.7m
- Contribution to Earmarked Reserves £1.9m

The net 2017/18 budget underspend was £0.240m. The Force's outturn was a £0.272m, with a subsequent transfer to reserves for insurance purposes, adjusting the final outturn to £0.240m. These funds have been allocated to the General Fund in the first instances and may be reallocated to Earmarked Reserves through the Commissioners strategy in 2018/19.

#### **4. STRATEGIC OVERVIEW AND COLLABORATION**

##### **4.1 Estates**

The PCC holds all land and buildings and is responsible for the overall strategy. Recently he took the decision to change the strategy, which included the sale of the Police Headquarters. This has now been revised to dispose of the Mereway buildings, for which contracts have now been exchanged and completion on the will take place in the near future. This provides both clarity and stability for the Force.

The Police 'estate' has suffered from years of under-investment, however, work on the Northern Area Accommodation has now been completed and an Estates Strategy has been developed to provide much needed investment and will support the delivery of the demand-led Service Delivery Model.

##### **4.2 Regional Collaboration**

The Home Office has actively encouraged collaborative working between Police Forces and Fire Authorities. For over 10 years Forces and Police Authorities and PCC's within the East Midlands Region (Northamptonshire, Derbyshire, Leicestershire, Lincolnshire and Nottinghamshire) have collaborated on a wide range of activities both formally and informally.

Driving the collaboration agenda are 5 guiding principles:

- i. that local policing remains local
- ii. any collaboration helps deliver a more efficient and/or effective policing for Northamptonshire
- iii. all areas of business are considered
- iv. decisions not to participate in a particular collaboration are reviewed regularly, as circumstance may change
- v. any cost and/or benefits are shared between participating Forces

As the collaborative approach has matured, we have been able to develop a mix of collaborative activities that sees two, three, four or all five Forces taking part. Some of these arrangements include:

- East Midlands Criminal Justice Service

This is a collaboration in relation to post charge case and file building and other aspects of criminal justice system support.

- East Midlands Operational Support Services

In 2017/18, this collaboration took place across four East Midland Forces and related to firearms roads, policing, dogs and other specialist tactical services. A review of the collaboration took place during the year by the four forces and, as a result the collaboration has been restructured for 2018/19 and will provide for three East Midlands Forces.

- East Midlands Specialist Operation Unit

This collaboration includes homicide investigation, major crime and serious and organised criminality and groups.

- EMCHRS (East Midlands Centralised HR Services)

This is a collaboration that relates to human resources and learning and development.

## **5. 2017/18 PERFORMANCE REVIEW**

There are a number of external checks and balances that are in operation to ensure that Northamptonshire Police comply with legislative requirements; best practice and efficiency reviews can be summarised under the following headings:

### Her Majesty's Inspector of Constabularies (HMICFRS)

Each year the HMICFRS assesses each Police Force in England and Wales on their effectiveness efficiency and legitimacy (known as the PEEL assessments) with a judgement as outstanding, good, requires improvement or inadequate based on inspectors' findings, analysis and the Inspectors' professional judgement across the year.

The latest report was produced following an inspection in September 2017 and rated Northamptonshire as requiring improvement in the areas of preventing crime and tackling anti-social behaviour, investigating crime and reducing reoffending, protecting vulnerable people and tackling serious and organised crime.

The Chief Constable responded to the report as follows;

"I believe this report fairly reflects where we are as a force. We have made improvements, as highlighted by the HMIC Efficiency report published in November, but there is more to do.

Our job is to protect people from harm and we are committed to providing the best possible service to the people of Northamptonshire.

We have done a huge amount of work over the past year to understand the demands we face and work out the best way to deploy our resources to meet that demand. This work allowed us to design a new operating model and we are now implementing that model. The Police and Crime Commissioner has provided £2 million additional funding this year so we can implement it properly. This new model will help us to tackle many of the issues raised within today's report.

We are also in the process of recruiting and training more detectives to enable our CID department to work at full capacity, something that will benefit all investigations, and help us to support victims of domestic abuse.

We will continue to work closely with the Police and Crime Commissioner and other partners in order to make continued improvements, which I know people will begin to see over the coming months."

### The Accountability Board

The accountability for performance and service delivery is undertaken through the Accountability Board. Members of the board are the Commissioner (the Chair), the Chief Executive, the Chief Constable and other Chief Officers. There is a formal agenda which will have a schedule of assurance in the form of standard agenda items. These will be discussed and agreed with the Force at an agenda setting meeting.

- The records of the Accountability Board are published on the OPCC website.
- Focus on areas of concern in performance and service delivery at a strategic level.
- Discussions between the Force and the OPCC in respect of the strategic budget setting and medium term financial planning.
- Strategic consideration of key identified corporate level risks and scrutiny activity.

### Independent Custody Visitor Scheme

The Northamptonshire Police and Crime Commission has a statutory duty to operate an effective *Independent Custody Visiting Scheme*. This scheme allows for volunteers to visit detainees in custody to check on their welfare. It offers mutual protection to detainees and police officers by providing independent scrutiny of the treatment of detainees and the conditions they are being kept in.

There are 18 ICVs in Northamptonshire and 7 new ICVs were recruited to the scheme during the last performance year. The custody facilities at the Weekly Woods Custody Centre in Kettering and the Criminal Justice Centre in Northampton are each visited at least once a week, where ICVs speak with detainees being held there. Between 1st April 2017 and 31<sup>st</sup> March 2018, the following took place:

- 98 custody visits took place and of the 767 detainees being held in custody during these visits:
- 400 detainees were seen and spoken to, and 252 were not available to receive a visit (in interview, asleep, intoxicated, seeing the doctor or their solicitor)
- 42 refused a visit when offered.

## 6. BUDGET 2018/19

The budget for 2018/19 for the Chief Constable has been set at £118.665m, which reflects the commissioning responsibility moved to the PCC.

The CC budget reflects the direct spend of the CC across a range of areas of service delivery, including:

- Local Policing
- Crime, including Financial Investigation and Serious & Organised Crime
- Intelligence
- Public Protection
- Business Support Departments
- Regional Collaboration
- Transformation, including the Change Team; and
- Other Non Devolved budgets such as Legal, National Levies and Inflation.

<b>Department</b>	<b>Budget 2018/19 £000</b>
Police Officer & PCSO Pay	67,075
Crime, Public Protection, Intelligence & Local Policing	9,971
Operational Support	10,240
Transformation Programme	1,241
Business Support	18,799
Collaboration & Regional	8,177
Other Non-Devolved Budgets	3,162
<b>Total Force Budget</b>	<b>118,665</b>

In 2017/18 the PCC also supported the Chief Constable with an additional £2.0m of funding towards delivery of the new Service Delivery model (for 46 new frontline posts) which became operational in Autumn 2017. In 2018/19 he provided further funding in the base budget to support additional capacity and resilience in key operational areas. To do this he set aside the sum of £1.250m to provide additional capacity for the following specific priorities:

- Serious & Organised Crime
- Rape & Serious Sexual Offences
- Domestic Abuse
- Police/Fire Interoperability
- Missing Persons
- Public Confidence



## ACO Finance and Resources Foreword and Financial Summary

The purpose of this narrative report is to offer a guide on the most important matters reported in the accounts as well as providing information about the strategic direction of the Force.

This will include information on the budget preparation process, final accounts, performance information, medium term financial plans and other contextual information such as workforce numbers and strategic risks. The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It therefore aims to provide information to help the reader.

The accounts are prepared on a going concern basis, assuming that the Police and Crime Commissioner will continue in operation for the foreseeable future. Additionally, the accounts have been prepared in accordance with the Accounts and Audit Regulations 2015, the Code of Practice on Local Authority Accounting 2017/18 and the Service Reporting Code of Practice 2017/18.

The objectives of the Statement of Accounts are to provide useful information to a wide range of users about the financial position, financial performance and cash flows of the Police and Crime Commissioner. The information provided also allows for an assessment of the Commissioner's performance in terms of stewardship and the management of the resources entrusted to him. The accounts are, therefore, necessarily detailed and technical and explanatory notes are included. This foreword is divided into the following main areas:

1. Legislative Background
2. Relationship between the Police and Crime Commissioner and Chief Constable
3. What is included in the Statement of Accounts
4. Changes to the statements for 2017/18
5. Budget Settlement 2017/18
6. Review of Revenue Budget 2017/18
7. Cashflow
8. Analysis of Borrowing
9. Capital
10. Statement of Provisions
11. Pensions Liability
12. Material and unusual charges
13. People
14. Exceptional Item
15. Medium Term Financial Plan
16. Impact on current economic climate
17. Summary

## **1. Legislative Background**

The Police Reform and Social Responsibility Act 2011 established the Police and Crime Commissioner and the Chief Constable as separate legal entities. The legal transfer of operational policing to the Chief Constable, who also became the employer of police staff members, was completed on 1 April 2014.

The PCC is elected by the public every 4 years to secure and maintain an efficient and effective Police Force and to hold the Chief Constable to account for the exercise of his function and those persons under his direct control. The Chief Constable has a statutory responsibility for the control, direction and delivery of operational policing service in the Northamptonshire Police Area.

This set of accounts focuses on those discrete activities which the PCC is directly responsible for, such as the commissioning services for victims and witnesses of crime; for community safety as well as the "PCC Group" which includes all aspects of operational policing under the direction and control of the Chief Constable.

The Chief Constable has produced a separate set of accounts which explains how the resources provided by the PCC have been used to deliver operational policing Services.

## **2. Relationship between the Police and Crime Commissioner and the Chief Constable**

Each has specific roles and responsibilities under legislation; these are:

### The Chief Constable:

- Holds office as a servant of the crown and is not an employee
- Has direction and control over police officers and is the employer of police staff
- Is operationally independent
- Must have regard to the Commissioners Police and Crime Plan
- Holds no property, rights or liabilities
- May not borrow money

### The Police and Crime Commissioner:

- Appoints the Chief Constable and may suspend him or require him to resign or retire
- Must maintain the Police Force and ensure that it is efficient and effective
- Must issue a Police and Crime Plan
- Must hold the Chief Constable to account for his actions and those of his officers and staff
- Receives all income from grants, precept and charges

## **3. What is included in the Statement of Accounts?**

The accounts are prepared using International Financial Reporting Standards (IFRS). Although these are the same standards that a large company would use in preparing its financial statements, some adjustments to costs are made by the Commissioner where they are not a charge to local taxpayers.

## Single Entity Statements and Group Statements

These comprise of the following:

### 3.1 Annual Governance Statement

This statement explains how the Chief Constable complied with his Code of Corporate Governance. Preparation and publication of the Statement fulfils his statutory requirement under the Accounts and Audit Regulations 2011 to conduct a review at least once in each financial year of the effectiveness of his system of internal control and to include a statement reporting on the review with his Statement of Accounts.

### 3.2 Expenditure Funding Analysis (EFA)

The analysis reconciles the amounts reported internally in line with the council's General Fund and the amounts reported in the Comprehensive Income and Expenditure Statement.

### 3.3 Movement in Reserves Statement (MiRS)

This statement shows the movement in the year on the different reserves held by the Chief Constable. It shows how the deficit / (surplus) for the year in the Comprehensive Income and Expenditure Statement is adjusted by the costs that are not a charge to local taxpayers.

### 3.4 Comprehensive Income and Expenditure Statement (CIES)

This statement shows the income and expenditure accounting cost in the year of providing services under IFRS.

### 3.5 Balance Sheet (BS)

The balance sheet shows the Chief Constable's assets, liabilities, and reserve balances at the financial year end date.

### 3.6 Cash Flow Statement

This statement shows the reason for changes in in cash balances during the year and the balance held by the Chief Constable at the end of the financial year.

### 3.7 Notes to the Financial Statement

These include information required by the Code and additional material items of interest to assist the readers understanding of the reported figures.

#### 3.7.1 Events after the reporting period and authorised for issue date

This summarises any major events that happened between the year end and the authorised for issue date. Events coming to light after the authorised for issue date will not be included in the financial statements.

#### 3.7.2 Police Pension Fund Account

The Police Pensions scheme is unfunded and holds no assets. The purpose of this account is to demonstrate the cash-based transactions taking place over the year and to identify the arrangements needed to balance the account.

### 3.7.3 Accounting Policies

These outline the principles used for how we account and prepare our financial statements. The nature of this document also means that some technical words are unavoidable.

### 3.7.4 Glossary of financial terms

The nature of this document means that technical words are unavoidable. The glossary is intended to simplify and explain such words.

## **4. Changes to the statements for 2017/18**

There are no changes to the Financial Statements, however, because of the significance of early changes, it is appropriate to note that:

### Narrative Statement

Whilst the narrative disclosure was a new element within the 2015/16 statement of accounts, within this financial year this statement has been expanded to provide the 'reader' with additional information regarding the strategic objectives of the group as well as changes to the funding and the challenges that face policing as well as the potential additional collaborative arrangements.

### Transfer of Assets from CC to OPCC

Under agreement, on 1st April 2016 the PCC took ownership through absorption of the items previously recognised as Chief Constables operational assets. In previous financial years within the Force accounts held vehicles; equipment and IT Equipment and as such were recorded in the Balance sheet. In 2016/17 it was deemed that all such assets should be allocated to the PCC and as a result these were 'transferred' to the OPCC's Balance Sheet. As a result in 2016/17 there was an adjustment for this transfer of £16.364m (the carrying value and unusable reserves of the assets) between the CC and PCC, creating a gain and loss, which is neutralised at group level.

## **5. Budget Settlement 2017/18**

The 2018/19 Police Settlement gave greater flexibility for a PCC to increase the level of precept up to £12 per annum (£1 per month) for both 2018/19 and 2019/20, if certain criteria are met. This potential increase equated to 5.74% and based on the results of the consultation and the challenges facing the Police in the short and medium term, the PCC increased the precept to this level and set a Band D council tax of £221.04 for 2018/19.

The 2018/19 revenue budget was approved in February 2018 and the PCC had £127.1m available. These resources were allocated as per the table below:

<b>Budget 2018/19</b>	<b>Amount £000</b>
Force	118,665
OPCC Managed budgets*	5,227
Capital Financing	2,799
Reserves	417
<b>TOTAL</b>	<b>127,108</b>

\* The budget for £1m for custody healthcare was transferred to the OPCC to take forward the commissioning.

## **6. Review of Revenue Budget 2017/18**

### a) Funding

The government provided the majority of the money required to fund the Police and Crime Commissioner's expenditure. The remainder is paid by local taxpayers through the Precept (Police portion of Council tax). The budget is set in February each year in the context of the 5 year Strategic Financial Plan. The 2017/18 budget was approved in February 2017 by the Police and Crime Commissioner.

### b) Financial Management

Rigorous budgetary control arrangements are in place together with a devolved system of budgetary control, which ensured resources were allocated to priorities as required. Monthly control reports on budgetary performance for the group are considered.

The table below shows the outturn position for the financial year:

	<b>BUDGET 2017/18 £000</b>	<b>OUTTURN 2017/18 £000</b>	<b>VARIANCE £000</b>
Police Pay	50,895	50,955	<b>60</b>
PCSO Pay	3,195	3,023	<b>(172)</b>
SDM	1,004	611	<b>(393)</b>
Police Pensions	11,261	11,285	<b>24</b>
Crime, Protection, Intelligence & Local Policing	8,028	7,992	<b>(36)</b>
Operations	10,556	10,380	<b>(176)</b>
Transformation Programme	1,259	1,724	<b>465</b>
Business Support Departments	18,860	18,327	<b>(533)</b>
Collaboration & Regional	7,756	8,179	<b>423</b>
Other Non-Devolved	2,685	2,751	<b>66</b>
<b>TOTAL FORCE</b>	<b>115,499</b>	<b>115,227</b>	<b>(272)</b>
Capital Financing	1,702	1,702	<b>0</b>
<b>TOTAL EXPENDITURE</b>	<b>121,248</b>	<b>120,976</b>	<b>(272)</b>
<b>RESERVES *</b>	1,877	1,877	<b>0</b>
<b>Other Reserves</b>	0	32	<b>32</b>
<b>TOTAL</b>	<b>123,125</b>	<b>122,885</b>	<b>(240)</b>

Comments on the variations for individual services are given below:

#### Police Pay – overspend of £0.06m

The part-year unbudgeted impact of the Police Officer 1% bonus announced as part of the 2017 Pay Award of £0.3m has been included. This took the Force from a projected underspend to a net £60k overspend position. Unbudgeted leavers in early 2017/18 and a reduction in FTE towards late 2017 created an in year underspend, with establishment being met by March 2018.

#### PCSO Pay – underspend of (£0.172m)

The PCSO pay underspent by £0.172m which is due to a higher number of leavers than expected, resulting in an adjustment to recruitment in later months.

#### Service Delivery Model (SDM) – underspend of (£0.393m)

The SDM underspend is a result of delays in recruitment and the finalisation of the plan through 2017/18.

#### Police Pensions – overspend of £0.024m

An overspend of £86k was caused by the costs of the new pension provider contract and GMP reconciliation work but this was offset in part by a £62k pensions underspend.

#### Operational Commands (Crime and Operations) – underspend of (£0.212m)

Operational Command has two main budget elements:

##### Crime and Local Policing

This area of the budget was £0.036m underspent against a budget of £8.028m, which represents a 0.45% variance.

##### Operational Support

This area of the budget was £0.176m underspent against a budget of £10.556m, which represents a minor 1.67% variance and is mainly due to Police Officer overtime.

#### Transformation Programme – overspend of £0.465m

The £465k overspend was due to unbudgeted posts and revenue costs within the Transformation Programme, SDM and Niche programmes. The appropriate costs and savings were considered within the 2018/19 MTFP following a business case to clarify the ongoing 'business as usual' cost of these projects.

#### Business Support Departments – underspend of (£0.533m)

The underspend is due to vacant staff roles awaiting recruitment and the planned reduction in maintenance expenditure on buildings in light of the development of the overarching Estates Strategy.

### Collaboration and Regional – overspend of £0.423m

The net £423k overspend is mainly caused by EMOpSS (£298k) and Emergency Services Network (£142k) offset by other small regional variances.

### Other Non-Devolved (OND) Budgets – overspend of £0.066m

The OND budgets were overspent by £0.066m as a result of a requirement of £0.107m to increase bad and doubtful debts, partly offset by an underspend in national levies and legal expenses.

## **7. Cashflow**

Cash and cash equivalents are owned by the PCC and within these accounts represent the total expenses within the Chief Constable accounts, netted to the statutory adjustments for IAS19 and Accumulated Absences.

## **8. Analysis of Borrowing**

In accordance with the code, borrowing cannot be completed by the Chief Constable and is the responsibility of the OPCC. All borrowing is therefore reported within the group accounts.

## **9. Capital**

In accordance with the code, all capital expenditure is reported within the group accounts.

## **10. Statement of Provisions**

In accordance with the code, all provisions, which have to be 'cash backed', are reported within the group accounts.

## **11. Pensions Liability**

Police Staff and Police Officers are offered retirement benefits as part of their terms and conditions of employment. Although these benefits will not actually be payable until employees retire, International Accounting Standard (IAS) 19 requires that the commitment to make future payments is disclosed at the time that employees and officers earn their future entitlement.

The Chief Constable participates in two pension schemes:

- The Police Pension Scheme for police officers – this is an unfunded defined benefit final salary scheme administered by the Chief Constable on behalf of the Police and Crime Commissioner. There are no investment assets built up to meet the pensions' liabilities and cash has to be generated from employee and employer contributions to meet actual pension payments as they fall due. Under the Police Pensions Fund Regulations 2007, if the amounts receivable by the pensions fund for the year is less than amounts payable, the Police and Crime Commissioner must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If, however, the pension fund

is in surplus for the year, the surplus is required to be transferred from the pension fund to the Police and Crime Commissioner, who then must repay the amount to central government. From 2015 member benefits will be accrued based on a retirement age of 60.

- The Local Government Pension Scheme offered to all staff employed by the Police and Crime Commissioner and Chief Constable, is administered locally by Northamptonshire County Council. This is a funded defined benefit final salary scheme and both employers and employees pay contributions calculated at a level intended to balance the pensions' liabilities with investment assets.

Within the Local Government Pension scheme two records are maintained; one for the staff employed by the Police and Crime Commissioner and one for the staff employed by the Chief Constable. The requirements of IAS19 have a significant adverse impact on the net cost of services although, as the adjustments are reversed out in the Movement in Reserves Statement, not at the level of local taxation. There is also a significant adverse impact on the balance sheet which shows the estimated value of the Police and Crime Commissioner's pension commitments should they be called now.

The value of net pension liabilities in the Group Balance Sheet is £1,341.513m, (2016/17 £1,311.157m) comprising £1,263.230m for Police Officers and £78.283m for Police Staff.

## 12. Material and unusual charges

The accounts conform to proper practice and contain full and frank disclosures of all material sums. The increase in the group pension liability of £30.277m has had a material impact on the accounts.

Although this amount is substantial, it is a notional debit and as such does not represent cash payments to be made by the Chief Constable or a charge on the General Fund.

## 13. People

At 31<sup>st</sup> March 2018 Northamptonshire Police Force and the OPCC Budgeted establishment was 2,051 FTE. The analysis is shown in the table below:

Category of employee	2016/17	2017/18
Police Officers	1,220	1,209
PCSO	86	81*
Police Staff	677	761
<b>Total</b>	<b>1,983</b>	<b>2,051</b>

\* The movement in PCSO establishment is mainly due to changes to partnership-funded posts. As at 1<sup>st</sup> April, the OPCC was commissioning new contracts for PCSOs from existing and new partner organisations. Budgeted establishment was therefore 81 FTE excluding any PCSOs due to be wholly funded by partners.



The new Chief Finance Officer (and S151 officer) to the PCC commenced in the role in November 2017 and the new Force Head of Finance commenced in May 2018. All other statutory, Director and Chief Officer roles in both the OPCC and the force remained unchanged from 2016/17. However, following the Chief Constable's decision to retire in Autumn 2018, recruitment for a new Chief Constable for Northamptonshire is currently underway.

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, which came into effect on 1 April 2017, the group spend within this grouping is as follows:

- Number of employees who were relevant union officials during the relevant period - **Three**
- How many employees who were relevant union officials during the relevant period spent of their working hours on facility time
  - a. 0% - **None**
  - b. 1 - 50% - **None**
  - c. 51-99% - **One**
  - d. 100% - **Two**
- Percentage of the total pay bill spent on facility time - **0.33%**
- Time spent on paid trade union activities as a percentage of total paid facility time hours - **100%**

#### **14. Exceptional Item**

For 2016/17, there is an exceptional item within the Expenditure and Funding Analysis (EFA) and Comprehensive and Expenditure Statement (CIES) for the OCC & OPCC accounts of £16.364m. This relates entirely to the loss and gain from the transfer of assets between the Corporate Soles, through absorption. This ultimately is a net nil transaction at Group level.

## 15. Medium Term Financial Plan

The medium term financial plan (MTFP) reflects the impact of the government's budget statement in Autumn 2017.

The Provisional Police Finance Settlement was announced in a written ministerial statement by the Minister for Policing and Fire, the Rt Hon Nick Hurd MP on 19<sup>th</sup> December 2017. Full details of the settlement can be found on the Home Office pages of the gov.uk website.

The MTFP for 2018-23 has been developed on the principles previously established:

- To make the best use of available resources
- To maximise income and funding
- To target expenditure and investments to priorities and value for money opportunities
- To exploit fixed assets to deliver maximum value
- To optimise delivery costs
- To provide sufficient financial reserves in the context of unprecedented uncertainty, transformation and change

Medium Term Plan	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
<b>FUNDING</b>					
Police Grant	73,052	73,052	73,052	73,052	73,052
Precept & CTS	52,957	56,941	59,229	61,641	64,151
Estimated CT Surplus	1,099	750	750	750	750
	<b>127,108</b>	<b>130,743</b>	<b>133,031</b>	<b>135,443</b>	<b>137,953</b>
<b>EXPENDITURE</b>					
<b>Delegated to the Force</b>	117,915	118,665	121,263	125,282	127,852
Additional net pressures		3,217	4,019	2,571	1,928
Additional investment	1,250				
Agreed Savings to be identified	(500)	(619)			
	<b>118,665</b>	<b>121,263</b>	<b>125,282</b>	<b>127,853</b>	<b>129,781</b>
<b>Capital Financing</b>	<b>2,799</b>	<b>3,992</b>	<b>4,781</b>	<b>3,992</b>	<b>4,596</b>
<b>Managed by the OPCC</b>					
OPCC Office Budget	1,677	1,677	1,677	1,677	1,677
Commissioning, Public Involvement, Intervention, Complaints & Delivery	3,300	3,690	3,990	3,990	4,290
Police and Crime Plan Delivery Fund	250	250	250	250	250
	<b>5,227</b>	<b>5,617</b>	<b>5,917</b>	<b>5,917</b>	<b>6,217</b>
<b>Contribution to/from reserves</b>	<b>417</b>	<b>(129)</b>	-	-	-
<b>TOTAL</b>	<b>127,108</b>	<b>130,743</b>	<b>133,031</b>	<b>135,443</b>	<b>137,953</b>
<b>Shortfall</b>	-	-	<b>2,949</b>	<b>2,319</b>	<b>2,641</b>

The revenue budget for 2018/19 of £127.108m required a rise in the precept of 5.74% as permitted by government to support the budget. As can be seen in the table above, even with a similar rise assumed for 2019/20 and 2% thereafter, there is continued pressure on the amount of police grant that is forecast to be received over the period of the MTFP. Additionally, the increase in demand and different types of crime continue to develop, making further investment in these areas likely in the coming years.

## **16. Impact of the current economic climate**

Since the start of austerity measures to 2017/18, and the government spending review, budget reductions have in the main been delivered. However, the scale of the financial challenge, rising crime levels and the changing nature of crime has created a need for the continued development of a new model for policing. The Service Delivery Model became operational in 2017/18 and delivered a new Policing Service for Northamptonshire.

Throughout 2018/19 the Force will be conducting a zero-based budgeting project to align priorities to demand and operational need and to identify ways to balance the longer term budget. A key enabler to support the delivery of the new model for policing will be Information Technology, and improvements in financial management information systems will further support delivery of better and more cost effective policing into the future.

## **17. Summary and Conclusion**

The Chief Constable and PCC continue to demonstrate a strong track record of effective financial management and delivering outturn within the approved budget. The budgeting process continues to develop with rigorous challenge from both the Chief Constable and the PCC.

Since 2010/11 cash savings of over £37m have been delivered and the latest medium term plan 2017/18 to 2022/23 identifies further cash savings which need to be found of £2.6m.

The decision to remain within Wootton Hall and build on the existing facilities for both the Police and Fire staff, together with the implementation of the Service Delivery Model, has not only provided clarity and stability but also has provided the basis for the development of an Estates Strategy which gives the opportunity to develop the site that is fit for the 21st century.

The financial outlook remains challenging and there is a significant amount of economic uncertainty as a result of the Brexit referendum and the commencement of exit negotiations. However, we are confident that the PCC, Chief Constable and their respective leadership teams will continue to deliver strong and effective financial management in order to maintain an appropriate level of funding for essential operational services in Northamptonshire.

Paul Dawkins

Assistant Chief Officer  
Finance & Resources

Date:

Simon Edens

Northamptonshire Chief Constable

Date:

## **BACKGROUND AND FRAMEWORK**

In the financial year 2017/18, the implications of the Police Reform and Social Responsibility Act 2011 continued for the two corporations' sole of the Chief Constable (OCC) and the Office of the Police and Crime Commissioner (OPCC). The focus has been to develop the governance arrangements and strategies in place and to drive forward performance improvements and change in the area of Fire Governance and services to Victims.

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

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

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

- **Principle A:** Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law:
- **Principle B:** Ensuring openness and comprehensive stakeholder engagement.
- **Principle C:** Defining outcomes in terms of sustainable, economic, social and environmental outcomes.
- **Principle D:** Determining the interventions necessary to optimise the achievement of intended outcomes.
- **Principle E:** Developing Capacity and Capability.
- **Principle F:** Managing Risks and Monitoring Performance
- **Principle G:** Implementing good practices in transparency, reporting and accountability.

## **WHAT IS GOVERNANCE**

Governance as defined in the 2016 framework is:

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

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

Senior leaders have a significant responsibility not only to ensure that good governance arrangements are properly codified and documented but also that the proper culture

exists so that the concept of good governance, including transparency and openness, is effectively conveyed throughout their organisation.

This statement explains how the Chief Constable has complied with the CIPFA/SOLACE framework and also meets the requirements of the Accounts and Audit Regulations in relation to the publication of an Annual Governance Statement.

### **THE ANNUAL GOVERNANCE STATEMENT**

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

This governance statement provides a high level overview. It comments on the effectiveness of governance arrangements over 2017/18 and makes proposals to improve processes, or mitigate issues or risks identified.

### **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

The Corporate Governance Framework comprises the systems and processes, and culture and values, by which the OPCC is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the OPCC to monitor that the achievement of its strategic objectives have led to the delivery of appropriate, value for money services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the PCC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Work on updating the Corporate Governance Framework took place together with Leicestershire and Nottinghamshire (OPCC's and OCC's ) during 2016/17 and 2017/18. The final version incorporates consistent delegations and controls across the three Forces and OPCCs, was approved by the Northamptonshire PCC and Chief Constable (CC) in 2017/18 and implemented with effect from 1 April 2018. A near final draft was shared with the Joint Independent Audit Committee (JIAC) at their meeting in December 2017 and final copies shared in April 2018.

## **THE GOVERNANCE FRAMEWORK**

Both the CC and PCC continued to seek that appropriate management and reporting arrangements were in place to enable them to satisfy themselves that the approach to corporate governance was both adequate and effective in practice. These arrangements included:

- A revised Corporate Governance Framework developed during the year in conjunction with Leicestershire and Nottinghamshire OPCC's and CC's.
- A revised Decision Record methodology implemented.
- A revised Accountability Board Process where the PCC holds the CC to account for policing in Northamptonshire and minutes are publicly available on the PCC's website.
- A Risk Management Strategy, reviewed quarterly by the PCC and OPCC Directors.
- An Annual Governance Statement produced by both the OPCC and the CC.
- A Regional Annual Governance Statement for East Midlands Serious and Organised Crime (EMSOU) activities.
- An effective Joint Independent Audit Committee (JIAC).
- Ensuring that there is an effective Internal Audit function.
- Attendance by the chair, CFO and JIAC member at a Regional Audit Committee workshop.
- Attendance by the JIAC Chair and/or members at key meetings, for example, the Change Board and the Force Assurance Board to gain understanding and assurance.

The system of internal control is based on a system of financial, contractual, management and administrative controls and is reviewed by both internal and external audit. In addition to the arrangements above, the system includes:

- The Force holds a regular Performance Implementation Group (PIG), which also includes OPCC representation.
- A change governance board, which oversees all change initiatives and manages its implementation and benefits realisation. This further includes the monitoring of continuous improvement, which supports the reallocation of resources to meet changes in demand and emerging priorities.
- Budgeting systems that seek to align resources with priorities and the new operational Service Delivery Model implemented in 2017.
- Regular financial reporting for both the CC and the OPCC, both of which have been developed during the year and development will continue in 2018/19.
- Effective risk management strategies, registers and action plans.
- Engagement in Value for Money benchmarking such as is conducted by HMICFRS.
- Preparation of the new Force Management Statement.
- Development of the new joint Governance Framework approved in 2017/18 and implemented on the 1 April 2018.
- To supplement the JIAC meetings, workshops are held during the year to focus on key areas of risk or internal control and supplement the lead member approach undertaken for key meetings such as the Force Assurance and Change Boards.

## **COMPLIANCE WITH THE SEVEN PRINCIPLES SET OUT IN THE CIPFA/SOLACE FRAMEWORK**

### **PRINCIPLE A: BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES AND RESPECTING THE RULE OF LAW**

The Corporate Governance Framework provides guidance on expected behaviours to ensure integrity and builds on the clear statements made by the PCC and the Chief Executive in relation to openness, transparency and standards of ethical behaviour. This includes an agreement to adhere to the College of Policing (CoP) Code of Ethics as the basis for how the OPCC and staff behave. The Force internal ethics committee is in place and values have been included as an overarching element of the Police and Crime Plan.

The Force Professional Standards Department (PSD) investigate all instances of Fraud, Corruption and Whistleblowing and the Chief Financial Officers (Section 151) for both the CC and the PCC and the Monitoring Officer have specific responsibility in legislation for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements and for reporting any such instances to the PCC, CC, JIAC or Police and Crime Panel.

For 2017/18, related party disclosures have been undertaken for all key staff in the CC, OPCC and JIAC members and this information is disclosed within the Statement of Accounts. Additionally, the PCC and all members of OPCC staff complete a declaration of business Interests.

**Recommendation 1** – To review the current published code of conduct against the CoP code of ethics to ensure consistency of approach in OPCC. This has been completed. A review has been undertaken and will continue to be undertaken annually.

**Recommendation 2** – Complete the review of the Corporate Governance Framework. This has been completed and the new framework was implemented on the 1<sup>st</sup> April 18.

### **PRINCIPLE B: ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT**

The Commissioner's purpose is set out in statute. The vision for Northamptonshire policing<sup>1</sup> is set out in the Police and Crime Plan 2017 – 2021 which sets out the strategic direction of the PCC's activities. It is underpinned by a delivery plan and the PCC provides an update at each Police and Crime Panel meeting.

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

All agendas, papers and meetings of the JIAC are open to the public and papers are available on the PCC website. The minutes of the Accountability Board are also published to transparently demonstrate the PCC holding the Chief Constable to account in line with his statutory role.

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<sup>1</sup> "We want to create a system that people can have trust and confidence in; where victims feel that they have the help and support they need from Northamptonshire Police"



Papers, reports and decisions made by the PCC are published on the website, together with consultation and details of future public events and public surveys.

The OPCC undertakes regular council taxpayer, customer and victim survey activities, ensuring that these can be used to inform council tax levels, service delivery by the Force and services which the PCC has commissioned. During 2017/18, the PCC launched a "Time to Talk" consultation which was focussed on getting a better understanding of the experience of people with mental illness, and better inform the delivery of services. This consultation has now closed and the results are being collated.

### **PRINCIPLE C: DEFINING OUTCOMES IN TERMS OF SUSTAINABLE, ECONOMIC, SOCIAL AND ENVIRONMENTAL OUTCOMES**

The widespread public and internal consultation that took place in relation to the Police and Crime Plan has secured support for the outcomes required by the PCC. The Plan was informed by the strategic policing requirement and used to direct the resources of the PCC and the CC through the revenue and capital budgets and commissioning framework. It informs where resources are most needed and targets investment to priority areas.

The PCC has in place a treasury management strategy (which includes a minimum revenue provision policy statement), which, together with the reserves strategy, revenue budget and capital programme are considered by the PCC in proposing and setting his level of precept.

Grants for financial support are administered independently, via a community foundation, with resources being allocated in line with the anticipated delivery against the objectives of the Police and Crime Plan.

The Force and PCC support a number of collaborative arrangements, in the East Midlands, cross-region and nationally, aimed at better delivering positive outcomes. A number of these relate to the national Strategic Policing Requirement. The PCC has a statutory responsibility to consider the national requirement and collaborative working enables him to respond in an efficient and cost effective manner. In 2017/18, the PCCs appointed a Regional Governance Team to continue to drive and develop collaboration forwards.

The East Midlands PCCs and CCs established an Efficiency Board, which will review each regional collaboration in terms of economy, efficiency and effectiveness and also to ensure that they meet the needs of local people and Commissioners.

**Recommendation 3** – Complete full performance framework for defined outcomes in the Police and Crime Plan. A workshop was undertaken in 2017/18 and work is in progress with the PCC to develop this further. This recommendation remains ongoing.

**Recommendation 4** – Consider review of regional collaboration appropriateness and optimisation. Internal Audit have done a lot of work to review the overall governance arrangements, which can be developed to see if the collaborations meet the identified needs and provide VFM. This has been completed. The Regional Governance Team will continue to drive and develop regional collaborations (with three or more forces included) moving forwards.

**Recommendation 5** – In conjunction with the PCC develop an annual financial timetable to aid the planning, delivery and transparency of financial decisions and forecasts/modelling. With the changes to staffing in the Force and PCC during the year, this recommendation remains ongoing and will be completed in 2018/19.

## **PRINCIPLE D: DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF INTENDED OUTCOMES**

In conjunction with the PCC, a Medium Term Financial Plan (MTFP) was prepared as part of an informed and detailed consultation process. The MTFP includes clear and robust assumptions and was considered by the JJAC in December 2017 and the Police and Crime Panel in January 2018. As part of the 2018/19 budget, the CC identified a number of priority areas for investment amounting to £1.25m. In March 2017/18 the CC presented business cases to the PCC to meet these priorities, all of which were approved.

New areas of business are considered at the Force Change Board (attended by representatives of the OPCC) and business cases support all proposals before consideration, advice by statutory officers and appropriate sign off.

Significant decisions are documented on a Decision Record and published on the OPCC website.

The 2016/17 Annual Governance Statement highlighted the lack of strategic planning in terms of the Estates Strategy. During 2017/18, the Chief Executive worked closely with the Force to identify and fully consult on the operational estate needed to deliver the new operational service delivery model (SDM). This strategy was published in April 2018.

Both the Force and the OPCC have been using Multi-Force Shared Services (MFSS) for the delivery of financial and human resource transactions. In December 2017, it was recognised that the upgrade programme and the quality and governance of the service needed to be addressed, costs had increased and the service was underperforming. The PCC and partners recognised this, have appointed an Interim Chief Executive and are taking tangible steps to address and improve both service delivery, accountability and transparency as this remains an area of concern.

The PCC recognises the requirement for effective infrastructure to be in place to support the operational delivery of his strategic objectives and has received an ICT Strategy from the Force which is anticipated will enable more effective and efficient operational outcomes.

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

**Recommendation 6** – Complete the operational needs driven Estates Strategy, which will then inform the development of the capital programme. This recommendation has been completed, the Estates Strategy has been published and an Internal Audit has been undertaken in this area.

## **PRINCIPLE E: DEVELOPING CAPACITY AND CAPABILITY**

The OPCC were subject to a number of vacancies during 2017/18 which included the roles of Chief (S151) and Deputy Chief Finance Officers. The S151 was covered by the Force S151 officer from April to when the newly appointed Chief Finance Officer commenced in November 2018. Similarly, the Head of Finance Force role was vacant, but a temporary resource supported the delivery in this important area, together with additional resource for MFSS arrangements. These areas were highlighted as capacity issues for the final accounts in 2015/16, however, additional temporary resources and

the CIPFA online tool to assist with the compilation of the Statement of Accounts mitigated this in 2016/17. Permanent appointments will mitigate this risk further.

Further key vacancies and maternity leave in the OPCC impacted on the capacity and resilience in the office but by May 2018, all but one of these roles had been recruited to, and additional temporary resource provided to support the transfer of Fire governance arrangements.

In March 2018, the Chief Constable announced his intention to retire in October 2018 and work is underway to recruit to this vital role which will lead the Force and take forward operational and performance development and improvements.

The development of HR policies and the performance appraisal process outlined earlier will continue to develop staff capacity and skills to deliver the Police and Crime Plan.

In January 2017, the PCC took the decision not to recommission the adult element of the previous Victims services (Victims Voice) but to instead create a wholly owned company limited by guarantee to deliver the service. The reasons for this decision included:

- A desire to have greater control over the service
- To increase the flexibility to respond to changing patterns of crime than are afforded by a traditional contract
- To provide a more sustainable, long term model for the service without the cyclical nature of contracts
- The ability over time to bring external funding in through developing commercial products and services

The new company started to deliver services in 2017/18.

## **PRINCIPLE F: MANAGING RISK AND MONITORING PERFORMANCE**

During 2017/18, the PCC and his office continued to demonstrate his commitment to transparency, sharing information and briefings with the Force, the Police and Crime Panel and the JIAC. The PCC meets regularly with the CC, the Chair and Vice Chair of the Panel and holds regular briefings for councillors and attends numerous engagement events.

Performance forms a significant part of the Accountability Board and a representative of the OPCC attends the regular Performance Implementation Group meetings to discuss performance at a more operational level and identify the issues and challenges. Whilst Northamptonshire has mirrored the national trend where crime levels have increased, the PCC has highlighted areas of Force performance which are a concern, such as call and response times, public confidence and satisfaction levels.

The PCC and CC have a joint risk management policy and manage and record risks in the same manner, through the same system. Risks are reviewed regularly and considered at JIAC meetings.

During 2017/18, Mazars continued as internal auditors for the Region. Regular review and planning meetings took place with Leicestershire and Nottinghamshire and wider Chief Finance Officer (CFO) and Finance Director (FD) meetings to update on progress and review and plan regional collaboration and local audits.

Mazars attended each JIAC meeting to routinely report and give assurance on the adequacy and effectiveness of internal control. In addition, they contribute to the JIAC forward plan and agenda setting to inform and highlight national and regional themes, considerations and practices.

**Recommendation 7** – Use the risk register, Delivery Plan, audit recommendations within internal planning processes. This has been completed and is now built into business as usual.

### **PRINCIPLE G: IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING AND ACCOUNTABILITY**

There are detailed delivery plans that support the achievement of the Police and Crime Plan objectives. Processes are in place to hold to account OPCC staff internally for delivery. There are nominated leads for all areas and performance is reported initially to the Chief Executive.

External governance is managed through a revised system of assurance that relies on appropriate attendance at meetings and forums by OPCC staff to fully understand activities and associated risks. There is a robust, formal Accountability meeting regularly between the PCC and CC and this is supported by regular informal meetings between them.

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

In 2017/18, Comparing Police and Crime Commissioners (CoPaCC, the independent organisation set up to monitor policing governance in England and Wales) awarded the Transparency Quality Mark to the Northamptonshire PCC for the way in which he provides public access to information about the PCC and OPCC.

### **REVIEW OF EFFECTIVENESS**

The OPCC and CC have a responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal control. The review of effectiveness is informed by the work of the JIAC and the senior managers within the OPCC and CC who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

The OPCC and CC continued to invest in an Internal Audit programme in 2017/18 which continued to give assurance under the arrangements for two corporation soles.

The 2017/18 Internal Audit Plan was discussed at the JIAC on the 6 March 2017 and was prepared following discussion and consideration of the Risk Register, Assurance requirements and informed by regional themes. These ensured specific audits on:

- Audit Committee Effectiveness
- Seized Property
- Victims Code of Practice
- Fleet Management
- Core Financial Systems
- Procurement Follow Up
- Data Quality
- Financial Planning
- Estates Management
- Counter-Fraud Review

Additionally, following scrutiny and concerns raised by the JIAC, an additional audit has been scheduled in 2018/19 into historic estates procurement arrangements.

The collaboration internal audit plan for 2017/18 was the final year using the consistent methodology for regional activities and the following areas were covered:

- EMCHRS Learning and Development
- EMSOU Forensic Services
- EMCHRS Occupational Health
- Criminal Justice (EMCJS)
- Proceeds of Crime Act

The Internal Audit Annual Report for 2017/18 has been produced and will be reported to and considered by the JIAC at their next meeting in July 2018.

The Internal Audit Opinion for the Chief Constable reflected:

*"Our overall opinion is that generally adequate and effective control and governance processes were in place to manage the achievement of the organisation's objectives."*

It was, however, noted that a weakness of Seized property requires addressing.

The report further advised *"through our delivery of the Internal Audit Plan, our review of the JIAC's effectiveness and attendance at JIAC meetings, we are satisfied that the governance framework for the Chief Constable for Northamptonshire and Northamptonshire Police has been effective for the year ended 31 March 2018."*

Locally, six audits received satisfactory assurances, whilst two (estates (OPCC) and seized property) received limited assurances and these will be revisited in 2018/19. Regionally, two audits received significant assurances and two satisfactory assurances.

There were four JIAC meetings held during the year, which were supplemented by workshops. At each meeting the JIAC review the future work plan. During the year, the JIAC completed an Audit Committee effectiveness self-assessment review, reviewed their terms of reference and produced an annual report. It is intended that an annual report will be produced for 2017/18.

In addition to standard items on the agenda covering Statement of Accounts, Risk Management, Internal and External Audit Plans and updates on recommendations, during the year, the JIAC received a number of updates or sought extra assurance on areas of specific risk or concern, such as:





1. the Estates strategy and the cost of the previous strategy
2. the Multi Force Shared Services (MFSS) upgrade, timescales and issues
3. the Capital Programme
4. Force and OPCC Budget Monitoring
5. the 2018/19 budget and the Medium Term Financial Plan
6. Treasury Management Strategies for 2017/18 and 2018/19
7. the Corporate Governance Framework
8. the change of external auditors in 2018/19, and
9. the PCC's Accountability Framework

The Chair and one member were offered and accepted a second term in their roles. The PCC and CC are recruiting for two new members in 2018 to ensure consistency and continuity as two existing members approach the end of their second term within the next 18 months. Looking forwards, the JIAC and the PCC will consider what arrangements are required for the Fire governance transfer.

## **HMICFRS PEEL INSPECTION**

As part of their annual inspections of police effectiveness, efficiency and legitimacy (PEEL), HMICFRS assessed how effective the force is at keeping people safe and reducing crime. This inspection assessed the force as follows:

Overall effectiveness 2017  Requires improvement

Question	Grade	Last inspected
Preventing crime and tackling anti-social behaviour	 Requires improvement	2017
Investigating crime and reducing re-offending	 Requires improvement	2017
Protecting vulnerable people	 Requires improvement	2017
Tackling serious and organised crime	 Requires improvement	2017
Specialist capabilities	Ungraded	2017

The following report sets out the findings for Northamptonshire Police in detail <https://www.justiceinspectrates.gov.uk/hmicfrs/publications/peel-police-effectiveness-2017-northamptonshire/>

The Chief Constable responded to the report as follows;

"I believe this report fairly reflects where we are as a force. We have made improvements, as highlighted by the HMIC Efficiency report published in November, but there is more to do.

Our job is to protect people from harm and we are committed to providing the best possible service to the people of Northamptonshire.

We have done a huge amount of work over the past year to understand the demands we face and work out the best way to deploy our resources to meet that demand. This work allowed us to design a new operating model and we are now implementing that model. The Police and Crime Commissioner has provided £2 million additional funding this year so we can implement it properly. This new model will help us to tackle many of the issues raised within today's report.

We are also in the process of recruiting and training more detectives to enable our CID department to work at full capacity, something that will benefit all investigations, and help us to support victims of domestic abuse.

We will continue to work closely with the Police and Crime Commissioner and other partners in order to make continued improvements, which I know people will begin to see over the coming months."

And the full response from the Police and Crime Commissioner, is published here <http://www.northantspcc.org.uk/5426-2/>

### **SIGNIFICANT GOVERNANCE ISSUES**

There were no formal reports issued by the S151 or Monitoring Officer during the year, outcomes of Monitoring Officer Investigations, objections from local electors or ombudsman referrals.

The Independent auditor's report to the members of Police and Crime Commissioner for Northamptonshire was received on the 29 September 2017.

The report highlighted that there was nothing to report in respect of their opinion on the financial statements and concluded that:

*"On the basis of our work, having regard to the guidance issued by the C&G in November 2016, we are satisfied that, in all significant respects, Chief Constable for Northamptonshire put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017."*

### **ACTIONS**

The 2015/16 CC AGS actions have either been completed or were built into the 2016/17 recommended actions which have been updated within this statement. Of these, nine have been completed and six remain ongoing for completion in 2018/19 as highlighted earlier within this statement. Furthermore, the following risks and actions have been identified for 2017/18:

1. To scrutinise and challenge the action plans and processes which are in place or required to deliver the improvements identified and required in the recent HMIC reports.
2. To ensure the Force has in place suitable financial monitoring arrangements and robust savings plans in place to meet the pressures identified and enable balanced budgets in 2018/19 and future years

### **CONCLUSION**

We propose over the coming year to take steps to address the above matters to progress the actions and further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.

Paul Dawkins

Simon Edens

Assistant Chief Officer (Finance & Resources)

Northamptonshire Chief Constable

Date:

Date:

## Statement of Responsibilities for the Statement of Accounts

### **The PCC's Responsibilities**

The PCC is responsible for holding the Chief Constable to account to ensure financial management of the Police service is adequate and effective and that a sound system of internal control is in place including arrangements for risk management. The OPCC must make arrangements for the proper administration of its financial affairs and to ensure that one of its officers, namely the CFO, has the responsibility for that administration.

The PCC also has a specific responsibility to sign the Statement of Accounts following review by the Joint Independent Audit Committee meetings.

### **The CFO's Responsibilities**

The CFO to the PCC is responsible for the preparation of the CC's Accounts in line with statutory best practice set out in the CIPFA/LASAAC Code of Practice on Local OPCC Accounting in Great Britain ("The Code") and the Accounts and Audit Regulations 2003.

The accounts are required to present fairly the financial position of the CC at the accounting date and its income and expenditure for the year ended 31 March 2018.

In preparing this Statement of Accounts, the Assistant Chief Officer (Finance & Resources):

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
- Kept proper accounting records which are up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **The Role of the Chief Constable**

The Chief Constable, assisted and advised by his Chief Finance Officer, is responsible for day-to-day financial management of the Force and for ensuring that the Force stays within its approved revenue and capital budgets, in accordance with the financial framework agreed by the Police and Crime Commissioner.

Northamptonshire Police Financial Services staff under the supervision of, and with the assistance of the PCC's Office, carries out the preparation of the accounts and liaises with the external auditors, KPMG LLP, during the audit process.

### **Assistant Chief Officer (Finance & Resources) (OPCC and CC) Certificate**

I certify that the Statement of Accounts presents a true and fair view of the financial position of the OPCC and Northamptonshire Police Force as at 31 March 2018 and the income and expenditure for the year ended 31 March 2018.

Paul Dawkins

Simon Edens

Assistant Chief Officer (Finance & Resources)

Northamptonshire Chief Constable

Date:

Date:



## CC - Expenditure and Funding Analysis

Net Expenditure Chargeable to the General Fund	2016/17		Net Expenditure in the Comprehensive Income and Expenditure Statement	2017/18		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments	£000		Adjustments	£000	
£000	£000	£000	£000	£000	£000	£000
50,681			50,681 Police Pay	51,512	646	52,158
3,124			3,124 PCSO Pay	3,023		3,023
11,093	(7,540)		3,553 Police Pensions	11,494		11,494
18,214	(524)		17,690 Operations	19,160		19,160
740			740 Specials, Cadets & Volunteers	591		591
18,800	115		18,915 Business Support & Other Non Devolved Exp	19,264	89	19,353
7,907			7,907 Collaboration & Regional	8,099		8,099
<b>110,559</b>	<b>(7,949)</b>		<b>102,610 Net Cost of Services</b>	<b>113,143</b>	<b>735</b>	<b>113,878</b>
(109,990)			(109,990) CC Intra Company Adjustment	(114,049)	(240)	(114,289)
(569)			(569) PCC Intra Company Adjustment			
			CC Surplus Transfer Financial Statements	(240)	240	
	39,683		39,683 Other Income and Expenditure	1,146	34,666	35,812
	16,364		16,364 Exceptional Item*			
<b>0</b>	<b>48,098</b>		<b>48,098 Surplus or Deficit on Provision of Services</b>	<b>0</b>	<b>35,401</b>	<b>35,401</b>
<b>0</b>			<b>Closing Combined General Fund Balance</b>	<b>0</b>		

\* The Exceptional Item relates entirely to the transfer of assets through absorption from the CC to PCC

## CC - Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the CC, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (surplus)/deficit on the Provision of Services line shows the true economic cost of providing the CC's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase/ Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken.

	General Fund Balance	Earmarked General Fund Reserves	Total Usable Reserves	Unusable Reserves	Unusable Reserves
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2017</b>	0	0	0	1,311,901	1,311,901
<b>Movement in reserves during 2017/18</b>					
Surplus or deficit on the provision of services	35,401		35,401		35,401
Other Comprehensive Income / Expenditure			0	(4,403)	(4,403)
<b>Total Comprehensive Income and Expenditure</b>	<b>35,401</b>	<b>0</b>	<b>35,401</b>	<b>(4,403)</b>	<b>30,998</b>
Adjustments between accounting basis and funding basis under regulations	(35,401)		(35,401)	35,401	0
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>0</b>		<b>0</b>	<b>30,998</b>	<b>30,998</b>
Transfers to / from Earmarked Reserves	0	0	0	0	0
<b>Increase or Decrease in 2017/18</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,998</b>	<b>30,998</b>
<b>Balance at 31 March 2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,342,899</b>	<b>1,342,899</b>

	General Fund Balance	Earmarked General Fund Reserves	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2016</b>	0	0	0	1,053,837	1,053,837
<b>Movement in reserves during 2016/17</b>					
Surplus or deficit on the provision of services	48,098		48,098		48,098
Other Comprehensive Income / Expenditure				209,966	209,966
<b>Total Comprehensive Income and Expenditure</b>	<b>48,098</b>	<b>0</b>	<b>48,098</b>	<b>209,966</b>	<b>258,064</b>
Adjustments between accounting basis and funding basis under regulations	(48,098)		(48,098)	48,098	0
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>258,064</b>	<b>258,064</b>
Transfers to / from Earmarked Reserves	0	0	0	0	0
<b>Increase or Decrease in 2016/17</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>258,064</b>	<b>258,064</b>
<b>Balance at 31 March 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,311,901</b>	<b>1,311,901</b>

## CC - Comprehensive Income and Expenditure Statement

This account summarises the resources that have been generated and consumed in providing services and managing the CC's resources during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Under the new Police Service Expenditure Analysis (SeRCOP) methodology this account allocates and apports expenditure and income over 10 service divisions.

2016/17			2017/18		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
52,262	(761)	51,501	53,125	(1,004)	52,121
3,377	(252)	3,125	3,252	(229)	3,023
19,791	(17,059)	2,732	22,071	(16,276)	5,795
10,950	(1,347)	9,603	11,542	(1,274)	10,268
12,082	(4,155)	7,927	11,591	(3,241)	8,350
742	(2)	740	564	(1)	563
17,798	(553)	17,245	19,589	(988)	18,601
1,865	(46)	1,819	6,529	(264)	6,265
10,635	(2,727)	7,908	9,600	(1,488)	8,112
985		985	780	0	780
<b>130,487</b>	<b>(26,902)</b>	<b>103,585</b>	<b>138,643</b>	<b>(24,765)</b>	<b>113,878</b>
	(109,990)	(109,990)		(114,289)	(114,289)
919		919	1,191	(78)	1,113
37,240	(20)	37,220	34,728	(29)	34,699
16,364		16,364			
<b>185,010</b>	<b>(136,912)</b>	<b>48,098</b>	<b>174,562</b>	<b>(139,161)</b>	<b>35,401</b>
		<b>48,098 (Surplus) or Deficit on Provision of Services</b>			
		209,966			(4,403)
		209,966			(4,403)
		<b>209,966 Other Comprehensive Income and Expenditure</b>			<b>(4,403)</b>
		<b>258,064</b>			<b>30,998</b>
		<b>Total Comprehensive Income and Expenditure</b>			<b>30,998</b>

\* The Exceptional Item relates entirely to the transfer of assets through absorption from the CC to PCC

## CC - Balance Sheet

This account shows the overall financial position of the Chief Constable's resources as at 31 March 2018. Therefore it differs from the other financial accounts shown in this statement in that it deals with the position of the CC's resources at the end of the 2017/18 financial year, instead of dealing with day-to-day transactions within that financial year.

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
(2,032)	Short-Term Creditors	(2,753)
<b>(2,032)</b>	<b>Current Liabilities</b>	<b>(2,753)</b>
(1,309,869)	Other Long-Term Liabilities	(1,340,146)
<b>(1,309,869)</b>	<b>Long Term Liabilities</b>	<b>(1,340,146)</b>
<b>(1,311,901)</b>	<b>Net Assets</b>	<b>(1,342,899)</b>
	Usable Reserves	
1,311,901	Unusable Reserves	1,342,899
<b>1,311,901</b>	<b>Total Reserves</b>	<b>1,342,899</b>

## CC - Cash Flow Statement

This statement shows a summary of the cash flowing in and out of the Chief Constable arising from transactions with third parties for revenue and capital purposes. Cash is defined for this statement as cash in hand and deposits repayable on demand.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
48,098	Net (surplus) or deficit on the provision of services	35,401
(48,098)	Adjustment to surplus or deficit on the provision of services for noncash movements	(35,401)
<b>0</b>	<b>Net cash flows from operating activities</b>	<b>0</b>
<b>0</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>0</b>
<b>0</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(0)</b>

## Note 1 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set the CC has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Influences on going concern status, such as future levels of funding for police from central government departments
- Possible impairment of investments
- Whether other entities with which the CC has a relationship are subsidiaries, associates or jointly controlled entities
- The potential outcome of legal claims by or against the CC
- The condition of the local and national housing/industrial building market
- The economic standing of significant debtors and creditors

## Note 2 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the CC about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the CC's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied.	The assumptions interact in complex ways. During 2017/18, the Authority's actuaries advised that the net pension's liability had increased by £0.79m as a result of estimates being corrected. If laws and regulations surrounding the management of the Police Pension scheme were to change, the maximum additional liability the Force could face would be £1,341.5m, being the total pension liability.

### Note 3 - Events After the Balance Sheet Date

Events taking place after the draft Statement of Accounts were provided to our external auditors on 30 June 2018, are not reflected within the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### Note 4 - Officers' Remuneration

#### Employee Remuneration

In accordance with the Code of Practice and LAAP Bulletin 85 from April 2010, the number of employees whose remuneration was paid in year, excluding pension contributions, exceeded £50,000 or more in the year, were as follows:

2016/17		2017/18	2017/18	2017/18
Total	Earnings Band	Officers	Police Staff	Total Employees
37	50,000 to 54,999	44	6	50
8	55,000 to 59,999	14	4	18
6	60,000 to 64,999	1	1	2
4	65,000 to 69,999	5	1	6
3	70,000 to 74,999	2	2	4
1	75,000 to 79,999	1		1
1	80,000 to 84,999	2		2
	85,000 to 89,999	1	1	2
1	95,000 to 99,999			
	110,000 to 114,999	1		1
1	115,000 to 119,999			
1	150,000 to 154,999	1		1
<b>63</b>		<b>72</b>	<b>15</b>	<b>87</b>

The disclosure above includes senior officers and requires the outlining of total taxable pay, including personal Additional Voluntary Contributions, whereas the Senior Officers table overleaf outlines the entire remunerations by post. Therefore, the two tables are not completely comparable which will result in differing bandings if the two are compared.

Senior Officers of the organisation whose remunerations, excluding pension contributions, exceeded £50,000 requiring disclosure by post or name were:

#### 2017/18

Post Holder Information	Start Date	Leaving date	Salary	Expense Allowances(1)	Other(2)	Total Excluding Pension	Employers Contribution	Total Including Pension
			£	£	£	£	£	£
Simon Edens - Chief Constable	27/07/2015		152,352	955		153,307		153,307
Deputy Chief Constable 1	19/03/2015	01/06/2017	22,591	47	890	23,528	4,608	28,136
Deputy Chief Constable 2	15/05/2017		95,100	533	2,657	98,290	23,200	121,490
Assistant Chief constable 1	31/07/2015	14/05/2017	17,090	137	531	17,758	8,472	26,230
Assistant Chief constable 2	15/05/2017		85,647	190	5,820	91,657	20,892	112,549
ACO Finance and Resources*	14/01/2016							
Director of HR Tri Force Collaboration	14/01/2016		89,498	7,877	2,941	100,316	16,110	116,426

(1) Expenses Allowances include taxable and non-taxable expenses

(2) Other include Rent Allowance, Housing Allowance, Car Allowance, ACPO Med Allowance

\* The ACO Finance and Resources post is shared between Northamptonshire (24.63%), Leicestershire (35.53%) and Nottinghamshire (39.84%). From 1<sup>st</sup> April 2018 this post will be shared between Northamptonshire (50%) and Leicestershire (50%). As the individual is employed by Leicestershire, the total salary costs associated with this post is not included within the table above.

**Note:** In 2016/17 Employers Pension Contribution was not disclosed.

#### 2016/17

Post Holder Information	Start Date	Leaving date	Salary	Expense Allowances	Other	Total Excluding Pension
			£	£	£	£
Simon Edens - Chief Constable	27/07/2015		151,472	357		151,829
Deputy Chief Constable 1	19/03/2015		113,769	50	8,877	122,696
Assistant Chief constable	31/07/2015		97,161	249	3,188	100,598
ACO Finance and Resources*	14/01/2016					
Director of HR Tri Force Collaboration*	14/01/2016					

\* The ACO Finance and Resources and Director of HR Tri Force Collaboration posts are shared between Northamptonshire (24.63%), Leicestershire (35.53%) and Nottinghamshire (39.84%). As both individuals are employed by Leicestershire, the total salary costs associated with these posts are not included within the table above.

## Note 5A - Note to the Expenditure and Funding Analysis

2017/18	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Police Pay			646	646
Business Support Exp		14	75	89
<b>Net Cost of Services</b>	<b>0</b>	<b>14</b>	<b>721</b>	<b>735</b>
Other Income and Expenditure		34,666		34,666
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>0</b>	<b>34,680</b>	<b>721</b>	<b>35,401</b>

2016/17	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Police Pensions		(8,360)	820	(7,540)
Business Support Exp		1,563	(412)	1,151
<b>Net Cost of Services</b>	<b>0</b>	<b>(6,797)</b>	<b>408</b>	<b>(6,389)</b>
Exceptional Item*	16,364	38,123		54,487
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>16,364</b>	<b>31,326</b>	<b>408</b>	<b>48,098</b>



## Note 5B - Segmental Analysis of Income and Expenditure

<b>2017/18</b>	<b>Revenues from External Customers</b>	<b>Interest Revenue</b>	<b>Interest Expense</b>	<b>Depreciation and Amortisation</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Police Pay				
PCSO Pay				
Police Pensions	(16,276)			
Operations	(422)			
Specials, Cadets & Volunteers				
Business Support & Other Non Devolved Exp	(7,731)	(29)	63	
Collaboration & Regional	(802)			
<b>Total</b>	<b>(25,231)</b>	<b>(29)</b>	<b>63</b>	<b>0</b>

<b>2016/17</b>	<b>Revenues from External Customers</b>	<b>Interest Revenue</b>	<b>Interest Expense</b>	<b>Depreciation and Amortisation</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Police Pay	(761)			
PCSO Pay	(252)			
Police Pensions	(17,059)			
Operations	(5,780)			
Specials, Cadets & Volunteers	(2)			
Business Support & Other Non Devolved Exp	(698)	63	63	
Collaboration & Regional	(8,742)			
<b>Total</b>	<b>(33,294)</b>	<b>63</b>	<b>63</b>	<b>0</b>

## Note 5C - Expenditure and Income Analysed by Nature

<b>2016/17</b>	<b>2017/18</b>
<b>£000 Nature of Expenditure or Income</b>	<b>£000</b>
(3,909) Fees, charges and other service income	(3,696)
(20) Interest and investment income	(29)
(17,339) Government grants and contributions	0
(6,030) Other income	(21,752)
141,698 Employee pay and pension benefits (IAS19)	148,673
26,327 Other service expenses	25,241
63 Interest payments	63
919 Precepts and levies	1,190
16,364 Gain or loss on disposal of non-current assets	0
(109,990) Intra Company Adjustment	(114,289)
15 Other expenditure	0
<b>48,098 Surplus or (Deficit) for Year</b>	<b>35,401</b>

## Note 6 - Other Operating Expenditure

Other Operating Expenditure includes levies for 2017/18. Transfer of Assets to OPCC relates to 2016/17.

2016/17		2017/18
£000		£000
919	Levies	1,191
	Other	(78)
<b>919</b>	<b>Total Other Operating Expenditure</b>	<b>1,113</b>

## Note 7 - Financing and Investment Income and Expenditure

The CIES includes financing and investment income and expenditure including interest payable and similar charges: pension's interest costs and expected return on pension assets, interest income, income, expenditure, changes in the fair values of investment properties, and other income.

2016/17		2017/18
£000		£000
63	Interest payable and similar charges	63
37,177	Net interest on the net defined benefit (liability) asset	34,665
(20)	Interest receivable and similar income	(29)
<b>37,220</b>	<b>Total</b>	<b>34,699</b>

## Note 8 - Trading Operations

The Police Force does not have any trading operations. All commercial activities have been outsourced.

## Note 9 - Related Parties

IPSAS 20 Related Party Disclosures, based on IAS 24, requires the Police Force to disclose material transactions and outstanding balances with related parties – bodies or individual's that have the potential to control or influence the Police Force or to be controlled or influenced by the Police Force.

Central Government has effective control over the general operations of the Police Force. It is responsible for providing the statutory framework within which the Police Force operates, and provides the majority of funding in the form of general or specific grants. Details of government grants are set out in note 11 to the Core Financial Statements.

Chief Officers are required, at the end of each year, to declare whether they, or any member of their immediate family, have had any related party transactions (i.e. significant financial dealings) with the Police Force during the financial year. The Police Service maintain a register of business interests, and has a Business Interest Policy which sets out the criteria for deciding whether the Business Interest is compatible with the individuals role within the organisation. These were all reviewed and no significant transactions were found.

The disclosure requirements of key personnel under IAS 24 are satisfied by the disclosure requirements for officer remuneration and members' allowances.

Companies and Joint Arrangement – The Police Force has a significant interest in joint arrangement, (EMASU, EMSOU, EMTSU, Major Crime Regional, EMSCU, EMOpSS, Regional Learning & Development, EM Forensics, Regional Occupational Health & Regional Legal arrangement).

### Note 10 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the CC in the year, in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the CC, to meet future capital and revenue expenditure.

<b>2017/2018</b>	<b>General Fund Balance</b>	<b>Movement in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
- Pension cost (transferred to (or from) the Pensions Reserve)	(34,680)	34,680
- Holiday pay (transferred to the Accumulated Absences reserve)	(721)	721
<b>Total Adjustments to Revenue Resources</b>	<b>(35,401)</b>	<b>35,401</b>
<b>Total Adjustments</b>	<b>(35,401)</b>	<b>35,401</b>

<b>2016/2017</b>	<b>General Fund Balance</b>	<b>Movement in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:		
- Pension cost (transferred to (or from) the Pensions Reserve)	(31,326)	31,326
- Holiday pay (transferred to the Accumulated Absences reserve)	(408)	408
<b>Total Adjustments to Revenue Resources</b>	<b>(31,734)</b>	<b>31,734</b>
<b>Total Adjustments</b>	<b>(31,734)</b>	<b>31,734</b>

## Note 11 - External Audit Costs

During the year the group incurred direct KPMG external audit fees for the Audit of the Accounts, all audit fees within 2017/18 are recorded within the PCC and Group, in alignment with the management accounts.

2016/17 £000		2017/18 £000
15	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	15
	Fees payable in respect of other services provided by external auditors during the year	
<b>15</b>	<b>Total</b>	<b>15</b>

## Note 12 - Grant Income

The CC credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18.

### Credited to Services

31 March 2017 £000		31 March 2018 £000
12	Loan Charges Grant	
(17,059)	Pension Top Up Grant	(16,276)
(28)	Department of Health	
(264)	Proceeds of Crime	(121)
<b>(17,339)</b>	<b>Total</b>	<b>(16,397)</b>

## Note 13 - Unusable Reserves

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
1,309,869	Pension Reserve	1,340,146
2,032	Accumulated Absences Account	2,753
<b>1,311,901</b>	<b>Total</b>	<b>1,342,899</b>

### Pension Reserve

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
1,068,577	Balance 1 April	1,309,869
209,966	Remeasurements of the net defined benefit (liability)/asset	(4,401)
60,847	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	66,688
(29,521)	Employer's pensions contributions and direct payments to pensioners payable in the year	(32,010)
<b>1,309,869</b>	<b>Balance 31 March</b>	<b>1,340,146</b>

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The CC accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the CC makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve, therefore, shows a substantial shortfall in the benefits earned by past and current employees and the resources the CC has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

## Accumulated Absences Account

31 March 2017		31 March 2018	
	£000		£000
	1,624	<b>Balance 1 April</b>	2,032
	(1,624)	Settlement or cancellation of accrual made at the end of the preceding year	(2,032)
	2,032	Amounts accrued at the end of the current year	2,753
	408	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements *	721
	<b>2,032</b>	<b>Balance 31 March</b>	<b>2,753</b>

\* In 2016/17 the amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement was not disclosed on this note, however was quoted within note 10.

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

## Note 14 - Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

31 March 2017		31 March 2018	
	£000		£000
	(20)	Interest received	(29)
	63	Interest paid	63
	<b>43</b>	<b>Total</b>	<b>34</b>

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

31 March 2017		31 March 2018	
	£000		£000
		(Increase)/decrease in impairment for bad debts	
	(408)	(Increase)/decrease in creditors	(723)
	(31,326)	Movement in pension liability	(34,678)
	(16,364)	Other non-cash movements charged to the surplus or deficit on provision of services	
	<b>(48,098)</b>	<b>Total</b>	<b>(35,401)</b>

## Note 15 - Termination Benefits

The CC has taken account of termination benefits in accordance of IAS 19. The termination benefits are dealt with separately from other employee benefits because the event which gives rise to an obligation is the termination rather than employee service.

The CC would have incurred costs if the termination was either a decision to terminate an employee's employment prior to their retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

The CC terminated the contracts of a number of employees in 2017/18.

Exit Package Cost Band (including Special Payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total cost of Exit Packages in each Band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £000	2017/18 £000
£0 - £20,000	6	6	1		7	6	58	31
£20,001 - £40,000	1				1		29	
<b>Total</b>	<b>7</b>	<b>6</b>	<b>1</b>	<b>0</b>	<b>8</b>	<b>6</b>	<b>87</b>	<b>31</b>



## Note 16 - Creditors

These amounts represent sums owed by the Chief Constable to various sources, together with receipts in advance.

<b>31 March 2017</b>		<b>31 March 2018</b>
<b>£000</b>		<b>£000</b>
(2,032)	Other Entities and Individuals	(2,753)
<b>(2,032)</b>	<b>Total Creditors</b>	<b>(2,753)</b>

## Note 17 - Pension Schemes Accounted for as Defined Contribution Schemes

### Pensions

#### a) Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the CC offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the CC has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Group participates in pension schemes for both Police Staff and Police Officers, as follows:

- The Local Government Pension Scheme for police staff; this is administered by Northamptonshire County Council. This is a funded scheme, meaning that the CC employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The Actuary to the fund is Hymans Robertson LLP. These schemes are all pooled under one LGPS pension group.
- The Police Pension Scheme for police officers, which includes four pension schemes; the Police Pension Scheme (PPS), the New Police Pension Scheme (NPPS) and Police Pension Scheme 2015 (PPS). Both schemes are unfunded and administered by Kier on behalf of the CC, meaning that there are no investment assets built-up to meet the pension's liabilities, and cash has to be generated to meet actual pension's payments as they eventually fall due. Both are defined benefit schemes (lump sum payments and periodic pension). New funding arrangements commenced on 1 April 2006 that required a police pension fund account to be created. This account is credited with employer contributions, and any shortfall over retirements benefits paid is met by a contribution by the CC. However, the CC's contribution is met by Home Office Pensions Top Up Grant. If there is a surplus it is paid to the CC in the first instance before being recouped by the Home Office. The level of pension contribution rates are set nationally by the Home Office, following a review by the Government Actuary's Department (GAD).

#### (b) Transactions Relating to Retirement Benefits

Under IAS 19 the cost of retirement benefits is recognised in the Income and Expenditure Account when employees earn them, rather than when the benefits are actually paid as pensions. However, the charge that is required to be made against the precept is based on the cash payable in the year, by reversing the real cost of retirement benefits out of the Statement of Movement in the General Fund Balance.

#### Pensions liabilities and future considerations

The current service costs contained in the table, below, are within the following values contained within the Comprehensive Income and Expenditure Statement, forming part of note 15, the reconciliation to the subjective analysis

- Local Government Pension Scheme, within Police Staff Pay and Allowances.
- Police Pension Scheme, within Police Officer Pay and Allowances

	<u>Local Government Pension Scheme</u>		<u>Police Pension Scheme</u>		<u>TOTAL</u>	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
<u>Comprehensive Income and Expenditure</u>	£000	£000	£000	£000	£000	£000
<b>Net Cost of Services</b>						
Current service cost	(5,150)	(8,900)	(23,260)	(22,340)	(28,410)	(31,240)
Unfunded Benefits	(5)	(3)			(5)	(3)
Past service cost			(980)	(780)	(980)	(780)
<b>Net Operating Expenditure</b>						
Interest Costs**	(6,358)	(5,674)	(35,090)	(32,670)	(41,448)	(38,344)
Expected return on employers assets**	4,265	3,676	0	0	4,265	3,676
<b>Net Charge to the Income and Expenditure Account</b>	<b>(7,248)</b>	<b>(10,901)</b>	<b>(59,330)</b>	<b>(55,790)</b>	<b>(66,578)</b>	<b>(66,691)</b>
<b><u>Movement In Reserves</u></b>						
Movement on Pensions Reserve	(10,870)	(17,849)	53,600	55,790	42,730	37,941
(Reversal of net charges made for retirement benefits in accordance with IAS 19)						
<b><u>Actual amount charged against Council Tax (General Fund Balance) for pensions</u></b>						
Employers contributions to the Scheme	3,626	3,947	10,980	10,828	14,606	14,775
Additional contributions to the Police Pensions Fund Account			15,349			

\*\* The net of interest costs and return on assets reconciles to the amount included within financing and investment income and expenditure on the face of the CIES

In addition to the recognised gains and losses included in the CIES, actuarial gain of £4.401m (loss of £209.97m in 2016/17) were included within other Comprehensive Income & Expenditure.

The estimated 2018/19 pension scheme contributions for the Police Pension Scheme are £10.8m and £4.0m for the Local Government Pension Scheme.

In accordance with the Code of Practice and the Police Service Expenditure Analysis the items within the table above are credited / debited to the CIES in the following ways:

Current Service Costs & Employers contributions to the scheme and additional contributions to the Police Pensions Fund Account are all apportioned across the Local Policing to National Policing headings by officer numbers;

Past Service Costs are wholly included within the heading Non-Distributed Costs; Interest Costs and Expected Return on Employers Assets are included within Financing & Investment Income & Expenditure.

## Defined Benefit Pension Schemes

Assets and Liabilities in relation to Retirement Benefits

### Reconciliation of the Present Value of the Schemes Liabilities

	Funded Liabilities Local Govt. Scheme		Unfunded Liabilities Police Pension Scheme	
	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000
<b>Opening Defined Benefit Obligation 1 April</b>	<b>(179,104)</b>	<b>(215,070)</b>	<b>(1,009,510)</b>	<b>(1,235,400)</b>
Current Service Cost (Grossed up for employee contributions)	(5,150)	(8,900)	(17,530)	(22,340)
Interest Cost	(6,358)	(5,674)	(35,700)	(32,670)
Contributions by Scheme Participants	(1,383)	(1,398)	(5,730)	(5,470)
Actuarial Gains/( Losses)	(25,452)	5,207	(198,180)	(100)
Past Service (Costs)/ Gains	(1,206)	0	(370)	(780)
(Loses)/ Gains on Curtailments	(5)	0	0	0
Transfer in	0	0	(200)	(160)
Estimated Unfunded Benefits Paid	5	3	0	0
Estimated Benefits Paid	3,583	3,602	31,820	33,690
<b>Closing Defined Benefit Obligation 31st March</b>	<b>(215,070)</b>	<b>(222,230)</b>	<b>(1,235,400)</b>	<b>(1,263,230)</b>

### Reconciliation of the Fair Value of the Schemes Assets

Pension Asset – Local Government Pension Scheme Only

	31 March 2017 £000	31 March 2018 £000
<b>Pensions Asset 1 April</b>	<b>120,039</b>	<b>140,601</b>
Expected Return on Assets	4,265	3,676
Contributions by Members	1,383	1,398
Gains & (Losses) Effect of Settlement	1,205	0
Employers Contributions (Inc Injuries) - excluding Top-Up Grant	3,626	3,947
Pension Fund Asset Split (Group to Single Entity)	0	0
Contributions in Respect of Unfunded Benefits	5	3
Actuarial Gains/(Losses)	13,666	(706)
Estimated Unfunded Benefits paid	(5)	(3)
Estimated Benefits Paid	(3,583)	(3,602)
<b>Fair Value of Pensions Asset 31 March</b>	<b>140,601</b>	<b>145,314</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The estimated return on scheme assets in the year was £3.676m (£4.326m in 2016/17).

### Force Scheme History

	2013/14 £'m	2014/15 £'m	2015/16 £'m	2016/17 £'m	2017/18 £'m
<b>Present Value of Liabilities</b>					
Local Government Pension Scheme	(149.169)	(193.285)	(180.310)	(215.070)	(222.230)
Police Pension Scheme	(967.070)	(1,115.490)	(1,009.510)	(1,235.400)	(1,263.230)
	(1,116.239)	(1,308.775)	(1,189.820)	(1,450.470)	(1,485.460)
<b>Fair Value of Assets LGPS</b>					
	99.700	117.720	121.240	140.600	145.314
<b>Surplus/ (Deficit) in the Scheme</b>					
Local Government Pension Scheme	(49.470)	(75.570)	(59.070)	(74.470)	(76.916)
Police Pension Scheme	(967.070)	(1,115.490)	(1,009.510)	(1,235.400)	(1,263.230)
<b>Total</b>	<b>(1,016.54)</b>	<b>(1,191.06)</b>	<b>(1,068.58)</b>	<b>(1,309.87)</b>	<b>(1,340.15)</b>

The OPCC's total Group pension liability of £1,341.513m, reconciles to the Unusable Reserves within the Balance Sheet of £1,297.911m, by adding back the figures within the Movement in Reserves Statement of the Capital Adjustment Account, the Collection Fund Adjustment Account, the Revaluation Reserve, to the Unusable Reserves total and then subtracting the Employee Benefit Reserve (Note 17)

The OPCC did not elect to restate fair value of scheme assets for 2005/06 as permitted by IAS 19.

The liabilities show the underlying commitments that the OPCC has in the long run to pay retirement benefits. The total liability has a substantial impact on the net worth of the OPCC as recorded in the balance sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of the OPCC remains healthy.

- Local Government Pension Scheme (LGPS) The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- Police Pension Schemes Finance is only required to be raised to cover police pensions when the pensions are actually paid. Any deficit on the Pensions Fund Account for the year is funded by the OPCC with Home Office Top-Up Grant payable to cover the OPCC's Contribution

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Police Pension Scheme liabilities are assessed by the Government Actuary's Department (GAD) and the Local Government Pension Scheme by Hymans Robertson LLP, an independent firm of actuaries. The main assumptions used in their calculations have been:

	Local Govt. Pension Scheme		Police Pension Scheme	
	2016/17	2017/18	2016/17	2017/18
<b>Expected Return on Assets</b>				
Investments	8.6	17.3	n/a	n/a
<b>Mortality Assumptions</b>				
Longevity at 65 for current pensioners	<b>yrs</b>	<b>yrs</b>	<b>yrs</b>	<b>yrs</b>
Men	22.1	23.9	23.2	22.6
Women	24.2	26.1	25.2	24.2
Longevity at 65 for future pensioners				
Men	23.9	23.9	25.2	24.5
Women	26.1	26.1	27.3	26.1
<b>Financial Assumptions</b>				
Rate of Inflation	2.4	2.4	2.4	2.3
Rate of Increase in Salaries	2.7	2.7	4.3	4.3
Expected Return on Assets	23.3	0.8	n/a	n/a
Rate for Discounting Scheme Liabilities (Gross)	2.7	2.7	2.6	2.7
Take up Option to Convert annual Pension into retirement Lump Sum	50	50	n/a	n/a

### Assumptions are the same for both CC & Group

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries, we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this will reduce the value of the CC's pension liabilities and this has been included within Non-Distributed Costs on the face of the Income and Expenditure Account.

The Police Pension Scheme has no assets to cover its liabilities. Assets in the Local Government Pension Fund are valued at fair value, principally market value for investment, and consist of the following categories by proportion of the total assets held by the Fund:

31 March 2017	Description	31 March 2018
%		%
83	Equity Investments	82
8	Bonds	7
7	Property	8
2	Cash and Liquidity	3
<b>100</b>	<b>Total</b>	<b>100</b>

## Note 18 - Defined Benefit Pension Scheme

### **POLICE PENSION FUND ACCOUNT**

This statement shows movements of funds related to police officer pensions. The Group and CC is required to operate a Police Officer Pension Fund from 1 April 2006, under the Police Pension Fund Regulations 2008. The regulations specify the transactions that are paid into and out of the fund.

The Pensions Fund combines the accounting transaction of four pension schemes. These are the Police Pensions Scheme which was set up in 1987, 2006 Police Pensions Scheme, which was created under the Police Pension Regulations 2006, which applies to new recruits from 1 April 2006 and the 2015 Police Pension Scheme, which was created on 1 April 2015 and involved transfers in from the 1987 and 2006 schemes, based on length of service. The fourth scheme is the injury award scheme.

The Police Officer Pension Schemes are unfunded, which means there are no investment assets. Under these arrangements the Pension Fund Revenue Account balances to nil at the year-end by receiving a grant directly from the Home Office under the Top Up Grant arrangements. There are certain exceptions to these arrangements such as injury awards, which will continue to be charged directly to the CC's and Groups Income and Expenditure Account.

	<b>2016/17</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
<b>Contributions Receivable</b>		
From Employer		
Normal	(8,997)	(9,210)
Early Retirements	(1,225)	(1,253)
From members	(5,691)	(5,621)
<b>Transfers in</b>		
Individual Transfers in from other schemes	(199)	(204)
<b>Benefits Payable</b>		
Pensions	24,402	25,665
Commutations and lump sum retirement benefits	6,526	6,909
Lump Sum death benefits	0	
Other	126	(10)
<b>Payments to and on account of leavers</b>		
Refunds of Contributions	51	0
Individual transfers out to other schemes	0	0
Account to meet deficit/ amount payable to the local policing body/Police Operating Account in respect of the surplus for the year	0	0
Other		
<b>Sub-total for the year before transfer from the CC of an amount equal to the deficit</b>	<b>14,993</b>	<b>16,276</b>
Additional funding payable by the CC to fund the deficit for the year	1,225	1,253
Payments in respect of the Milne vs GAD court case	(56)	0
Income in respect of the Milne vs GAD court case	56	0
<b>Net amount payable/ receivable for the year</b>	<b>1,225</b>	<b>1,253</b>

Details of the long-term pension obligation can be found within Notes 15 and 16.

There is an adjustment of 2.9% to the cashflow due to a reduction in the employer contribution rate for police pension schemes in 2017/18 being reflected in a reduction in HMT pensions top up funding.

## **Net Asset Statement**

There were no unpaid pensions due or recoverable overpayments of pensions as at 31 March 2018.

## **Notes to the Police Pension Fund Account**

### A. Employer and Officer Contributions to the Pension Fund

These are based on percentages of pensionable pay set nationally by the Home Office and subject to a three yearly review by the Government's Actuary's Department. The current percentages of pensionable pay are: -

Employer Contributions 24.2%

Contributions by Police Officers

	<b>1987</b>	<b>2006</b>	<b>2015</b>
Tier 1	14.25%	11.00%	12.44%
Tier 2	14.25%	12.05%	13.44%
Tier 3	15.05%	12.75%	13.78%

### B. Transfer Values

These are received or paid in respect of officers changing employer and taking or bringing their accrued pension benefits with them.

### C. Pensions Fund Liabilities

The Pension Fund does not take account of liabilities to pay pensions and other benefits after the period end. There are no IAS19 adjustments in this statement, they are part of the Group and CC Core Financial Statements and can be referred to in Group notes 39 to 40.

### D. Accounting Policies

Accounting Policies conform to those in the Group Statement of Accounts (Note 42).

### E. Home Office Pensions Top-Up Grant

The Home Office Grant is received by the Group and CC to cover the Group and CC's deficit contribution to the Pension Fund Account. On the other hand, if the Pension Fund Account was in surplus, resulting in a contribution being made to the Group and CC, an equivalent amount is recouped by the Home Office.

The funding arrangements for the police pension scheme in England and Wales changed on 1 April 2006. Before then the scheme did not have a percentage of pensionable pay type of employer's contribution; rather each OPCC was responsible for paying pensions on a pay-as-you-go basis.

Under the current arrangements the scheme remains unfunded but is no longer on a pay-as-you-go basis as far as individual Police Officers are concerned. The Group and CC's no longer meet the pension liability directly: instead the Force pays an employer's contribution based on a percentage of pay into the Pension Fund. Each OPCC is required by legislation to operate a pension fund and the amounts that must be paid into and paid out of the pension fund are specified by regulation.

At the end of the financial year the pension fund is balanced to nil by a financial transfer from or to the police fund, made by the Secretary of State. Any payment from or to the Secretary of State in relation to the transfer is paid into or out of the police fund.



## Note 19 - Impairment Losses

For the financial period 2017/18 there were no impairment losses.

## Note 20 - Accounting Policies

In applying the accounting policies, we have had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Influences on-going concern status, such as future levels of funding for central government departments
- Possible impairment of investments
- Whether other entities with which the OPCC has a relationship are subsidiaries, associates or jointly controlled entities
- The potential outcome of legal claims by or against the OPCC
- The condition of the local and national housing/industrial building market
- The economic standing of significant debtors and creditors

### GENERAL PRINCIPLES

The financial statements have been prepared in accordance with the Code of Practice (the code) on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit Regulations 2011 and the Service Reporting Code of Practice for Local Authorities 2017/18 (SeRCOP), although this Code no longer requires statements or notes to be prepared in accordance with SeRCOP. The Accounting policies contained in the Code apply International Financial Reporting Standards (IFRS) as adapted for the public sector by the International Public Sector Accounting Standards (IPSAS). Any exceptions are disclosed below.

#### **1 Recognition of Income and Expenditure**

The OPCC complies with IAS 39 in only recognising creditor liabilities when services are rendered or goods received. Debtors are recorded at historical cost, but the balance has been written down to fair value through a bad debt provision.

Both revenue and capital transactions are recorded on an accruals basis. This means that income and expenditure is accounted for in the year in which it becomes due regardless of whether cash has actually been received or paid in the year.

##### **In particular:-**

- Fees, charges and rents due from the customers are accounted for as income at the date the OPCC provides the relevant goods or services.
- The cost of supplies and services are accrued in that accounting period during which they were consumed or received except for works, which are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest payable and receivable on borrowings is accounted for in the year to which it relates; on a basis that it reflects the overall effect of the loan or investment.

- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to the income and expenditure account for the income that might not be collected.

## **2 Financial Instruments**

### **2.1 Financial Liabilities**

As per the recommended practice for local OPCC's, loans and other liabilities are held at amortised cost.

### **2.2 Financial Assets**

Although the OPCC invests reserve balances and has actively managed financial instruments, they are held for re-investment by the OPCC, not for speculative motives, they are not equity investments and are not, therefore, "available for sale". The OPCC recognises there is often evidence of short-term profit taking in its portfolio of managed investments and the value of the investments is reflected at market value (bid price) in the Balance Sheet, with accrued interest being reflected as part of the balance due to the OPCC.

In accordance with the bank mandate with the OPCC facility provider, the Force is able to net off all three bank accounts held to enable an 'end of day' position to be gained over the balance of these three accounts. The facility provider and the OPCC take the view that there is one single balance for management purposes and as such, the net position is the position recognised within these statements.

## **3 Government Grants and Contributions**

Revenue grants and contributions are credited to the Comprehensive Income and Expenditure Statement in the same period as the expenditure to which they relate. For the OPCC grants to support expenditure in general (e.g. Revenue Support Grant) are credited to the foot of the Comprehensive Income and Expenditure Statement after Net Operating Expenditure, within the Group accounts, income is transferred to the CC through an intra-company adjustment within Taxation and Non Specific Grant income line.

## **4 Intangible Fixed Asset**

Intangible assets include software licences and agreements that are capitalised at cost. Intangible assets are amortised on a straight-line basis over the useful life of the asset (between three and seven years). As the amortisation charge is not an allowable charge against Council Tax, it is neutralised by adjustment between Accounting Basis and Funding Basis under Regulation, with the corresponding entry in the Capital Adjustments Account. The MFSS (Multi Force Shared Service) is to be amortised over 6 and a half years and new assets are amortised the year they come into use.

Internally generated Intangible Assets are measured at cost during their construction (project staff, physical equipment and associated cost to bring the asset into its useful life) and when transferred is assessed for impairment against marketable value or use in service.

Additions to assets, will be added to the carrying value of the asset and amortised over the remaining Useful Economic Life, where it meets the recognition criteria.

In accordance with IAS38, assets which are Police specific or that do not have a comparable active market for valuation purposes, will be measured at cost less accumulated amortisation, with the useful life being reviewed annually.

## **5 Tangible Fixed Assets Recognition**

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised in accordance with IAS 16 (Recognition, Revaluation & Measurement of Tangible Fixed Assets). Subsequent capital expenditure is capitalised where it provides an enhancement of the economic benefits of the asset in excess of those previously assessed.

Where assets are bought into Fixed Assets from Assets Under Construction, these will be valued using the appropriate methodology, including componentisation as applicable.

The de minimise level policy is to capitalise all capital expenditure, £10,000 and over, on an individual asset basis (or a grouping of assets).

### **5.1 Measurement**

Northamptonshire OPCC current property valuer is Pygott & Crone, through the Perfect Circle consortium, at 36a Silver Street, Lincoln, LN2 1EW.

The Land and buildings portfolio is revalued over a five year period as directed by the Northamptonshire PCC.

In accordance with good practice a rolling programme of revaluation of one fifth of the property portfolio each year has been undertaken from 1 April 2017 and the programme is annually reviewed to ensure key properties of significance are included in the valuation if changes in policy have taken place which would make revaluation appropriate for that year.

All revaluations undertaken ensure that any changes to the use of assets within the portfolio are accounted for.

Surpluses arising from revaluations of land and buildings are taken to the Revaluation Reserve, with the corresponding entries against fixed assets. Any reductions in values are covered in Paragraph XX – Impairment Losses.

The latest revaluation was carried out on 31 March 2018. All valuations are in accordance with Royal Institute of Chartered Surveyors Appraisal and Valuation Standards ensuring compliance with the CIPFA code of practice as modified by IFRS's.

### **5.2 Depreciation**

A depreciation charge is made to the Comprehensive Income and Expenditure Statement for all tangible fixed assets, which have a finite useful life. Depreciation is calculated on a straight line basis as follows:

Operational Buildings	Over the life of the asset (10-48 years)
Vehicles	Over the life of the asset (2-10 years with some specialist vehicles over 3-20 years)

IT Hardware	3-5 years
Other Plant & Equipment	3-5 years

New Assets are depreciated in the first year of being an operational asset, but not in the year of disposal.

In accordance with FRS 15, freehold land is not depreciated. Assets under construction are not depreciated until completion.

As the depreciation charge is not an allowable charge against Council Tax, it is neutralised by adjustment between Accounting Basis and Funding Basis under Regulations, with the corresponding entry to the Capital Adjustment Account.

### **5.3 Impairment Losses**

Besides identifying impairments at the five year revaluation review, impairment reviews are carried out in the intervening periods but only if an event or circumstance indicates that the carrying amount of the fixed asset may not be recoverable. When an impairment loss is clearly due to clear consumption of economic benefit or takes the value of the asset below historic cost, the loss is recognised in the Comprehensive Income and Expenditure Statement. However, other impairment losses offset any balance held in the revaluation reserve, with any balance charged to the Comprehensive Income and Expenditure Statement. As these impairment adjustments are not an allowable charge against Council Tax, it is neutralised by adjustment between Accounting Basis and Funding Basis under Regulations, with the corresponding entry to the Capital Adjustment Account.

### **5.4 Disposals**

The gain or loss on disposal is the amount by which the disposal proceeds are more or less than the carrying amount (net book value) of the fixed asset. The Comprehensive Income and Expenditure Account recognise this gain or loss.

In order that this gain or loss is excluded from the charge to Council Tax, it is neutralised in the Accounting Adjustments between Accounting Basis and Funding Basis under Regulation.

If, however, the asset is carried at current value, in addition to the entries above, the balance on the revaluation reserve in respect of asset disposals is written off to the Capital Adjustment Account. In most cases the asset will be re-valued to its carrying value at the point of disposal so there will be no profit or loss, unless there is an unamortised grant attached to the asset, which will be released to the Income and Expenditure account in full, resulting in a profit on disposal. For 2017/18 the OPCC only recognises a profit on disposal if the asset disposed of is more than £10,000.

### **5.5 Componentisation**

Where an item of Property, Plant and Equipment has major components whose cost and life span is significantly different from the rest, the components are depreciated separately.

The criteria for componentisation are as follows:

- (i) a de-minimis level on implementation is set at £600,000 on the net book value of any asset.
- And
- (ii) any single component must exceed £100,000 in value.

Provided that both of these criteria are met the asset will be split into the appropriate components based on its type.

## **6 Redemption of Debt**

Outstanding loan debt relating to police services was transferred to Northamptonshire Police from Northamptonshire County Council on 1 April 1995. Instalments of principal are charged to revenue in accordance with the statutory minimum revenue provision. This is calculated at 4% of the Capital Financing Requirement at the beginning of the year. This is charged to the Capital Adjustment Account with a corresponding adjustment in Accounting Basis and Funding Basis under Regulations.

Valuation is based upon amortised cost, with fair value based upon the cash flow over the remaining term of the debt.

## **7 Capital Receipts**

Capital receipts from the disposal of assets are held in the Capital Receipts Reserve Account until such time as they are used to finance capital expenditure. Individual receipts of less than £10,000 are credited to revenue income.

## **8 Stocks and Stores**

Stocks and stores are maintained covering such items as vehicle spares, uniforms, stationery, office equipment and provisions. Stocks are valued at the lower of cost or net realisable value in line with the requirements of IAS 2.

## **9 Reserves**

Reserves are maintained to finance expenditure on projects that will be carried out in future years and to protect the OPCC against unexpected events. Certain reserves/accounts are kept to manage the accounting process for tangible fixed assets (Revaluation Reserve, Capital Adjustment Account) and retirement benefits (Pensions Reserve IAS 19). These do not represent usable resources for the OPCC.

## **10 Provisions**

Provisions are made for liabilities or losses which are likely to be incurred, or certain to be incurred, but with uncertain amounts or dates on which they will arise, by charging expenditure to the Comprehensive Income and Expenditure Statement in anticipation of the liability having to be met. When expenditure is incurred to which the provision relates they should be charged to the Provisions Account.

## **11 Investments**

Investments are shown in the Balance Sheet at cost, less any provision required for loss in value. Note 39 covers how the OPCC's investments are disclosed in relation to recently introduced Financial Reporting Standards covering Financial Instruments.

Valuation is based upon amortised cost, with fair value based upon the cash flow over the remaining term of the investment. Investments with a life below 12 months will be held at amortised cost.

## **12 Transactions relating to Retirement Benefits**

As part of the terms and conditions of employment of its officers and other employees, the OPCC offers retirement benefits. Although these benefits will not actually be payable until employees retire, the OPCC has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

**The OPCC participates in two pension schemes:**

**i) The Police Pension Scheme for Police Officers**

The Police Pension Scheme (PPS) is an unfunded defined benefit final salary scheme administered by Kier Services on behalf of OPCC, and is governed by the Police Pension Regulations 1987 (as amended) and related regulations that are made under the Police Pensions Act 1976. The new Police Pensions Scheme (NPPS) is also governed by the Police Pensions Act 1976 (as amended by the Police Pension Regulations 2006) & the latest Pension Scheme (2015) is also governed by the Police Pensions Act 1976 (as amended by the Police Pension Regulations 2015).

They are unfunded which means there are no investment assets built up to meet pension's liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The funding arrangements for police officer pensions changed on 1 April 2006, when an employer's contribution rate was set by the Home Office (currently 24.2% of pensionable salary), which is charged to the Comprehensive Income and Expenditure Statement.

Also from 1 April 2006, each OPCC was required by legislation to operate a Pension Fund Account. The amounts that must be paid into and out of the Account are specified by regulation. Officer's contributions and the employer's contribution are paid into the pension's account from which pension payments are made. Under the Police Pension Fund Regulations 2007, if the amounts receivable by the pensions fund for the year are less than amounts payable, the OPCC must annually transfer an amount required to meet the deficit to the pension fund. Subject to parliamentary scrutiny and approval, up to 100% of this cost is met by central government pension top-up grant. If, however, the pension fund is in surplus for the year, the surplus is required to be transferred from the pension fund to the OPCC, which then must repay the amount to central government.

**ii) The Local Government Pension Scheme for civilian employees**

The Local Government Pension Scheme for civilian employees, administered locally by Northamptonshire County Council, is a funded defined benefit final salary scheme, meaning that the OPCC and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Actuarial valuations of the fund are undertaken every three years to determine the contributions rates needed to meet its liabilities.

The Accounts show the full implementation of IAS 19 (Retirement Benefits). IAS 19 requires organisations to recognise retirement benefits in the Comprehensive Income and Expenditure Statement when they are earned, even though the benefits will not be payable until employees retire. However, as statutory procedures require the charge against Council Tax to be based on the amounts payable by the OPCC to the pension fund during the year, an appropriation is made with the pension's reserve which equals the net change in the pension's liability, recognised in the Comprehensive Income and Expenditure Statement Account. The neutralising entry

is within adjustments made between Accounting Basis and Funding Basis under Regulations.

The Balance Sheet discloses the OPCC's net liability in relation to retirement benefits. The figures are based on the Actuary's latest estimate.

Notes 37, 38 to 42 to the Core Financial Statements provide further information about the pension schemes.

### **13 Leasing**

These Accounts have been prepared in accordance with IAS 17. Rentals paid under operating leases have been accrued and accounted for in the period to which they relate. Further information on Operating Leases is available in note 22 to the Accounts.

The organisation assesses its position on operating leases and lessor arrangements on an annual basis none have been recorded in the accounts; however, it recognises lessor arrangements as the minimum payments on the asset and the residual value of that asset. For operating leases the organisation would not recognise an asset and would account for the associated repayments via the expense costs within the Comprehensive Income & Expenditure Statement.

### **14 Overheads and Support Services**

Under the revised Expenditure Funding Analysis within the Comprehensive Income and Expenditure Statement, departments such as Financial Services, Estates and Facilities, and ISD, have been apportioned over nine nationally recognised areas of service. The cost of Corporate and Democratic Core and of Non-Distributable Costs are not allocated to services but shown separately in the Comprehensive Income and Expenditure Statement.

### **Joint Arrangements**

The OPCC has an interest Joint Arrangements; the East Midlands (EM) Special Operations Unit (EMSOU), Occupational Health, Learning & Development, Occupational Health, Legal, MFSS, EM Strategic Commercial Unit (EMSCU) & EMoPSS. Leicestershire Police acts as lead OPCC for both Joint Associate Non-Entity (JANE) schemes.

The OPCC contributes to the running costs of:

#### **EMSOU**

A collaboration between the five Forces in the East Midlands region (Derbyshire, Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire). The Unit works exclusively on serious and organised crime, focusing on firearms criminality, drug trafficking, money laundering and other types of organised crime.

#### **EMTSU**

Also a collaboration of the Forces supporting EMSOU. The East Midlands Technical Surveillance Unit is designed to adopt a common approach to support local, regional and national policing operations and a "one stop shop" approach, coordinating regional TSU activity.

#### **Major Crime & Forensics**

Also a collaboration of the Forces supporting EMSOU and EMTSU. The unit provides a joint regional facility to investigate major crimes through a central tasking



process and is designed to professionalise and improve police responses to high profile investigations.

### **Multi Force Shared Service (MFSS)**

MFSS is a collaboration to deliver HR, Finance and Systems processes to front line policing.

The OPCC share is 14.7% for all of EMSOU, EMTSU and the Major Crime Collaborations.

All of these collaborations are governed by formal Section 22 Agreements and the OPCC shares are fully incorporated in the Comprehensive Income & Expenditure Statement, Balance Sheet, Movement in Reserves Statement and the Cash Flow Statement.

## **15 Value Added Tax**

VAT is included in the Accounts of the OPCC, whether of a capital or revenue nature, only to the extent that it is not recoverable.

## **16 Contingent Assets and Contingent Liabilities**

They are not recognised in the accounting statements but disclosed in the notes to Core Statements.

## **17 Exceptional Items and Prior Period Adjustments**

Exceptional items are included in the cost of the service to which they relate or on the face of the Comprehensive Income and Expenditure Statement if that degree of prominence is necessary in order to give a fair presentation of the Accounts.

Extraordinary items are disclosed and described on the Comprehensive Income and Expenditure Statement after dealing with all items within the ordinary activities of the OPCC.

Material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors, are accounted for by restating the comparative figures for the preceding period in the Statement of Account and notes and adjusting the opening balance of reserves for the cumulative effect. The cumulative effect of the adjustments is at the foot of the statement of total movements in gains and losses of the current period.

## **19 Events After The Balance Sheet Date**

Events after the balance sheet date are reflected up to the date when the Statement of Accounts is authorised for issue. The date when the Statement of Accounts was authorised for issue and who gave that authorisation is disclosed in the notes to the Statement of Accounts, including confirmation that this is the date up to which events after the balance sheet date have been considered.

## **20 Accounting Convention**

The accounting convention adopted in these financial statements is historical cost modified by the revaluation of land and buildings.

## **21 Estimation Techniques Used**

The Code distinguishes between accounting concepts and estimation techniques that have been used, when required. The techniques below describe the steps taken to arrive at key monetary values in the Statement of Accounts:

- Capital Creditors – quantity surveyors estimate of the value of the work undertaken. Payroll Creditors i.e. overtime – average overtime rates;
- IAS 19 Valuation – actuarial valuations of future pension's liabilities are provided by independent actuaries.
- Bad Debts are valued at the receivable value. Therefore the cost of collection of debt assessed as recoverable are deducted from the outstanding value.
- Assets are valued at Market Value (MV) and Depreciated Replacement Cost (DRC) for specialist vehicles, but held in Fixed Assets at the depreciated cost assessed as MV/ DRC less the cumulative depreciation over the Useful Economic Life of that asset.

## **22 Comparison with Previous Years**

Comparative figures for the previous financial year are shown in the Accounts. The same items are treated alike from one year to the next, except where notes explain otherwise.

## **23 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition, and that are readily convertible to or change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the OPCC's cash management.

## **24 Employee Benefits**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, annual leave and flexible working hours, leave for current employees, and are recognised as an expense for services in the year in which employees render service to the OPCC. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu, flexi-time or annual leave) earned by employees but not taken before the year-end that employees can carry forward into the next financial year.

## **25 Revenue Expenditure Funded from Capital Under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the OPCC has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses-out the amounts charged so that there is no impact on the level of council tax.

## **26 Actuarial Gains and Losses**

Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

## **27 Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the organisation to terminate an officer or staff employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the OPCC is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the OPCC to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

## **28 Interest In Companies and Other Entities**

The OPCC is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. The OPCC has involvement with Victims Voice, a company set up by guarantee in 2017/18 and has concluded that the requirement to produce Group Accounts applies in relation to it.

## Glossary of Terms

### **Accounting Period**

The period of time covered by the Accounts, normally a period of twelve months commencing on 1 April.

### **Accrual**

The recognition, in the correct accounting period, of income and expenditure as it is earned and incurred, rather than as cash is received or paid.

### **Agency Arrangements**

Services which are performed by, or for, another OPCC or public body where the agent is reimbursed for the cost of work done.

### **Budget**

A statement of the CC's plans in financial terms. A budget is prepared and approved by the CC before the start of each financial year and is used to monitor actual expenditure throughout the year.

### **Capital Expenditure**

Expenditure on the acquisition of a fixed asset or expenditure which adds value to the life or value of an existing fixed asset.

### **Capital Financing Requirement**

The Capital Financing Requirement represents capital expenditure financed by external debt and not by capital receipts, revenue contributions, capital grants or third party contributions at the time of spending. It measures the CC's underlying need to borrow for a capital purpose.

### **Capital Receipts**

These are proceeds from the sale of capital assets.

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy. This is the main professional body for accountants working in the public services.

### **Contingent Liabilities**

A potential liability at the balance sheet date when the Accounts are submitted for approval. The liability will be included in the balance sheet if it can be estimated with reasonable accuracy otherwise the liability will be disclosed as a note to the Accounts.

### **Corporate Democratic Core**

This includes the cost of the corporate infrastructure (e.g. the Chief Executive and Treasury Offices, and external audit fees), and the cost of democratic representation (e.g. members allowances).

### **Council Tax**

The local tax levied on householders, based on the relative market values of property, which helps to fund local services.

### **Creditors**

Individuals or organisations to which the CC owes money.

### **Current Assets and Liabilities**

Current assets are items that can be readily converted into cash. Current liabilities are items that are due immediately or in the short-term

**Debtors**

Individuals or organisations who owe the CC money.

**Deferred Liabilities**

Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time.

**Earmarked Reserves**

Monies set aside that are intended to be used for a specific revenue or capital purpose.

**Employee Costs**

The salaries and wages of employees together with national insurance, superannuation and all other pay-related allowances. Training expenses and professional fees are also included.

**Finance Lease**

A finance lease normally involves payment by a lessee to a lessor of the full cost of the asset, together with a return on the finance provided by the lessor. The lessee has substantially all the risks and rewards associated with the ownership of an asset, other than legal title.

**International Financial Reporting Standards (IFRS)**

These standards are developed by the Accounting Standards Board to regulate the preparation of financial statements. The Companies Act 1985, which was later adopted by the SORP making it mandatory for Public Bodies and therefore requires compliance of these Standards or disclosures in the notes if there are any material departures from those standards.

**Fixed Assets**

This consists of: -

Tangible: These are assets that yield benefits to the CC for a period of more than one year (e.g. buildings and equipment).

Intangible: Under IAS 38 (Goodwill and Intangible Assets), intangible assets are those that do not have physical substance but are identifiable (e.g. software and software licences).

**Formula Grant Distribution System**

A mechanism by which Central Government determines how much Revenue Support Grant, Home Office Police Grant and Business Rates each local OPCC should receive in a given year to provide a common level of service. For the police service it is principally based on the resident and daytime populations, plus relevant socio-economic characteristics, for the area covered by an OPCC.

**IAS 19 Retirement Benefits**

An accounting standard that requires the recognition of long-term commitments made to employees in respect of retirement benefits in the year in which they are earned.

**Impairment**

A reduction in value in an asset caused by a general fall in prices, obsolescence or a clear consumption of economic benefit.

**Interest Income**

The money earned from the investment of surplus cash.

**Net Book Value**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current values less the cumulative amounts provided for depreciation.

**Non-Distributed Costs**

This consists of charges for police officers and police staff early retirements.

**Operating Lease**

An operating lease involves the lessee paying a rental for the hire of an asset for a period of time that is substantially less than its useful economic life. The lessor retains most of the risks and rewards of ownership.

**Outturn**

The actual amount spent in the financial year.

**Payments in Advance**

These represent payments made prior to supplies and services received.

**Pension – Defined Benefit Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. The scheme rules define the benefits independently of the contribution payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

**Pension Assets – Expected Rate of Return**

For a funded defined benefits scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Pension – Interest Costs**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settle.

**Pension – Past Service Costs**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**Pension Fund**

A fund which makes pension payments on retirement of its participants.

**Pensions Top-Up Grant (PTUG)**

A grant from the Home Office that funds the difference between a nationally agreed employer's contribution paid into the Pension Fund Account, employee contributions and benefits paid to pensioners during the year.

**Precept**

The method by which the OPCC obtains the income it requires from council tax via the collection OPCC's (i.e. the seven district councils in Northamptonshire).

**Provision**

An amount set aside to provide for a liability which is likely to be incurred but the exact amount and the date on which it will arise is uncertain.

**Prudential Code**

The code developed by CIPFA that sets out a framework for self-regulation of capital spending, in effect allowing OPCC's to invest in capital projects which best meet their service delivery objectives as long as they are affordable, prudent and sustainable. The code came into Force from 1 April 2004 and is incorporated into the Local Government Act 2003 and associated regulations.

**Public Works Loan Board (PWLB)**

A government agency which provides longer-term loans to Local OPCC's at interest rates only slightly higher than those at which the government itself can borrow.

**Receipts and Payments**

Amounts actually paid or received in a given accounting period irrespective of the period for which they are due.

**Retirement Benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**Revenue Contributions**

Capital Expenditure funded from the Revenue Account which reduces the requirement to borrow.

**Revenue Expenditure**

Expenditure to meet the continuing cost of services including wages and salaries, purchase of materials and capital financing charges.







**AGENDA ITEM 7**

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

**JOINT INDEPENDENT AUDIT COMMITTEE**

**23 JULY 2018**

REPORT BY	MAZARS
SUBJECT	INTERNAL AUDIT ANNUAL REPORT 2017/18
RECOMMENDATION	The Committee is asked to note this report.



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

Draft Internal Audit Annual Report 2017/18

May 2018

This report has been prepared on the basis of the limitations set out on page 13.

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- 01 Introduction
- 02 Head of Internal Audit Opinion
- 03 Performance

## Appendices

- A1 Audit Opinions and Recommendations 2017/18
- A2 Audit Projects with Limited and Nil Assurance 2017/18
- A3 Definition of Assurances and Priorities
- A4 Contact Details
- A5 Statement of Responsibility

## 01 Introduction

### Purpose of this Report

This report summarises the work that Internal Audit has undertaken and the key control environment themes identified across Office of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police during the 2017/18 financial year, the service for which is provided by Mazars LLP.

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2011. The PSIAS requirements are that the report must include:

- An annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (the control environment);
- A summary of the audit work from which the opinion is derived (including reliance placed on the work by other assurance bodies); and
- A statement on conformation with the PSIAS and the results of the internal audit quality assurance and improvement programme (QAIP), if applicable.

The report should also include:

- The disclosure of any qualifications to that opinion, together with reasons for the qualification;
- The disclosure of any impairments or restriction in scope;
- A comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets;
- Any issues judged to be particularly relevant to the preparation of the annual governance statement; and
- Progress against any improvement plans resulting from QAIP external assessment.

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.

Internal audit provides the Police and Crime Commissioner and Chief Constable, through the Joint Independent Audit Committee (JIAC), 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.

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.

## 02 Head of Internal Audit Opinion

### Opinions

From the Internal Audit work undertaken in compliance with the Public Sector Internal Audit Standards (PSIAS) for the year ending 31<sup>st</sup> March 2018, we can provide the following opinions:



## Basis of the Opinion

Internal Audit applies a risk-based approach and our audits assess the governance framework, the risk management process, as well as the effectiveness of controls across a number of areas. Our findings on these themes are set out below. Overall, we can provide assurance that management have in place a generally effective control environment and, whilst further remedial actions are needed in some areas, we are assured that management have in place effective processes for the implementation of identified areas of weakness.

### Corporate Governance

As part of the 2016/17 Internal Audit plan we undertook an audit of the Code of Corporate Governance. The specific areas that formed part of this review included: governance framework, policies and procedures, roles and responsibilities and decision making. We concluded that there is a basically sound system of internal control, although there are weaknesses which put some of the Organisation's objectives at risk.

Whilst no specific audit of Governance was carried out during 2017/18, we have carried out a number of audits where governance arrangements were a key aspect. In addition, during 2017/18 we undertook a review of the effectiveness of the Joint Independent Audit Committee (JIAC). The audit used the five good practice principles set out in the National Audit Offices (NAO's) good practice guide 'The Audit Committee Self-Assessment Checklist, 2012', covering the role of the audit committee; membership, independence, objectivity and understanding; skills; scope of work; and communications. We engaged with the Chair and other members of the JIAC during the review, with aim being to identify areas where arrangements could be strengthened. As part of the review we utilised CIPFA's self-assessment tool which provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police. JIAC members were required to independently complete the self-assessment and then a session was held with members to analyse further their responses.

Through the delivery of the internal audit plan, our review of the JIAC's effectiveness and attendance at JIAC meetings, we are satisfied that the governance framework for the Office of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police has been effective for the year ended 31<sup>st</sup> March 2018.

### Risk Management

During 2015/16 and 2016/17 Internal Audit undertook audits of the controls and processes in place in respect of risk management. These audits focused on previously recommendations that had been, together with policies and procedures; risk registers; risk mitigation; and reporting arrangements. Whilst issues had been previously identified, these were largely addressed by the time of the 2016/17 audit, where a satisfactory assurance opinion was given and only a few actions were still to be fully addressed. Internal Audit were provided with assurance that outstanding actions in respect of risk management arrangements were being addressed, particularly through the reporting protocols to the JIAC in respect of standing agenda items on previous audit recommendations and risk management.

Whilst a specific audit of risk management was not carried during 2017/18, risk management at an operational level is considered during each of our audit assignments. During the course of delivering the 2017/18 audit programme, a key element of each audit scope was to evaluate the control environment and, in particular, how key risks were being managed. As summarised in the 'Internal Control' section below, we were able to place reliance on the systems of internal control and the manner in which risks were being managed by the Force and OPCC.

## Internal Control

The Office of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police have a generally sound control environment, although we have noted areas where improvements are required. During the 2017/18 year, seven (78%) internal audits received at least "satisfactory assurance", whilst two (22%) internal audits were rated 'limited assurance'. In addition, of the four collaborative audits covering the East Midlands policing region, all were rated at least 'satisfactory assurance'.

The following tables provide a brief overview of the assurance gradings given as a consequence of audits carried out during 2017/18, split between those specific to Northamptonshire and those undertaken as part of East Midlands regional collaborative audits. More details of the audit opinions and the priority of recommendations for all 2017/18 Internal Audit assignments is provided in Appendix A1 – Audit Opinions and Recommendations. In addition, further analysis of those areas where systems improvement are required are set out in Appendix A2 – Audit Projects with Limited and Nil Assurance 2017/18.

### Northamptonshire Only

Assurance Gradings	2017/18	
Significant	1	11%
Satisfactory	6	67%
Limited	2	22%
Nil	0	0%
<b>Total</b>	<b>9</b>	

### Collaboration Audits

Assurance Gradings	2017/18	
Significant	2	50%
Satisfactory	2	50%
Limited	0	0%
Nil	0	0%
<b>Total</b>	<b>4</b>	

In arriving at our overall audit opinion, and whilst acknowledging that further remedial actions are needed in some areas, we have been assured by management that processes have been put in place for the implementation of recommendations to address identified areas of weakness.

### Issues relevant to Annual Governance Statement

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. Internal Audit, through its annual programme of activity, has a duty to bring to your attention any areas of weakness we believe should be considered when producing the Annual Governance Statement. As part of this responsibility, we have highlighted any limited or nil assurance reports within Appendix A2.

### Restriction placed on the work of Internal Audit

As set out in the Audit Charter, we can confirm that Internal Audit had unrestricted right of access to all OPCC and Force records and information, both manual and computerised, cash, stores and other property or assets it considered necessary to fulfil its responsibilities.



## 03 Performance

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	Achieved
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% (11/11)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (10/10)
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	100% (2/2)

## Quality and Conformance with the Public Sector Internal Audit Standards

In addition to the firm's overall policy and procedures, our internal audit manual and working papers are designed to ensure compliance with the Firm's quality requirements. Furthermore, our internal audit manual and approach are based on professional internal auditing standards issued by the Global Institute of Internal Auditors, as well as sector specific codes such as the Public Sector Internal Audit Standards.

Our methodology and work has been subject to review as part of our internal Quality Assurance Reviews undertaken by our Standards and Risk Management team as well as external scrutiny by the likes of external auditors, as well as other regulatory bodies. No adverse comments have been raised around our compliance with professional standards or our work not being able to be relied upon.

## Appendix A1 - Audit Opinions and Recommendations 2017/18

Northamptonshire 2017/18 Audits	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Audit Committee Effectiveness	Final	N/A		7	4	11
Seized Property	Final	Limited	4	4		8
Victims Code of Practice	Final	Satisfactory		5	1	6
Fleet Management	Final	Satisfactory		4		4
Core Financial Systems	Final	Satisfactory		7	3	10
Procurement Follow-up	Final	Satisfactory		4		4
Data Quality	Final	Satisfactory		3	3	6
Financial Planning	Final	Satisfactory		2	4	6
Counter Fraud Review	Draft	N/A				
Estates Management	Final	Limited	1	4	1	6
Crime Management Process	Final	Substantial			4	4
Total			5	40	20	65

Collaboration Audits 2017/18	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
EMCHRS Learning & Development <sup>1</sup>	Final	Satisfactory		2	3	5
EMSOU Forensic Services <sup>1</sup>	Final	Significant			3	3
EMCHRS Occupational Health <sup>1</sup>	Final	Significant			3	3
Criminal Justice (EMCJS) <sup>1</sup>	Final	Satisfactory		1	2	3
POCA <sup>1</sup>	Draft					
<b>Total</b>			-	3	11	14

<sup>1</sup>Denotes those collaborative arrangements which Northamptonshire are a part of.

## Appendix A2 - Audit Projects with Limited and Nil Assurance 2016/17

Project	Grading	Summary of Key Findings
Seized Property	Limited	<p>We raised four priority 1 / fundamental recommendations and a further four priority 2 / significant recommendations that require addressing where we believe there is scope for improvement within the control environment. These are set out below:</p> <ul style="list-style-type: none"> <li>• Officers should be reminded to ensure property is checked in and out correctly whenever property has been moved from the temporary locations. (Priority 1)</li> <li>• The Central Detained Property Team should complete a full audit of the Safe and Strong room. This should include ensuring items stated on NICHE to be held within the Strong room are available, and to ensure items have been placed in the correct and appropriate locations. The safe / strong room should then be periodically audited / reconciled to ensure accuracy back to the underlying records held on NICHE. (Priority 1)</li> <li>• Temporary Storage Locations should be reviewed and audited during the collection and delivery runs. (Priority 1)</li> <li>• Cash held within the Central Property Safe should be counted for insurance and safeguarding purposes. Where cash has been seized under POCA or PACE and is not be counted, this should be made clear on the NICHE record and exhibit bag where possible. (Priority 1)</li> <li>• The Force should ensure that all staff are aware of the procedure for confirming the disposal of property, including the return to owner procedure. Namely, the initiation of a task for disposal by the Central Detained Property Team on NICHE. Training should also include the process for moving property from temporary storage. (Priority 2)</li> <li>• Property should be disposed of in a timely manner after the authorised destroy request has been submitted to the Central Property Team. (Priority 2)</li> <li>• Cash and banking should be completed on a periodic basis, with two officers counting the amounts to be banked. Once banked, the amount banked against the property item on NICHE should be recorded for continuity. (Priority 2)</li> <li>• The Detained Property Policy, Procedure and Annexes should be reviewed and updated on a regular basis to ensure their accuracy and fitness for purpose. Updates should also include the Web Form Guidance for Police Officers in Adding Exhibits and Checking Property In and Out. (Priority 2)</li> </ul>

Estates Management	Limited	<p>We raised one priority 1 / fundamental recommendation and four priority 2 / significant recommendations that require addressing where we believe there is scope for improvement within the control environment. We also raised one priority 3 / housekeeping recommendation in respect of best practice. The priority 1 and 2 recommendations are set out below:</p> <ul style="list-style-type: none"> <li>• The OPCC should put in place a clear timetable for the approval of the Estates Strategy and the supporting plans. This should include inputs from the outstanding stock condition surveys. (Priority 1)</li> <li>• The role and function (if any) of the Change Board in the Governance of Estates Management should be clearly stated in the Estates Strategy. (Priority 2)</li> <li>• An Estates Disposal Process should be developed that ensures the OPCC have a clear methodology and approach for the consideration and ultimate decision to dispose of estate assets. The process should be clearly documented to ensure transparency in the approach taken and the decision reached in respect of estate disposals. (Priority 2)</li> <li>• Once the Estates Strategy and Strategy Implementation Plan have been approved, operational plans should be prepared to ensure that property enhancements and minor works budgets are spent in line with the future plans for each site. (Priority 2)</li> </ul>
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## Appendix A3 – Definition of Assurances and Priorities

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

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

## Appendix A4 - Contact Details

### Contact Details

David Hoose	07552 007708 <a href="mailto:David.Hoose@Mazars.co.uk">David.Hoose@Mazars.co.uk</a>
Brian Welch	07780 970200 <a href="mailto:Brian.Welch@Mazars.co.uk">Brian.Welch@Mazars.co.uk</a>



## Appendix A5 - Statement of Responsibility

### **Status of our reports**

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

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

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





**AGENDA ITEM 8**

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

**JOINT INDEPENDENT AUDIT COMMITTEE**

**23 JULY 2018**

REPORT BY	MAZARS
SUBJECT	INTERNAL AUDIT PROGRESS REPORT
RECOMMENDATION	The Committee is asked to note this report.



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

Internal Audit Progress Report 2017/18 & 2018/19

July 2018

Presented to the Joint Independent Audit Committee meeting of: 23<sup>rd</sup> July 2018

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- 02 Summary and conclusions from Internal Audit work to date
- 03 Performance 2017/18

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- A3 Internal Audit Plan 2017/18
- A4 Internal Audit Plan 2018/19
- A5 Definition of Assurances and Priorities
- A6 Contact Details
- A7 Statement of Responsibility

## 01 Introduction

- 1.1 The purpose of this report is to update the Joint Independent Audit Committee (JIAC) as to the progress in respect of the 2017/18 Internal Audit Plan, together with progress on delivering the 2018/19 Internal Audit Plan which was considered and approved by the JIAC at its meeting on 19<sup>th</sup> 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 in 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 the remaining final reports in respect of the 2017/18 plan. These were in respect of Counter Fraud Arrangements, Estates Management and Crime Management. We also issued a final memo in respect of an additional piece of work we were requested to carry out, in respect of Pick Everard Procurement. Further details are provided in Appendix 1.

Northamptonshire 2017/18 Audits	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Audit Committee Effectiveness	Final	N/A	-	7	4	11
Seized Property	Final	Limited	4	4	-	8
Victims Code of Practice	Final	Satisfactory	-	5	1	6
Fleet Management	Final	Satisfactory	-	4	-	4
Core Financial Systems	Final	Satisfactory	-	7	3	10
Procurement Follow-up	Final	Satisfactory	-	4	-	4
Data Quality	Final	Satisfactory	-	3	3	6
Financial Planning	Final	Satisfactory	-	2	4	6
Counter Fraud Review	Final	N/A	-	-	-	-
Estates Management	Final	Limited	1	4	1	6
Crime Management	Final	Significant	-	-	4	4
Pick Everard Procurement	Final	N/A	-	-	-	-
<b>Total</b>			<b>5</b>	<b>40</b>	<b>20</b>	<b>65</b>

2.2 With regards the 2017/18 audits carried out in respect of collaboration arrangements, we have recently issued the final report in respect of the Proceeds of Crime Act (POCA). A summary of this report is provided in Appendix 3.

Collaboration Audits 2017/18	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
EMCHRS Learning & Development <sup>1</sup>	Final	Satisfactory		2	3	5
EMSOU Forensic Services <sup>1</sup>	Final	Significant			3	3
EMCHRS Occupational Health <sup>1</sup>	Final	Substantial			3	3
Criminal Justice (EMCJS) <sup>1</sup>	Final	Satisfactory		1	2	3
POCA <sup>1</sup>	Final	Satisfactory			4	4
<b>Total</b>			<b>-</b>	<b>3</b>	<b>15</b>	<b>18</b>

<sup>1</sup>Denotes those collaborative arrangements which Northamptonshire are a part of.

2.3 Work in respect of the 2018/19 plan is underway and we have recently issued the final report in respect of Absence Management and Wellbeing. Fieldwork has also been completed in the respect of IT Strategy and MFSS Contract Management. Further details are provided in Appendices 2 and 4.

Northamptonshire 2017/18 Audits	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Absence Management & Wellbeing	Final	Limited	1	2	2	5
<b>Total</b>			<b>1</b>	<b>2</b>	<b>2</b>	<b>5</b>



2.4 The first piece of work under the heading of 'Collaboration' has recently been completed and the final memo issued. This was in respect of a review of Regional Collaboration Assurance Statements. Further details of this are provided in Appendix 2.

## 03 Performance 2017/18

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% (11/11)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (11/11)
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	100% (3/3)

## Appendix A1 – Summary of Reports 2017/18

Below we provide brief outlines of the work carried out, a summary of our key findings raised and the assurance opinions given in respect of the final reports issued since the last progress report in respect of the 2017/18 Internal Audit Plan:

### Estates Management

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

Our audit considered the following area objectives:

- There is a comprehensive and approved Estates Strategy in place which is aligned with strategic and medium / long term objectives of the OPCC and Force.
- The Estates Strategy is in line with the approved budget and is aligned with a fully costed and approved stock condition survey.
- Delivery of the Estates Strategy is supported by an agreed implementation plan / programme of work.
- Capital works are carried out in accordance with the implementation plan / programme of work.
- Non-delivery of the capital programme is flagged at the earliest opportunity and actions put in place to address the issues.
- There is an effective disposals process in place.
- Effective processes have been put in place for the delivery of day-to-day / reactive maintenance work.
- Budget control processes ensure that actual spend is in accordance with the approved budget.
- Management information is available to enable effective monitoring of performance against the capital programme and delivery the reactive maintenance service.

We raised one priority 1 recommendation of a fundamental nature that require addressing. This is set out below:

<b>Recommendation 1</b>	The OPCC should put in place a clear timetable for the approval of the Estates Strategy and the supporting plans. This should include inputs from the outstanding stock condition surveys.
<b>Finding</b>	<p>The estate in Northamptonshire is owned by the Police and Crime Commissioner, who is responsible for effectively managing the organisations land and properties. At present there is no approved estates strategy, however the current administration are trying to re-address this situation and audit were able to confirm that an Estates Strategy and supporting Strategic Implementation Plan has been drafted.</p> <p>However, it is noted that the Strategy and plans are yet to be formally approved by the Police &amp; Crime Commissioner.</p> <p>One of the factors delaying the completion of the strategy is the stock condition survey that have been commissioned and are still to be completed.</p>

	Whilst there are mitigating factors for the delay in formally approving the Strategy and Plans, to ensure that this is not unduly delayed, a timetable should be agreed to provide clarity as to when the Estates Strategy will be approved and when the supporting plans will be activated to begin to deliver of the Strategy.
Response	Fully endorse this recommendation. With minor amendments to the draft strategy from this audit and other considerations the strategy will be formally released as soon as possible. Expectation is by June 18 at the latest.
Timescale	June 2018 CEO

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

- The role and function (if any) of the Change Board in the Governance of Estates Management should be clearly stated in the Estates Strategy.
- An Estates Disposal Process should be developed that ensures the OPCC have a clear methodology and approach for the consideration and ultimate decision to dispose of estate assets. The process should be clearly documented to ensure transparency in the approach taken and the decision reached in respect of estate disposals.
- Once the Estates Strategy and Strategy Implementation Plan have been approved, operational plans should be prepared to ensure that property enhancements and minor works budgets are spent in line with the future plans for each site.
- An appropriate reporting template and reporting timetable should be drafted to ensure that, once the Estates Strategy and Strategy Implementation Plan have been approved, there will be effective monitoring of its delivery put in place.

We also raised one priority 3 recommendation of a more housekeeping nature with regards the approach taken on the minor works budget to ensure there is clarity over the expenditure from this budget.

Management confirmed that all actions would be addressed by September 2018.

## Crime Management

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

Our audit considered the following area objectives:

- There is an appropriate governance structure in place to evaluate data quality of Crime Recording at the Force.
- The roles and responsibilities for the recording of crime within the Force are clearly stated and communicated.

- Policies and procedures are in place, are regularly updated to reflect lessons learnt and legislative changes, and are communicated to all relevant staff.
- Guidance is in place on how to correctly record incidents and crimes in compliance with the National Crime Recording Standards.
- The current crime recording process in place is aligned to the National Crime Recording Standards.
- There is an effective process in place at the Force to review and scrutinise data quality within the crime recording process.
- Audits / reviews of crime recording are undertaken in line with HMICFRS guidelines to ensure that the Force is complying with the National Crime Recording Standards.
- Areas of underperformance are highlighted to the appropriate forum and action plans put in place to address areas of weakness.
- There are systems in place to produce relevant management information on the performance of crime management at the Force.
- Management information is shared with the relevant forums and action plans put in place to address any areas of weakness.
- There are robust processes in place for the Force to review their crime recording data against national benchmarking data and / or other areas of best practice.

We raised four priority 3 recommendations of a housekeeping nature with regards the following:

- 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.
- The Crime Reporting & Recording Policy should be reviewed and updated to ensure it is in line with the new delivery model. Following the updates and finalisation of policies and guidance, these should be published on the Force intranet to ensure staff have access to the correct working practices.
- The Audit Schedule should be updated to ensure it is in line with current working practices. Moreover, the updated schedule should clearly document the proposed new approach to auditing and the utilisation of the audit resources available within the team.
- The opportunity to utilise automated reporting or customised reporting tools to assist the auditors in the completion of their audits should be fully explored.

Management have confirmed that all agreed actions have either been implemented or will be addressed by July 2018.

## Counter Fraud

Under the heading 'Counter Fraud' we undertook two exercises, with two separate reports. These were in respect of the following:

- Fraud Awareness Survey
- Counter Fraud Policy Review

### Fraud Awareness Survey

One key principal of any organisation should be the creation and maintenance of an anti-fraud culture. In connection with this, it was agreed with the OPCC Chief Finance Officer and the ACO Finance & Resources that a survey should be produced that would allow the Office of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police to gain an understanding of current fraud and bribery knowledge across employees.

Surveys are one of a range of tools that we use to measure staff awareness and identify fraud risks for proactive work. Surveys also help us to measure awareness of the materials used to help prevent fraud, bribery and corruption, including for example the Anti-Fraud, Bribery and Corruption Policy. The questions contained within the survey were agreed with the Chief Officers to ensure relevance.

As agreed with the Chief Officers, the survey was issued to all staff electronically in October 2017 and concluded in November 2017. The survey incorporated direct questions including; 'where would you find the Fraud Policy?' questions which related to the agreement of staff to a particular subject including; "Northamptonshire Police takes a strong stance against instances of fraud and corruption" and questions which invited a free response such as: 'What areas of Northamptonshire Police do you consider to be most vulnerable

We received a total of 294 surveys: 238 completed and submitted surveys and a further 56 partially completed surveys. Both complete and incomplete responses have been included in the results. It is acknowledged that the results of the survey are based on a relatively small proportion of the force and, as a consequence, should only be used as an indication of trends.

The Fraud Awareness Survey suggests that there is a good basic knowledge of fraud and bribery arrangements amongst respondents. Overall, of those who responded, the majority have a reasonable understanding of what fraud and corruption is, the actions to take, and the importance of raising suspicions.

### Counter Fraud Policy Review

As part of Counter Fraud Review terms of reference, an assessment of the Office of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police's Counter Fraud Policies and procedures was undertaken. The purpose of this work was to assess the content of the Policies from a counter fraud and bribery perspective, focusing on the extent to which the Policies include relevant information in line with good practice and legislative requirements, and suggesting improvements where appropriate.

Assessing the adequacy of the policies/guidance in place, in relation to counter fraud and bribery, is key in checking that the framework in which staff operate is in line with OPCCN and Northamptonshire Police's objectives. In addition, updating the policies and communicating this to staff, where appropriate, helps in reinforcing OPCCN and Northamptonshire Police's approach to tackling fraud, bribery and corruption; and enables the organisation to take successful sanction and redress against individuals should fraud, bribery or other impropriety occur.

The review covered the following policies and procedures:

- Confidential Reporting (Whistleblowing) Policy;
- Corporate Governance Framework;
- EMSCU - Data Handling in the Procurement Process;
- EMSCU - Policy SME Friendly Procurement;
- Gifts and Hospitality Procedure;
- Information Security Policy; and
- Scheme of Governance.

The report set out findings and recommendations from the work and raised a number of recommendations where we believe policies and procedures could be improved upon to better encompass best practice relating to the counter fraud.

### **Pick Everard Procurement**

Internal Audit completed an audit review of the Estates Strategy as part of the 2017/18 annual internal audit plan. During the planning discussions, which included input from the Joint Independent Audit Committee (JIAC), it was agreed that an additional piece of work would be carried out in respect of the procurement of historic property services that have been utilised to support the Estates Strategy.

As part of the Internal Audit Strategic Plan assurances over procurement as a whole have been carried out through audit reviews in 2015/16 and subsequent follow up audits in 2016/17 and 2017/18. These audits included a review of the internal control system in respect of procurement processes. This Pick Everard Procurement audit was carried out to assess the adequacy and effectiveness of internal controls in operation specifically in respect of the arrangements for procuring the services of Pick Everard in support of development of the Estates Strategy.

The current procurement process is divided into two areas: purchases below £25,000 are managed locally at the Police Headquarters, Wootton, and purchases over £25,000 are managed by EMSCU (East Midlands Strategic Commercial Unit). For those placing orders under £25,000, EMSCU are available to provide advice or any assistance that may be required throughout the procurement process. EMSCU have supported the Force in procuring services from Pick Everard for work both above and below £25,000.

Pick Everard are property consultants who provide consultancy services to deliver property and construction projects and Northamptonshire have procured a variety of property services from this consultancy dating back to 2013.

Due to the lack of available information, audit were unable to provide assurance with regards to the original selection of Pick Everard in support of development of the Estates Strategy in Northamptonshire prior to 2016. However, audit can confirm that the Force complied with Contract Procedure Rules for the three services procured from Pick Everard following their inclusion on an ESPO Framework, albeit not all contractual documentation was available for audit to review.

Whilst access to historic information can be difficult, the Force and EMSCU should ensure that care is taken to maintain relevant documentation in the future.

## Regional Approach to Proceeds of Crime Act (POCA)

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

The Proceeds of Crime Act 2002 (POCA) is a wide ranging Act aiming to take the profit out of criminality. A part of the Act gives power to the police and other public bodies to confiscate assets and cash from individuals who are convicted of offences or, on the balance of probability, have benefited from their illegal activities. The Home Office operates the Asset Recovery Incentivisation Scheme (ARIS) where a proportion of the recovered assets is returned to the agency(ies) that recovered it.

Under ARIS guidance, POCA funding received from the Home Office should be used by police forces to drive up performance on asset recovery and, where appropriate, to fund local crime fighting priorities for the benefit of the community. There are two routes for securing POCA monies under the ARIS scheme, Confiscation Orders and Cash Forfeitures.

Internal Audit carried out visits to each of the five police forces across the East Midlands, as well as the regional unit, EMSOU, to compare and contrast the manner of approach that is adopted to managing and maximising POCA opportunities.

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

- Policies and procedures are in place for maximising POCA receipts via cash forfeiture and confiscation orders.
- Effective communications and training arrangements are in place in respect of the cash forfeitures and confiscation orders.
- Each forces' application of the above procedures leads to them maximising opportunities for POCA performance.
- POCA receipts are used in accordance with the Act.
- Monies received under confiscation orders and / or cash forfeiture, together with its subsequent use, are fully accounted for.
- Management information is complete and timely and supports the objective of driving up POCA performance.

There is a generally sound system of internal control across the region that supports the management of POCA arrangements, however we have identified some areas where the control environment could be improved into to maximise the application of the legislation across the region.

Due to the complexity of individual cases, and the length of time that a criminal prosecution can take, it is often difficult for the Forces to see a relation between high performance and high ARIS returns. These can be dependent on a number of factors, including the assets available when an investigation has started, the court's decision and successful cases that result in monies being returned to the victims rather than to the Forces under ARIS.



Overall, the review of the POCA approach across the region found that there are areas of commonality and examples of best practice in place for the management of the POCA receipts. A summary of the approaches seen across the region was provided in the report. Additionally, there were areas of improvement that should be considered and these were raised in the report as Priority 3 recommendations. These related to the following:

- The Forces should consider adopting a clear POCA Strategy that outlines the approach they will take to maximising POCA receipts via cash forfeiture and confiscation orders.
- The Forces should consider a structured approach to awareness of POCA through targeted communications and training schedules.
- Each Force should consider their approach to maximizing POCA opportunities and explore whether it could adopt any of the approaches seen across the region. These include:
  - Mandatory referrals to the Financial Investigation Unit when property stores are releasing cash;
  - A daily report received by the FI's providing details of all charges, crimes recorded, property logged and postal requisitions within the last 24 hours; and
  - An accredited Financial Investigator reviews the Suspicious Activity Reports received to ensure potential opportunities are not missed.
- The Forces and Region should review the performance information they utilise to manage the POCA process. Consideration should be given to the following:
  - The number and value of the compensation orders obtained should be clearer; this can be overlooked as the Force receive no monies under ARIS for this work but it is a clear success story for the victims of the crime;
  - For the number and value of cash forfeitures and compensation orders, a monthly or quarterly trend rather than comparison to 12 months ago;
  - Number and value of ongoing cases that the Financial Investigation team are working on would provide an overview of pipeline/future potential returns;
  - Cases can be pursued that may not be significant in value, however they are significant in the disruption of criminal activity or crime groups and, where possible, it would be beneficial to highlight success stories in this area of Financial Investigation.

## Appendix A2 – 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 reports issued since the last progress report in respect of the 2018/19 Internal Audit Plan:

### Absence Management & Wellbeing

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

Our audit considered the following area objectives:

#### Absence Management

- The Force have appropriate Policies and Procedures with regards to absence management which provide clear direction as to the processes to be followed to allow effective management of staff absence.
- The requirements, roles and responsibilities of staff and management in relation to sickness absence management are documented and clearly communicated.
- Absences are accurately and consistently recorded in line with the Force Absence procedures and a process is in place for the monitoring of absence levels.
- The Forces' sickness absence performance reports are produced and sent out to the appropriate forum for review on a regular basis; and
- Actions to address areas of weakness are set, monitored and reviewed to confirm the weaknesses have been addressed.

#### Wellbeing

- There is an appropriate Terms of Reference in place for the Leadership & Wellbeing Board that clearly sets the role of the Board, includes appropriate membership and is aligned with the Force Objectives.
- An appropriate Strategy for Wellbeing is in place and is aligned to the OPCC Strategic aims.
- There are robust mechanisms in place to monitor Wellbeing across the Force and this is collated and reported at appropriate management forums.
- Clear action plans are put in place to address areas of weakness highlighted and these are assigned to responsible individuals and are monitored to confirm they have achieved the desired outcomes.

We raised one priority 1 recommendation of a fundamental nature that require addressing. This is set out below:

<b>Recommendation 1</b>	<p>HR should review the data available to confirm that individuals are recording sickness correctly in line with the stated procedure.</p> <p>The process for recording line manager communications with staff who are off sick should be re-communicated to line managers and then reviewed to monitor compliance.</p> <p>Line Managers should be reminded of the need to upload Fit Notes for sickness absence longer than 7 days. Moreover, HR should consider dip sampling to confirm levels of compliance.</p>
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	Line Mangers should be reminded of the need to complete Return to Work Interviews in all instances of sickness. Furthermore, HR should consider dip sampling to confirm levels of compliance.
Finding	<p>The Force have an Attendance Management Policy that sets out the expectations of staff and line managers. It refers to the use of a self-service approach to recording sickness absence and the availability of HR to provide advice and guidance where needed.</p> <p>These expectations include:</p> <ul style="list-style-type: none"> <li>• Staff to report sickness within 1 hour of their shift and report the expected number of sick days;</li> <li>• Line managers to contact staff and maintain a record of communications on DMS;</li> <li>• After 7 days of absence it is the staff members' responsibility to ensure that the "Statement of Fitness" is provided to their manager within 3 working days of its issue where the statement advised that they are unfit for work and line managers must record this on DMS;</li> <li>• Managers must carry out a Return to Work Interview when an individual returns to work following each period of sickness absence and this must be recorded on DMS.</li> </ul> <p>Audit carried out testing on a sample of 10 cases of sickness recorded over the previous six months and testing found:</p> <ul style="list-style-type: none"> <li>• In all ten cases there was no records on DMS to support the correct sickness reporting procedure had been followed i.e. within 1 hour, expected number of days and the line manager communication had taken place;</li> <li>• Five of the ten cases reviewed were for periods of sickness longer than seven days and required a Statement of Fitness. However, 3/5 Statements were not evident on the system;</li> <li>• Eight of the ten cases had returned to work after the sickness absences, however 6/8 had not recorded a return to work interview.</li> </ul> <p>Testing indicates that there is a significant amount of non-compliance by staff and line managers when recording and managing sickness absences.</p>
Response	<p>a) It is accept that this is a risk and it is a requirement for the new proposed HR structure which is currently under review. The ability to review and provide management information will be improved upon once the new structure has been put in place and the appropriate role included to carry out this oversight.</p> <p>b) Accept. These actions are already being progressed via a Communications Plan that is has been set up and actioned via the Gold Group.</p>
Timescale	<p>Head of HR</p> <p>a) October 2018</p> <p>b) On-going but started June 2018</p>

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

- The current Formal Review of sickness absence should be reviewed and updated so there is clarity and consistency on how to record the reviews.  
HR should consider undertaking dip sampling to confirm that the Formal Reviews are taking place.
- HR should liaise with the Performance Team to understand what data reports are available to assist in the oversight of special leave approvals.

We also raised two priority 3 recommendations of a more housekeeping nature with regards the capability procedures and updating and monitoring the Wellbeing Strategy.

Management confirmed that all actions would be addressed by August 2018.

### **Review of Collaboration Assurance Statements**

As part of resources set aside to review collaboration arrangements across the region, it was agreed that internal audit would undertake a desktop review of the Collaboration Assurance Statements provided by the regional units. The regional units covered in the review were:

- Collaborative Human Resource Service – Learning & Development (EMCHRS L&D)
- Collaborative Human Resource Service – Occupational Health (EMCHRS OHU)
- Criminal Justice Service (EMCJS)
- Operational Support Services (EMOpSS)
- Legal Services (EMPLS)
- Special Operations Unit (EMSOU)

As part of the work, we have undertaken a desktop review of each of the self-assessments in order to determine their completeness and compare them to our own understanding of their control environment gained from carrying out audits of the units. It is acknowledged that audit coverage in some of the units goes back some 18 months, whilst the scope of the audits did not cover all aspects referred to in the self-assessments returns.

The aim of the review was to provide a commentary on each of the self-assessments that can be taken into account by each of the OPCC's and Forces when compiling their own Annual Governance Statements.

In 2015 Baker Tilly (now RSM) were tasked with supporting the development of Collaboration Assurance Statements for each of the collaboration units across the East Midlands Policing region. Based on this initial project, each unit has now been tasked with maintaining the resultant Statements on an annual basis.

The Statements are divided into the following areas of responsibility:

1. Progress of collaboration business plan.
2. Ownership of actions.
3. Management of collaboration business risk.
4. Integrity of decision making.
5. Robustness of collaboration units.
6. The integrity and reliability of information, accounts and data.
7. Best use of assets, including people, equipment and buildings.
8. The collaboration contributes to the delivery of each member's police and crime plan.

The eight areas of responsibility are broken down into examples of where the unit is able to demonstrate compliance, with the unit being required to confirm whether it fully, partially or does not meet the required element of best practice. Each unit is then required to provide narrative in terms of the assurance it is able to call upon, split into the 'Three Lines of Defence'. The unit is required to set out any actions required to remedy any areas of activity where they cannot or can only partly confirm compliance with best practice. Finally, the unit is required to identify any expected significant changes in their assessments in the next six months.

## *Conclusion*

On the whole, the Collaboration Assurance Statements submitted by each of the regional units were generally consistent with our understanding of each unit's control environment. As with any self-assessment process, the Statements were completed with varying levels of detail and, in some cases, they could have benefited from further explanations covering certain areas of responsibility.

It was noted that the template currently being used for the Assurance Statements remains in the Baker Tilly branded format. As Baker Tilly no longer exist, and it could be mistakenly assumed by someone reading the Statements that Baker Tilly have endorsed the information they contain, it is recommended that the templates are amended to that specific to the regional collaboration units.

In terms of the Statements themselves, a common area for attention is that of the third line of defence and how the units secure independent assurance that risks are being managed and controls are being consistently applied. Across the board there is a need for greater consideration be given to this element of the assessment, with a number of units not even referring to internal audit activity in their area.

Whilst the assessments require each unit to consider 'actions required', the opportunity to do this was largely not taken. Additionally, where 'partial' confirmation was given in respect of an area of responsibility, in many cases there was little narrative to outline what the unit would do to address the gap in assurance.

As the Statements cover eight separate areas of responsibility, the Statement Overview is an important part of the assessment in giving the reader a one-page understanding of the regional collaboration unit. Possibly due to the fact that a significant part of the Overview was to outline 'actions required', this was largely poorly completed and, in some instances, the area assessments were inconsistent with the individual area assessments.

## Appendix A3 Internal Audit Plan 2017/18

Auditable Area	Planned Fieldwork Date	Actual Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
<b>Core Assurance</b>						
Core Financial Systems	Oct 2017	Oct 2017	Nov 2017	Dec 2017	Mar 2018	Final report issued.
Audit Committee Effectiveness	April 2017	April 2017	May 2017	June 2017	June 2017	Final report issued.
Procurement Follow-up	Sept 2017	Sept 2017	Oct 2017	Nov 2017	Dec 2017	Final report issued.
<b>Strategic &amp; Operational Risk</b>						
Information Technology Strategy	Oct 2017				N/A	Audit deferred to 2018/19.
Data Quality	Nov 2017	Nov 2017	Nov 2017	Jan 2018	Mar 2018	Final report issued.
Counter Fraud Review	Oct 2017	Oct 2017	Jan 2018	May 2018	July 2018	Final report issued.
Financial Planning	Nov 2017	Nov 2017	Dec 2017	Feb 2018	Mar 2018	Final report issued.
Seized Property	May 2017	May 2017	May 2017	July 2017	June 2017	Final report issued.
Estates Management	Feb 2018	Feb 2018	Mar 2018	Mar 2018	July 2018	Final report issued.
Victims Code of Practice	June 2017	June 2017	June 2017	July 2017	Sept 2017	Final report issued.
Crime Management Process	Feb 2018	Feb 2018	Mar 2018	May 2018	Mar 2018	Final Report issued.
Fleet Management	July 2017	July 2017	July 2017	Aug 2017	Sept 2017	Final report issued.

Auditable Area	Planned Fieldwork Date	Actual Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
<b>Additional</b>						
Pick Everard Procurement	-	Apr 2018	May 2018	June 2018	July 2018	Final Memo issued.
<b>Collaboration</b>						
EMCHRS Learning & Development	Aug 2017	Aug 2017	Aug 2017	Sept 2017	Dec 2017	Final report issued.
EMCHRS Occupational Health	Oct 2017	Oct 2017	Nov 2017	Nov 2017	Dec 2017	Final report issued.
EMSOU Forensic Services	Sept 2017	Sept 2017	Oct 2017	Oct 2017	Dec 2017	Final report issued.
Criminal Justice (EMCJS)	Dec 2017	Dec 2017	Jan 2018	Jan 2018	Mar 2018	Final report issued.
POCA	Jan 2018	Jan 2018	Apr 2018	June 2018	July 2018	Final report issued.

## Appendix A4 Internal Audit Plan 2018/19

Auditable Area	Planned Fieldwork Date	Actual Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
<b>Core Assurance</b>						
Core Financial Systems	Nov 2018				Mar 2019	
Risk Management	Oct 2018				Dec 2018	
<b>Strategic &amp; Operational Risk</b>						
Absence Management & Wellbeing	June 2018	June 2018	June 2018	July 2018	July 2018	Final report issued
IT Strategy	June 2018	June 2018			Sept 2018	Fieldwork completed.
MFSS Contract Management	June 2018	June 2018			Sept 2018	Fieldwork completed.
Partnership Working	Aug 2018				Dec 2018	
Seized Property	Sept 2018				Dec 2018	
Victims Voice	Sept 2018				Dec 2018	
GDPR	Nov 2018				Mar 2019	
HR Performance, Skills, Talent Management	Jan 2019				Mar 2019	
Service Delivery Model	Sept 2018				Dec 2018	



Auditable Area	Planned Fieldwork Date	Actual Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
<b>Collaboration</b>						
Risk Management	Aug 2018				Dec 2018	ToR currently being agreed.
Strategic Financial Planning	July 2018				Dec 2018	ToR currently being agreed.
Business Planning	Sept 2018				Dec 2018	ToR currently being agreed.
Review of Collaboration Assurance Statements	May 2018	May 2018	May 2018	June 2018	July 2018	Final memo issued.

## Appendix A5 – Definition of Assurances and Priorities

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

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

## Appendix A6 - Contact Details

### Contact Details

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## A7 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 9

### NORTHAMPTONSHIRE POLICE AND CRIME COMMISSION and NORTHAMPTONSHIRE CONSTABULARY

#### JOINT INDEPENDENT AUDIT COMMITTEE

23 JULY 2018

REPORT BY	Rachel Swann, Deputy Chief Constable
SUBJECT	Internal Audit Recommendations Summary Report
RECOMMENDATION	The Committee is asked to note this report.

#### 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 76 actions that were either open following the last JIAC meeting or have subsequently been added.
- 21 actions have been completed.
- 32 actions have not yet reached their implementation date and remain ongoing.
- 23 actions have passed their implementation date and are overdue.

#### 3 OVERVIEW

##### 3.1 2016/17 Audits

- 11 audits were completed making 60 recommendations.
- 9 actions remained open following the March JIAC meeting.
- 6 actions have subsequently been completed and are closed.
- 3 have passed their implementation date and are overdue.

##### 3.2 2017/18 Audits

- 8 audits had been completed prior to the March JIAC making 55 recommendations.
- 36 actions remained open following the March JIAC.

- A further 2 audits have been completed since the March JIAC making 31 recommendations.
- 15 actions have subsequently been completed and are closed.
- 32 have not yet reached their implementation date and remain ongoing.
- 19 have passed their implementation date and are overdue.

3.3 The attached Summary of Internal Audit Recommendations Report shows details and the current status of all open audit actions.

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*EQUALITY, DIVERSITY AND HUMAN RIGHTS IMPLICATIONS*

None

*HUMAN RESOURCES IMPLICATIONS*

None

*RISK MANAGEMENT IMPLICATIONS*

None.

*ENVIRONMENTAL IMPLICATIONS*

None

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Force Risk and Business Continuity Advisor

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

**Background Papers:** Internal Audit Recommendations – July 2018

## INTERNAL AUDIT RECOMMENDATIONS DASHBOARD

### Summary of Audit Progress and Outcomes

#### 2016/17

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.

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

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.



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
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
Crime Management	May 2018	Substantial Assurance	0	0	4
Counter Fraud Review	May 2018	Not Rated	2	14	11

## OUTSTANDING RECOMMENDATIONS

**Key to Status**



Action completed since last report



Action ongoing



Action outstanding and past its agreed implementation date



Action no longer applicable or superseded by later audit action

**2016/17**

### Code of Corporate Governance – November 2016

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	<p><b>Communication of Governance Framework Responsibilities between OPCC and Force</b>  <i>Observation:</i> To ensure that the governance framework and operational arrangements for both the Force and OPCC are clearly defined there should be communication between the OPCC and Force regarding the intention of the OPCC to update and review its Codes of Corporate Governance. It was confirmed through discussion with the Deputy Chief Constable and the Head of Finance for the Force that they were unaware that the OPCC has begun to produce a Corporate Governance Framework as a corporation sole. Therefore an individual Code of Governance, including a Scheme of Governance and Corporate Governance Framework, has not been produced for the Force as a corporation sole.                      The Force were of the belief that the governance arrangements for both the Force and OPCC were covered in a joint code.</p> <p><i>Risk:</i> Where the governance frameworks for both the OPCC and the Force are not clearly defined there is a risk of a lack of control and guidance in respect of the delivery and achievement of the Force and OPCC objectives which may result in these not being met.</p>	<p>There should be appropriate communication between the OPCC and Force regarding the intention to produce individual Codes of Corporate Governance as corporation sole, The Force, in consultation with the OPCC, should produce a Corporate Governance Framework and Scheme of Governance. (OPCC and Force)</p>	2	<p>OPCC                      The Force was involved at the outset of the update when a joint meeting was held regarding Financial Regulations. Furthermore the Force was represented at a Joint Independent Audit Committee in May 2016 where the draft updates were discussed in detail. However the documentation is now out to consultation with both the Force and Joint Independent Audit Committee The Force has been involved with the drafting of aligned Financial Regulations, however, there are slight differences between the two documents including the changes to delegated limits, which could cause confusion in working practises and agreements. The Force's Financial Regulations have been published and assurances received regarding how the OPCC's new regulations will not override those assumptions.</p> <p>The Force is currently reviewing whether the other corporate governance documents will be required as an individual corporation sole and if so how that will interact with the OPCC's overarching documents.</p>	<p>Director for Resources and Governance                      Jan 2017</p> <p>Mar 17</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				<p>Update – The PCC has agreed in principle the financial delegation and work is underway to finish the draft document. This should be complete by mid-November following which it will be circulated for proof reading and approval prior to being implemented.</p> <p>Update February 2018 - A draft Corporate Governance Framework was considered at the December 2017 JIAC. A few minor amendments to procurement changes have been incorporated. The CEO and CFO are briefing the PCC on the final version in February 2018 with a view to training directors in the OPCC and implementation on the 1/4/18.</p> <p>Update May 2015: The Corporate Governance Framework was issued on the 1 April 2018, briefings provided to OPCC and Police and Crime Panel and copies provided to the JIAC. This recommendation is now COMPLETED.</p>		
4.3	<p><b>Defined Governance Responsibilities</b> <i>Observation:</i> To ensure that the governance frameworks remain appropriate and effective, the responsibility for monitoring and reviewing the frameworks for the Force and the OPCC should be formally defined. It was confirmed through discussion with the Acting Director for Governance, Operations and Delivery of the OPCC that currently the responsibility for monitoring and reviewing the effectiveness of the governance framework for the OPCC going forward has not been formally decided. Additionally, discussion with the Force Head of Finance identified that the Force have also not formally assigned an Officer to monitor and review the effectiveness of the governance framework for the Force. <i>Risk:</i> Where the governance frameworks are not monitored and reviewed by a responsible officer there is</p>	<p>Responsibilities for the monitoring and review of the governance frameworks across the Force and the OPCC should be formally defined.  (OPCC and Force)</p>	2	<p>OPCC Agreed Force Agreed</p> <p>Update as per 4.1 above</p> <p>Update February 2018: A draft Corporate Governance Framework was considered at the December 2017 JIAC. A few minor amendments to procurement changes have been incorporated. The CEO and CFO are briefing the PCC on the final version in February 2018 with a view to training directors in the OPCC and implementation on the 1/4/18.</p>	Director for Resources and Governance Jan 2017	

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
a risk that ineffective frameworks are not identified which could result in the organisations not achieving their objectives.			<p>The new Governance Framework will be reviewed annually and this will be coordinated by the OPCC CFO.</p> <p>Update May 2015 The responsibility for reviewing the framework is detailed in the Decision Record and the Framework and this recommendation is now COMPLETED.</p>		

### ICT Review – January 2017

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
<p>4.2 <b>Monitoring Strategy</b></p> <p><i>Observation:</i> Multiple monitoring tools are in place to monitor network and system activity, however there is no current formal monitoring strategy defining what is monitored and what is not and where responsibilities lie.</p> <p><i>Risk:</i> Management do not adequately define areas of risk to be monitored.</p>	The organisation should establish a formal IT monitoring strategy to clearly define what is monitored, how and by whom and what action needs to be taken if an event is identified that requires further attention.	3	<p>Accepted. Departmental Head now working with team managers to draft initial monitoring strategy. Some additional reporting being created to ensure that key areas of technology are effectively monitored and formalised escalation processes determined.</p> <p>Update – A draft strategy has been drawn up and is currently under review. ISD have developed a monitoring dashboard for the infrastructure which will be displayed in the main office.</p> <p>Update - Monitoring Strategy still requires work. We have a Network Monitoring piece to feed into it but unfortunately due to staff illness there has been limited progress on the Server and Storage side of the fence. The work will recommence on 12 March with a comprehensive solution expected by 23 March.</p>	Acting Head of ISD completion end Q1 2017	

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
			Update – The Draft Monitoring Strategy was completed and approved in May 2018.		

### Walgrave Wellbeing Centre – February 2017

Observation/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
<p>4.5 <b>Grant Monitoring</b></p> <p><i>Observation:</i> Linked to the need to hold a central repository of key documentation referred to in 4.4 above, testing of a sample of grants found in some instances there was a lack of documentation to provide evidence of a robust process for confirming grants were being spent for the purposes they were given. With regards WWC, an email was provided to Audit from the WWC stating that the minibus was on order and subsequent confirmation received that the minibus had been purchased. With regards the building works element of the grant, Audit were informed that, due to the stage of completion, the OPCC had still to confirm progress on the scheme and would expect a full report by the end of the year.</p> <p><i>Risk:</i> Grants are not used for the purposes they were awarded.</p>	<p>A process should be put in place for ensuring grants are being spent for the purposes they were awarded. This should include documented reporting routines and (as per 4.4) a central repository of key documentation.</p>	1	<p>Agreed and accepted</p> <p>The Head of Office will be asked to devise a process.</p> <p>Link to serial 4.1 response</p> <p>Update – PCC Grants are not given out directly by the OPCC and are only awarded through the Community Foundation. New related party returns require all officers to disclose charities and third parties in addition to business interests. It is proposed this remains open until after the external audit for 2017/18 to ensure the new related party approach is operating effectively.</p> <p>Update May 2018 – it is anticipated that the external audit will be concluded by 31/7/18, this recommendation should remain open until that time.</p>	<p>Director for Resources and Governance 1st Nov 2016</p> <p>M Scoble 20 Dec 16</p>	
<p>4.6 <b>Delegated Limits</b></p> <p><i>Observation:</i> The Scheme of Governance includes the Financial Regulations which include the delegate authorisation levels. Where decisions are made at officer level, these should be within the delegated approval levels set out in the Financial Regulations (Section F). However, this makes no reference to grants other than the PCC's ability to make community grants up to £100k in one year. From discussions with officers, it was confirmed that the Financial Regulations do not currently specifically refer to delegated approval levels for grants.</p>	<p>The Delegated Limits set out in Section F of the Financial Regulations should clearly set out those limits with regards the award of grants, above which the approval of the PCC should be obtained.</p>	2	<p>To be included within the current update of Scheme of Governance.</p> <p>Scheme of Governance under review, including the delegated limits (are delegated limits consistent across region?). Timeline of Jan 17 needs to be reviewed due to requirements set out in Management Responses at ser 4.1, 4.3, 4.4 &amp; 4.6 followed by formal PCC endorsement before being sent to JIAC.</p>	<p>Director for Resources and Governance January 2017</p> <p>M Scoble 20 Dec 16</p>	

	<p><i>Risk:</i> Financial decisions may be made beyond the delegated approval levels of an officer.</p>			<p>Update - In progress – the draft scheme of governance was shared with the JIAC in December 2017, is awaiting sign off by the PCC on the 8/3/18 and is due for implementation on the 1/4/18. It is recommended that the action remains open until 1/4/18. (HK 28/2/18).</p> <p>Update May 2018: The Corporate Governance Framework which includes delegated limits was issued on the 1/4/18 and this recommendation is COMPLETED.</p>		
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### Risk Management – February 2017

	Observation/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
4.5	<p><b>Training for OPCC Staff</b></p> <p><i>Observation:</i> 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.</p> <p>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.</p> <p>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.</p> <p><i>Risk:</i> If staff do not have adequate risk management skills, key risks may not be identified and managed effectively across the OPCC.</p>	<p>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.</p> <p>A recommendation regarding training for OPCC staff was raised within the 2015/16 internal audit report of risk management. (OPCC)</p>	2	<p>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.</p> <p>The lead officer is seeking to source more formalised training for himself. All of this will be documented for next audit.</p> <p>Update – The OPCC and Force are currently exploring joint training to be undertaken by an external provider in spring/summer 2018.</p> <p>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.</p>	Paul Fell, Director for Delivery October 2017	

## Capital Expenditure – April 2017

	Observation/Risk	Recommendation	Priority	Management Response	Timescale/ responsibility	Status
4.1	<p><b>Asset Management / Capital Strategy</b></p> <p><i>Observation:</i> In order for effective management of the OPCC assets and capital, and to ensure that roles, responsibilities and reporting lines have been formally defined, an Asset Management Strategy and Capital Strategy should be produced. The Estates Strategy currently being produced should be linked to the Asset Management and Capital Strategies.</p> <p>It was confirmed that, at the time of the audit, the OPCC does not have an Asset Management Strategy or Capital Strategy in place.</p> <p>An executive order (#54) was approved by the PCC in January 2016 regarding a 'Consultation on Revised Estates Strategy'. As a result of this executive order, the PCC approved, for consultation purposes, the draft Estates Strategy 2016. However, discussion with the OPCC Chief Executive identified that the Estates Strategy is currently in the process of being reviewed and, as a result, a revised strategy will be produced.</p> <p><i>Risk:</i> Where an Asset Management Strategy and Capital Strategy are not produced there is a risk that staff are unaware of their roles and responsibilities and the reporting lines in regards to the capital programme and asset management which may result in ineffective management of the capital and assets.</p>	<p>The OPCC should produce an overarching Asset Management Plan and Capital Strategy which will be supported by the Estates Strategy, Treasury Management Strategy and Capital Programme. These should be approved by the Commissioner (or persons with delegated authority). [OPCC]</p>	1	<p>Martin Scoble. 23 Apr 17.</p> <p>Fully endorse the recommendation. The OPCC has fundamentally failed to produce sufficient governance, processes, strategies and active management of the capital programme. The current Financial Review, which has been instigated by RGJ, has also independently identified these failings.</p> <p>The Estates Strategy and subsequent capital programme, asset management and treasury management strategies are being developed now with an estimated completion of Jun 17. This will be a step change in the ability of the OPCC and Force to appropriately and correctly make decisions based on accurate information and also monitor progress. This has been a substantial failure over the past 12/24 months that has been recognised and is being addressed. This Internal Audit report now formalises this requirement.</p> <p>Update - In Progress - The 2017/18 Treasury Management Strategy was supported by the JIAC (with reservations) in December 2017.</p> <p>The capital programme was included as part of the 2018/19 Budget and Precept Proposals approved at the Police and Crime Panel on the 1/2/18. Whilst much work has been undertaken on it, the area of ICT Strategy and that element of the capital programme remains subject to review and will be updated in the first quarter of 2018/19.</p> <p>Both the Capital Programme and the Treasury Management Strategy 2018/19 will be considered at the March 2018 JIAC.</p> <p>It is recommended this action remains open until after that consideration (HK 28/2/18).</p>	<p>Estates. MS. Jun 17</p> <p>Capital Prog. MS/RGJ. Jul 17</p> <p>Treasury Man. RGJ. Jul 17</p> <p>Governance Process. MS. (subject to Fin Review). Jul 17</p>	

				Update : May 2018: These documents were considered and supported at the JIAC in March 2018 and the Estates and Treasury Management Strategies have now been issued (the Capital Programme being included in the 2018/19 Budget and Precept). This recommendation is COMPLETED.		
4.4	<p><b>Asset Registers</b></p> <p><i>Observation:</i> To ensure that the Force and the OPCC are easily able to identify at any given time the assets owned, the value of these assets and the remaining lifespan of the assets, and in order for effective management of the assets, the Force should simplify its asset registers and ensure that all required information is recorded against each asset. Three separate asset registers are maintained for the following categories:</p> <ul style="list-style-type: none"> <li>• Fixed assets (such as buildings, land and equipment);</li> <li>• Vehicle assets; and</li> <li>• IT assets.</li> </ul> <p>A review of the asset registers identified the following:</p> <ul style="list-style-type: none"> <li>• The Fixed Asset Register is currently maintained in a format that is used for the Finance Department's accounting purposes and therefore includes calculations and information not required for an asset register. The Fixed Asset Register can therefore be simplified for ease of reference; and</li> <li>• The IT Asset Register does not record current value of the assets (although does record purchase price). Additionally, although it was noted that the Force run a 4/5 year replacement cycle for most IT equipment (other than phones and tablets which are 2/3 year cycles), the IT Asset Register also does not record the expected life and age of the assets. <p><i>Risk:</i> Where the OPCC and Force are unaware of the assets owned, and the current value of these, there is a risk of potential misappropriation going undetected and/or inaccurate asset valuations in the accounts which may result in financial loss and reputational damage to the Force.</p> </li></ul>	<p>The Force should revise the asset registers in order for only necessary information to be held on the register. All asset registers should include the following information:</p> <ul style="list-style-type: none"> <li>• Item description;</li> <li>• Item valuation (both initial purchase value and current value for depreciation);</li> <li>• Item added/disposed of date;</li> <li>• Item age; and</li> <li>• Expected/Average lifespan of item</li> </ul> <p>[Force]</p>	2	<p>Martin Scoble. 23 Apr 17 Agreed. As per 4.1. Asset management will form part of the new estates strategy currently being developed (for buildings and land). These will be reviewed periodically and updated with proposed changes being escalated for decisions. In addition, the reviewed and amended Corporate Governance Framework, which includes the Scheme of Governance and delegations, will allow better decision making and reporting by exception. Complimentary registers will be established and the reviewed governance process utilised.</p> <p>Richard Jones, 24 Apr 17 As part of the Asset review in 2016/17 the Statement of accounts will formally document that plant and equipment is now recorded in the OPCC Balances Sheet. These assets have formally been 'transferred' to the OPCC in last financial year (the external auditors are aware of this accounting adjustment). Furthermore, as part of the review, both parties will establish whether it is feasible to maintain one asset register going forward.</p> <p>Update - In Progress for the 2017/18 Statement of Accounts Process – it is recommended this action remains open until conclusion of the statement of accounts process for 2017/18. (HK 28/2/18).</p> <p>Updated May 2018: This remains open until the conclusion of the external audit.</p>	MS/DCC Jul 17  RGJ, Jul 17	
4.5	<p><b>Agreement of Formatting and Consistency</b></p>		2	<p>Martin Scoble. 23 Apr 17</p>	RGJ. Jul 17	



<p><i>Observation:</i> To ensure that there is consistency across the OPCC and Force, both parties should agree to the format of Capital Programme reports and use this format for reporting purposes.</p> <p>It was identified that the OPCC and the Force are currently using different formatted versions of the Capital Programme for reporting purposes. The OPCC uses the format originally used for the approved 2016/17 Capital Programme, whilst the Force uses a budgeting format which details spend against the budgets for each project within the Capital Programme.</p> <p>Comparison of the two versions as at December 2016 identified that there are discrepancies between the values of the projects within the programme. The OPCC version reports the total approved cost of the programme as £60,169,000 whereas the Force version reports the total approved cost as £60,368,000.</p> <p><i>Risk:</i> Where there is no consistency between the OPCC and Force in reporting against the Capital Programme there is a risk of potential inaccuracies in reported data which could result in poor decision making and potential financial loss to the Force.</p>	<p>The OPCC and Force should agree to the formatting of Capital Programme reports for monitoring purposes. Upon agreement, both parties should use the same formatting style for consistency and ease of reference.</p> <p>[OPCC and Force]</p>		<p>Agreed. As per 4.1 Financial Review will provide further detail and make recommendations.</p> <p>Richard Jones, 24 Apr 17</p> <p>Formal reporting timescale and formatting will be reviewed including the feasibility of moving from a monthly to a quarterly capital reporting cycle.</p> <p>Update – whilst developments have been made in 2017/18 to reporting, this remains in progress and will be further reviewed in 2018/19.</p> <p>Updated : May 2018: A consistent format is used in every monthly monitoring report and only one Capital Programme is in place, with figures agreed by the Force and OPCC. This recommendation is now COMPLETED.</p>		
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## 2017/18

### Audit Committee Effectiveness - June 2017

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	<p><b>Assessment of the Effectiveness of the JAIC</b></p> <p><i>Observation:</i> The JAIC Terms of Reference (ToR) requires that the Committee review its own effectiveness; under 'Conclusion' it states: 'It is important that the JAIC adds value to the organisations in discharging its responsibilities and so will continue to assess its own effectiveness.'</p> <p>The JAIC, through the Chair, produces the JAIC annual report once a year, the last one being in June 2016. As part of the report, it includes the following appendices:</p> <p>a) Terms of Reference – it is an opportunity for members to review and update the ToR.</p>	<p>Actions identified following this review of the JAIC's effectiveness should be agreed and monitored at subsequent meetings via a specific action plan.</p> <p>As part of the JAIC's review of its own effectiveness, consideration should be given to securing feedback from other (ie non-Committee members) contributors to the JAIC as to its effectiveness</p>	2	<p>Agreed</p> <p>1. The actions arising from this report's recommendations will be incorporated into the Committee's annual work plan and hence will be reviewed annually.</p> <p>Update – This was completed in June 2017 and the action can be closed.</p> <p>2. The draft annual report will be circulated to the OPCC, DCC and CFO for comments.</p>	<p>June 2017 / JAIC Chair</p> <p>Revised date July 2018</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
	<p>b) Aims &amp; Objectives – this a reflection of the previous year where the committee assess their performance against their aims / objectives. The JIAC work plan sets out the annual self-assessment of the committee. It was acknowledged that the self-assessment, which forms part of the JIAC annual report, is not shared outside of the JIAC members, with there being no means by which the Committee seeks feedback on its performance. <i>Risk:</i> Opportunities are lost to develop the Committee and to ensure that it is meeting its terms of reference.</p>			<p>Update - Effectiveness of Audit Committee will be discussed at the next JIAC workshop and the draft report for the July meeting will be circulated in advance for comment. Close after July JIAC.</p>		
4.2	<p><b>JIAC Terms of Reference</b>  <i>Observation:</i> The JIAC ToR, whilst it does not follow the precise format of the CIPFA Position Statement, broadly covers the content. The JIAC ToR were last reviewed at the June 2016 meeting, along with the Chair's Annual Report. However, from review of the OPCC website, there is no direct link to the Committee's terms of reference, although it can be found through searching the agendas and papers for individual meetings (albeit, a tracked version of the ToR is contained within the Chair's annual report). From discussions with the Committee, it was agreed that a further area for clarity that would be helpful is in terms of the boundaries of the JIAC's responsibilities and, in particular, what areas the Committee should not cover so as to avoid duplication with other forums (examples include performance and ethics). <i>Risk:</i> The Committee's roles and responsibilities are not clearly understood.</p>	<p>The Terms of Reference for the JIAC should be clearly available on the OPCC website. Consideration should be given to updating the ToR to include a summary of those areas which will 'not' be within the remit of the JIAC. In determining this, the overall governance structure of the Force should be considered.</p>	2	<p>Agreed  1. The JIAC chair to discuss with the OPCC changes to the website.  Update - Discussion between JIAC chair and OPCC CX. Awaiting changes to OPCC website.  2. The scope and exclusions to the JIAC terms of reference will be considered annually including June 2017. JIAC retains an overview of all aspects of governance but there may be areas such as 'Ethics' where it is accepted that another body has the immediate oversight.  Update - Considered at the June 2017 meeting. This action can be closed.</p>	<p>1. Sept 2017  2. June 2017  JIAC Chair</p>	
4.3	<p><b>The Role of the JIAC</b>  <i>Observation:</i> 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</p>	<p>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.</p>	2	<p>a) To be discussed with OPCC CX and DCC  Update – Meeting held with the Chief Constable; meeting with PCC to be arranged.  b) To be discussed with OPCC CX and DCC, and to include a similar invitation to the Chief Constable.</p>	<p>All - Sept 2017  JIAC Chair</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
	<p>publicise the role of the JIAC and enhance relationships with the OPCC and Force. These include:</p> <ul style="list-style-type: none"> <li>The Chair meeting regularly with the OPCC Chief Executive and the Chief Constable.</li> <li>Invitation to the PCC to attend a JIAC meeting on an annual basis.</li> <li>Reviewing the OPCC website and, in particular, how it refers to the JIAC.</li> <li>Consideration should be given to including direct links to the JIAC ToR (as per 4.2) and annual report.</li> <li>Presentation by the JIAC Chair of the JIAC annual report to the PCC Board.</li> </ul> <p><i>Risk:</i> The Committee's roles and responsibilities are not clear to others and may hinder its effectiveness.</p>	<p>b) Invitation to the PCC to attend a JIAC meeting on an annual basis.</p> <p>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.</p> <p>d) Presentation by the JIAC Chair of the JIAC annual report to the PCC Board.</p>		<p>Update - Dependent on (a)</p> <p>c) Part of 4.2 above</p> <p>d) To be discussed with OPCC CX and DCC.</p> <p>Update - Presentation made to Police and Crime Panel. Presentation to the PCC Board to be discussed.</p>		
4.5	<p><b>JIAC Membership</b> <i>Observation:</i> 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. 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. <i>Risk:</i> The JIAC does not have a full breadth of competencies to effectively fulfil its duties.</p>	<p>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.</p>	3	<p>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 Chief Constable. Aim to recruit two new members.</p>	November 2017 JIAC Chair	
4.6	<p><b>Administrative Support</b> <i>Observation:</i> 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.</p>	<p>The administration supporting the JIAC should be kept under review.</p>	3	<p>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.</p>	Ongoing JIAC Chair & Members	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>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.</p> <p><i>Risk:</i> The Committee are not able to effectively fulfil their duties.</p>			<p>Future concerns to be highlighted to the PCC and CC.</p> <p><i>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.</i></p> <p>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.</p>		
4.7	<p><b>Disclosable Interests</b></p> <p><i>Observation:</i> Whilst the JIAC ToR sets out that Declarations of Interest would be a standing agenda 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.</p> <p><i>Risk:</i> Reputational damage where the work of the Committee is brought into question as a consequence of a perceived conflict of interest.</p>	All JIAC members should be required to submit a 'Disclosable Interest' form and this should readily available via the OPCC website.	2	<p>Agreed.</p> <p>Disclosable interest form to be circulated to JIAC members for completion.</p> <p><i>Update - Submissions made by JIAC members but not yet on the website (see 4.2 re: website)</i></p>	Sept 2017 JIAC Chair & Members	
4.8	<p><b>Panel Induction Training</b></p> <p><i>Observation:</i> Upon joining the JIAC, members receive a copy of the JIAC ToR and the member / chair job descriptions, along with their appointment letter. From discussions with Committee members it was felt that induction training could be improved. Given the need to recruit a fifth member of the Committee, it was agreed that now was a good time to revisit the quality of induction provided.</p> <p><i>Risk:</i> New Committee members do not have a clear understanding of the role and, as a consequence, this hinders their effectiveness.</p>	<p>The imminent recruitment of a new member of the JIAC should be supported by effective arrangements for their induction training. Amongst the areas to be included in the induction training, consideration should be given to the areas of good practice set out in the NAO five good practice principles; these include:</p> <p>a) their appointment and purpose;</p>	2	<p>Agreed that an induction programme is important and should be prepared for new JIAC members.</p> <p><i>Update - Will be undertaken in line with the revised timetable for recruiting additional committee members.</i></p>	Nov 2017 JIAC Chair	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
		<ul style="list-style-type: none"> <li>b) the support and training that they will receive;</li> <li>c) the commitment required;</li> <li>d) their remuneration;</li> <li>e) conflict of interest procedures;</li> <li>f) expected conduct;</li> <li>g) duration of appointment and how often it may be renewed; and</li> <li>h) how their individual performance will be appraised, including a clear understanding of what would be regarded as unsatisfactory performance.</li> </ul>				
4.9	<p><b>Ongoing Committee Training</b></p> <p><i>Observation:</i> 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, i.e. the Committee would benefit from a wider breadth of competencies.</p> <p>Training is provided to members on an 'as and when needed' basis. Whilst it is a subjective area to determine whether 'sufficient' training has been provided, the outcome of the questionnaires sent to JIAC members as part of this review suggested that members were generally happy with the level of training provided, although the level of training may have reduced since initial induction. This was further confirmed from discussions with JIAC members and officers, who confirmed that there was now a requirement for a review of training requirements, including where JIAC members felt they require additional support.</p> <p><i>Risk:</i> Committee members to do not have the skills to effectively fulfil their role.</p>	<p>Consideration should be given to reviewing the JIAC's training requirements, including where JIAC members feel they require additional support.</p>	2	<p>Agreed that it would be helpful to:</p> <ul style="list-style-type: none"> <li>Identify the skills which an additional member might have to compliment those of the current committee members and to inform the selection process: and</li> <li>Discuss with the existing members the training and support they each have and these might be addressed.</li> </ul> <p>Update - Will be undertaken as part of the recruitment of new members of the committee.</p> <p>The next JIAC workshop will allow the committee members to consider what training and support they might need.</p>	<p>Sept 2017 JIAC Chair</p>	

## Seized Property - July 2017

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	<p><b>Property Tracking on NICHE</b></p> <p><i>Observation:</i> Review of five Cash Valuables held within the Central Property Store identified that there were discrepancies in the audit trail in three cases. This included property being moved to a temporary location for further enquiries. The property was taken out of temporary storage, moved to Sheffield, and returned, for testing. This trip was not recorded on NICHE, with there being no trail of the property leaving the temporary store.</p> <p>Review of the Temporary store in Kettering identified eight cases (10%) where property was not available in the temporary store as per the record held on Niche. A further 14 items were in the temporary store which were not logged onto Niche.</p> <p>Review of a Collection Shelf in Weston Favell identified eight (23%) cases where property was not available which had been assigned to this location on NICHE.</p> <p><i>Risk:</i> Where items are not tracked, and checked in and out at the appropriate locations, there is a risk of property going missing. This also questions the integrity of the underlying records held on the NICHE system.</p>	Officers should be reminded to ensure property is checked in and out correctly whenever property has been moved from the temporary locations.	1	<p>When Niche was implemented, all officers attended a training program which provided instructions and guidance regarding their use of property in Niche. As with other areas of Niche, there have been difficulties for some officers in adopting the correct processes. The Property team regularly sends out guidance notes and instructions to officers to assist and avoid future errors and will continue to monitor and do so. In addition, the Niche training team (Melissa Willis) will include this area within their regular NICHE training updates to officers and staff. The DP Team Leader will continue to make use of our Forcenet &amp; Force orders to remind officers of their obligations in respect of property.</p> <p>Update – Ongoing communications are highlighted on Forcenet and user guides have been distributed on current processes.</p> <p>We are in the process of changing how officers manage property in Niche which is significant and will affect the region. The changes will take some time to introduce, but we are making good progress.</p> <p>Update - Forcenet used to highlight any property issues and process reminders.</p> <p>Melissa Willis has built property into the Niche refresher training for officers.</p>	<p>Tina Britten – Property team leader –</p> <p>Force wide broadcasts &amp; links to Niche training to ensure accommodates needs highlighted in this report.</p> <p>Ongoing Daily/weekly tasks. Or Monthly training activity.</p>	
4.2	<p><b>Strong Room Safe Audit</b></p> <p><i>Observation:</i> In discussion with the Property Team Leader it was confirmed that the last audit to be completed on the Safe / Strong room was in 2015, however this was not a full scale audit / reconciliation where the whole safe had been reconciled.</p>	The Central Detained Property Team should complete a full audit of the Safe and Strong room. This should include ensuring items stated on NICHE to be held within	1	<p>The safe/strong room is within a secure and covert building with restricted access, which reduces the level of risk highlighted.</p>	Kelly Connor / Kelly Wayman - Senior managers / Tina Britten –	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>Review of a Property Management System Report (Pre- NICHE March 2016) identified 59 pages of property stated to be held within the Cash/Valuables Safe dated between 2002 and 2016. Review of six items from this list confirmed that three could not be located; including a set of coins from 2002. It was also identified that one of the three identified items was located within an incorrectly labelled box – a Kettering item, within a Corby labelled box.</p> <p><i>Risk:</i> Where the safe is not regularly audited/reconciled, property may go missing/ be disposed of without notice or record on the property management systems. The integrity of the data held on NICHE is then pulled into question.</p>	<p>the Strong room are available, and to ensure items have been placed in the correct and appropriate locations. The safe / strong room should then be periodically audited / reconciled to ensure accuracy back to the underlying records held on NICHE.</p>		<p>A recent business case was agreed to recruit 4 additional staff on fixed term contracts (FTC), initially for 6 months, to enable the elements of this report to be addressed, including a full audit of the safe/strong room &amp; all temp &amp; bulk stores. The business case for a permanent change to the Property team establishment will be progressed with the Northants Police Change Board in August. This will to ensure that the temporary solution is embedded as a long term solution.</p> <p>Update – Interviews for the FTC positions have been completed and offers issued. We are now awaiting MFSS to complete the recruitment process.</p> <p>Update - All recruitment progressed with starters joining on a staggered basis. 1 in post already, 3 joining week commencing 23rd Oct, 1 at the beginning of Nov &amp; 1 at the beginning of Dec.</p> <p>Update – DCC has confirmed that the review should be progressed.</p> <p>Staff have been recruited and are in post to ensure stores are audited.</p> <p>The Financial Crime team will be assisting DP in auditing the strong room / safe and assisting with a review in the process. We are looking at the Notts &amp; Leicester model to see if there are benefits in adopting in Northants.</p>	<p>Property team leader.</p> <p>Review and Permanent Changes requested via change board, requested to be implemented within 6 months, whereby additional staff are in place and completing the required tasks on a permanent basis. Alternatively the force will extend the FTC until the long term changes are implemented.</p>	
4.3	<p><b>Temporary Storage Audit</b></p> <p><i>Observation:</i> Review of three temporary stores identified two stores which had significant</p>	<p>Temporary Storage Locations should be reviewed and audited</p>	1	<p>A recent business case was agreed to recruit 4 additional staff on fixed term contracts initially for 6 months, to enable</p>	<p>Kelly Connor / Kelly Wayman -</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>discrepancies to the underlying records held on Niche. In one case the location report from Niche indicated 80 items were present in the location, yet eight of which could not be located within the temporary store. A further 14 items were held within the store, but not assigned to the store on NICHE. In the second location the report stated 35 items should be available, eight of which could not be found.</p> <p><i>Risk:</i> Where there is no regular reconciliation of temporary stores to the NICHE system, property may not be appropriately tracked where the underlying records are incorrect.</p>	during the collection and delivery runs.		<p>the elements of this report to be addressed, including a full audit all temp stores.</p> <p>The business case for a permanent change to the Property team establishment will be progressed with the Northants Police Change Board in August. This will to ensure that the temporary solution is embedded as a long term solution.</p> <p>Northants will adopt a complete review, similar to that completed recently at Leicestershire Police. The New Leicester model included a property courier role that would complete collections and audit the temp stores during their visits. This role has been proposed as part of the business case and recommended review of Northants property roles.</p> <p>Update – As per 4.2 re the FTC positions.</p> <p>Update - DCC has confirmed that the review should be progressed.</p> <p>New FTC staff employed. All temp stores audited &amp; on the 4 weekly rota for audits as normal business.</p>	<p>Senior managers / Tina Britten – team leader.</p> <p>Review and Permanent changes requested via change board, requested to be implemented within 6 months, whereby additional staff are in place and completing the required tasks on a permanent basis.</p> <p>Alternatively the force will extend the FTC until the long term changes are implemented.</p>	
4.4	<p><b>Cash Count - Insurance Policy</b></p> <p><i>Observation:</i> The safe within Central Property Store currently contains large quantities of cash that have not been counted, but are defined as "Quantity of Cash" or "Large Quantity of Cash". Review of the insurance policy, and discussion with the legal secretary, confirmed that the Force are not covered for uncounted cash, ie only for that which the Force are able to prove was lost. Additionally, the cash that was held was not clearly identified as being held under either POCA or PACE, or for any other reason, which may have explained why the cash had not been counted.</p> <p><i>Risk:</i> Where cash is not counted the Force are not insured for the amount held, also the amount held</p>	<p>Cash held within the Central Property Safe should be counted for insurance and safeguarding purposes.</p> <p>Where cash has been seized under POCA or PACE and is not be counted, this should be made clear on the NICHE record and exhibit bag where possible.</p>	1	<p>The Central safe/strong room is within a secure and covert building with restricted access, which reduces the level of risk highlighted.</p> <p>A recent business case was agreed to recruit 4 additional staff on fixed term contracts, initially for 6 months, to enable the elements of this report to be addressed, including a full audit of the safe/strong room, including the counting of money held, for insurance purposes.</p> <p>Instructions will be disseminated on a regular basis, to ensure cash seized under POCA or PACE that is not counted, will be</p>	<p>Kelly Connor / Kelly Wayman - Senior managers / Tina Britten – team leader.</p> <p>Review and Permanent changes requested via change board, requested to be implemented within 6 months,</p>	



	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>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.</p>			<p>made clear on the NICHE record and exhibit bag where possible.</p> <p>Update – As per 4.2 re the FTC positions.</p> <p>Update - The Financial Crime team will be assisting DP in auditing the strong room / safe and assisting with a review in the process and insurance implications. We are looking at the Notts &amp; Leicester model to see if there are benefits in adopting in Northants. Other forces have dedicated staff for the purpose of counting cash, who are part of the evidential chain &amp; have clean facilities for the purpose of forensic protection.</p>	<p>whereby additional staff are in place and completing the required tasks on a permanent basis. Alternatively the force will extend the FTC until the long term changes are implemented. Ongoing training &amp; broadcasts will continue on a Daily /weekly / monthly basis, or via the Monthly NICHE or force training activity, to include instructions re cash seized under POCA/PACE</p>	
4.5	<p><b>Training on NICHE</b>  <i>Observation:</i> Review of a temporary location collection shelf identified eight cases, from a population of 35, where the property was not available on site. The underlying Niche records indicated that a collection date with the owner had been confirmed in some cases, however the system had not been updated following this meeting to confirm if the property had been returned.  Further inspection identified that two of the property items stated to be held in store had been returned to the owner.  The incorrect items of property were then disposed on the system. This showed that two in store items had</p>	<p>The Force should ensure that all staff are aware of the procedure for confirming the disposal of property, including the return to owner procedure. Namely, the initiation of a task for disposal by the Central Detained Property Team on NICHE.  Training should also include the process for moving property from temporary storage.</p>	2	<p>We are changing the way officers review property so they instead directly specify in Niche when property should be retained, returned to owner or destroyed and no longer send a review task to the Property team.  Property will receive information from scheduled business objects reports, which will drive their work for destructions and return to owners.  This work is ongoing and with the Niche design authority currently for approval.</p>	<p>Kelly Connor / Kelly Wayman - Senior managers / Tina Britten – team leader.  Niche changes to process expected 31/12/2017 for implementation and associated training</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>been disposed of, and two disposed items were in store.</p> <p><i>Risk:</i> Where property is not appropriately disposed on NICHE, the integrity of the underlying records on NICHE are called into question.</p>			<p>Interim solution – see 4.1, Broadcasts &amp; information sharing will be done via force systems by Property team leader, and ongoing training by NICHE training team both with current procedure and when changes introduced.</p> <p>Also 4.3 – Proposed new Courier role would ensure temp stores are audited, Niche amended and officers updated.</p> <p>Update - Niche changes to process delayed. Due for further discussion at the next property working group in Feb 18, at which time should have full consent. Will then take some time for Niche to implement</p> <p>4.1 - Ongoing Daily/weekly tasks. Training activity being delivered by Melissa Willis as part of the ongoing Niche training.</p> <p>4.3 Whole department &amp; role review being completed by Process Evolution, as commissioned by the Change Board. Results pending.</p>	<p>4.1 - Ongoing Daily/weekly tasks. Or Monthly training activity.</p> <p>4.3 Review and Permanent Changes requested via change board, requested to be implemented within 6 months, whereby additional staff are in place and completing the required tasks on a permanent basis.</p> <p>Alternatively the force will extend the FTC until the long term changes are implemented.</p>	
4.6	<p><b>Timeliness of Disposals</b></p> <p><i>Observation:</i> Review of five disposals identified one case where the item had remained pending disposal for eight months before being disposed and destroyed. P16000-18381 had been set to pend disposal following a request from the Officer in Case on the 6 July 2016, however this was not destroyed until 29 March 2017. Review of the Pre-NICHE PMS report (59 pages) identified a large number of property items from 2002-2016 classified as "Awaiting Disposal" on the system.</p> <p><i>Risk:</i> Where items are not disposed in a timely manner, this hinders effective property management and impacts on the availability of storage facilities.</p>	<p>Property should be disposed of in a timely manner after the authorised destroy request has been submitted to the Central Property Team.</p>	2	<p>A recent business case was agreed to recruit 4 additional staff on fixed term contracts, initially for 6 months, to enable the elements of this report to be addressed, including the disposal of property in a timely manner.</p> <p>The business case for a permanent change to the Property team establishment will be progressed with the Northants Police Change Board in August. This will ensure that the temporary solution is embedded as a long term solution.</p> <p>Please also see 4.5 re: change to way officers mark property for disposal.</p>	<p>Kelly Connor / Kelly Wayman - Senior managers / Tina Britten – team leader.</p> <p>Review and Permanent Changes requested via change board, requested to be implemented within 6 months, whereby</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				<p>Update – As per 4.2 re the FTC positions.</p> <p>Update - DCC has confirmed that the review should be progressed.</p> <p>Destroys are now part of DP daily business.</p> <p>Tina Britten to complete periodic checks to ensure no slippage</p>	<p>additional staff are in place and completing the required tasks on a permanent basis. Alternatively the force will extend the FTC until the long term changes are implemented.</p>	
4.7	<p><b>Cash Banking Process</b></p> <p><i>Observation:</i> Two officers are present in the counting of cash, within the Central Property location, which has been requested to be disposed by the Office in Case. Both officers will take a section of the bags and each count their share of the property bags. Each bag is currently counted by a single officer. The amounts to be banked are entered onto a checking sheet which details the denominations of cash counted per property item. This amount is not entered onto the NICHE property record.</p> <p><i>Risk:</i> Where the counted cash is not double checked, there is a risk of a miscount of the money to be banked. Where this amount is not recorded on the NICHE record, it will be difficult to identify where the miscounted monies relates as there is no cash amount held on the property management system.</p>	<p>Cash and banking should be completed on a periodic basis, with two officers counting the amounts to be banked. Once banked, the amount banked against the property item on NICHE should be recorded for continuity.</p>	2	<p>Process will be adopted upon appointment of new staff currently being recruited. A recent business case was agreed to recruit 4 additional staff on fixed term contracts, initially for 6 months, to enable the elements of this report to be addressed, including the counting and banking of cash in a timely manner, with the NICHE records being appropriately recorded.</p> <p>The business case for a permanent change to the Property team establishment will be progressed with the Northants Police Change Board in August. This will ensure that the temporary solution is embedded as a long term solution.</p> <p>Update – As per 4.2 re the FTC positions.</p> <p>Update - DCC has confirmed that the review should be progressed.</p> <p>New staff appointed and cash is banked promptly. See also 4.2 &amp; 4.4 above</p>	<p>Kelly Connor / Kelly Wayman - Senior managers / Tina Britten – team leader. New staff should be appointed and activity in place by 31/08/2017. Review and Permanent changes requested via change board, requested to be implemented within 6 months, whereby additional staff are in place and completing the required tasks on a permanent basis. Alternatively the force will extend the FTC until the long term</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
					changes are implemented	
4.8	<p><b>Policies &amp; Procedures</b></p> <p><i>Observation:</i> Review of the Detained Property Procedure and Annexes (A-N) confirmed that they had not been updated following implementation of the NICHE software in March 2016. Review of the Web Form available on Force Net confirmed that the guidance available is not accurate based on the current processes in place and updated forms for officers to use.</p> <p><i>Risk:</i> Where procedure notes are not reviewed and updated on a regular basis there is a risk that the working practices adopted by staff may become inefficient, ineffective, and / or out-dated. This could subsequently lead to mistakes and errors in seized property.</p>	<p>The Detained Property Policy, Procedure and Annexes should be reviewed and updated on a regular basis to ensure their accuracy and fitness for purpose. Updates should also include the Web Form Guidance for Police Officers in Adding Exhibits and Checking Property In and Out.</p>	2	<p>The existing policies and procedures are currently being reviewed and updated by the Property Team Leader. The property team will continue to maintain the Forcenet / intranet pages in relation to all information with respect to property, as a one stop location for officer enquiries. The Property team leader will disseminate reminders to officers in respect of any property issues highlighted, and also generic reminders to all.</p> <p>Update - These are a work in progress. We are collaborating with the region to implement regional policies, hence this will take longer than expected. Our local policies are also being looked into, as some issues need resolving, for example a change to policy in relation to frozen exhibits. All moving forward as quickly as possible.</p> <p>Update - Property policies and procedures are to be regionalised. This work is in progress</p>	<p>Kelly Connor / Kelly Wayman – Senior managers / Tina Britten – Property team leader. 31/08/2017</p>	

### OPCC Victims Code Follow Up - July 2017

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.4	<p><b>Provider Dip Sampling Process</b></p> <p><i>Observation:</i> Dip sampling is an effective means of confirming that key requirements of the process are being met and to address any areas of poor performance. This also drives consistency across the organisation and quality of service. The contract variation, signed with the victim's support provider, included the completion of DIP</p>	<p>The dip sampling process should be supported by a documented methodology to include - frequency, required approach, sample selection/ size, evidence of checks and action to be taken</p>	2	<p>Agreed. Dip sampling will be reviewed with each provider and agreements be made to ensure this is reported to the OPCC as part of current performance monitoring reports that are received.</p>	<p>Vicki Martin, Head of Commissioning 31st July 2017</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>sampling for the OPCC to ensure compliance with VCOP by its external providers. However, this process is not supported by a documented methodology and the suppliers have not been provided the OPCC with regular performance from its DIP sampling process.</p> <p><i>Risk:</i> Inadequate quality assurance process, ineffective use of resources and failure to address non-compliance with VCOP in the victim support process.</p> <p><b>This risk is outstanding from the previous audit of VCOP in June 2016</b></p>	<p>where issues have been identified.</p> <p>The OPCC should ensure that suppliers are complying with the DIP sampling requirements.</p>		<p>Update – With effect from 01 October 2017 Voice will become a company owned and delivered by the OPCC rather than contracted suppliers. We are currently setting up new DIP Sampling process with the new Voice CEX to ensure the audit recommendation can be picked. A further update will be available in Autumn 2017.</p> <p>Update - The new CEX has been in charge of the service since 1st October and this work is all in hand. I will endeavour to have a further update on the progress of these actions within the next month but the transitional arrangements for the service (including a new case management solution which should make case reconsolidations easier) have taken priority at this time.</p> <p>Update - Dip sampling is now in place within Voice. Reported on quarterly as part of contract arrangements.</p>		
4.5	<p><b>Dealing with Children as Victims</b></p> <p><i>Observation:</i> 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.</p> <p><i>Risk:</i> The Force does not provide appropriate victims support to children who are victims of crime.</p>	<p>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.</p>	2	<p>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.</p> <p>Update - We are working on how to ascertain the experiences of child victims and this is being considered through the victim surveys.</p>	<p>Detective Chief Superintendent Kate Meynell</p> <p>30th September 2017</p> <p>The work will be implemented after SDM but before the end of December 2017</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.6	<p><b>Reporting Capabilities of Niche</b></p> <p><i>Observation:</i> The development of the Niche dashboard assists the OPCC and Force in reviewing the performance of its staff in compliance with the Victims Code of Practice. However, through audit discussions with staff and the Niche lead there are further opportunities to draw custom made reports out of Niche that will assist in the management of VCOP compliance. Such reports could be used to carry out DIP sampling to review if the Force has been complying with VCOP entitlements and review overall levels of performance alongside the existing reports that are produced by the Corporate Performance Team.</p> <p><i>Risk:</i> The Force fails to identify where Victims are not receiving their entitlements under VCOP.</p>	<p>The Force and OPCC should work with the Niche team to review the opportunities to develop performance reports that would assist in the monitoring for VCOP compliance. Including but not limited to:</p> <ul style="list-style-type: none"> <li>-Monitor the % of cases where booklets were recorded as not issued;</li> <li>-Monitor where 'not applicable for referral to victim services' have been recorded</li> <li>- No. of right to review cases processed in the system</li> <li>-No. of VCOP non-compliance over period of time.</li> </ul>	3	<p>Agreed.</p> <p>Opportunities to extract performance information from Niche will be discussed with Paul Greener, Elle Harrison, John Fell and Sarah Crampton.</p> <p>Update - Work is in progress to ensure that niche supports VCOPs and that compliance can be easily monitored and reminders issued where necessary.</p> <p>Update – The NICHE (CARES Modules &amp; Quality Check Module) work was not fully completed prior to the end of December as we did not receive all of the modules originally from GWENT the Niche Configuration SME from South wales Police have been contacted and the full package is now with our NICHE team to be uploaded to our system. The main blocker is that WEBFORM is no longer accepting amendments and it will be PRONTO that is configured for the officer front end input with NICHE crime recording (June 2018).</p>	<p>Detective Chief Superintendent Kate Meynell (supported by Vicki Martin, Head of Commissioning)</p> <p>31st July 2017</p> <p>The work will be implemented after SDM but before the end of December 2017</p> <p>Revised timescale June 2018</p>	

### Fleet Management – August 2017

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	<p><b>Strategy and Implementation Plan</b></p> <p><i>Observation:</i> The Force are currently in the process of finalising and approving a Transport Strategy that is to sit alongside the new Police &amp; Crime Plan for 2017-21. Audit reviewed the latest draft version of the Strategy, which includes 16 principles which the Transport department are to achieve over the next four years. Whilst the principles are stated in the draft strategy, the Force does not have a clear implementation plan that sits beneath these principles that provides details of how the Strategy will be achieved.</p>	<p>The Force should ensure that the Transportation Strategy is approved at the appropriate forum.</p> <p>Once the Strategy has been ratified, an appropriate implementation plan should be put in place. This should include details of how the principles of</p>	2	<p>Agreed.</p> <p>The draft version of the strategy is currently being reviewed and will be approved shortly. DCC confirmed 25Jul17 that the strategy document has been signed off and we have the final document. Copy has been forwarded to internal audit. Following this, the intension is to collate the work being completed to support the strategy into an implementation plan. A</p>	<p>Graham Crow Transport Manager 31st October 2017</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p><i>Risk:</i> The Force does not have an effective strategy and implementation plan in place to support the delivery of Force and OPCC objectives.</p>	<p>the Strategy will be achieved by the Force.</p>		<p>meeting is arranged on 31Jul17 with a Ch Insp who is tasked with getting this finalised in terms of Travel review.</p> <p>Update - The Strategy document has been ratified by the DCC. Meetings have taken place with Ch Insp Dorothy and under Op Balance a review of Transport and Travel is being undertaken with Triaster looking at processes within the workshop, a review of Post and Courier Services is being looked at separately and the Travel office is subject to a Tender programme to see how this can best be delivered.</p> <p>Update - The Drivers/mail review is still under development by the change team and we have an update meeting on 07 Feb 18 to look at options so far. The Travel Office is still under review and we are working with EMSCU on this. The workshop processes are still under review with the priority being given to the driver review initially. This is being run between the Change team and Transport Management.</p> <p>A Business Innovation Analyst has been assigned to conduct the analysis. Due to the level of detail the analysis will achieve, the department will have a clearer picture around their level of service. Therefore the work will support Graham develop this plan. The business analyst will support the department in identifying clear measurable outcomes and actions with plan owners. They will be assigned to the Transport and Travel Management Team as well as Key Stakeholders across the Force.</p> <p>Update - The Change Team review is now at the point of suggesting the To Be scenario for Transport and Travel, including</p>	<p>Revised timescale 31<sup>st</sup> December 2017 Due to the work being undertaken by Triaster</p> <p>Clearly we have not met the Dec17 deadline and I would put a realistic date of June 18 bearing in mind we are now into the end of year processes.</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				<p>Driver services. This objective will therefore embed into these procedures.</p> <p>Update 02/07/18 - The internal review that affects servicing programme, KPI's, method of working is still under review and we await a date for the 'To be' meeting being rearranged. We hope by the end of August 18. Once we see the proposals and put in an action plan for new working practices then the requirements can be met.</p>	Revised implementation date 01/04/2019	
4.2	<p><b>Monitoring of Performance</b></p> <p><i>Observation:</i> As set out in 4.1 above, the Force does not currently have an approved strategy in place. To ensure that the Force is able to scrutinise and review the department's performance against the strategy, an effective monitoring system should be put in place. The Transport Team currently carry out some monitoring of performance, such as the availability of the existing fleet and carbon reduction, which are principles in the Strategy, however this is not reported outside of the Transport Team at present.</p> <p><i>Risk:</i> The Force is not aware of performance against the Transport Strategy.</p>	<p>Once the Strategy and Implementation Plan have been established, an appropriate monitoring process should be put in place to measure performance against the Strategy. Performance should be reported to the appropriate Force and OPCC forums on a regular basis to provide assurance that the Strategy is being achieved.</p>	2	<p>Agreed.</p> <p>Following the approval of the Strategy and Implementation Plan, defined performance indicators will be discussed and agreed. Discussions will be held with the Force and OPCC to decide on the best way for Transport to feed this back.</p> <p>Update - Part of the review by Ch Insp Dorothy and the Op Balance review will all impact on what service is delivered and how this is to be achieved. Once the revised methods of working are established KPI's can be agreed. In the meantime we still produce vehicle availability statistics on a monthly basis and as SDM has been rolled out we deliver a weekday daily report to Response showing their fleet availability. We have also delivered a full years data to CIPFA as part of the National Association of Police Fleet Managers (NAPFM) benchmarking programme. Once analysed this should show how Northamptonshire Police are performing against all other forces in terms of fleet.</p> <p>Update - The CIPFA results have yet to be issued. I am attending an NAPFM Technical Committee meeting on 8Feb17 and this is an agenda item so we should have an</p>	<p>Graham Crow Transport Manager 31st December 2017</p> <p>I would suggest that this again needs to be Jun18 allowing</p>	



	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				<p>update. In terms of the change team review this is still underway and we continue to produce our KPI's monthly. In addition each work day we produce statistics for Response teams and adjust our work priority as a result of the analysis.</p> <p>The review is addressing these issues by developing reporting methods and enabling the management to have a clearer picture of their current level of service. There are some technology blockers and data quality issues. Any identified issues that can be rectified are having immediate resolution. Part of the review will look at the current scheduling processes for vehicle servicing and maintenance and ensure this is aligned to delivering against the values and priorities set out in the Strategy. The Change Team will support any system developments and reporting tools that will enable the management team to measure outputs.</p> <p>Update - The CIPFA National benchmarking is still under review and we hope to hear more on the results at NAPFM Conference next week. Especially as to why the reports have not been issued. In the meantime we still report Response vehicle availability (Mon – Fri) daily to the Response Hubs.</p> <p>Update 02/07/18 - The CIPFA National Benchmarking is still outstanding and is being chased by Richard Elkin (Assistant Chief Officer Resources) at Warwickshire/West Mercia as National lead for fleet.</p>	<p>for year-end accounting and continuation of work.</p> <p>Revised implementation date 01/04/2019</p>	
4.3	<p><b>Procurement Process</b> <i>Observation:</i> The procurement of vehicles by the Transport team is particularly complex due to the variety of specifications and service requirement</p>	<p>The Transport Team should ensure they are complying with contract procedure rules when</p>	2	<p>Agreed. A simple flow chart signposting staff to the key steps in the procurement process will</p>	<p>Graham Crow Transport Manager</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>needs. There are two elements to the Force procurement of vehicles, one being the basic vehicle itself and the second being the commissioning (customisation element) of the vehicle.</p> <p>The Force are part of the national buying group that has been facilitated by the NAPFM (National Association of Police Fleet Managers). A contract framework, managed by the Crown Commercial Services, has been in place since October 2015 for the purchase of the base vehicle.</p> <p>There are separate framework agreements in place for the commissioning element of the work and this can be completed by the manufacture as part of the base vehicle, completed by approved suppliers who can convert the vehicles for police use or be customised in-house at the Force workshop.</p> <p>The Transport Team maintains paper audit files for each vehicle procured that documents the quotes obtained, specification requirements discussed, and order confirmation from Head of Transport. Audit carried out testing on six vehicles procured over the last 12 months and found:</p> <ul style="list-style-type: none"> <li>- 6/6 vehicles were purchased through a framework contract for the base vehicle;</li> </ul> <p>However, in the four vehicles that required elements of commissioning, only one quote or option was documented and therefore it was unclear how value for money had been achieved. The value was below £10k, so no breach of CPR's however the option taken was not clearly documented.</p> <p>It was noted that the Transportation Team are experienced in their roles, having been in post for some time and have a depth of knowledge in their area of work. They were able to provide explanations and background information in respect of the decisions that they made, however they were not clearly documented.</p> <p><i>Risks:</i> The Force fails to achieve value for money in the procurement of vehicles. Loss of knowledge should key staff be unavailable.</p>	<p>they are procuring commissioning of vehicles especially if any over £10k, as these require three quotes.</p> <p>The Transport Team should document the process that should be followed for the procurement of vehicles, including the commissioning process that clearly demonstrates how value for money has been achieved.</p>		<p>be completed to assist in business continuity and providing some resilience in the process. Further, NAPFM are working with CIPFA to undertake a National Benchmarking Exercise. This will inform all forces on a range of Transport key indicators. The next meeting is set for 27Jul17 to discuss next steps.</p> <p>Update - The Transport Manager has met with the key Transport team as well as Op Balance Team. Procedures are being reviewed, especially by Triaster and any changes will be made following due consideration. Draft process charts have been drawn up and will be amended once the reviews have been completed. These are in written hand and may need assistance in getting them into typed form.</p> <p>Update - The Analyst is meeting EMSCU on 13th March to understand in more detail the procurement process and any improvements that can be recommended. Triaster completed the process maps for the commissioning and decommissioning of vehicles in December 2017. The Change Team will obtain metrics to add value to these maps, and engage with the Management team to inform process improvement recommendations to increase efficiencies. This will occur during stage 3 of the review: due for completion April 2018.</p> <p>Update - We are now in the To Be period of the Review and once that is agreed and procedures evolve from the new working practices this work can continued.</p> <p>Update 02/07/18 – see 4.1</p>	<p>31st October 2017</p> <p>Revised timescale 31st December 2017 Due to the work being undertaken by Triaster</p> <p>June 18 as above</p> <p>Revised implementation date 01/04/2019</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.4	<p><b>Maintenance Work Value for Money</b>  <i>Observations:</i> The Force use external workshops to carry out some of their regular maintenance work on its vehicles due to either a lack of capacity or vehicles that are too large to be serviced at the Force HQ workshop.  Discussions with the Transport Manager confirmed that there is no framework agreement in place for this externally carried out maintenance work. Each instruction to carry out services is managed on a case by case basis with a number of manufacturer garages and independent garages used who meet Force criteria to carry out the work such as security and, technical abilities.  Where a framework agreement is not in place with external suppliers who regularly carry out services, there is an increased risk that value for money is not obtained through establishing discounted prices through mass purchases.  <i>Risk:</i> Force fails to achieve value for money in the servicing of its vehicles.</p>	<p>The Transport Team should liaise with Procurement to review how the external providers of maintenance services costs could be reduced through implementation of a framework contract.</p>	2	<p>Agreed.  The Transport Team will make contact with the Procurement team in Northants to progress this.  Transport Manager met with EMSCU colleague on 24Jul17 in order to get this work underway.  At the same time this links in with work commissioned by the DCC under Op Balance to review current contracts and attaining best value.</p> <p>Update - The Transport Manager has met regularly with EMSCU and certain contracts have been identified, such as Vehicle Maintenance, Accident Repairs. The Accident Repair tender is being issued on the 17Nov17 via Leicestershire Procurement. Work continues to develop further tenders/frameworks from within Northants and EMSCU.</p> <p>Update - We are working with EMSCU, Leicestershire Procurement and Derbyshire Procurement on various tender programmes that ensure that we are procuring within guidelines and rules. The Accident Repair tender has slipped and we are going back out to the market. In conjunction with this we have made contact with various forces in regard to their servicing regime and one is linked via the Change Team. Work is in progress to look at overhauling our system of work with a view to allowing better vehicle availability whilst reducing maintenance costs. We are visiting Northumbria Police in early March 18.</p> <p>The analysis in Stage 2 of the review is identifying how much of the servicing and repair work is carried out by external garages. Some of this work is necessary</p>	<p>Graham Crow  Transport Manager  31st October 2017</p> <p>June 18 as above</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
				<p>due to the current estate and garage facilities. However some of this work is outsourced due to a lack of resources. The review will quantify the demand in terms of cost and this will be compared to the cost of the work being outsourced. Currently the decision to outsource is based on the extensive knowledge and experience of the management team. The risk to staff resilience and decision making without the supporting evidence is high. The data collected throughout this review will support a formal decision making process which will support Value for Money.</p> <p>Update - Maintenance is still under review following the Change Team work. We are holding a meeting with them on the 7Jun18 to review servicing regime including how to reduce outside work by using Northants Fire and Rescue premises. In the meantime the Accident Repair Contract is in the last stages of being agreed and issued.</p> <p>Update 02/07/18 - Vehicles are being procured through framework or joint collaboration projects between for example Northants and Derbyshire, or via EMSCU. Accident repair contracts and vehicle disposals are being worked through by collaboration with Leicestershire procurement.</p>	Revised implementation date 01/04/2019	

### Procurement Follow Up – November 2017

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	<b>Purchases under £25k – Supporting Documentation</b>	This was an audit recommendation from 2015/16 and 2016/17.	<b>2</b>	The Force will issue quarterly reminders to all staff around supporting evidence & we	January 2018 onwards	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p><i>Observation:</i> The Force Contract Standing Orders state that for purchases below £10k one quote must be obtained, between £10k and £25k three quotes must be obtained and the most economically advantageous tender selected.</p> <p>Audit selected a sample of purchases under £25k to confirm that the correct number of quotations had been sought in line with the Force Contract Standing Orders. A review of the Oracle system found that 4/10 did not have all supporting documentation attached to it and therefore it was not clear if the correct number of quotes had been obtained and value for money achieved. However, audit contacted requisitioners to confirm if the appropriate number of quotes had been obtained, and evidence was provided in all four cases. We were informed that dip sampling is not currently completed to ensure documentation is uploaded to Oracle.</p> <p><i>Risk:</i> Force fails to achieve value of money in its spending.</p>	<p>A communication should be issued to remind all staff who raise and approve requisitions that the supporting documentation should be clearly attached in the Oracle system. This should include the appropriate quotes or details of related contracts. Dip sampling should then be carried out to monitor compliance. (Local Responsibility)</p>		<p>will also perform a quarterly dip sample on the Purchase Orders. We will also liaise with the force EMSCU business partner around this expenditure and where contracts across the force or locally to depts. need considering.</p> <p>Update - A communication has been planned and will be issued on a quarterly basis &amp; dip sampling has commenced, however, a report has been commissioned to extract all requisition with a flag around attachments, to allow for review on a full sample basis (it is likely to be implemented for May 18).</p> <p>COMPLETED - A report is being run on a quarterly basis to address any issues where attachments are missing. A communication is also being done to remind requisitioners</p>	Chief Accountant	
4.2	<p><b>Monitoring Spending Under £25k</b></p> <p><i>Observation:</i> This recommendation was considered to be in progress.</p> <p>The EMSCU engagement partner is developing a process whereby she will review reports of supplier spend provided by the Force Finance Team in order to identify any suppliers where a contract could be beneficial, but one is not currently in place. At the time of the audit, the reports had been provided and they were being reviewed by the engagement partner, although this had only been implemented for the largest service area in terms of spend.</p> <p><i>Risk:</i> The Force miss opportunities to deliver value for money in it purchases under £25k.</p>	<p>This was an audit recommendation from 2015/16 and 2016/17.</p> <p>Finance and the Procurement Officer should set up a regular reporting protocol that allows the procurement officer to review expenditure under £25k for all service areas on a regular basis so the information can be used to aggregate spend and identify contract opportunities. (Local &amp; EMSCU Responsibility)</p>	2	<p>EMSCU</p> <p>The local Engagement Partner at Northants is working very closely with budget managers and has access to under £25k spend. In prioritising the work the initial focus was on the largest spend area, although this is now extended into other areas. It has been agreed that this will be reviewed on a quarterly basis.</p> <p>Force</p> <p>The Force will create a quarterly audit report of all expenditure through Accounts Payable and monitor this with the EMSCU business partner to look for suppliers with single expenditure item below £25k, but that could either (pro rata) exceed the £25k or potentially have already in amalgamation across the force in singular purchases. We will then in conjunction with EMSCU and the budget holder seek to create contracts where appropriate</p>	<p>Commercial Director, EMSCU Implemented</p> <p>February 2018 for the first reports onwards Chief Accountant</p>	

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
			<p>Update - The first report will be issued before 31st March &amp; this will be discussed as part of Business As Usual in the review meetings.</p> <p>COMPLETED - The first report has been run for EMSCU to review. These are scheduled to be run quarterly.</p>		

### Core Financial Systems – December 2017

Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
<p>4.1 <b>Procedures</b>  <i>Observation:</i> MFSS have a number of detailed procedure documents in place that provide guidance to staff on how they should carry out certain tasks i.e. the creation of a new supplier. There are two types of procedure, with Level 5 guidance being a step by step guide and Level 4 guidance being a flow chart that shows key stages in the process. Audit reviewed a number of level 4 and 5 procedures and found that 4/4 of the level 4 procedures were last reviewed in March 2016 and therefore had not been reviewed and updated for 18 months. Moreover, a review of the procedures for payroll found that 4/6 were overdue their review date and 5/6 procedures made reference to the ePayfact system that MFSS no longer use.</p> <p><i>Risk:</i> Out of date procedures are in place and therefore staff carry out the incorrect processing leading to errors in the Force finances</p>	<p>MFSS should put a process in place to ensure the procedures are reviewed and updated in line with the Next Review Dates that are stated in their procedures.</p> <p>(MFSS)</p>	2	<p>All processes will be reviewed as part of the move to Oracle Cloud Apps. These reviews will take place over the coming months. Resource will be identified to ensure that future reviews take place at the appropriate time.</p> <p>In addition to this, a new payroll manager has been recruited (starting 11/12/17) who will be tasked with reviewing the current processes and updating where necessary.</p>	<p>Pam Rourke  John McGill  April 2018</p>	
<p>4.9 <b>Payroll Secondary Check</b>  <i>Observation:</i> A recommendation was raised during the 2016/17 Core Financial Systems audit to ensure that the payroll inputting by the HR Service Delivery Team</p>	<p>MFSS should investigate the instance highlighted and ensure</p>	2	<p>A task has been added to each pay change SR that will ensure the secondary check cannot be missed. The task is automatically</p>	<p>November 2017  John McGill</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>had a secondary check by the MFSS Payroll Team for accuracy and completeness. Audit carried out testing of 10 leavers and found that in one instance the inputting carried out had not undergone the secondary check by the MFSS Payroll Team. A review found that the task had been created on the Oracle system but it had not been sent to the MFSS Payroll Audit queue for the MFSS Payroll Team to pick up and carry out the secondary check. This therefore increases the risk of incorrect payroll data being input leading to potential over or under payments through the payroll system.</p> <p><i>Risk:</i> Incorrect data is input onto the Payroll system leading to under or over payments.</p>	<p>that the system will not allow the Secondary Check to be avoided. Consideration should be given to carrying out spot checks on amendments to payroll data to ensure the secondary checks are taking place. [Force &amp; MFSS]</p>		<p>routed to the MF Audit queue so that the payroll team can cross reference the tasks with any absent service requests.</p> <p>Update - This is in place. CD has further requested that any errors picked up during this audit are logged and reviewed to determine any improvement action.</p> <p>Payroll reviews are being considered by the Force finance team, including the integrity of data entering the payroll system. A clear plan around how additional checks may be incorporated, whilst not placing undue strain on either HR or finance will be sought.</p> <p>Update - SLA's for payroll are currently under review for consideration under the new payroll implementation and reporting (now assumed Oct 18).</p> <p>COMPLETED - Staff do monthly reconciliations as part of budget monitoring. There is also a monthly report that reconciles line by line to the ledger that is signed off by the Finance Team. It is thought that, as part of the Fusion work, an integrated DMS will further enhance these checks because supervisors will be able to see any issues with their staff more readily.</p>	Nick Alexander April 18	

### Data Quality – January 2018

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	<p><b>Niche Governance</b> <i>Observations:</i> When the Force adopted the Niche system a Niche Governance Board was set up to</p>		2	Agreed. It would be best practice to update the Terms of Reference for the Niche	Niche Operational	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>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.</p> <p><i>Risk:</i> There is a lack of clear governance underpinning the management and maintenance of Niche.</p>	<p>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:</p> <ul style="list-style-type: none"> <li>• Purpose</li> <li>• Scope</li> <li>• Membership</li> <li>• Decision making authority</li> <li>• Reporting Requirements</li> <li>• Frequency of meetings</li> <li>• Review period for terms of reference</li> </ul> <p>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 &amp; Local Data Quality Teams.</p>		<p>Governance Board and review the remit of the Niche Working Group to ensure no duplication of responsibilities.</p> <p>Update - The terms of reference will be for review and update/resign off when the next governance board happens.</p> <p>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.</p>	<p>Lead (Elle Harrison) 30th April 2018</p> <p>Revised date 30 June 2018</p>	
4.2	<p><b>Niche Data Quality Strategy</b></p> <p><i>Observations:</i> A Data Quality Strategy for the Niche system was 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.</p>	<p>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.</p>	2	<p>Agreed. The performance monitoring on the strategy had yet to be completed although this has been identified and will be carried out.</p> <p>Update – EH is updating the strategy ahead of handover as business as usual.</p> <p>Update – as per 4.1</p>	<p>Niche Operational Lead (Elle Harrison) 30th April 2018</p> <p>Revised date 30 June 2018</p>	



	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>However, it was found that there is currently no monitoring of these next steps to ensure the aims of the strategy are being achieved.</p> <p><i>Risk:</i> Failure to achieve the aims of the Data Quality Strategy.</p>					
4.3	<p><b>Governance of E-Cins</b></p> <p><i>Observation:</i> 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. 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.</p> <p>One key omission from the current objectives was that there was no reference to the maintenance of data quality within the system.</p> <p><i>Risk:</i> There is a lack of clarity and consistency in the Governance structure leading to errors, duplications and poor decision making.</p>	<p>The Force should liaise with the E-Cins Management Group to update the existing Terms of Reference. The Terms of Reference should include but not be limited to:</p> <ul style="list-style-type: none"> <li>• Purpose</li> <li>• Scope</li> <li>• Membership</li> <li>• Decision making authority</li> <li>• Reporting Requirements</li> <li>• Frequency of meetings</li> <li>• Review period for terms of reference</li> </ul> <p>Moreover, the scope of the E-Cins Management Group should clearly state its role in respect of the maintenance of data quality within the system.</p>	2	<p>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 meeting of the group. The points raised will be reviewed and a revised TOR produced.</p> <p>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 position 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.</p> <p>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.</p> <p>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.</p> <p>A user guide will be provided to support new users and to explain the developments that have taken place with ECINS.</p>	<p>E-Cins Strategic Lead (Mick Stamper) 28th February</p> <p>Revised date 30 June 2018</p>	
4.4	<p><b>Monitoring of Data Quality – E-Cins</b></p> <p><i>Observation:</i> E-Cins is a partnership system that is utilised by the Police and partner organisations to share relevant data. The Police manually input any</p>	<p>The Force should put in place an audit plan to ensure that the Force's data held on the E-Cins</p>	2	<p>The system is being audited but a more formal audit programme (for ECins) will be developed and put in place. This will be a</p>	<p>E-Cins Strategic Lead (Mick Stamper)</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>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.</p> <p>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.</p> <p>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.</p> <p>However, at the time of audit, there is no agreed plan for undertaking data quality monitoring of the E-Cins system.</p> <p><i>Risk:</i> 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.</p>	<p>system is regularly reviewed for quality purposes and any inaccurate or inappropriate data placed on the system removed where appropriate.</p>		<p>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.</p> <p>The initial audit has already been commissioned.</p> <p>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.</p> <p>Update – As per 4.3</p>	<p>15th May 2018</p> <p>Revised date 30 June 2018</p>	
4.5	<p><b>User Guide – E-Cins</b></p> <p><i>Observation:</i> 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.</p> <p>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.</p> <p><i>Risk:</i> Incorrect working practices are followed and staff are unaware of the key contacts should they need to discuss the use of the E-Cins system.</p>	<p>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.</p>	3	<p>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 amendment will fall to the above post holder.</p> <p>Update – As per 4.3 above</p>	<p>E-Cins Strategic Lead (Mick Stamper) 31st March</p> <p>Revised date 30 June 2018</p>	
4.6	<p><b>Performance Reporting of Data Quality</b></p>		3		<p>Niche Operational</p>	

Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
<p><i>Observation:</i> 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.</p> <p>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.</p> <p>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.</p> <p><i>Risk:</i> The data quality performance of the Force is unknown by key decision makers.</p>	<p>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.</p>		<p>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.</p> <p>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.</p>	<p>Lead (Elle Harrison) 30th June 2018</p>	

### Financial Planning – February 2018

Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility	Status
<p>4.3 <b>Savings Plans</b></p> <p><i>Observation:</i> The Medium Term Financial Plan aims that, from 2018/19 onwards, in order to deliver a balanced budget savings of up to £3m per year will be required. To address this, Operation Balance has been set up with the agreed aim "to review all elements of organisational demand in respect of Northamptonshire Police, seeking methods of reducing, removing and better managing demand to improve the efficiency and effectiveness of the force and provide an improved service to the people of Northamptonshire".</p> <p>Audit were informed that the Change Board have taken responsibility for Operation Balance and were able to evidence that some business cases had been presented for consideration and they had been approved by the Change Board.</p> <p>However, the financial impacts of these approved business cases had yet to be scrutinised by Finance to</p>	<p>The process for review, scrutiny and approval of individual savings plans under Operation Balance should be documented. This should include the timely involvement of the Finance department in conjunction with the Change Board to ensure appropriate scrutiny of savings takes place in a timely and efficient manner.</p> <p>Once Operation Balance savings plans have been agreed, an appropriate monitoring process should be put in place to ensure they are delivered</p>	2	<p>Agreed.</p> <p>Update – this is tabled for regular updates by the PCC and with the Force at the Accountability Board and is set out in the PCCs letter to the Chief Constable on the Budget.</p> <p>COMPLETED – Regular meetings are happening between Finance and the Change Team to discuss business cases. The DCC has indicated that no Business Cases with financial impact should be presented at Change Board without Finance Dept ratification.</p>	<p>Head of Finance March 2018</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>verify that accurate figures had been included at the time of audit visit.</p> <p>Audit were informed that once the business cases had been approved they would be reviewed and scrutinised by Finance. Audit were unable to verify the process from start to finish as none of the cases had advanced to this stage as yet.</p> <p>It was found that the process from identification of savings, completion of business cases, approval of the savings and scrutiny of the proposed savings is not documented and therefore the correct process to follow is unclear.</p> <p>It is noted that Operation Balance has not begun to monitor the approved savings plans that have been / will be identified for the next financial years. An appropriate monitoring system should be set up and agreed prior to the start of the year to ensure that the savings are delivered.</p> <p><i>Risks:</i> Decision makers are not fully aware of the exact savings to be delivered when approving savings proposals.</p> <p>Anticipated savings are not achieved and the organisation fails to deliver the budget set.</p>			<p>All savings from Op Balance or otherwise are being captured appropriately.</p> <p>The Finance Team are also fully engaged with the OBB Project.</p>		
4.4	<p><b>Budget Monitoring</b></p> <p><i>Observation:</i> On a monthly basis, a revenue and capital outturn report is prepared by the Finance team showing current performance against the budget and the anticipated year end position.</p> <p>These reports are reviewed by the Managing Finance Group, where current positions are scrutinised and any potential overspends discussed to ensure actions are promptly addressed. Then, after this meeting, a summary report is prepared and presented to the Chief Officer team.</p> <p>Audit reviewed Periods 5 and 6 and confirmed that the process for budget monitoring was being carried out. However, through review of the reports it was found that the budget positions presented in Period 5 was incorrectly stated. Whilst the approved Force budget for 2017-18 is £115.6m, the Period 5 monitoring report stated the budget position as £116.5m. Audit were informed that this error was picked up by the</p>	<p>The Finance Team should consider including a comparison of the previous month's budget position to the current months position, plus or minus any virement, as part of the monthly monitoring process. This would ensure that the correct budget position is being presented.</p>	3	<p>Agreed.</p> <p>Update February 2018 – In progress.</p> <p>COMPLETED – These recommendations are now being incorporated into Budget Monitoring for 2018/19.</p>	<p>Head of Finance April 2018</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	Director of Finance and it was explained when the monitoring figures were presented. <i>Risk:</i> The decision makers at the Force are unaware of the correct financial position.					
4.5	<p><b>Budget Monitoring Timetable</b></p> <p><i>Observation:</i> The Finance Team prepare monitoring reports that are presented at both the Managing Finance Group and the Chief Officer Team meetings. At present it is not clear on the expectations of when these reports should be presented after the end of a period.</p> <p>An annual timetable that showed the financial monitoring reports that will be produced for each period, when these will be presented for scrutiny and at what forum would clearly set expectations and allow an oversight to ensure effective financial monitoring was taking place.</p> <p><i>Risk:</i> Failure to identify overspending or any potential overspends in a timely manner</p>	An annual timetable of financial monitoring should be produced which clearly documents the financial monitoring reports that will be produced, when these reports will be produced and the appropriate forums where they will be presented for review and oversight.	3	Agreed.  COMPLETED – Timetable and terms of reference for monitoring reports has been published via the Finance intranet page.	Head of Finance April 2018	

### Crime Management – May 2018

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	<p><b>Clear Roles &amp; Responsibilities</b></p> <p><i>Observation:</i> 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.</p> <p>The intranet provides the Force with details about each department and the Force Control Room and the Crime</p>	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.	DI Tania Ash Head of Crime Management Unit  31 July 2018	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>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.</p> <p><i>Risk:</i> Lack of clarity within crime recording and crime management leading to failure to comply with relevant standards and regulations.</p>					
4.2	<p><b><u>Policies, Procedures &amp; Guidance</u></b></p> <p><i>Observations:</i> The Force have a number of key policies and procedures for the management of crime, including Crime Reporting &amp; Recording Policy, Crime Allocation Framework and Crime Triage Procedure. Audit carried out a review of these key documents and it was found that the Crime Reporting &amp; Recording Policy and associated guidance document were last reviewed and updated in 2016 and 2014 respectively. It was noted that the information sheet on the intranet indicated that the document had been reviewed and updated, however the attached documents on the intranet did not appear to be updated. Therefore, these documents are currently not in line with the current delivery model and the working practices being followed and need to be updated. It was also noted that the Force are currently drafting the Crime Allocation Framework which will provide a comprehensive overview of the procedures within the Crime Management Unit. These are yet to be finalised and signed off however, once they are, they should be published on the intranet to ensure staff are fully aware of them.</p> <p><i>Risk:</i> Staff carry out incorrect working practices based on outdated and incorrect policies, procedures and guidance.</p>	<p>The Crime Reporting &amp; Recording Policy should be reviewed and updated to ensure it is in line with the new delivery model.</p> <p>Following the updates and finalisation of policies and guidance, these should be published on the Force intranet to ensure staff have access to the correct working practices</p>	3	The policy has been reviewed and updated	<p>DI Tania Ash Head of Crime Management Unit</p> <p>Completed</p>	
4.3	<p><b><u>Audit Schedule</u></b></p> <p><i>Observations:</i> Auditors within the Force Crime Registrar Team carry out reviews and checks on compliance with the NCRS in a number of ways, including daily audits, an audit of all incidents in a 24hr period and thematic reviews.</p>	<p>The Audit Schedule should be updated to ensure it is in line with current working practices.</p> <p>Moreover, the updated schedule should clearly document the</p>	3	The Audit Schedule has been reviewed and amended in April 2018 to facilitate an audit process in line with those conducted by the HMICFRS crime data integrity inspections. The Audit Team has recently been	<p>Nick Gray Force Crime &amp; Incident Registrar</p> <p>Completed</p>	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>The Force Crime Registrar has created an Audit Schedule which documents the approach taken by the auditors as they each take an area of focus for their audits to ensure coverage of the key areas. It was noted that this schedule was created for 2016/17 and has been adopted since. There have been changes in staffing with one member of staff leaving and another seconded so the audit schedule does not reflect the current approach.</p> <p>Discussion with the Force Crime Registrar confirmed that changes to the audit approach have been discussed with the Deputy Chief Constable and a new Audit Schedule will be produced which sets out the new approach.</p> <p>The approach needs to ensure appropriate audit coverage and a focus on key risk areas in compliance with the NCRS and HOCR.</p> <p><i>Risk:</i> Audit resources are not maximised in providing assurance that the Force are complying with NCRS and HOCR.</p>	proposed new approach to auditing and the utilisation of the audit resources available within the team.		increased from 3.8 to 4FTE. The audit plan has been agreed with DCC Swann		
4.4	<p><b><u>Audit Processes</u></b></p> <p><i>Observation:</i> A review of the process followed by the auditors within the Force Crime Registrar team was undertaken and showed a clear documented approach to reviewing crime and incidents recorded. However, it was noted that the auditors have to undertake manual searches of the Force systems in order to gather the necessary information to begin their reviews.</p> <p>Therefore, there is an opportunity for the auditors to utilise automated reporting or tailored reports to draw the information they require in a timelier manner. This would free up some of the auditors time allowing increased resource to focus on the audits themselves.</p> <p>It has been noted from internal audits' work in other areas of the Force that tailored reports from the Force systems can be created using a reporting tool called Business Objects. If these reports could be set up to assist the auditors in their daily audit checks on NCRS and HOCR compliance then this opportunity should be explored.</p>	The opportunity to utilise automated reporting or customised reporting tools to assist the auditors in the completion of their audits should be fully explored.	3	This recommendation relates to the use of Business Objects XI as an analytical tool. The benefit and support this would give to the Audit Team has previously been widely discussed and recognised. The team who can currently produce the reports have no spare capacity to assist or prepare the reports. The organisation are aware of this.	N/A	

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<i>Risk:</i> Inefficient use of auditors time leading to reduced assurance on compliance with NCRS.					



## Counter Fraud Review– May 2018

	Recommendation	Rationale	Priority	Management response	Timescale/ responsibility	Status
<b>Confidential Reporting (Whistleblowing) Policy</b>						
1	OPCCN and Northamptonshire Police should make reference to the Public Interest Disclosures Act 1998 and the protection this offers to staff.	The policy currently makes no reference to the Act that the policy should be based on and is governed by.	1	Noted	Head of PSD 30/09/18	
2	Prior to the 'Mechanisms for reporting Professional Standards issues'; OPCCN and Northamptonshire Police should include a section which details the types of issues that may be reported under this policy.	This will make it clear to staff what the policy is intended to deal with and what constitutes an appropriate whistleblowing disclosure.  See Appendix 1 to this report for suggested wording.	1	Noted	Head of PSD 30/09/18	
3	OPCCN and Northamptonshire Police should update the 'Mechanisms for reporting Professional Standards issues' to include details surrounding Public Concern at Work (PCAW).	PCAW is an independent whistleblowing charity which provides free help to prospective whistleblowers and advice on whistleblowing laws. It important that staff are offered both internal and external assistance.	2	Noted. The force has a well-used confidential reporting line 'Bad Apple' and has recently joined other East Mids forces to utilise Crimestoppers as further anonymous reporting line. PCAW could be added to the option list	Head of PSD 30/09/18	
4	OPCCN and Northamptonshire Police should update Section 6 to include related documents. Some examples are: <ul style="list-style-type: none"> <li>• Police (Conduct) Regulations 2012;</li> <li>• Police (Complaints and Misconduct) (Amendment) Regulations 2008;</li> <li>• Police (Performance) Regulations 2012;</li> <li>• Gifts and Hospitality Procedure;</li> <li>• Health and Safety Procedure; and</li> <li>• Information Security Policy.</li> </ul>	It is important that staff are made aware of relevant legislation and documentation.	3	Noted.	Head of PSD 30/09/18	
<b>Corporate Governance Framework</b>						
1	OPCCN and Northamptonshire Police should specify how often the corporate risk register is reviewed and document further measures to improve the control	Appendix 1, section F is not specific enough with regards to the risk register review process.	2	Noted	Head of CDD 30/09/18	

	Recommendation	Rationale	Priority	Management response	Timescale/ responsibility	Status
	environment.	In addition, section F does not cover the role of internal audit.				
2	Information regarding the Confidential Reporting (Whistleblowing) Policy should be updated and a link to the policy included.	Appendix 1, section G states that the policy 'will be established' - however, there is already a policy in place. OPCCN and Northamptonshire Police should ensure that staff are kept up to date with all current procedural documents.	3	Noted	Head of PSD 30/09/18	
<b>EMSCU - Data Handling in the Procurement Process</b>						
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	
2	All references to the Data Protection Act (1998) should be replaced with the General Data Protection Regulation (2016) which comes into force as of 25 May 2018.	Policies and procedures (and therefore staff) must be kept up to date with current legislation.	2	Noted. The Force has a comprehensive plan to prepare for the introduction of GDPR. This is captured within the action plan	Head of PSD 30/09/18	
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	Force Information security manager 30/06/18	
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	
<b>EMSCU - Policy SME Friendly Procurement</b>						

	Recommendation	Rationale	Priority	Management response	Timescale/ responsibility	Status
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	
<b>Gifts and Hospitality Procedure</b>						
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.  Given the above recommendation and for the avoidance of doubt, we have reviewed PRO866_3110101835.doc.	2	Noted	Head of PSD 30/09/18	
2	OPCCN and Northamptonshire Police should ensure that PRO2064_85114229.pdf - Gifts and Hospitality Register within 'related documents' is up to date. Potentially a link should be included to the intranet document.	OPCCN and Northamptonshire Police should ensure that staff have access to the most recent versions of the aforementioned document.	3	Noted	Head of PSD 30/09/18	
3	OPCCN and Northamptonshire Police should consider making an amendment to their definition of a gift within this procedure.	Gifts are not necessarily given 'in response to a policing service provided or offered'. There is a risk with this definition that staff do not declare all gifts provided / offered.	2	Noted	Head of PSD 30/09/18	
4	OPCCN and Northamptonshire Police should also update section 3.2 to state that as well as cash, staff should also not accept cash equivalents such as vouchers or gift cards.	OPCCN and Northamptonshire Police should be clear on what can and what cannot be accepted.	3	Noted	Head of PSD 30/09/18	
5	OPCCN and Northamptonshire Police should ensure	A review of the Gifts and	2	Noted	Head of PSD	

	Recommendation	Rationale	Priority	Management response	Timescale/ responsibility	Status
	that all staff are aware of the procedures regarding acceptance of alcohol. OPCCN and Northamptonshire Police should also consider reviewing past instances of breaches in this policy.	Hospitality register identified six gifts of alcohol that had previously been accepted with no mention of the gift being donated to charity.			30/09/18	
6	OPCCN and Northamptonshire Police should include a full email address for the Gifts and Hospitality department.	The 'email address Gifts and Hospitality' is not specific enough. OPCCN and Northamptonshire Police should ensure that staff know how to make contact regarding these matters.	3	Noted	Head of PSD 30/09/18	
7	OPCCN and Northamptonshire Police should consider the cumulative value of gifts and hospitality within this policy.	For example, if staff are accepting 100 gifts of £4.99 over a year, then the total value would be material. However, no declaration would currently need to be made.	2	Noted	Head of PSD 30/09/18	
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	Head of PSD 30/09/18	
9	OPCCN and Northamptonshire Police should make reference to the Bribery Act (2010) within this procedure.	Bribery and corruption are key issues where gifts and hospitality are concerned. Staff should be made aware of all relevant legislation.	2	Noted	Head of PSD 30/09/18	
<b>Information Security Policy</b>						
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	Force Information security manager 30/09/18	
2	OPCCN and Northamptonshire Police should update	This is proactive and should	2	Noted	Force	

	Recommendation	Rationale	Priority	Management response	Timescale/ responsibility	Status
	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'.	reduce future breaches or issues related to information security.			Information security manager 30/09/18	
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	Force Information security manager 30/09/18	
4	OPCCN and Northamptonshire Police should update Section 6 to include related documents. Some examples are: <ul style="list-style-type: none"> <li>• Computer Misuse Act 1990;</li> <li>• Copyright, Designs and Patents Act 1988;</li> <li>• Civil Contingencies Act 2004;</li> <li>• Freedom of Information Act 2000;</li> <li>• General Data Protection Regulation 2016 (as of 25 May 2018);</li> <li>• Human Rights Act 1998; and</li> <li>• Official Secrets Acts 1911, 1920 and 1989.</li> </ul>	It is important that staff are aware of relevant legislation and documentation.	3	Noted	Force Information security manager 30/09/18	
<b>Scheme of Governance</b>						
1	OPCCN and Northamptonshire Police should update all references to the Data Protection Act (1998) and replace these with the General Data Protection Regulation (2016) which comes into force as of 25 May 2018.	Policies and procedures (and therefore staff) must be kept up to date with current legislation - see for example section 2.4 and Appendix B.	2	Noted. The Force has a comprehensive plan to prepare for the introduction of GDPR. This is captured within the action plan	Head of PSD 30/09/18	
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	Appendix 1, Section D9 currently details a review of who the cards	1	Noted. EMSCU is a regional unit so this is not	Head of EMSCU	

	Recommendation	Rationale	Priority	Management response	Timescale/ responsibility	Status
	control' concerning a review of the actual purchases.	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.		necessarily a matter for the Force. To be remitted to the EMSCU lead		
4	OPCCN and Northamptonshire Police should update the EU Procurement Thresholds. Supplies and services are now £181,302 (€221,000) and works are now £4,551,413 (€5,548,000).	Appendix 2, Appendix C details the old thresholds. The thresholds have been updated and are effective from 1 January 2018.	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	

## Estates Management – March 2018

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
4.1	<p><b>Approved Estates Strategy</b></p> <p><i>Observation:</i> The estate in Northamptonshire is owned by the Police and Crime Commissioner, who is responsible for effectively managing the organisations land and properties. At present there is no approved estates strategy, however the current administration are trying to re-address this situation and audit were able to confirm that an Estates Strategy and supporting Strategic Implementation Plan has been drafted. However, it is noted that the Strategy and plans are yet to be formally approved by the Police &amp; Crime Commissioner.</p> <p>One of the factors delaying the completion of the strategy is the stock condition survey that have been commissioned and are still to be completed.</p> <p>Whilst there are mitigating factors for the delay in formally approving the Strategy and Plans, to ensure that this is not unduly delayed, a timetable should be agreed to provide clarity as to when the Estates Strategy will be approved and when the supporting plans will be activated to begin to deliver of the Strategy.</p> <p><i>Risk:</i> There is a risk that delays in the approval of the Estates Strategy and supporting plans will impact on the delivery of the PCC's objectives.</p>	<p>The OPCC should put in place a clear timetable for the approval of the Estates Strategy and the supporting plans. This should include inputs from the outstanding stock condition surveys.</p>	1	<p>Fully endorse this recommendation. With minor amendments to the draft strategy from this audit and other considerations the strategy will be formally released as soon as possible. Expectation is by June 18 at the latest. CEO 14 Mar 18</p>	<p>CEO June 2018</p>	<p>Strategy has been released and issued and is reflected in a decision record. COMPLETED</p>
4.2	<p><b>Change Board</b></p> <p><i>Observation:</i> The draft Estates Strategy clearly sets out the governance structure to support the Police and Crime Commissioner in the management of the estate. This structure includes the Estates Board, Force Executive Group and Joint Internal Audit Committee. The Change Board is in place to oversee significant and ongoing changes to the Force. However, whilst the draft Estates Strategy is likely to result in significant changes to the manner in which the force utilises its property portfolio, audit noted that there was no mention of the Change Board in the governance structure set out in the Estates Strategy.</p> <p>For clarity, the role and function of the Change Board in the management of the estate should be stated to</p>	<p>The role and function (if any) of the Change Board in the Governance of Estates Management should be clearly stated in the Estates Strategy.</p>	2	<p>Agreed. The draft estates strategy will be amended to reflect the role the Force Change Board. CEO 14 Mar 18</p>	<p>CEO June 2018</p>	<p>Strategy includes this COMPLETED</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>ensure no duplication, overlap or potential conflict occurs. <i>Risk:</i> Lack of clarity over the governance of estates management.</p> <p>The role and function (if any) of the Change Board in the Governance of Estates Management should be clearly stated in the Estates Strategy.</p>					
4.3	<p><b><u>Disposals</u></b> <i>Observation:</i> A key element of the draft Estates Strategy is the rationalisation of the current estate and the utilisation of capital receipts from the disposal of properties to reinvest back into the estate. The Police and Crime Commissioner has the ultimate responsibility as the owner of the estate for any potential sales of the estates sites, however a clear process should be put in place for forwarding recommendations for any potential disposals. As part of the process to draft the strategic implementation plan, which includes disposals of estates, a number of specific estates workshops were held with the relevant departments and individuals to review the cases for investments and disposals of individual assets. These proposals have been presented to the Force Executive Group for consideration. Whilst ultimate decisions on any sale of estate assets will lie with the Commissioner, moving forward, to ensure clarity in the arrangement for agreeing disposals, a defined process for the review and recommendation for disposals should be introduced in order to provide a robust and transparent process that provides assurance that decisions made are based on sound advice. <i>Risk:</i> The OPCC is open to challenge to justify decisions in regards to disposals of estate assets. Decisions made to dispose of estate assets are not based on robust methodology and due consideration of all factors.</p>	<p>An Estates Disposal Process should be developed that ensures the OPCC have a clear methodology and approach for the consideration and ultimate decision to dispose of estate assets. The process should be clearly documented to ensure transparency in the approach taken and the decision reached in respect of estate disposals.</p>	2	<p>Agreed. This issue is already being addressed. Hd of Estates and OPCC are considering best value options, along with procurement. Ultimately the operational requirement justifications and the value for money criteria will be considered and provided to the PCC for approval. All decisions for disposals or acquisitions will be recorded on a Decision Record and published on the OPCC website for transparency. CEO 14 Mar 18</p>	<p>Head of Estates/CEO June 2018</p>	<p>Disposal Strategy has been prepared</p>
4.4	<p><b><u>Operational Plans</u></b> <i>Observation:</i> The draft Estates Strategy sets out the long term vision for the estate for Northamptonshire</p>	<p>Once the Estates Strategy and Strategy Implementation Plan</p>	2	<p>Agreed and endorsed by OPCC CFO. CEO 14 Mar 18</p>	<p>Head of Finance/CFO</p>	<p>Capital Budgets Reflect the</p>



	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>Police, as well as providing the methodology and approach that will be required to deliver this.</p> <p>The Implementation Plan that is part of the Estates Strategy sets out the proposals to retain or dispose of sites/buildings over the next three years, as well as highlights where investments are required to update the existing estate to align with the Estates Strategy.</p> <p>Through discussion with the Head of Estates, there are a number of budgets for building maintenance, property enhancements and minor works, however these are reactionary budgets rather than works that are planned specifically. Recent expenditure from these budgets has included refurbishment of canteens at some sites.</p> <p>However, once the Strategy and Implementation Plans have been approved there will be an opportunity to have more detailed plans for minor works to support the medium and long term estate plans at particular sites. For example, once a building is earmarked for disposal, expenditure can be limited and, similarly, once a site is to be retained expenditure can be strategically planned to ensure sites are maintained in line with the Strategy.</p> <p><i>Risk:</i> The estates management budgets are not aligned to the overall estates strategy leading to poor value for money spending.</p>	<p>have been approved, operational plans should be prepared to ensure that property enhancements and minor works budgets are spent in line with the future plans for each site.</p>			<p>July 2018</p>	<p>Strategy at the beginning of the year and quarter1 and Revenue Budgets will be reviewed.</p>
4.5	<p><b>Capital vs Revenue Budgets</b></p> <p><i>Observation:</i> The management of estates has a mix of revenue and capital budgets depending on the type / level of expenditure that is being incurred for the asset. It was noted when reviewing the Minor Works revenue budget (£150k in 2017/18) that this had not been spent.</p> <p>Discussion with the Finance Team and the Head of Estates confirmed that a differing approach to this budget had been adopted. Due to the Force being required to submit Home Office returns on the amounts spent on each building, the individual buildings are set up with individual codes and then expenditure is accounted for against each building.</p>	<p>The Force should review the approach taken on the minor works budget to ensure there is clarity over the expenditure from this budget.</p> <p>Consideration should be given to provide clarity on the Revenue and Capital budgets within the Estates Management portfolio.</p>	3	<p>Agreed. CFO will monitor this closely with the Force Finance Department to show this clarity from 2018/19 budget onwards. CEO 14 Mar 18</p>	<p>Head of Finance/CFO April 2018</p>	<p>This is under review with the appointment of the Head of Finance who commenced in role in May 2018</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility	Status
	<p>This includes the minor works expenditure which is effectively netted off against overspends on each individual building. The Head of Estates and Finance Team Lead communicate and meet regularly to monitor the spend, however due to the current approach spend of the minor works budget cannot be readily determined.</p> <p>Moreover, there appears to be a lack of clarity over the classification of revenue expenditure and capital expenditure, for example, the Property Enhancement capital budget and the Minor Works revenue budgets do not have clear guidance on the differences between the two types of spend.</p> <p><i>Risk:</i> The Force incorrectly account for its estates expenditure leading to incorrect financial statements being prepared.</p> <p>Lack of clarity over the expenditure of minor works budget expenditure.</p>					
4.6	<p><b>Monitoring of Estates Strategy Delivery</b></p> <p><i>Observation:</i> The reporting process followed at Northamptonshire is a quarterly update report is prepared by the Head of Estates and is presented to the Estates Board on a quarterly basis. The report includes the following sections: Progress since last report, key milestones and deliverables, actions and outputs for next period, most significant current risks and most significant current issues.</p> <p>As the delivery of the Estates Strategy will encompass significant changes to the estate, there is a need for effective monitoring of its delivery. The governance structure for the management of the estate is set out in the draft Estates Strategy and the right information should be presented at the right forum to allow for effective oversight.</p> <p>A reporting timetable set throughout the year would assist this matter and by creating relevant reporting templates for the appropriate forum, this would assist in ensuring effective monitoring of the strategy takes place.</p> <p><i>Risk:</i> Failure to deliver the estates strategy, failure to identify areas of underperformance in the delivery of the strategy.</p>	<p>An appropriate reporting template and reporting timetable should be drafted to ensure that, once the Estates Strategy and Strategy Implementation Plan have been approved, there will be effective monitoring of its delivery put in place.</p>	2	<p>Agreed. This is part of the planning requirement already in place as part of the new estates board establishment. Additionally, attendance, structure and frequency will be included. CEO 14 Mar 18</p>	<p>CEO September 2018</p>	<p>Not Yet Due</p>





## AGENDA ITEM 10

### NORTHAMPTONSHIRE POLICE AND CRIME COMMISSION and NORTHAMPTONSHIRE CONSTABULARY

#### JOINT INDEPENDENT AUDIT COMMITTEE

23 JULY 2018

<b>REPORT BY</b>	<b>RACHEL SWANN</b>
<b>SUBJECT</b>	<b>ANNUAL REVIEW OF THE FORCE RISK MANAGEMENT POLICY AND PROCEDURES</b>
<b>RECOMMENDATION</b>	<b>THE COMMITTEE IS ASKED TO NOTE THIS REPORT</b>

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

- 1.1 This report provides the Joint Independent Audit Committee (JIAC) with an update on the annual review of the Force Risk Management Policy and Procedures.

#### **2 OVERVIEW**

- 2.1 The policy and procedures were reviewed in June 2018 and approved on 26 June 2018.
- 2.2 The revised documents take into account the revised Force structure, following the implementation of the Service Delivery Model and Op Evolution, and changes to the Force governance structure. Explicit reference to the IPSO risk management system has also been removed in anticipation of this being replaced with a new system at some point in 2018.
- 2.3 The policy and procedures version numbers have also been revised to bring them into line with the Force's online Policy Library.

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

None

#### **HUMAN RESOURCES IMPLICATIONS**

None

#### **RISK MANAGEMENT IMPLICATIONS**

This is the subject of the report.

## **ENVIRONMENTAL IMPLICATIONS**

None

**Author:** Richard Baldwin,  
Force Risk and Business Continuity Advisor

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

**Background Papers:** Force Risk Management Policy v11.0  
Force Risk Management Procedures v11.0

## Northamptonshire Police



## 1 Policy Identification Page

Policy Title:	Risk Management		
Reference Number:		Version:	11.0

Force department responsible: Corporate Development Department
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Policy Author: Richard BALDWIN	Senior Owner: Supt Dennis MURRAY
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Policy Effective Date:	01 July 2018
Policy Review Date:	01 July 2019

Replaces Policy or document:	Risk Management Policy 7.0
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Links to other policies, procedures, strategies or other documents: Risk Management Procedures Information Security Policy Security Incident Management Policy Security Incident Management Procedure
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Version	Date	Reason for issue
0.1	05/07/2010	Draft
1.0	04/08/2010	Approved by C.O.G.
2.0	17/02/2011	Revised following Force restructure
3.0	25/04/2012	Revised to incorporate changes in procedure and reporting structure
4.0	22/07/2013	Revised to incorporate further changes in procedure and reporting structure
4.1	11/12/13	Revised to incorporate changes to Force structure
5.0	10/02/15	Updated to include items identified by internal audit
6.0	01/06/2016	Updated to include items identified by internal audit and changes to force structure
7.0	01/11/2017	Updated to reflect changes in Force structure.
11.0	01/07/2018	Updated and renumbered to match Force Policy Library

Date Policy last reviewed:	26 June 2017
Last reviewed by:	Supt Dennis MURRAY

## **2 Legislative Compliance**

- 2.1 This document has been drafted to comply with the principles of the Human Rights Act. Proportionality has been identified as the key to Human Rights compliance, this means striking a fair balance between the rights of the individual and those of the rest of the community. There must be a reasonable relationship between the aim to be achieved and the means used.
- 2.2 Equality and Diversity issues have also been considered to ensure compliance with Equal Opportunities legislation and policies. In addition, Data Protection, Freedom of Information and Health and Safety issues have been considered. Adherence to this policy or procedure will therefore ensure compliance with all legislation and internal policies.

## **3 Purpose and scope of policy**

- 3.1 This policy is designed to assist those with responsibility for the ownership and management of risk within the force.
- 3.2 The purpose of the policy is to:
  - a) Integrate risk management into core business practices;
  - b) Ensure that the risk management process is aligned to the Force's strategic priorities;
  - c) Ensure that the Force's exposure to risk is maintained within acceptable levels;
  - d) Safeguard employees, the public and others affected by the Force's operations;
  - e) Inform decisions by identifying risks and their likely impact;
  - f) To demonstrate that the Force operates good governance in its approach to the identification and management of risk.
- 3.3 The policy applies to all aspects of risk management although the degree of control will be scaled according to the severity of impact and likelihood of realisation of any particular risk and within cost and value considerations.

## **4 Background information**

- 4.1 Northamptonshire Police has a responsibility to manage risks effectively in order to protect employees and the community and to enable the Force to achieve its strategic objectives as set out in the Force Strategic Assessment and the Local Policing Plan.
- 4.2 Both the Force and the Police and Crime Commissioner are committed to the integration of risk management into all working

practices. The implementation of a consistent risk management programme, as defined in the Risk Management Procedures, will enable the Force to respond to, and effectively manage, any business, operational, health and safety or other risks whether actual or potential.

- 4.3 Legislation that underpins the management of risk includes the Corporate Manslaughter and Corporate Homicide Act 2007, the Civil Contingencies Act 2004 and the Health and Safety at Work Act 1974.

## **5 Policy Statement**

- 5.1 The Force recognises that in order to maximise benefits and achieve full value from opportunities for improvement it is necessary to take calculated chances.
- 5.2 It is neither possible nor beneficial to try to achieve zero risk. The Force therefore encourages officers and staff to take qualified risks where the rationale behind taking those risks is based on sound decision making principles such as the National Decision Model.
- 5.3 The Risk Management Procedures describe the levels of risk that can be acceptably tolerated at each level of the Force and the governance procedures that are in place to ensure that those levels of tolerance are not exceeded.
- 5.4 All risks will be reported using a standard template and process and assessed according to standard criteria as detailed in the Risk Management Procedures.
- 5.5 Risks will be defined as falling into one of three levels of activity; the Strategic level, where the purpose and direction of the organisation is determined; the Programme level, incorporating all programme and project activity, where those strategies are transferred into action plans; and the Operational level, where those action plans are implemented.
- 5.6 Low and medium strategic level risks will be recorded, assessed and owned by the head of the department responsible for the area of activity most affected by the risk. The risk owner will be responsible for implementing control measures to address the risk and for monitoring the risk to identify any possible escalation.
- 5.7 Low and medium programme level risks will be recorded, assessed and owned by the programme / project manager. The risk owner will be responsible for implementing control measures to address the risk and for monitoring the risk to identify any possible escalation.



- 5.8 Low and medium operational level risks will be recorded, assessed and owned by the department raising the risk. The risk owner will be responsible for implementing control measures to address the risk and for monitoring the risk to identify any possible escalation.
- 5.9 All high and critical risks, and medium risks that have a force wide impact, will be referred to the Force Risk Manager and will be recorded in the Corporate Risk Register. The risk owner should implement control measures to reduce the likelihood and/or impact of the risk, monitor the risk to identify any possible escalation and report the status of the risk to the Force Risk Manager.
- 5.10 The Organisational Performance Group will be responsible for quarterly oversight of any high or critical strategic risks and operational risks.
- 5.11 The Change Board will be responsible for oversight of any high or critical risks associated with programmes and projects.
- 5.12 The Chief Officers Team will receive a quarterly report on the status of risks on the Corporate Risk Register.
- 5.13 The Force Assurance Board will review the Corporate Risk Register quarterly to provide assurance that risks are being managed effectively and in accordance with the Risk Management Policy and Procedures and that the assurance measures in place for each risk provide adequate assurance that the control measures in place are effective in managing the risk.
- 5.14 The Joint Independent Audit Committee will review strategic risks quarterly to provide independent assurance that risks are being managed effectively and in accordance with the Risk Management Policy and Procedures.
- 5.15 The Chief Constable will have overall responsibility for corporate risk.

## **6 Monitoring and review**

- 6.1 Compliance with this policy will be monitored by the Force Assurance Board.
- 6.2 The Senior Policy Owner will be responsible for reviewing this document every year.
- 6.3 The Deputy Chief Constable, as ACPO lead, will be responsible for reviewing the appropriateness and effectiveness of this policy.

## **7 Comments**

- 7.1 Comments and feedback on this policy are welcomed and should be sent to the Senior Policy Owner at the following address:
- 7.2 Northamptonshire Police  
Force Headquarters  
Wootton Hall  
Northampton, NN4 0JQ

## **Appendices**

**Northamptonshire Police**



Procedure Title:	Risk Management		
Reference Number:		Version:	11.0

Force department responsible: Corporate Development Department

Procedure Author: Richard BALDWIN	Senior Owner: Supt Dennis MURRAY
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Policy Effective Date:	01 July 2018
Policy Review Date:	01 July 2019

Replaces Policy or document:	Risk Management Procedures v7.0
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Links to other policies, procedures, strategies or other documents:  
 Risk Management Policy  
 Policy for Project and Programme Management  
 Procedures for Project and Programme Management  
 Information Security Policy  
 Security Incident Management Policy  
 Security Incident Management Procedure

Version	Date	Reason for issue
0.1	22/07/10	Draft
0.2	29/07/10	Revised Draft
1.0	04/08/10	Approved by C.O.G.
2.0	17/02/11	Revised following Force restructure
3.0	25/04/12	Revised to incorporate changes in procedure and reporting structure
4.0	22/07/13	Revised draft to incorporate further changes in procedure and reporting structure
4.1	11/12/13	Revised Draft to incorporate changes to Force structure
5.0	10/02/15	Updated to include items identified by internal audit
6.0	01/06/16	Updated to include items identified by internal audit and following changes to force structure
6.1	18/07/16	Updated to include recommendations from Joint Independent Audit Committee
7.0	01/11/17	Updated to reflect changes in Force structure
11.0	01/07/2018	Updated and renumbered to match Force Policy Library

Date Policy last reviewed:	26 June 2018
Last reviewed by:	Supt Dennis MURRAY

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## **1 Legislative Compliance**

- 1.1 This document has been drafted to comply with the principles of the Human Rights Act. Proportionality has been identified as the key to Human Rights compliance, this means striking a fair balance between the rights of the individual and those of the rest of the community. There must be a reasonable relationship between the aim to be achieved and the means used.
- 1.2 Equality and Diversity issues have also been considered to ensure compliance with Equal Opportunities legislation and policies. In addition, Data Protection, Freedom of Information and Health and Safety issues have been considered. Adherence to this policy or procedure will therefore ensure compliance with all legislation and internal policies.

## **2 Background Information**

- 2.1 The Northamptonshire Police Risk Management Policy (June 2016) defines the Force's attitude to risk and outlines its approach to the management of risk.
- 2.2 Risk management is a central part of any organisation's strategic management. It is the process whereby organisations methodically address the risks attaching to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.
- 2.3 The focus of good risk management is the identification and treatment of these risks.
- 2.4 Its objective is to add maximum sustainable value to all the activities of the organisation. It marshals the understanding of the potential upside and downside of all those factors which can affect the organisation. It increases the probability of success, and reduces both the probability of failure and the uncertainty of achieving the organisation's overall objectives.
- 2.5 Risk management is a continuous and developing process which runs throughout the organisation's strategy and the implementation of that strategy.
- 2.6 It translates the strategy into tactical and operational objectives, assigning responsibility throughout the organisation with each manager and employee responsible for the management of risk as part of their job description. It supports accountability, performance measurement and reward, thus promoting operational efficiency at all levels.

- 2.7 The Civil Contingencies Act 2004 and the subsequent guidance on its use entitled Emergency Preparedness (Nov 2005) outlines the expectations placed upon category 1 and 2 responders in terms of the Act.
- 2.8 In December 2008 the Cabinet Office published the Expectations and Indicators of Good Practice document in which it clarified what is expected of category 1 and 2 responders in respect of their duties under the Civil Contingencies Act.

### **3 Aims and Objectives**

- 3.1 The main objectives of this procedure is to:
- a) Integrate risk management into core business practices and organisational culture;
  - b) Ensure that the risk management process is aligned to the Force's strategic priorities;
  - c) Ensure that the Force's exposure to risk is maintained within acceptable levels;
  - d) Demonstrate that the Force operates good governance in its approach to the identification and management of risk;
  - e) Provide a consistent means of recording and assessing risks;
  - f) Provide clear criteria for assessing the impact of risks;
  - g) Provide a clear mechanism for escalating risks;
  - h) Ensure that ownership of risks is at a level appropriate to the severity of impact;
  - i) Ensure that adequate mechanisms are in place to provide assurance that risks are being effectively managed;
  - j) Provide regular and effective management information on the Force's risk exposure and resilience;
  - k) Ensure that a process is in place to monitor the ongoing effectiveness of the risk management process;
  - l) Ensure that all members of staff are aware of their responsibilities in terms of risk management and that appropriate training and support is available to achieve this.
  - m) Ensure that the Force is able to fulfil its obligations under the Civil Contingencies Act 2004.

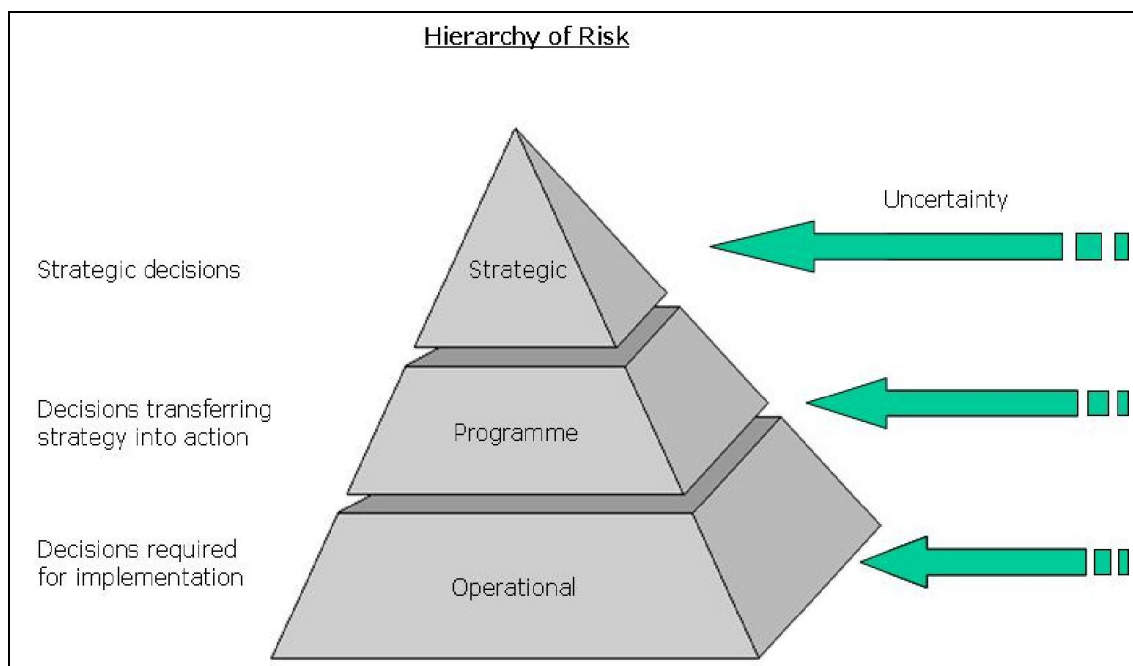
### **4 Approach**

- 4.1 Risk can be defined as an uncertainty of the outcome, whether a negative threat or a positive opportunity, of actions and events that, if they were to occur, may affect an organisations ability to deliver its objectives.
- 4.2 Actions or events that have already occurred are issues, rather than risks.

The procedures for managing risk that are described in these procedures apply equally to issues although there will usually be a greater degree of immediacy in implementing any control measures.

Further information on the management of issues is given in section 14.

- 4.3 All organisations can be broadly described as having three levels of activity (as illustrated in the diagram below); the Strategic level, the Programme level and the Operational level.

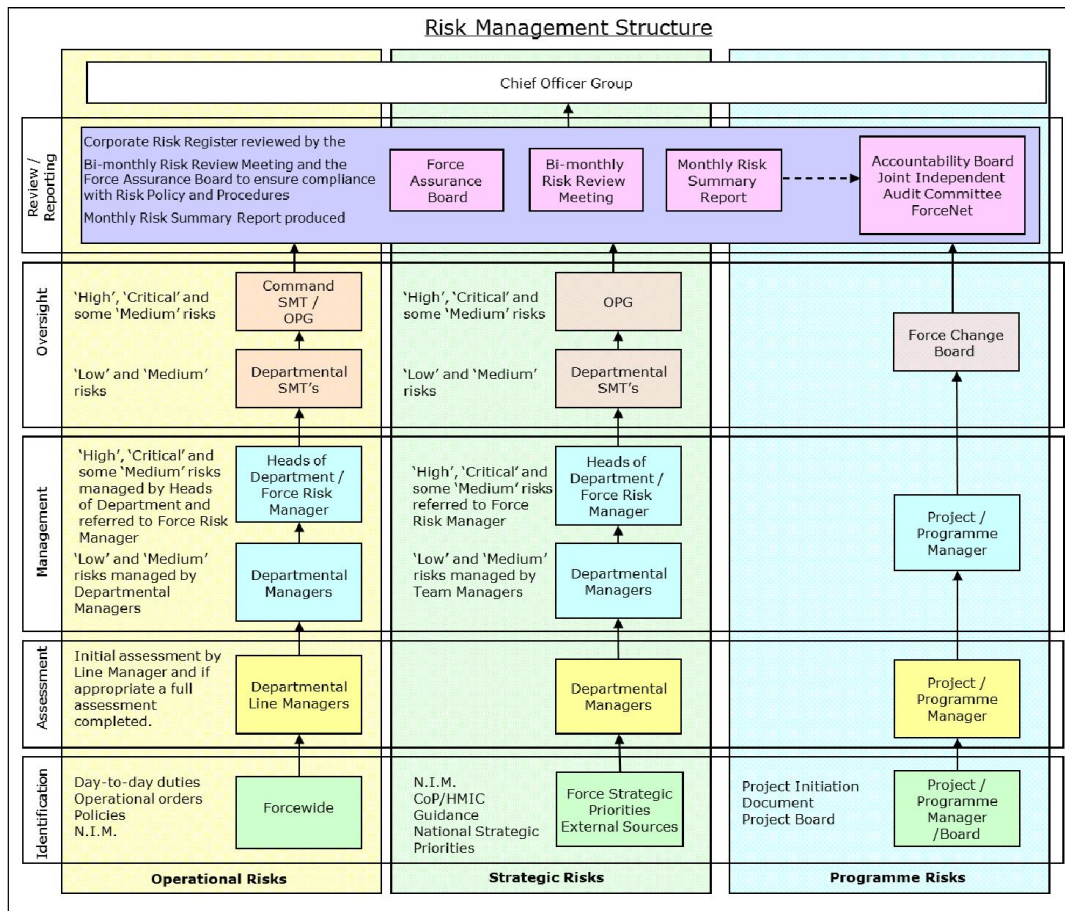


- 4.4 Strategic Level - where the purpose and direction of the Force is determined. The Strategic level is concerned with ensuring the overall achievement of the Forces objectives. Realisation of a strategic risk will be visible to external stakeholders and could affect the reputation of the Force.
- 4.5 Programme Level - where strategic decisions are transferred into action plans. The Programme level is concerned with transforming business strategy into new ways of working and incorporates all aspects of business change including individual projects and multi-project programmes. Realisation of a programme level risk would be visible to any stakeholders with an interest in the planned business change.
- 4.6 Operational Level - where action plans are implemented. The Operational level is concerned with maintaining appropriate levels of service and performance. Realisation of an operational risk would be visible to those receiving the affected service.
- 4.7 Each of these levels faces uncertainty in the decisions that have to be made and the actions that are taken. There must be a consistent approach to the management of risk at all of the levels so that the levels support each other.
- 4.8 This approach ensures that the risk management strategy is led from the top and is fully embedded throughout the organisation in its working practices and processes.

## 5 Organisational Risk Structure

5.1 The risk management process requires a formal structure with clearly defined roles and responsibilities for individuals and groups to effectively manage risks throughout the organisation.

5.2 The diagram below shows the risk management structure for the Force.



5.3 The specific roles and responsibilities within the Force are as follows:-

### Chief Constable

- Has ultimate responsibility for corporate risk within the Force;
- Provides strategic direction for the Force and will ensure that management of risk is a key consideration in the strategic decision making process;
- Will be the primary sponsor of risk management.

### Chief Officer Lead on Risk Management

- ACPO lead on Risk Management within the Force;
- Review the Risk Management Policy and Risk Management Procedures to ensure that they remain consistent with the Force's strategic objectives;



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- Provide strategic direction on any risk management issues;
- Chair the Organisational Performance Board and provide direction on any strategic or operational risks;
- Chair the Force Change Board and provide direction on any programme or project related risks;
- Chair the Force Assurance Board.
- Attend the bi-monthly Risk Review meeting with the Force Risk Manager to review new and existing risks.

### Chief Officers Team

- Provide oversight of the Corporate Risk Register to ensure that risks are being managed effectively and raise any issues or make recommendations to the Chief Officer lead;

### Force Assurance Board

- Provide quarterly oversight of the Corporate Risk Register to ensure that risks are being managed effectively and in accordance with the Force Risk Policy and Procedures;

### Joint Independent Audit Committee

- Provide independent assurance on the adequacy of the risk management arrangements in place and the associated control environment, advising according to good governance principles and proper practices;

### Organisational Performance Group

- Provide quarterly oversight of any 'high' and 'critical' risks that have an impact on the Force's operational performance or strategic objectives and resolve any issues or make recommendations to the Force Risk Manager.
- Align 'high' and 'critical' risks to the strategic themes on the Force Business Plan.

### Force Change Board

- Provide oversight of risks associated with programmes and projects and resolve any issues or make recommendations to the Force Risk Manager;
- Ensure that management of risk is a key consideration in the programme and project management process.

### Departmental Senior Management Teams

- Provide oversight of any risks affecting, specifically, their areas of operation and escalate any issues to the Organisational Performance Group;

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- Ensure that management of risk is a key consideration within their departments.

### Force Risk Manager

- Develop and review the risk management policy and procedures;
- Support the organisation in implementing the risk management procedures;
- Ensure that all corporate risks are recorded in the risk management system and are reviewed as required.
- Maintain the Corporate Risk Register;
- Assess and review all 'high' and 'critical' risks and, where appropriate, escalate risks to the Chief Officer Team;
- Assess and review 'medium', 'high' and 'critical' strategic risks, assign owners to the risk and monitor the risks for any possible escalation;
- Assess new risks for inclusion in the Corporate Risk Register;
- Attend the Force Assurance Board to give updates on the Corporate Risk Register and the Risk Management Policy and Procedures;
- Provide reports to the Organisational Performance Group on corporate risks with strategic or operational impact and provide advice and recommendations on risk issues;
- Provide reports, as required, on risk management issues to the Joint Independent Audit Committee;
- Provide support to the Change Board on risk issues affecting programmes and projects;
- Provide advice and guidance to Departmental Managers and Risk Co-ordinators on any corporate/business risks issues;
- Attend bi-monthly Risk Review Meeting with the DCC.
- Arrange regular meetings with Risk Co-ordinators to review risk registers;
- Produce and circulate the monthly Risk Summary report outlining the status of 'corporate' risks;
- Represent the Force at a senior level at regional, partnership or other external meetings;
- To be the primary point of contact for risk related issues, for all internal and external partners;
- Provide general advice and guidance on risk management matters;
- Raise awareness of the principles of risk management throughout the Force;
- Be the System Owner for the risk management system.

### Commanders and Departmental Heads

- Take ownership of risks that are within their area of control and ensure that action plans to address the risks are implemented and managed effectively;
- Review assessment of risks raised within their area and, where appropriate, escalate risks to the Force Risk Manager;
- Nominate a Risk Co-ordinator for their area and support them in implementing the Risk Management Procedures.

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### Risk Co-ordinators

- Implement the Risk Management Procedures within their area;
- Ensure that all risks identified within their area are correctly recorded and assessed;
- Assist the Commanders and Departmental Heads in implementing and managing action plans to address identified risks;
- Ensure that all risks raised within their area are recorded and are reviewed at management team meetings;
- Attend meetings with Force Risk Manager and other Risk Co-ordinators to review risks;
- Provide advice and guidance, on risk related matters, to all employees within their area;
- Be the primary point of contact for all risk related matters in their department.

### Programme and Project Managers

- Ensure that all risks, actual or potential, associated with new projects or initiatives are correctly recorded, assessed and managed in accordance with the Risk Management Policy and Risk Management Procedures;
- Ensure that, on completion of a project, any ongoing or residual risks are transferred to the relevant departmental risk co-ordinator.

### All other managers, supervisors and employees

- Ensure that all risks, actual or potential, are correctly recorded and assessed.

## 6 The Risk Management Process

- 6.1 The diagram below shows the key elements that make up the overall risk management process. The content of each element of the management process is described in the following paragraphs.



- 6.2 The processes for identification, assessment and management of risk will be dependent on the level of activity (as described in section 4.3) in which the risk occurs.

## 7 Strategic Objectives

- 7.1 The Risk Management Process is designed to support the Force in delivery of its strategic objectives as laid out in the Force Strategic Assessment, the Force Control Strategy, the Police and Crime Plan and the Local Policing and Performance Plan.
- 7.2 By considering impact on service and the effect on operational performance the risk assessment criteria, detailed in section 9.4, are designed to enable operational risks to be assessed and prioritised alongside organisational risks.
- 7.3 The criteria give greater significance to risks that would have a detrimental effect on the Force's ability to deliver its strategic objectives.

## 8 Risk Appetite

- 8.1 The Force recognises that in order to maximise benefits and achieve full value from opportunities for improvement it is necessary to take calculated chances.

- 8.2 It is neither possible nor beneficial to try to achieve zero risk. The Force therefore encourages officers and staff to take qualified risks where the rationale behind taking those risks is based on sound decision making principles such as the National Decision Model.
- 8.3 The Force will not punish individuals who take risks providing it can be shown that the judgment used in making the decision to take the risk was sound.
- 8.4 Section 10 describes the levels of risk that can be acceptably tolerated at each level of the Force and the governance procedures that are in place to ensure that those levels of tolerance are not exceeded.
- 8.5 Where the severity of a risk increases for any reason the process for escalating the risk to a higher level is described in Section 11.

## **9 Identifying Risks**

- 9.1 It is the responsibility of every employee of the Force to identify any actual, or potential, risks and ensure that they are correctly reported.
- 9.2 Operational risks may be identified by any officer or member of staff and may arise from carrying out day-to-day duties or implementing policy, operating procedures or other guidance such as the National Intelligence Model.

Operational risks may also be identified through the sharing of organisational learning, both within the Force and also from other forces through the Learning the Lessons bulletins.

Operational risks should be recorded using the Business Risk Reporting e-form (Form 1396).

Programme risks should be identified by the Project Manager / Board during the project initiation phase or subsequently during the project lifecycle.

Strategic risks may be identified from a variety of sources including strategic analysis, preparation of the Force Strategic Assessment, HMIC or NPIA Guidance, or they may be escalated from operational or project risks that would have an impact on a strategic priority.

- 9.3 Where a risk is identified that may affect the confidentiality, integrity or availability of information the person identifying the risk should refer to the Security Incident Management Policy and Procedures to determine if a security incident should be reported.
- 9.4 If any employee is unsure whether, or how to report a risk, they should seek guidance from the departmental risk co-ordinator.

## 10 Assessing Risks

10.1 All identified risks must be assessed in order to determine the actual, or potential, impact on the Force.

10.2 For operational risks the manager of the department that identified the risk will review the risk to determine if a full assessment is required. If a full assessment is not required the originator of the risk will be informed and no further action taken. If a full assessment is required the manager of the department should conduct the assessment and complete the Risk Assessment e-form.

Programme risks will be assessed by the Programme / Project Manager.

Strategic risks will be assessed by the head of the department responsible for the area of activity most affected by the risk.

10.3 Risks will be assessed on both impact on business processes and likelihood of occurrence with a score awarded for each on a scale of 1–5 where 1 is low and 5 is high.

10.4 The criteria for determining the scores is as follows: -

### Impact

#### **1 Very Low**

- Insignificant impact on the ability to fulfil strategic objectives.
- No disruption to service delivery.
- Insignificant impact on performance indicators.
- Insignificant threat of harm or ill health.
- Insignificant financial loss or increase in costs.
- No impact on public confidence, reputation or credibility.
- No reputational damage or increase in complaints.
- Insignificant environmental impact.

#### **2 Low**

- Minor impact on the ability to fulfil strategic objectives.
- Minor disruption to service delivery.
- Minor impact on performance indicators.
- Potential for minor injury or ill health requiring no treatment or minor first aid.
- Potential for financial loss of less than £50,000.
- Some increase in complaints by individuals.
- Minor damage to public confidence, reputation and credibility.
- Minor impact on a specific section of the community for a short period (less than 7 days).
- Minor environmental impact.

#### **3 Medium**

- Significant impact on the ability to fulfil strategic objectives.
- Significant disruption to service delivery.

- Significant impact on performance indicators.
- Potential for significant injury or ill health requiring hospitalisation / medical attention.
- Potential for financial loss of between £50,000 and £250,000.
- Potential for adverse local publicity.
- Significant damage to public confidence, reputation and credibility.
- Significant, longer lasting, impact on a specific section of the community (7-14 days). Minor impact on the wider community.
- Significant environmental impact.

#### **4 High**

- Serious impact on the ability to fulfil strategic objectives.
- Serious disruption to service delivery.
- Serious impact on performance indicators noticeable to stakeholders.
- Potential for serious injury or ill health requiring hospitalisation for more than 24 hours or a major injury as defined by RIDDOR regulations.
- Potential for financial loss of between £250,000 and £1million.
- Potential for adverse national publicity or prolonged adverse local publicity.
- Serious damage to public confidence, reputation and credibility.
- Serious prolonged impact on a specific section of the community (>14 days). Significant impact on the wider community.
- Serious environmental impact.

#### **5 Very High**

- Major impact on the ability to fulfil strategic objectives.
- Major disruption to service delivery.
- Major impact on performance indicators noticeable to stakeholders.
- Potential for fatality or life changing injury or ill health.
- Potential for financial loss in excess of £1million.
- Potential for prolonged adverse national publicity.
- Major damage to public confidence, reputation and credibility.
- Major prolonged impact on the wider community (>14 days).
- Major environmental impact.

#### Likelihood

##### **1 Very Low**

Less than 5% chance of occurrence and/or unlikely to happen within 5 years.

##### **2 Low**

6 - 25% chance of occurrence and/or unlikely to happen within 2-5 years.

##### **3 Medium**

26-50% chance of occurrence and/or likely to happen within 1-2 years.

**4 High**

51-75% chance of occurrence and/or likely to happen within 6-12 months.

**5 Very High**

Greater than 75% chance of occurrence and/or likely to happen within 6 months.

Proximity of Risk

In addition to assessing the likelihood of a risk occurring consideration also needs to be given to any circumstances which might increase the proximity of the risk event occurring in time terms. For example a severe flood may be categorised as having a one in fifty year likelihood but a severe weather warning may be an indication that a flood is imminent so appropriate contingency plans would need to be implemented.

All risks should therefore be regularly reviewed to identify if the proximity of the risk has changed and appropriate corrective action is required.

10.5 The impact and likelihood scores will then be transferred into a risk matrix (see diagram below) to determine the overall risk assessment.

LIKELIHOOD	Very High (5)	5	10	15	20	25
	High (4)	4	8	12	16	20
	Medium (3)	3	6	9	12	15
	Low (2)	2	4	6	8	10
	Very Low (1)	1	2	3	4	5
		Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
		IMPACT				

10.6 A score of four or under is regarded as a low risk and would require no immediate action.

For operational risks the Risk Co-ordinator of the department raising the risk should record the risk in the risk management system and the relevant Senior Management Team should monitor the risk to ensure that the likelihood or impact does not increase.



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For programme risks the programme / project manager should record the risk in the risk management system and the programme / project board should monitor the risks.

For strategic risks the Risk Co-ordinator of the relevant department should record the risk in the risk management system and monitor the risk.

### 10.7 A score of five to nine is regarded as a medium risk.

For operational risks the Risk Co-ordinator of the department raising the risk should record the risk in the risk management system and the risk owner should implement control measures to reduce the likelihood and/or impact as well as monitoring the risk to identify any possible escalation. The relevant Senior Management Team will have oversight of the risk to ensure that the control measures are effective and make recommendations as appropriate.

For programme risks the programme / project manager should record the risk in the risk management system and assign a risk owner to implement control measures. The programme / project board should monitor the risk to identify any possible escalation. The Force Change Board will have oversight of the risk to ensure that the control measures are effective and make recommendations as appropriate.

For strategic risks the Risk Co-ordinator of the relevant department should record the risk in the risk management system. The head of the affected department should assign a risk owner to implement control measures and monitor the risk to identify any possible escalation. The Organisational Performance Group, which meets quarterly, will have oversight of the risk to ensure that the control measures are effective and make recommendations as appropriate.

If a medium risk has Forcewide implications it should be referred to the Force Risk Manager to decide if it should be recorded on the Corporate Risk Register. If it is a corporate risk the Force Risk Manager will record the risk in the risk management system and liaise with the risk owner over the implementation and monitoring of any control measures to reduce the likelihood or impact of the risk.

The Force Risk Manager will include all medium risks that appear in the Corporate Risk Register in the monthly Risk Summary Report.

### 10.8 A score of ten to sixteen is regarded as a high risk.

All high risks should be referred to the Force Risk Manager who will record them in the risk management system. The Risk Manager will assess the risk and determine if it should appear on the Corporate Risk Register. The risk owner should implement control measures to reduce the likelihood and/or impact of the risk, monitor the risk to identify any possible escalation and report the status of the risk to the Force Risk Manager.

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The Risk Manager should review the risk to ensure that the control measures are effective and make recommendations as appropriate.

The Organisational Performance Group, which meets quarterly, will have oversight of any high risks that have an impact on operational performance or strategic objectives to ensure that the control measures are effective and make recommendations as appropriate.

The Force Change Board will have oversight of any high risks associated with programmes and projects.

The Force Assurance Board will have oversight of the risks to ensure that they are being managed effectively and in accordance with the Force Risk Management Policy and Procedures and make recommendations as appropriate.

The Force Risk Manager will include all high risks that appear in the Corporate Risk Register in the monthly Risk Summary Report.

### 10.9 A score of twenty or greater is regarded as a critical risk.

All critical risks should be referred to the Force Risk Manager who will record them in the risk management system. The Risk Manager will assess the risk and determine if it should be recorded on the Corporate Risk Register. The risk owner must implement immediate control measures to reduce the likelihood and/or impact of the risk and provide updates on the status of the risk to the Force Risk Manager. The Risk Manager should review the risk to ensure that the control measures are effective and make recommendations as appropriate.

The Organisational Performance Group, which meets quarterly, will have oversight of any high risks that have an impact on operational performance or strategic objectives to ensure that the control measures are effective and make recommendations as appropriate.

The Force Change Board will have oversight of any high risks associated with programmes and projects.

The Force Assurance Board will have oversight of the risks to ensure that they are being managed effectively and in accordance with the Force Risk Management Policy and Procedures and make recommendations as appropriate.

### 10.10 The control measures that might be implemented should be determined by the nature of the risk. Examples of typical control measures are described in section 12.7.

### 10.11 When implementing control measures the risk owners should also identify how the effectiveness of the control system can be measured and record this in the risk management system. The group responsible for

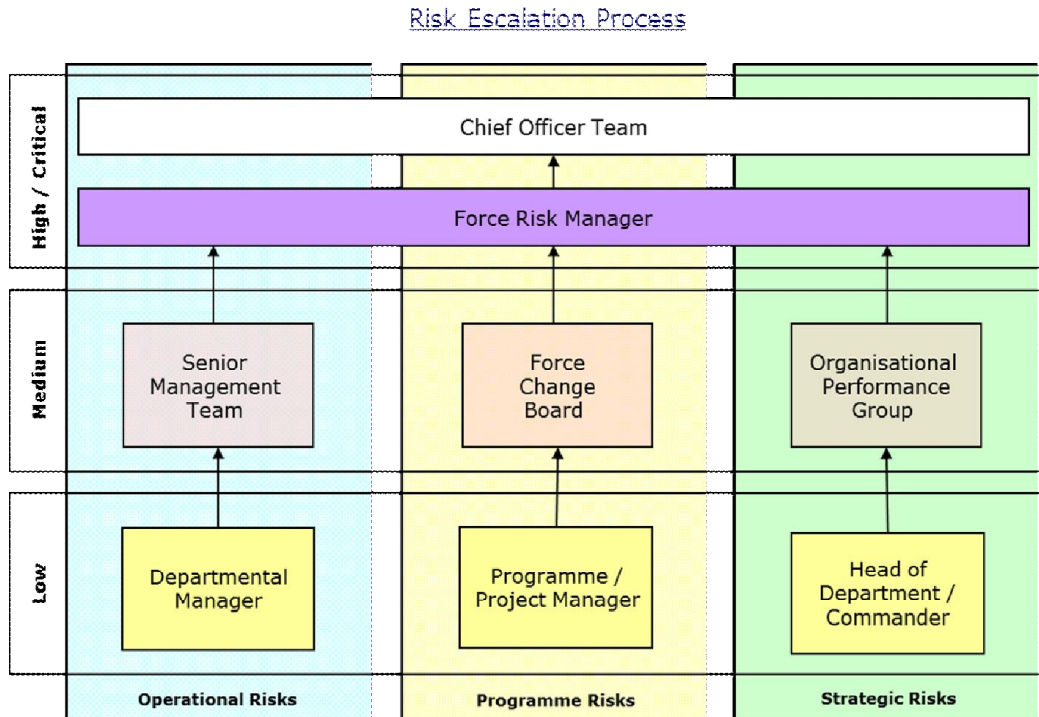
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oversight of the risk should review the effectiveness of the control measures when reviewing the status of the risk.

## 11 Escalation of Risks

11.1 All risks should be monitored and regularly reviewed to ensure that the degree of likelihood or impact is not increasing. If any increase is identified the risk may need to be escalated to a higher level for consideration if any further corrective action is required.

The diagram below shows the escalation hierarchy for each of the three levels of risk.



## 12 Addressing Risks

12.1 The purpose of addressing risks is to turn the uncertainty to the Force's benefit by constraining threats and taking advantage of opportunities.

12.2 All identified risks will be assigned an owner who will be responsible for ensuring that control measures are implemented to address the risk.

12.3 There are four key aspects of addressing risk:

### 12.4 Tolerating the Risk

This option may be considered where the degree of exposure is acceptable without further action, where the ability to take action is limited or the cost of any action would be disproportionate to the level of benefit gained.

If chosen this option would be supplemented with contingency plans to minimise any impact that might arise if the risk is realised.

### 12.5 Terminating the Risk

Some risks can only be addressed by terminating the activity that generates the risk.

Whilst this option would not be appropriate for the majority of operational police activities it can be of particular benefit in project management where anticipated outcomes or benefits are jeopardised by the risk.

#### 12.6 **Transferring the Risk**

Some risks, particularly financial risks and risk to assets, may be addressed by transferring the risk to a third party either through conventional insurance or by the contracting out of a particular service or process.

When using this option it is important to remember that some aspects of the risk, particularly reputational damage, cannot be fully transferred so the relationship with the third party needs to be carefully managed and additional controls may be required to manage the residual risk.

#### 12.7 **Treating the Risk**

The majority of risks will be addressed in this way. The purpose of risk treatment is to introduce controls that will reduce the impact of a risk if it is realised. Controls should be proportional to the risk and should normally seek to constrain the risk rather than eliminate it.

Apart from for the most extreme impacts (i.e. loss of life) controls should be designed that will give 'reasonable assurance' that the impact of a risk is within the risk appetite of the Force. All controls have associated cost and it is important that this is not disproportionate to the benefits that the control will introduce.

For each control that is implemented an assurance method should be identified that enables the effectiveness of the control to be measured.

There are four main types of control that can be applied:

##### Preventative Controls

These controls are designed to limit the possibility of a risk being realised. Typical preventative controls might include segregation of duties (i.e. ensuring that the person who authorises a transaction is not the same person who initiated that transaction), or limiting certain actions to authorised personnel. This can be achieved through training, policy constraints or through technological solutions such as system security.

##### Corrective Controls

These controls are designed to correct the effects of a risk after it has been realised in order to achieve some degree of recovery against loss or damage. Typical corrective controls might include insurance policies, specific contract terms with third parties or business continuity plans.

##### Directive Controls

These controls are designed to ensure that a particular outcome is achieved and are often driven by legislative or other external requirements. Typical directive controls might include wearing of protective clothing for certain duties or that staff be adequately trained before being allowed to perform certain roles.

Detective Controls

These controls are designed to identify when a particular risk has been realised and are only appropriate for risks where the level of impact is deemed to be acceptable. Typical detective controls might include stock checks, financial reconciliation, audits or 'Post Implementation Reviews' on completion of projects or programmes.

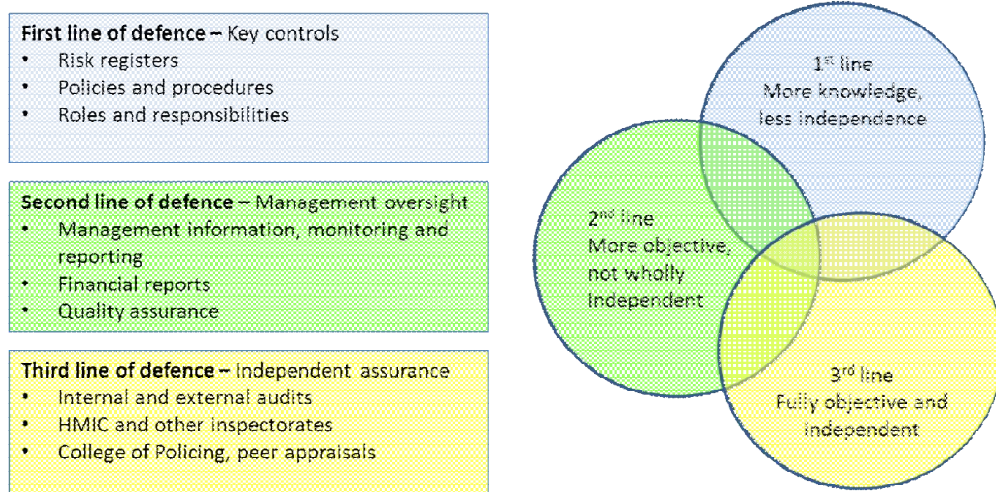
**13 Residual Risks**

- 13.1 Addressing a risk will usually reduce the likelihood, or impact, of the risk rather than completely eliminating it, which means that an element of residual risk will remain after any control measures have been implemented.
- 13.2 This residual risk should be assessed, using the criteria in section 9.4, and the resultant risk score recorded in the risk management system. Additional control measures may then need to be implemented to address the residual risk.

**14 Assurance Mechanisms**

- 14.1 Assurance mechanisms should be identified for each risk to ensure that the control measures are adequate and effective.
- 14.2 Sources of assurance should be drawn from the planning and processes in place to manage risks and should include internal controls, management oversight and independent measures in accordance with the 'Three Lines of Defence' model.

Three Lines of Defence Model



## **15 Reporting and Reviewing Risks**

- 15.1 All risks should be recorded in the risk management system detailing the nature of the risk, the risk owner, risk assessment score, any control measures that apply to the risk and the method that will be used to ensure that the control measures are effective.
- 15.2 Low and medium level risks should be reviewed at departmental Senior Management Team meetings.
- 15.3 High and critical risks, and medium risks that have a force wide impact, will be reviewed by the Force Risk Manager and, where necessary, escalated to the Chief Officers Team.

The Force Assurance Board will be responsible for oversight of any high and critical strategic risks and operational risks.

The Change Board will be responsible for oversight of any high and critical risks associated with programmes and projects.

- 15.4 The Force Risk Manager will produce a monthly Risk Summary Report detailing the status of all risks on the Corporate Risk Register.
- 15.5 The Force Risk Manager and the Risk Co-Ordinators will meet regularly to review departmental risks to identify any possible emerging trends and to identify any risks that may require escalation to the Corporate Risk Register.
- 15.6 The Force Assurance Board will review, quarterly, the Corporate Risk Register to ensure that risks are being managed effectively and in accordance with the Risk Management Policy and Risk Management Procedures.
- 15.7 The Chief Officers Team will receive a quarterly report on the status of risks on the Corporate Risk Register.
- 15.8 The Independent Joint Audit Committee will review strategic risks quarterly to provide independent assurance that the risks are being managed in accordance with the Risk Management Policy and Procedures.

## **16 Management of Issues**

- 16.1 In addition to having a process in place to manage risks that have not yet occurred, the Force also needs to have a consistent approach to the way it manages issues that have occurred. Issues can be unexpected events or previously identified risks that have materialised.

- 16.2 When an issue has been identified the impact that it will have on the Force should be assessed, and appropriate actions implemented, according to the procedures described in section 9.

In deciding what actions need to be taken to address an issue consideration should be given as to whether the Critical Incident Policy would apply.

- 16.3 As the event has already happened issues will require more immediacy in implementing any control measures. This urgency should not, however, allow control measures to be implemented that are disproportionate to the benefits that the control will introduce.

- 16.4 All issues should be recorded in an Issues Log which should record a description of the issue, the impact it will have on the Force, who owns the issue, what action is to be taken and when by and who is responsible for the action.

- 16.5 Recording, ownership, reviewing and escalation of issues will be as described for risks.

## **17 Training and Communication**

- 17.1 A communication programme designed to ensure that all employees understand what the Risk Management Policy is, what the risk priorities are, and what their individual responsibilities are in respect of risk management will support the Risk Management Procedures.

- 17.2 In addition to the communication programme those individuals with specific roles and responsibilities, as detailed in section 5.3, will receive training to ensure that they are fully familiar with the risk process and have the necessary skills to be able to identify, assess and manage risks.

## **18 Monitoring and Review**

- 18.1 Compliance with this policy will be monitored by the Force Risk Manager and the Force Assurance Board.
- 18.2 The Senior Policy Owner will be responsible for reviewing this document every year.
- 18.3 The Force Assurance Board will review the Risk Management Process, at least annually and following any changes in strategic objectives, to ensure that it remains appropriate and effective.
- 18.4 The Deputy Chief Constable, as ACPO lead, will be responsible for reviewing the appropriateness and effectiveness of these procedures and the Risk Management Policy.

## **19 Comments**



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19.1 Comments and feedback on these procedures are welcomed and should be sent to the Senior Policy Owner at the following address:

19.2 Northamptonshire Police  
Force Headquarters  
Wootton Hall  
Northampton, NN4 0JQ





## AGENDA ITEM 11

### NORTHAMPTONSHIRE POLICE AND CRIME COMMISSION and NORTHAMPTONSHIRE CONSTABULARY

#### JOINT INDEPENDENT AUDIT COMMITTEE

	<b>23 JULY 2018</b>
<b>REPORT BY</b>	DCC Rachel Swann
<b>SUBJECT</b>	<b>HMICFRS Police Efficiency, Effectiveness and Legitimacy (PEEL): Summary and Progress against AFIs and Recommendations</b>
<b>RECOMMENDATION</b>	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 the summary of progress against the Force's Areas for Improvement (AFIs) and Recommendations that have resulted from the HMICFRS Police Effectiveness, Efficiency and Legitimacy (PEEL) 2017 inspection and outlines how the Force is working to reconcile them. The report also considers these in terms of risk areas for the Integrated PEEL Assessment (IPA) inspection programme for 2018/19.

#### 2 HMICFRS PEEL AFIs and Recommendations: Background and Process

2.1 Northamptonshire Police is subject to annual inspection through the PEEL Inspection Programme. As part of this process Force inspection reports have resulted in AFIs and a cause of concern, with accompanying recommendations.

2.2 Areas for Improvement: If HMICFRS's inspection identifies an aspect of a force's practice, policy or performance that falls short of the expected standard, it will be reported as one or more area(s) for improvement. Area(s) for improvement will not be accompanied by a recommendation.

- 2.3 Causes of concern: If HMICFRS’s inspection identifies a serious or critical shortcoming in a force’s practice, policy or performance, it will be reported as a cause of concern. A cause of concern will always be accompanied by one or more recommendations. HMICFRS will recommend that the force (and sometimes other bodies) make changes to alleviate or eradicate it.
- 2.4 AFIs and causes of concern relationship to graded judgments: The following table shows how areas for improvement and causes of concern affect the awarding of graded judgments:

Graded Judgement	AFI	Cause for Concern
Outstanding	No	No
Good	Possible	No
Requires Improvement	Yes	Possible
Inadequate	Possible	Yes

If a core question is judged as requires improvement and a cause of concern and accompanying recommendation is identified, an area for improvement may not be needed.

### **3. Northamptonshire Police: Management of and progress against PEEL AFIs and Recommendations**

- 3.1 In 2017, the Force was graded as Requires Improvement for Effectiveness and Legitimacy and Good for Efficiency. Overall the Force was given 22 AFIs and its first cause for concern with six recommendations.
- 3.2 For Effectiveness, the Force was given 12 AFIs; these span across the areas of Investigation, Intelligence, Vulnerability and Preventing Crime and Reducing ASB. The Force was given a cause for concern with six recommendations for the area of Serious and Organised Crime.
- 3.3 The Force was given six AFIs for Legitimacy and four AFIs for Efficiency.
- 3.4 Delivery against recommendations and AFIs is managed through Gold Groups chaired by DCC Swann and is showcased periodically at the monthly Chief Officer Strategy Day, providing substantial strategic governance of our improvement programme. The AFI ‘Gold Groups’ are based around five themes; Core Investigation and Public Protection, Workforce, Intelligence (includes cyber, analysis and SOC), Community (policing and partnerships) and Change and Improvement.
- 3.5 Work to evolve the AFI Gold Groups is to take place. Progress against AFIs should be linked into relevant strategies and improvement plans. The meetings will also be informed by the assessments made by the Business Assurance Team (once in place)

and informed by the assessments made of the effectiveness of initiatives/approaches/ theme through Performance Improvement Groups and Quarterly Performance Reviews. Additional support is put in place around these groups where needed to support the delivery lead.

3.6 Following the production of the Force Management Statement, DCC Swann, ACC Andronov and the three Chief Superintendents have reviewed the delivery mechanisms for the main areas of challenge for the force. Some areas had formalised boards in place and others did not. A board will now operate for each area identified, chaired by either a Chief Superintendent or a member of COT. This will provide suitable direction and oversight. The boards are:

- Prevention and Intervention (Ch. Supt Stamper)
- Cyber (Ch. Supt Behan)
- SOC (ACC Andronov)
- Investigations (Ch. Supt Behan)
- Use of Powers (Ch. Supt Blatchly)
- People (ACO Naylor)
- Public Protection (Ch. Supt Behan)
- Local Policing (Ch. Supt Stamper)
- Demand reduction (Ch. Supt Stamper)
- Enabling Technology (DCC Swann)

These will focus on what is needed to deliver the business in these areas. CDD will provide oversight. The normal mechanism of PIG and QPR will hold the business owners to account, with the AFI Gold Group ensuring that AFIs are being met and to the right level.

#### **4 Areas of challenge looking forward to Integrated PEEL Assessment (IPA) 2019.**

4.1 As a pillar the greatest set of challenges to the Force sit within the AFIs and recommendations under Effectiveness; this is reflected in the submission of the Force's Force Management Statement in JUNE 2018. More specifically the AFI/Recommendations that fall within the Core Investigation and Intelligence, specifically cyber and SOC pose a risk to the Force.

4.2 The Force's ability to deliver against AFIs within Core Investigation theme is hampered by the shortfall in Detectives both nationally and locally and the Force Investigation Team and Crime Investigation Department are carrying a disproportionate amount of vacancies as well as officers who are on restricted duties. Plans are being implemented to improve the PIP2 position including external recruitment and the development of accreditation to speed up PIP2 processes. The force has sought to redress the imbalance of PIP 2 staff through moving qualified detectives back into core CID.

- 4.3 Delivery against the Core Investigation AFIs is dependent on delivering against AFIs in the Workforce and Change Improvement themes; the Force is progressing against the plans in place for these themes and it is crucial that momentum is sustained.
- 4.4 The SOC Cause for Concern and associated recommendations are a risk in itself; a SOC Strategy has been developed that encompasses the recommendations. The Force is making progress in this area however it is important that the Force can explicitly demonstrate progress being made in this regard.
- 4.5 HMICFRS undertake monitoring of the Force as part of the PEEL Assessment process. The second stage of the monitoring process is 'Engage' - if a force is not responding to a cause of concern, or if it is not succeeding in managing, mitigating or eradicating the cause of concern, it is probable they will be moved to the 'Engage' phase. Demonstrating that the Force is effectively delivering against the SOC Cause for Concern *prior* to inspection is crucial.
- 4.6 Partnership working is a cross cutting topic to effective delivery in this area; it is relevant to all six recommendations made.
- 4.7 The Force is working towards the AFI to improve its ability to retrieve digital evidence from mobile phones, computers and other electronic devices quickly enough to ensure that investigations are not delayed. A deteriorating picture has been observed in terms of digital evidence (backlogs) and HMICFRS assert that the backlog is damaging investigations. The Force is in the last stages of the development of its Cyber Crime Strategy, based on the 4P template; this includes a digital strand. The Force has invested in digital kiosks which should make improvements to the digital backlog. To implement this effectively, the Force is looking at methods of analysing the resulting data in a manner that doesn't simply move the backlog from device examination and on to awaiting scrutiny of the data. The supporting back office support has been shaped in and associated working practices need to be refreshed to make sure our seizures are appropriate and proportionate.
- 5 Once the backlog is reduced, this will then able the Force to ascertain what "normal" demand looks like when managing phones proportionately. This is an area where continued momentum to demonstrate improvement is required and this will remove the risk of this being seen as an enduring issue.

## **6 Themes and associated AFIs where good progress is being made**

- 6.1 Good progress is being made in relation to the AFIs under the 'Community' theme. This is an area that could realise further improvement. Work on more robust engagement with partners (use of CSPs etc.) in problem solving and work to improve the recording

of the use of a range of ASB powers could move the Force towards achieving this.

- 6.2 The AFI relating to the backlog of Registered Sex Offenders (RSO) visits is also showing great improvement. There are effective mitigation plans in place; a MOSOVO improvement plan includes short/medium term resourcing which puts the team in a strong position to clear the backlog. The Force is on track to get the backlog down by September 2018. The workload of staff in the unit is reducing as a result. Benchmarking with other forces shows the Force is coming in line with performance in this area.

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

None

## **HUMAN RESOURCES IMPLICATIONS**

None

## **RISK MANAGEMENT IMPLICATIONS**

None.

## **ENVIRONMENTAL IMPLICATIONS**

None

### **Author:**

Sarah Calvert,  
T/Strategic Development Manager

### **Chief Officer Portfolio Holder:** Constable

Rachel Swann, Deputy Chief

### **Background Papers:**

None







## ITEM 12

### NORTHAMPTONSHIRE POLICE AND CRIME COMMISSION and NORTHAMPTONSHIRE POLICE

#### JOINT INDEPENDENT AUDIT COMMITTEE

05 July 2018

<b>REPORT BY</b>	DCC RACHEL SWANN
<b>SUBJECT</b>	MFSS – FUSION IMPEMENTATION
<b>RECOMMENDATION</b>	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 2018. It reminds members of the background and context to this work. Members will be also be updated on the governance, the measures in place to manage the risks this change poses and the plans to ensure that the opportunities the new system offers are maximised.

## 2 INTRODUCTION

- 2.1 MFSS is changing its operating platform to Oracle Fusion in October 2018; a cloud based service. Fusion was originally planned to go-live in April 2018 however Northamptonshire Police and Northamptonshire OPCC, working closely with Nottinghamshire Police and OPCC have been instrumental in a change to the go-live date. This was based on concerns shared by all partners in relation to the readiness of the MFSS and partners to move to Fusion, including the governance arrangements and programme management.

## 3 BACKGROUND

- 3.1 In June 2017 concerns relating to Fusion go-live were highlighted to DCC Swann. Working with the Nottinghamshire DCC; Rachel Barber, the Finance Director for both forces; Paul Dawkins, and Northamptonshire OPCC member Richard Jones, a decision was made to employ the services

of Grant Thornton to help develop an understanding of the risks associated with Fusion and the work that was required to deliver successful implementation.

- 3.2 This decision was based on a lack of capacity and capability in both forces in project and programme management. Northamptonshire resources at that time were fully committed to developing, implementing and stabilising the Service Delivery Model and finding opportunities to reduce costs through Operation Balance to meet the funding gap. Resources could not be moved from those operational and financial priorities.
- 3.3 It quickly became apparent through GT that there were immediate critical concerns in terms of the readiness to go live. These included at the programme level for Fusion and MFSS a lack of programme management capacity and capability, a lack of detailed planning and associated programme management support such as risk registers, timelines, contingency plans, and the existing governance structure. In addition the pressures created by 'on-boarding' Cheshire Fire and Avon and Somerset Police.
- 3.4 Both forces and OPCCs, utilising the information provided by GT raised these issues through the governance structure of MFSS over several months. As a result of these concerns Civil Nuclear Constabulary (CNC) were asked to provide an assurance review of Fusion which was completed in early October 2017. This confirmed both Northamptonshire and Nottinghamshire's concerns that the programme status as on track was not the case. A shared acceptance of the position has been a big step forward in reaching the current position.
- 3.5 The resulting CNC review supported the concerns both forces and OPCCs had raised and a number of actions were undertaken the MFSS collaboration to mitigate these risks. These included bringing in a full time programme manager for Fusion, increasing PMO resources in Fusion, revising the MFSS governance and importantly reviewing and revising the timeline. Avon and Somerset Police go-live in July 2018 and other partners including Northamptonshire in October 2018. This is a much preferred position for the force and we are more confident in its successful implementation on that date.

#### **4 RESOURCES**

- 4.1 GT resources have been reduced on the project. The force has seconded an in force resource to undertake the role Partner Project Manager. This is helping to mobilise resources more effectively. This has particularly assisted the full and part time subject matter experts, and other part time resources which are working on the project. Both Northamptonshire and Nottinghamshire forces and OPCCs agreed to employ a single full time SRO on the programme, removing this function from the DCCs, giving more dedicated focus. The rationale being that the nature of the programme means often there are short notice meeting requirements. Importantly this SRO (working up to 30 hours a week) reviewed the resources GT were providing to the programme and identified

opportunities to reduce their commitment to Fusion, and reduce costs exploring possibilities to support some of the PMO work instead with in-force resource. As a result in June the role of partner PM passed back to the forces (as described above) to provide a permanent on site presence and increased focus on risk, project deliverables and resourcing issues.

## **5 IMPLEMENTATION**

- 5.1 DCC Swann has put in place a Fusion Implementation Board in force. GT initially provided the PMO function for the board but this role has now passed to the forces partner project manager.

## **6 RISKS**

- 6.1 There are a number of risks associated with MFSS and Fusion. These are on the force risk register at a high level and recognise the issues with the current business as usual level of service through MFSS, and also with the move to Fusion. GT provide a risk register for Fusion which outlines the programme risks and the mitigation around them.
- 6.2 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 was a greater level of confidence that the go-live version (R12) would be an improvement on the current service, and the upgrades from that would provide the opportunity to continually improve the service.
- 6.3 Recent programme activities have centred on system testing and business reconciliation. Progress with testing was slow initially but improved focus, increased resources and better collaboration have achieved good results. In view of this, the decision was taken to move into phase 2 of testing (user acceptance) despite not meeting the criteria to exit phase 1 (system integration testing). This decision means that both testing phases are running in parallel which is a risk but the project has retained a 4 week contingency that could be invoked during cutover should the need arise. The most recent highlight report is available as a Restricted Appendix.

## **7 SUMMARY**

- 7.1 MFSS-Fusion implementation remains one of the highest non-operational risks in the force; recognising how it underpins much of our support service work. It has appropriate oversight, reporting through to the DCC and sufficient resource in place for successful implementation of Fusion.
- 7.2 The Force and OPCC are cognisant of the costs associated with this project and it remains under close scrutiny by both. The review of resource by the SRO has already resulted in a reduction in those costs and will assist in ensuring it provides value for money going forward.





## AGENDA ITEM 13

### NORTHAMPTONSHIRE POLICE AND CRIME COMMISSION and NORTHAMPTONSHIRE POLICE

#### JOINT INDEPENDENT AUDIT COMMITTEE

23 JULY 2018

<b>REPORT BY</b>	Paul Bullen, Director for Delivery, OPCC
<b>SUBJECT</b>	Fire Governance Update Report
<b>RECOMMENDATION</b>	For the committee to note the report

#### 1. Background

1.1 The Police and Crime Act 2017 provided 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.

#### 2 Northamptonshire Journey

2.1 An options appraisal, examining the options available under the legislation, was undertaken for Northamptonshire. This appraisal was jointly commissioned by the PCC and Northamptonshire County Council via Grant Thornton LLP. The

preferred option, agreed by all parties and subsequently taken to full business case, was for the governance model.

2.2 The business case was developed by the OPCC in conjunction with the County Council. The statutory consultation period ran from June to August 2017. 62% of respondents were in favour of the change in governance which rose to 92% for firefighters. All 7 MPs in the county supported the proposal. Importantly, the business case was agreed by the County Council meaning that business case is the only locally agreed business case in the country.

2.3 The business case was submitted to the Home Secretary on 18<sup>th</sup> August 2017. A copy of the business case can be found at <https://www.northantspcc.org.uk/the-briefing-room/downloads/>

2.4 The Home Office and the Ministry of Housing, Communities and Local Government (MHCLG) took several months to consider the case. Some of this time was spent in further understanding the figures within the business case and gaining assurances from the County Council on the figures they had provided. This was then further complicated by the emerging issues at the County Council resulting in inspections, the issuing of the Section 114 notice and the subsequent appointment of Commissioners by MHCLG.

2.5 The Home Secretary took advice from the civil servants in the Home Office, considered the views of the County Council inspectors and also took on board views from the National Fire Chiefs Council before approving the business case in full on 11<sup>th</sup> April 2018.

### **3 Implementation**

3.1 A governance structure is in place for the implementation of the governance change. This includes a programme board, chaired by the OPCC Chief Executive that meets fortnightly (including senior representatives from the County Council and fire and rescue service) and a steering group, chaired by the PCC and including the Portfolio Holder from the County Council.

3.2 The Home Office lead on the drafting of the Statutory Instrument which enacts the governance change and on the statutory transfer schemes for people and assets. The Statutory Instrument, subject to Parliamentary timetable, is due to be laid by the Home Office in early August 2018. The commencement date will be no earlier than 1<sup>st</sup> October 2018. The final date is to be determined in further conversations with the Home Office and on the achievable timeline for all necessary local delivery to be complete.

### **4 Risks and Issues**

4.1 There remain differences of view between the OPCC and the County Council on the following areas. From an OPCC perspective these are all material matters and therefore remain important to resolve:

- 2018/19 in-year underspend on fire budget. There is both a planned and unplanned underspend within the fire budget building up in 2018/19. With no reserves to transfer from the County Council, this underspend would create the reserve and reduce the savings required in the medium term financial plan for fire. This MTFP was provided to the Home Office as part of the approval process. Indeed the build-up of reserves was an important area for the OPCC to demonstrate to the Home Office.
- The Mounts fire station was included in the business case to transfer to the PCC. The County Council are seeking to retain a long term interest in the building as a result of recent investment in the flats above the station for care leaver accommodation. The PCCs view, backed by legal advice, is that this should transfer in its entirety and a shorter term lease be provided to the County Council, enabling a medium term redevelopment of the site alongside Campbell Square.
- Costs to maintain LGSS systems, as described in the business case, for fire and rescue have been higher than originally planned for.
- The County Council are seeking to re-open other figures in the business case including the insurance line as the figures were previously estimates by the County Council. The PCC stands by the agreed business case, particularly as insurance premiums will increase for fire as a result of national incidents such as Grenfell.

4.2 The Home Office are currently looking to the local area to resolve these differences but have reiterated that the Home Secretary agreed the business case in its entirety and therefore any change from the agreed figures would require further discussions with the Home Office. The Home Office are looking into their legal options to help unblock this local issue, noting that the legislation did not envisage a situation where agreed business case was subject to this level of local disagreement post decision.

4.3 The OPCC are continuing to seek resolution to these matters at the time of writing this report. A verbal update will be given at the meeting.

## **5 Conclusions**

5.1 The PCC believes the business case, as agreed by the Home Secretary remains in the best interests of both the people of Northamptonshire and the fire and rescue service as a whole.

5.2 Any decrease in funding that transfers to the PCC does place further financial stress on the fire and rescue service and would potentially impact on service delivery.

5.3 The PCC continues to seek a resolution to enable the governance transfer to happen later in 2018.







ITEM 14

**NORTHAMPTONSHIRE POLICE AND CRIME COMMISSION AND NORTHAMPTONSHIRE POLICE  
JOINT INDEPENDENT AUDIT COMMITTEE**

**23 JULY 2018**

<b>REPORT BY</b>	<b>OFFICE OF THE POLICE &amp; CRIME COMMISSIONER AND OFFICE OF THE CHIEF CONSTABLE</b>
<b>SUBJECT</b>	<b>TREASURY MANAGEMENT PERFORMANCE 2017-18 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018</b>
<b>RECOMMENDATION</b>	To note the report

**Purpose of Report**

1. To inform the Joint Internal Audit Committee (JIAC) of the borrowing, capital financing, lending and cash management activities during the period 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018.

**Recommendation**

2. The JIAC is requested to consider the contents of the report.

**Background**

3. The 'Code of Treasury Management' published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and recommended by the Home Office, has been adopted by the Office of the PCC for Northamptonshire ("the OPCC").

4. Comments on specific activities are as follows:-

i) Capital Financing/Long Term Borrowing

Whilst no new loans were taken from the Public Works Loans Board (PWLB) during the year ended 31<sup>st</sup> March 2018, £7.546m of internal borrowing was utilised to finance the capital programme.

External debt at 31<sup>st</sup> March 2018 with PWLB was £1.3m with an average interest rate of 4.82%.

ii) Lending of Surplus Funds

Funds that are temporarily surplus are invested. Funds invested in overnight accounts earned 0.15% during the period covered by the report and on longer term deposits earnings ranged from 0.16% up to 0.47%. The interest earned is dependent on both the size and duration of each investment.

In 2017/18, the OPCC generated £29k of investment income against a budget of £59k, resulting in a deficit of £30k. The OPCC has continued to invest with permitted institutions (Natwest/RBS, Barclays, Lloyds and Santander) during the year. However, the lower investment returns are attributable to the reduction in interest rates being offered by the various financial institutions for 9 months of the year and the decision to borrow internally for capital purposes thereby reducing the overall level of cash available for investment.

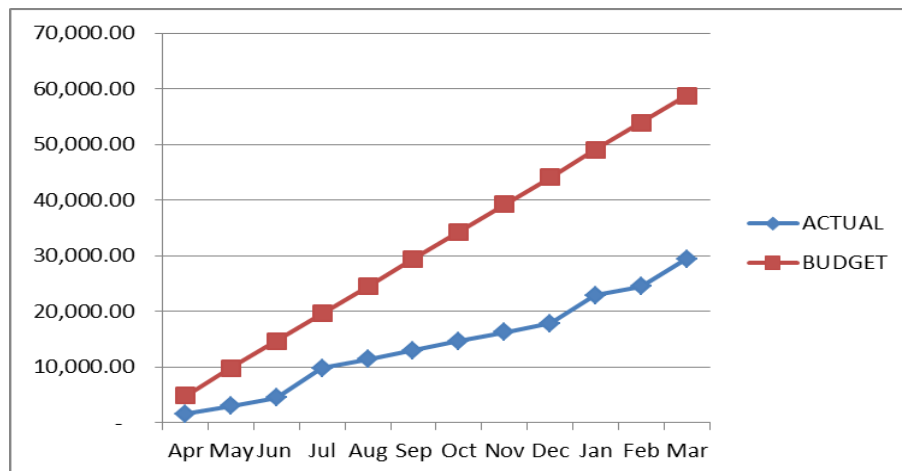
At each month-end and up to and including 31<sup>st</sup> March 2018, the following investment balances were outstanding according to the OPCC's Treasury Management Policy:

End of Month	Outstanding Investments
Apr-17	£2.0m
May-17	£2.0m
Jun-17	£2.0m
Jul-17	£2.0m
Aug-17	£2.0m
Sep-17	£2.0m
Oct-17	£2.0m
Nov-17	£2.0m
Dec-17	£2.0m
Jan-18	£0.0m
Feb-18	£0.0m
Mar-18	£0.0m

[AV1]

The monies invested on our behalf by Investec were recalled following consultation with and approval by the OPCC in the first quarter 2017/18. This was completed following a review of the funds' performance, the short to medium term cashflow needs and the updated capital investment plans.

The following graph demonstrates interest earned (cumulative) during the period against the profiled budget:



The 2017/18 Home Office Police Pension Fund grant totalling £12.4m was received in early July 2017 which is the reason for the significant increase. Investment levels generally fall towards the end of the financial year because the OPCC has received the majority of its grant funding for the year.

### **Credit Ratings of Permitted Institutions**

5. The credit ratings for institutions permitted by the Treasury Management Policy have been provided by Link Asset Services and reviewed to assess the security of the OPCC's cash reserves.

The ratings for each institution (as assessed by Fitch, Standard & Poor's and Moody's respectively) currently used by the OPCC are as follows (correct at 31<sup>st</sup> March 2018):

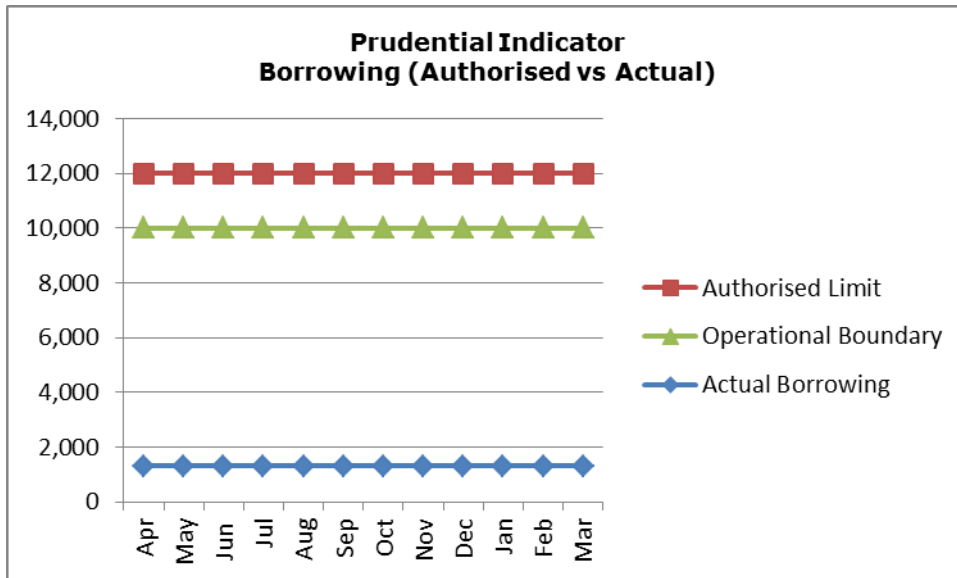
<b>Bank / Building Society</b>	<b>Ratings at 31st March 2018</b>	<b>Ratings at 31st December 2018</b>
Royal Bank of Scotland PLC	F2 / A-2 / P-1	F2 / A-2 / P-1
Santander UK PLC	F1 / A-1 / P-1	F1 / A-1 / P-1
Barclays Bank plc	F1 / A-1 / P-1	F1 / A-1 / P-1
Lloyds Bank plc	F1 / A-2 / P-1	F1 / A-1 / P-1

The highest potential ratings awarded by each agency over the term used by the OPCC ("short-term" – i.e. less than 365 days) are F1+ / A-1+ and P-1 respectively. The ratings seen above are, whilst not the top rating, typical of the level awarded to other UK banks.

Overall, the level of risk presented by investing with the above-mentioned institutions is proportionate and does not contravene the overriding principle of protecting the OPCC's resources (in this case the cash reserves).

### **External Debt – Authorised Limits**

6. The OPCC's debt is monitored against the 'authorised limit' and 'operational boundary' on a monthly basis. The authorised limit for 2017/18 is £12m and is the statutory limit determined under section 3(1) of the Local Government Act 2003. This has not been exceeded. The operational boundary is £10m which is the maximum level of projected external debt.



**Maturity Structure of Debt**

7. The Prudential Code recommends that the OPCC 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 24 months	33%	0%	0%
24 months and within 5 years	33%	0%	0%
5 years and within 10 years	66%	0%	54%
10 years and above	100%	0%	46%

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

**Investment of Principal Sums**

9. In line with the Treasury Management policy no sums have been invested for more than 364 days.

**Implications**

Financial: As described in the report.

Legal: None.

Equality Impact Assessment: None identified

Risks and Impact: As described in the report.

Link to Police and Crime Plan: 17/18 Approved budget

**Background Papers**

Treasury Management File

**Contact Names**

Mrs H King , Chief Finance Officer(OPCC) – (0345) 111 222 344573

Mr P Dawkins, Assistant Chief Officer (Finance & Resources) (OCC) – (0116) 248 2244





ITEM 15

**NORTHAMPTONSHIRE POLICE AND CRIME COMMISSIONER and NORTHAMPTONSHIRE POLICE**

**JOINT INDEPENDENT AUDIT COMMITTEE**

**23 JULY 2018**

<b>REPORT BY</b>	<b>OFFICE OF THE POLICE &amp; CRIME COMMISSIONER AND OFFICE OF THE CHIEF CONSTABLE</b>
<b>SUBJECT</b>	<b>TREASURY MANAGEMENT PERFORMANCE 2018 -19 1<sup>st</sup> April 2018 to 30<sup>th</sup> June 2018</b>
<b>RECOMMENDATION</b>	To note the report

**Purpose of Report**

1. To inform the Joint Internal Audit Committee (JIAC) of the borrowing, capital financing, lending and cash management activities during the period 1<sup>st</sup> April 2018 to 30<sup>th</sup> June 2018.

**Recommendation**

2. The JIAC is requested to consider the contents of the report.

**Background**

3. The 'Code of Treasury Management' published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and recommended by the Home Office, has been adopted by the Office of the PCC for Northamptonshire ("the OPCC").
4. Comments on specific activities are as follows: -

i) Capital Financing/Long Term Borrowing

Whilst no new loans were taken from the Public Works Loans Board (PWLB) during the period ended 30<sup>th</sup> June 2018, £2.435m of internal borrowing was utilised to finance the capital programme.

External debt at 30<sup>th</sup> June 2018 with PWLB was £1.3m with an average interest rate of 4.82%.

ii) Lending of Surplus Funds

Funds that are temporarily surplus are invested. Funds invested in overnight accounts earned 0.15% during the period covered by the report with no longer term deposits. The interest earned is dependent on both the size and duration of each investment.

The investment income budget for 2018/19 is £59k – Interest Rates have not increased to the predicted rates; therefore the budget will be underachieved if



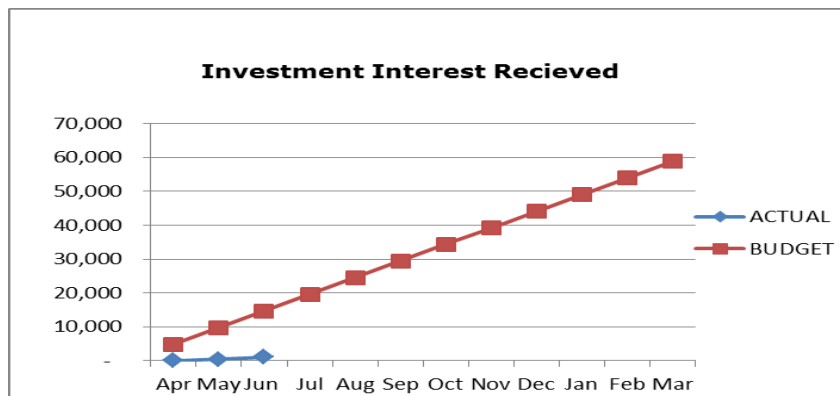
trends continue for future quarters. Due to current cashflow there has not been the surplus funds to invest. The OPCC has continued to invest with permitted institutions (Natwest – Business Reserve Account) during the year. However, the lower investment returns are attributable to the reduction in interest rates being offered by the various financial institutions for 9 months of the year and the decision to borrow internally for capital purposes thereby reducing the overall level of cash available for investment.

At each month-end and up to and including 30<sup>th</sup> June 2018, the following investment balances were outstanding according to the OPCC’s Treasury Management Policy:

End of Month	Outstanding Investments
Apr-18	£0.0m
May-18	£0.0m
Jun-18	£0.0m

The 2018/19 Home Office Police Pension Fund grant totalling £18.2m will be received in early July 2018 which should cause a significant increase. Investment levels generally fall towards the end of the financial year because the OPCC has received the majority of its grant funding for the year.

The following graph demonstrates interest earned (cumulative) during the period against the profiled budget:



### **Credit Ratings of Permitted Institutions**

5. The credit ratings for institutions permitted by the Treasury Management Policy have been provided by Link Asset Services and reviewed to assess the security of the OPCC’s cash reserves.

The ratings for each institution (as assessed by Fitch, Standard & Poor’s and Moody’s respectively) currently used by the OPCC are as follows (correct at 30<sup>th</sup> June 2018).

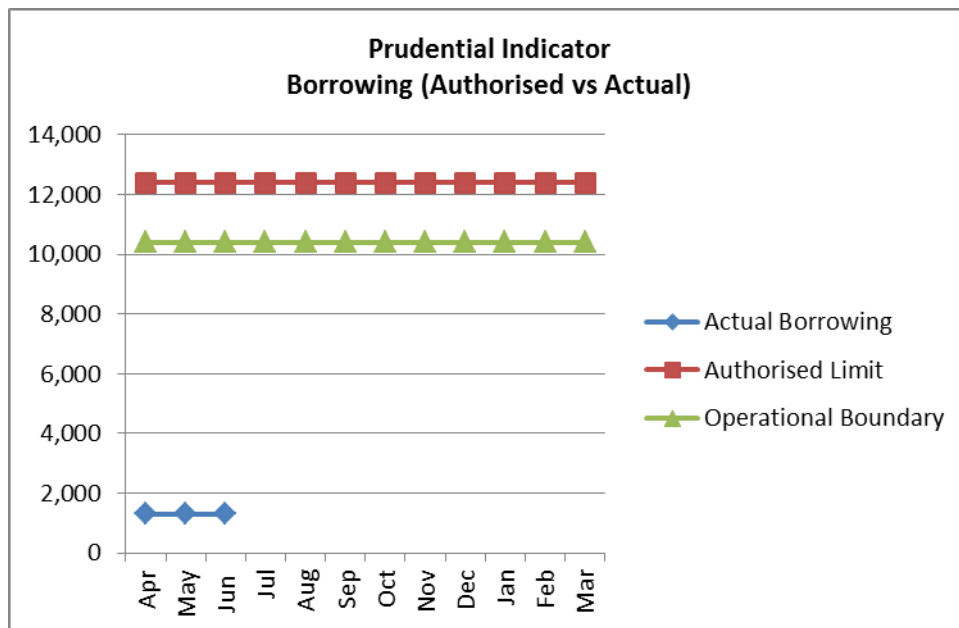
Bank / Building Society	Ratings at 31st March 2018	Ratings at 31st December 2018
Royal Bank of Scotland PLC	F2 / A-2 / P-1	F2 / A-2 / P-1
Santander UK PLC	F1 / A-1 / P-1	F1 / A-1 / P-1
Barclays Bank plc	F1 / A-1 / P-1	F1 / A-1 / P-1
Lloyds Bank plc	F1 / A-2 / P-1	F1 / A-1 / P-1

The highest potential ratings awarded by each agency over the term used by the OPCC ("short-term" – i.e. less than 365 days) are F1+ / A-1+ and P-1 respectively. The ratings seen above are, whilst not the top rating, typical of the level awarded to other UK banks.

Overall the level of risk presented by investing with the above-mentioned institutions is proportionate and does not contravene the overriding principle of protecting the OPCC's resources (in this case the cash reserves).

### **External Debt – Authorised Limits**

- The OPCC's debt is monitored against the 'authorised limit' and 'operational boundary' on a monthly basis. The authorised limit for 2018/19 is £12.4m and is the statutory limit determined under section 3(1) of the Local Government Act 2003. This has not been exceeded. The operational boundary is £10.4m which is the maximum level of projected external debt.



### **Maturity Structure of Debt**

- The Prudential Code recommends that the OPCC 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 24 months	33%	0%	0%
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5 years and within 10 years	66%	0%	54%
10 years and above	100%	0%	46%

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

### **Investment of Principal Sums**

9. In line with the Treasury Management policy no sums have been invested for more than 2 years.

### **Implications**

Financial: As described in the report.

Legal: None.

Equality Impact Assessment: None identified

Risks and Impact: As described in the report.

Link to Police and Crime Plan: 18/19 Approved budget

### **Background Papers**

Treasury Management File

### **Contact Names**

Mrs H King, Chief Finance Officer (OPCC) – (0345) 111 222 344573

Mr P Dawkins, Assistant Chief Officer (Finance & Resources) (OCC) – (0116) 248 2244





**NORTHAMPTONSHIRE POLICE AND CRIME COMMISSION and NORTHAMPTONSHIRE POLICE  
JOINT INDEPENDENT AUDIT COMMITTEE  
23 JULY 2018**

**ITEM 16**

<b>REPORT BY</b>	<b>Chief Finance Officer</b>
<b>SUBJECT</b>	<b>Joint Independent Audit Committee (JIAC) - Agenda Plan – Updated 10/7/18</b>
<b>RECOMMENDATION</b>	To note the report

Date of JIAC	4.12.17	13.3.18 WORKSHOP	19.3.18	6.6.18 WORKSHOP	23.7.18	10.9.18	20.9.18 WORKSHO P	23.11.18 WORKSHOP	10.12.18
Confirmed agenda to be circulated	15.11.17		28.02.18		02.07.18	20.08.18			
Deadline for papers to be submitted to OPCC	22.11.17	CANCELLED DUE TO AVAILABILITY	07.03.18		11.07.17	28.08.17			
Papers to be circulated	27.11.17	PAPERS CIRCULATED	12.03.18		16.07.18	03.09.18			

Agenda items

Apologies		Apologies		Apologies	Apologies			Estates strategy
Declarations		Declarations		Declarations	Declarations			
Meetings log and actions		Meetings log and actions		Meetings log and actions	Meetings log and actions			Meetings log and actions
					Dates for 2019			
Corporate Governance inc. Specific assurance topics								
		Voice Update		Annual meeting of members and Auditors without Officers Present	Update on Fraud and Corruption Processes	Estates Strategy	ICT developments	
Governance framework	JIAC assurance	OPCC HR Policies	JIAC annual report review	Update on: Fire Governance Implementation	Change Programme Update	Outcome Based Budgeting (OBB)	Police and Crime Plan	Update on: Fire Governance Implementation
Estates Strategy		Capital Programme 2018-2022		JIAC Annual Report				
	Update on: Collaboration AGS progress	Update on: MFSS		Update on: MFSS	Update on: MFSS			Update on: MFSS
		Finance Update – Force & OPCC						
Treasury Mgmt strategy 2017/18		Treasury Mgmt strategy 2018/19		Treasury Management outturn 2017/18				Treasury Management Strategy 2019/20
Treasury Mgmt outturn 2016/17		Capital Programme		Treasury Management Q1 2018/19	Capital Programme Q1 update			Treasury Management Q2 update 2018/19
HMIC reviews – update				HMIC reviews – update				Capital programme Q2 update
Risk Register								
OPCC risk register		Force strategic risk register		Review of risk (CC and OPCC) policy	OPCC risk register			Force strategic risk register

External Financial Reporting								
MTFP and budget update	Discussion on the final budget				MTFP process and plan update			
	MTFP and budget update		Annual accounts review	Annual Accounts 2017/18 inc. ISA 260				
Internal Audit								
		Annual Plan 18/19						
Progress report		Progress report		Progress report	Progress report			Progress report
Implementation of recommendations		Implementation of recommendations		Implementation of recommendations	Implementation of recommendations			Implementati on of recommendati ons
External Audit								
Progress report		Progress report		Progress report	Progress report			Progress report
		New Auditor		ISA 260	Fee letter			
Appointment of new Ext Auditor –					EA letter			
Other Agenda Items								
Agenda plan		Agenda plan		Agenda plan	Agenda plan			Agenda plan
AOB (inc member updates)		AOB (inc member updates)		AOB (inc member updates)	AOB (inc member updates)			AOB (inc member updates)
Next meeting <sup>1</sup>		Next meeting		Next meeting	Next meeting			Next meeting

<sup>1</sup> Confirmation of the date and venue of next meeting

