



JOINT AUDIT AND SCRUTINY PANEL

FRIDAY 2 MARCH 2018 at 2.00 PM

**Gedling Borough Council, Civic Centre, Arnot Hill Park, Arnold,
Nottinghamshire NG5 6LU**

Membership

Stephen Charnock (Chair)
Leslie Ayoola
John Brooks
Peter McKay
Philip Hodgson

A G E N D A

1. Apologies for absence
2. Declarations of interest by Panel Members and Officers (see notes below)
3. To agree the minutes of the previous meeting held on 5 December 2017
4. Progress Against Action Tracker
5. Update on actions from audits, inspections and reviews
6. Precept and Budget reports 2018-19
 - Treasury Management Strategy
 - Reserves Strategy
 - Capital Report
 - MTFS
 - Budget Report
7. PCC's Update Report
8. Internal Audit Progress Report

9. External Audit Plan
10. Summary of Actions

NOTES

- Members of the **public are welcome to attend** to observe this meeting
- For **further information** on this agenda, please contact the Office of the Police and Crime Commissioner on 0115 9670999 extension 801 2005 or email nopcc@nottinghamshire.pnn.police.uk
- A **declaration of interest** could involve a private or financial matter which could be seen as having an influence on the decision being taken, such as having a family member who would be directly affected by the decision being taken, or being involved with the organisation the decision relates to. Contact the Democratic Services Officer: **Sara Allmond tel. 0115 977 3794** for clarification or advice prior to the meeting.

MINUTES OF THE MEETING OF THE NOTTINGHAMSHIRE POLICE AND CRIME COMMISSIONER JOINT AUDIT AND SCRUTINY PANEL HELD ON TUESDAY 5TH DECEMBER 2017 AT FORCE HEADQUARTERS, SHERWOOD LODGE, ARNOLD, NOTTINGHAMSHIRE COMMENCING AT 10AM

MEMBERSHIP

(A – denotes absent)

Mr Stephen Charnock (Chair)

Mr Leslie Ayoola

Mr John Brooks

Dr Phil Hodgson **A**

Mr Peter McKay

OFFICERS PRESENT

Sara Allmond	Democratic Services, Notts County Council
Rachel Barber	Deputy Chief Constable, Notts Police
Mark Kimberley	Head of Finance, Notts Police
Julie Mair	Head of Corporate Development, Notts Police
Anita Pipes	KPMG
Charlie Radford	Chief Finance Officer, OPCC
Paddy Tipping	Police & Crime Commissioner
Brian Welch	Mazars
Paul Winter	Superintendent, Notts Police

1) APOLOGIES FOR ABSENCE

Apologies for absence were received from Dr Phil Hodgson, Andrew Cardoza and Chief Constable Craig Guildford.

2) DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

No declarations of interest were made.

3) MINUTES OF THE PREVIOUS MEETING

The minutes of the last meeting held on 28 September 2017, having been circulated to all members, were taken as read and were confirmed and signed by the Chair.

4) PROGRESS AGAINST ACTION TRACKER

The following update were provided:-

- Action 002 – the draft new terms of reference were currently going through the approval process.
- Action 005 – action is complete
- Action 009 – this will now be reported to the March 2018 meeting.

5) PRESENTATION ON THE BUSINESS CHANGE PROGRAMME AND PLANNED REVIEWS FOR 2018/19

Supt Paul Winter gave a presentation to the Panel on the business change programme and planned reviews for 2018/19. The presentation is attached to the minutes as **Appendix A**.

During discussion the following points were raised:-

- The year one deep dive was already in process as this was taking place during the 2017/18 financial year. Business Cases would be prepared at the start of 2018 covering most of the organisation.
- £12million efficiency savings were required in 2017/18 and £16million in future years.
- One of the hurdles encountered was change fatigue due to the number of changes the Force had already had to go through due to financial pressures. The current change programme would include future planning, forecasting as well as possible once the change programme was embedded there would then only be smaller changes to meet changing needs.
- Discussions were ongoing regarding regional collaboration.
- The Force Management Statements which were a requirement of the HMIC would be adapted to make them useful for the Force as well as HMIC. There was currently no agreed template for the statements.
- Partners would be involved in the change programme in projects that related to their work. Once the new approach was signed off, the Force would go out to consultation with partners.
- Work was being carried out to align budgets better with the new structure. This would take time to embed. Reinvestment was predominately in police officers.
- Fewer grants were available and the few available were generally at regional or national level.
- A list of what had been achieved so far would be provided to members.

RESOLVED: 2017/023

To note the presentation and receive an update on the programme in one year

6) ANNUAL AUDIT LETTER 2016-17

Anita Pipes introduced the report which provided members with the Annual Audit letter relating to the accounts for 2016-17.

During discussions the following points were raised:-

- The Panel acknowledged the comments and feedback and noted that the lessons for both the Force and OPCC had been taken on board. Work was already underway to remove any anomalies from the system in preparation for next year.
- The Panel requested an update on the four recommendations within the report at the March meeting.

RESOLVED: 2017/024

To accept the Annual Audit Letter 2016-17

7) SUMMARY STATEMENT OF ACCOUNTS 2016-17

Charlie Radford introduced the report which provided a summary version of the statement of accounts for 2016-17 to be published on the PCC's website.

RESOLVED: 2017/025

To agree the format of the summary statement.

8) POLICE AND CRIME COMMISSIONER'S UPDATE REPORT – TO SEPTEMBER 2017

Paddy Tipping introduced his report which provided the Panel with information provided to the Police and Crime Panel and an overview of performance in respect on 1st April to 30th September 2017.

During discussions the following points were raised:-

- The Police and Crime Panel challenged and scrutinised the PCC effectively and appropriately and there was a healthy relationship. The Panel received a small amount of funding from the Government for its administration and the Panel was administered by Nottinghamshire County Council. The Panel's powers were limited and additional resources would help. The Panels recently had a regional meeting to discuss regional issues.
- The performance figures were difficult to compare due to the reporting requirements changing regularly. A national discussion was being undertaken in relation to incident recording.
- In relation to the PEEL report, this was an area of growing demand and the resources for Operation Equinox had been mainstreamed as investigations into historical cases were expected to be a long term requirement.
- Whilst the proposal was to reduce the number of supervisors for police officers, each would be provided enough time within their shifts to carry out their supervisor's role more comprehensively.
- It was anticipated that the latest round of officer recruitment would improve the BME representation, with more work still to do. There was a larger spread of diversity across the applicants, however there were still some communities underrepresented. The percentage of BME residents within the national and local population was increasing meaning the gap was getting wider.

RESOLVED: 2017/026

To note the report.

9) MID-YEAR TREASURY MANAGEMENT REPORT 2017-18

Charlie Radford introduced the report which provided the mid-year position of the treasury management

RESOLVED: 2017/027

To note the report.

10) UPDATE ON INSURANCE

Charlie Radford introduced the report which provided an update on insurance and the potential costs of future insurance policies.

RESOLVED: 2017/028

To note the report.

11) INTERNAL AUDIT PROGRESS REPORT

Brian Welch introduced the report which provided an update on progress against the Internal Audit Plan for 2017-18 and the findings from completed audits.

During discussions the following point was raised:-

- The outcome of the property audit was consistent with other Forces and work had been undertaken to reduce the amount of property being seized that did not need to be in the first place, and work was ongoing to make improvements regarding the storage and return of property.

RESVOLVED: 2017/029

To receive assurance from the work undertaken by internal audit.

12) AUDIT AND INSPECTION UPDATE REPORT

Julie Mair introduced the report which provided an update on progress against the recommendations arising from audits and inspections which had taken place during quarter three, 2017/18.

RESOLVED: 2017/030

- 1) That the status of audits and inspections carried out over the last quarter be noted.
- 2) That the Panel receive further information on MARAC at the next meeting as set out in the Panel's action tracker.
- 3) To participate in the consultation process offered by HMIC regarding the Force Management Template.

13) PANEL WORK PROGRAMME AND MEETING SCHEDULE

RESOLVED: 2017/031

To note the work programme.

The meeting closed at 12.23pm

CHAIR



Our Priority Plan

PROUD to progress



NOTTINGHAMSHIRE
POLICE
PROUD TO SERVE

Superintendent Paul Winter

Our mission statement

“Working with partners and the communities we serve to make Nottinghamshire a safe, secure place to live, work and visit.”



NOTTINGHAMSHIRE
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The Chief Constable's strategic priorities:

- ✓ Engage our communities
- ✓ Create a service that works for local people
- ✓ Become an employer of choice

Our Priority Plan has changed the way we plan our business for 2017/18 and beyond...

- Seek continuous improvement
- Remove inefficiencies
- Invest our resources where they are needed most
- Empower the workforce to design our services



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Annual Departmental Assessments

Part A: Baseline “Our People” and “Our Ways of Working”

Part B: Context, including audit recommendations, planned changes, risks etc

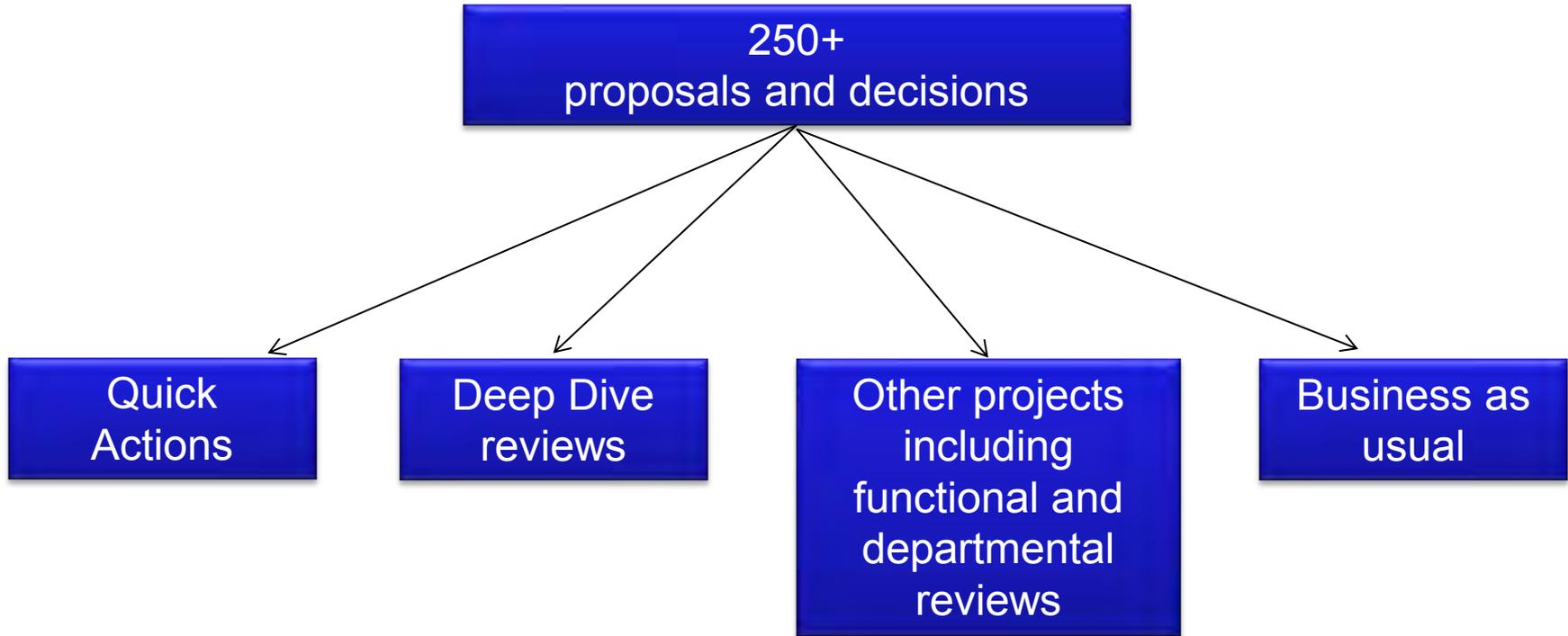
Part C: SWOT analysis

Part D: Proposals for change



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EFEBs June 2017 – what we did next.....



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'Quick Actions'

2017-18

£590,000

2018-19

£1,029,000

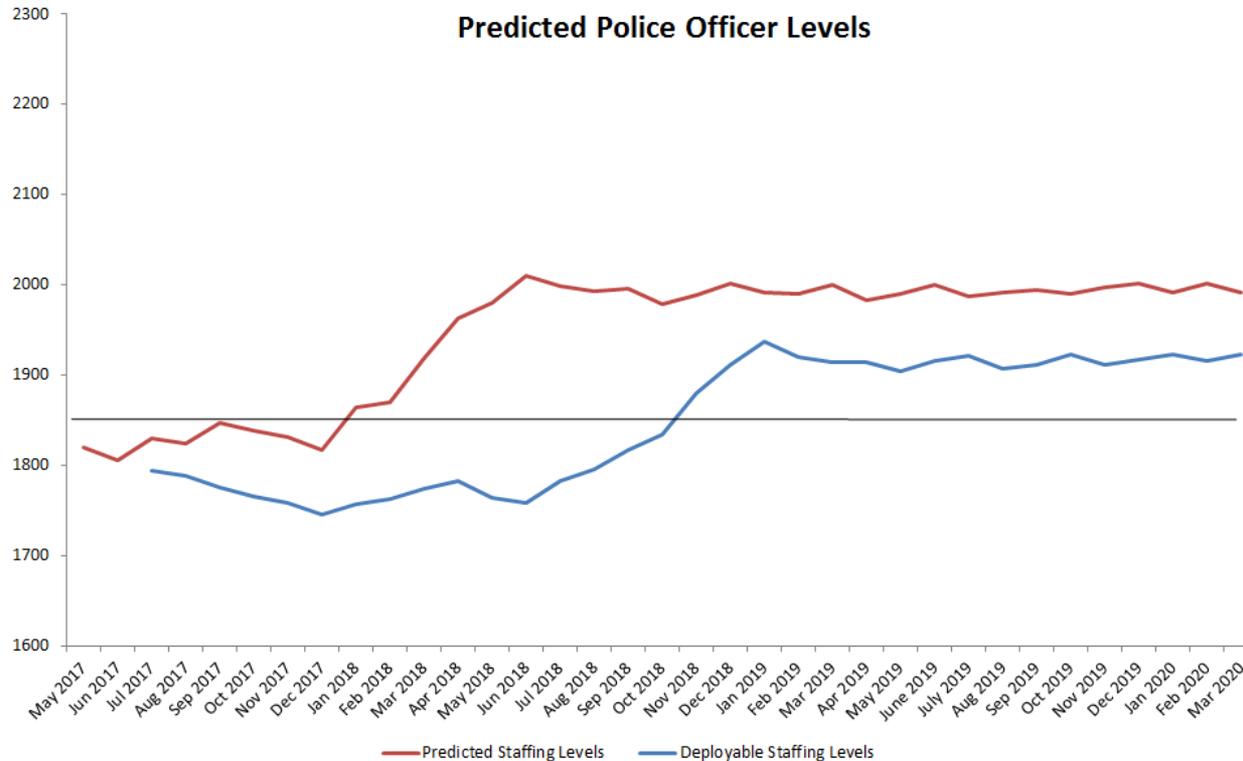
Supervision ratios in line with other Forces

Greater opportunity to invest in areas that will
improve service delivery



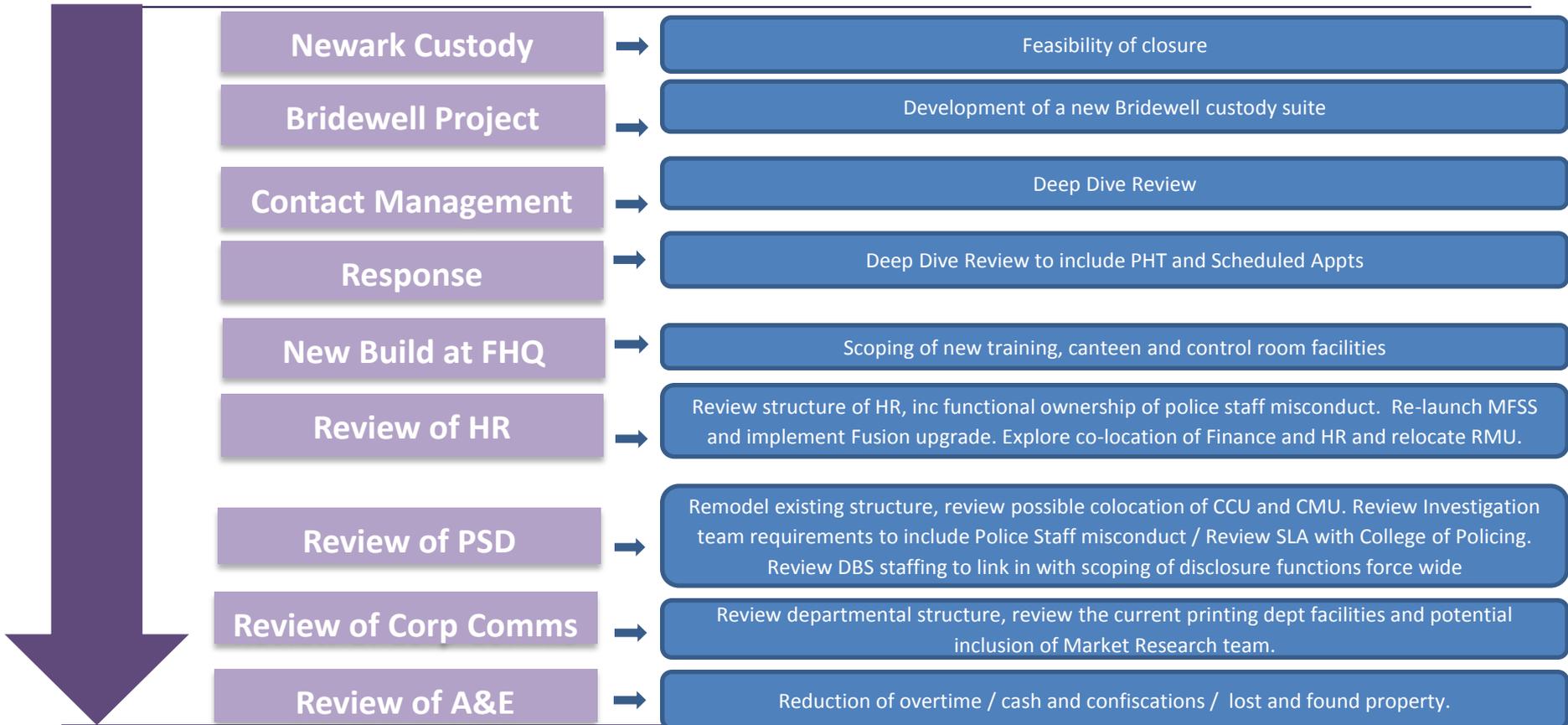
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Predicted Police Officer Levels to March 2020

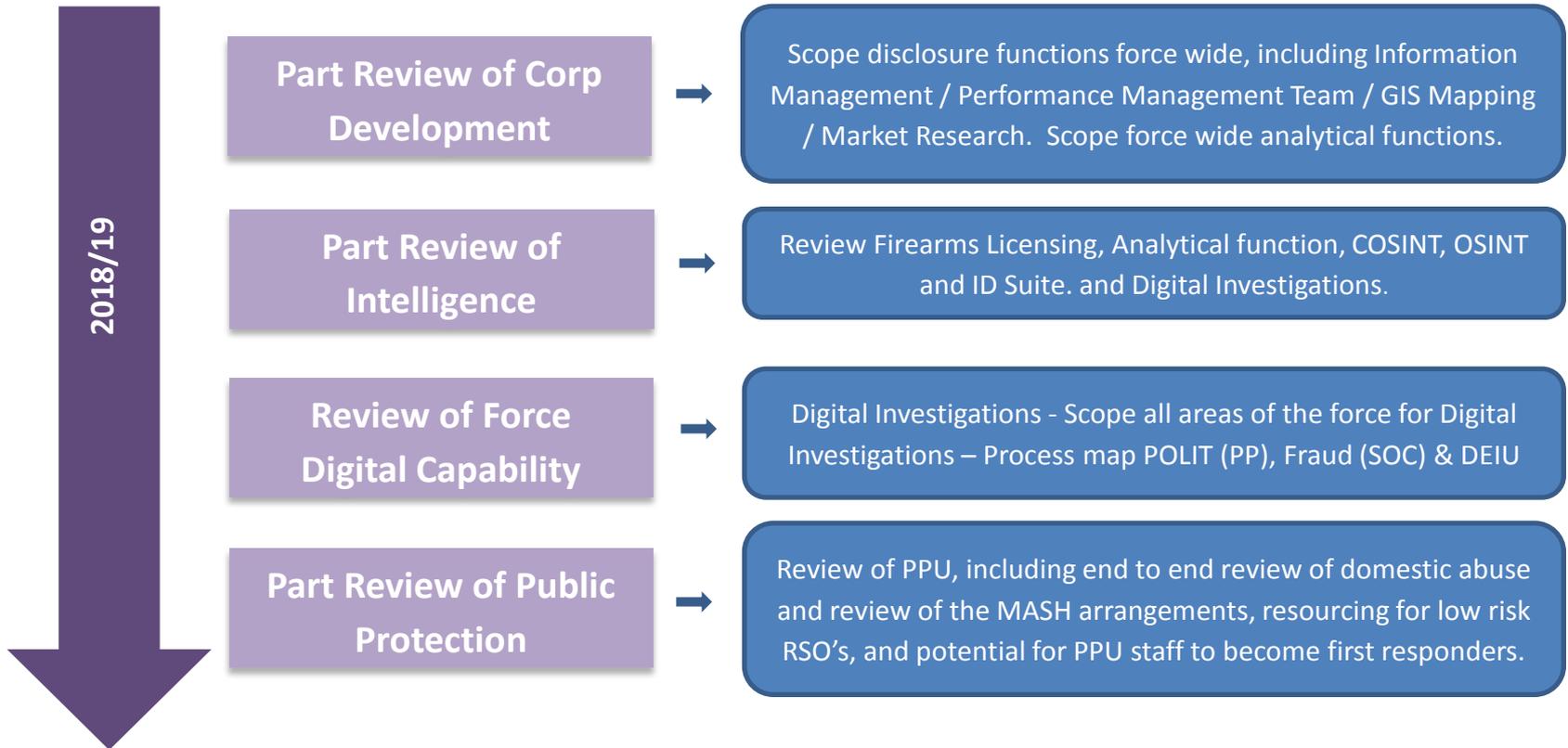


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The Priority Plan Programme of work – Year 1



The Priority Plan Programme of work – Year 2



Contact Management 'Deep Dive' Review

Process Evolution led

BIT concurrent to PE review

BIT led post PE

Review the CM staffing model and shift pattern

Assess the viability of creating crimes at first point of contact

Review the CRIM and the processes within

Initial review of all supervisors within CM

CM Talk Group and Back-up structure

Demand handling - minimise failed service

Management and ownership of Grade 3

Utilisation of MIC capacity

Application of the graded response policy



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Response `Deep Dive' Review

Process Evolution led

The Constable resourcing of the response model inclusive of all demands placed upon the function

The number and location of response hubs

The response shift pattern against a comprehensive demand profile

Reviewing the work of the Prisoner Handling Team

BIT led review

The College of Policing golden hour investigation principles

The work of the Scheduled Appointments Team

Impact of student officers

Utilisation of MIC capacity

Is operating as a single larger team more efficient than three functionally distinct teams

The work undertaken by response supervisors and the resourcing at each rank

Fleet size, distribution and availability

Current mobile data provision

Inspector ranks across Response/Contact Management – combine responsibilities and reduce resourcing...



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Continuous improvement – our next steps – Force Management Statement

2018 – HMICFRS introduce the Force Management Statement
Annual statement designed to improve and streamline the information which
forces produce for:

- Own management purposes
- Accountability to PCCs, Home Office, HMICFRS
- Opportunity to undertake rigorous self-assessment

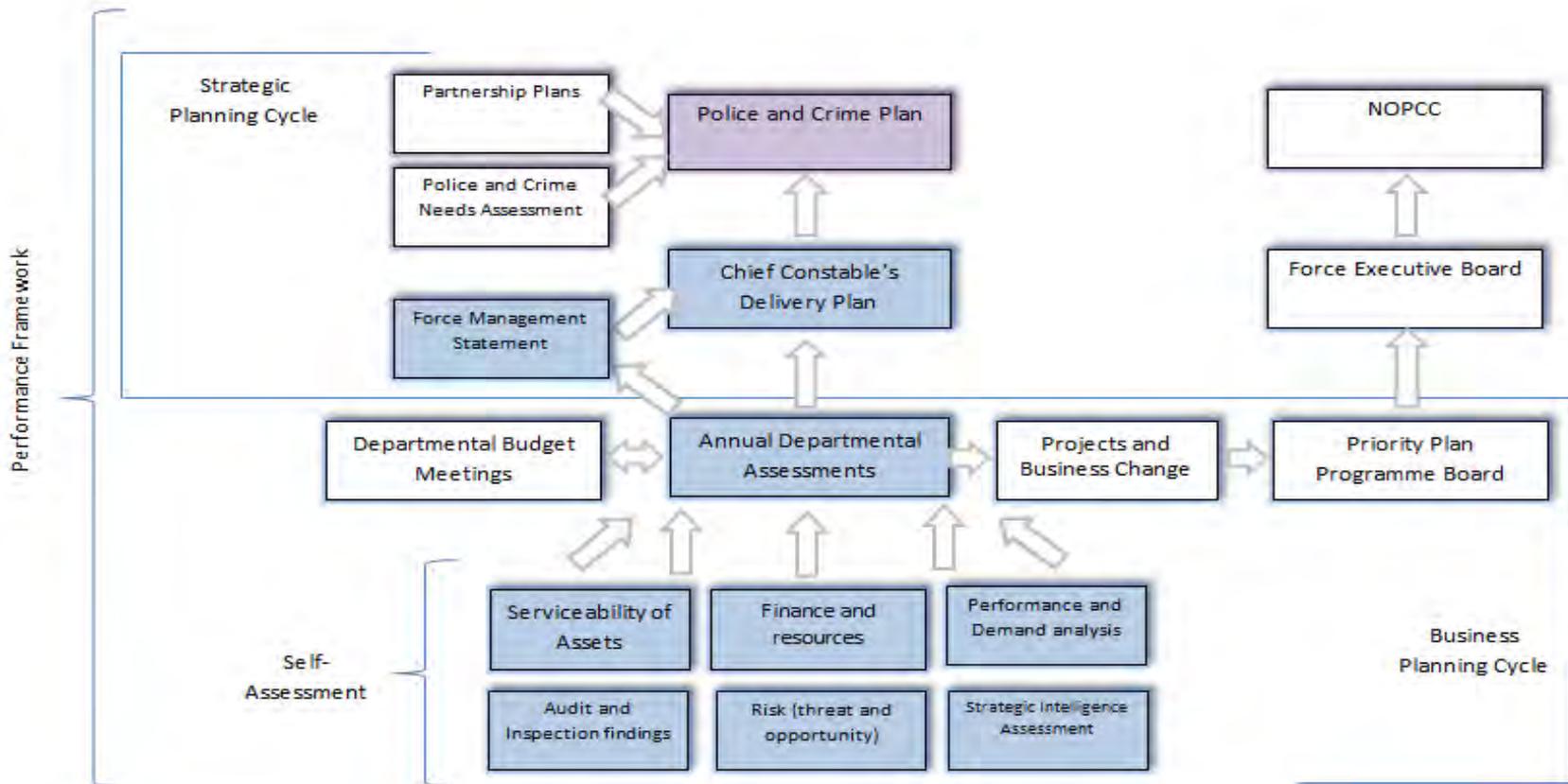
Our ADA process will be redesigned to be the basis for the Force Management
Statement:

- Planning will be focused on more in depth focus of changes in demand
over the next three to four years
- The process will provide a more adequate oversight to inform the MTFP
and provide opportunity for us to consider long term challenges.

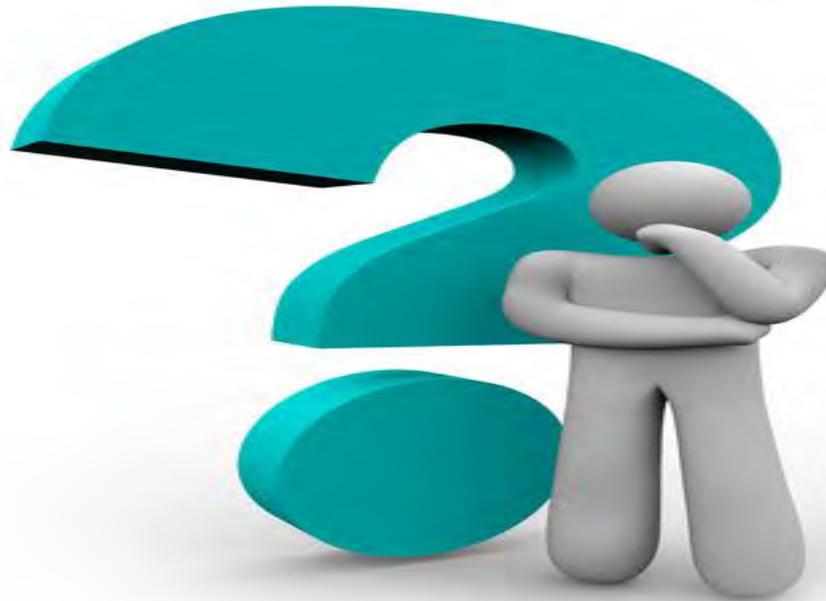


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Strategic and business planning cycle



Any Questions?



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AUDIT & SCRUTINY PANEL MEETING

Actions arising from previous meetings an progress against action tracker

	ACTION	ALLOCATED TO	TIMESCALES FOR UPDATES	UPDATE
001	Terms of Reference – draft document a. Compare with ToR for other A&S panels in the region b. Review statutory responsibilities c. Refresh Work Programme d. Further develop Assurance Mapping	CR/ JM		<p>The ToR have been updated.</p> <p>The statutory responsibilities have been reviewed and these have been mapped against the requirements for Audit Committees (CIPFA Practical Guidance for Local Authorities and Police.</p> <p>A draft work plan has been developed for discussion at the next JASP.</p> <p>The next steps will include the further development an Assurance Map that will help to inform the Internal Audit Plan and other areas of potential review.</p>
002	Terms of Reference – draft document Panel members to comment	A&S Panel	September 2017	New ToR issued Dec 2017 Electronic copies to be issued.

003	Work plan and agenda items Use of assurance map	CR/JM/Chair	December 2017	On agenda for discussion at Dec JASP meeting
004	Internal Audit customer satisfaction surveys Review current from Liaise with A&I team re monitoring process to improve response rates	BW CR/BW/JM		The Audit and Inspection team within Force will start to coordinate the completion of the surveys. It is also proposed that highlights from these are discussed at the Regional meeting which is chaired by ACO Dawkins to help drive improvements.
005	Draft OPCC and Group final statutory accounts and draft Annual Governance statements Panel members to provide comments via the chair	Panel members	2 weeks	Completed Sept 2017
006	Internal Audit Progress Report Reporting on completion of management actions Identify ways of ensuring feedback for every report commissioned	BW JM RB CR		Amalgamates With item 4
007	PCC investigation – adoption of an overall dashboard style picture to enable panel members to see any trends and back logs and compare to other forces	Supt Leona Scurr	When next report is due	Future performance reports that are submitted to the JASP will include the Forces ranking in the national IPCC data. This is so the panel can see how we compare nationally and we aren't just comparing ourselves to ourselves

008	Information on the PEEL inspection be brought to next meeting	Brian Welch / Phil Gilbert	Next Meeting	This information is provided in the PCC's update report going to Dec JASP meeting
009	More detailed report on progress made against the risks associated with MARAC	Supt Rob Griffin	Next Meeting	Report to Dec JASP (App 2 of Audit and Inspection Report)

For Information	
Public/Non Public	Public
Report to:	Joint Audit and Scrutiny Panel (JASP)
Date of Meeting:	2nd March 2018
Report of:	Julie Mair, Head of Corporate Development
Report Author:	Amanda Froggatt, Risk and Business Continuity Officer
E-mail:	amanda.froggatt@nottinghamshire.pnn.police.uk
Other Contacts:	n/a
Agenda Item:	5

Update on Actions from Audits, Inspections and Reviews

1. Purpose of the Report

- 1.1 To provide the Joint Audit and Scrutiny Panel (JASP) with an update on progress against recommendations arising from audits and inspections which have taken place during Quarter 4, 2017/18.
- 1.2 To inform the Board of the schedule of planned audits and inspections.
- 1.3 To provide further information on the area identified for further scrutiny as requested at the last JASP. (Appendix 2 - the Police's Approach to Domestic Abuse (DA)).
- 1.4 To provide an update on the Force's approach to safeguarding victims of DA who are assessed as high risk.

2. Recommendations

- 2.1 That the Panel notes the status of audits and inspections carried out over the last quarter.
- 2.2 That the Panel review Appendix 1 and if required request further detail which will be reported at the next meeting.

3. Reasons for Recommendations

- 3.1 To enable the Panel to fulfil its scrutiny obligations with regard to Nottinghamshire Police and its response to audits and inspections.
- 3.2 To provide the Panel with greater scrutiny opportunities and to reach more informed decisions.
- 3.3 To provide the Panel with the opportunity to shape the focus and data inputs for future HMICFRS inspections.

4. Summary of Key Points

Audit and Inspection Action Updates

- 4.1 The actions referred to in this report are the result of recommendations made by Nottinghamshire Police's internal auditors and external inspectorates, including HMICFRS.
- 4.2 There is currently 1 action which has exceeded its target date. There are 14 actions showing as 'at risk' of being off target i.e. they will exceed their target date in the next month.
- 4.3 There were 26 actions closed during this quarter.
- 4.4 Recent and forthcoming Inspections.

Recent Inspection Activity

Date of Inspection	Inspection Area	Date Report Received	Final Grading	Status
May 2017	PEEL: Leadership and Efficiency	October 2017	TBC	Final report received. Actions being monitored on 4Action
May 2017	PEEL: Legitimacy	October 2017	TBC	Final report received. Actions being monitored on 4Action
June 2017	PEEL: Effectiveness – Re-visit	-	N/A	Awaiting report
July 2017	Historical Recommendation Review	-	N/A	286 recommendations reviewed, 284 signed off, 2 to be re-submitted
July 2017	Crime File Review	-	N/A	Will be incorporated into final PEEL Effectiveness Report
September	PEEL: Effectiveness	-	TBC	Awaiting report

2017				
September 2017	Interception of Communications Commissioner's Office	-	N/A	Final report received. One action raised. This is being monitored on 4Action
December 2017	Investigatory Powers Commissioner's Office	-	N/A	Final report received. Two actions raised. These are being monitored on 4Action

Forthcoming HMICFRS Inspections

Date of Inspection	Inspection Area	Status
TBC	Crime Data	Date not yet confirmed
W/C 5 th March 2018	Hate Crime	Confirmation received 26 th January 2018

Publications

Date of Publication	Inspection Area	Status
July 2017	HMIC report 'Living in Fear the Police and CPS response to Harassment & Stalking'	Actions incorporated into Domestic Violence Action Plan. Updates shared with HMICFRS on 7 th December. Agreed to close down
December 2017	HMIC report - Progress Report on Domestic Abuse	Actions relate to additional work to be carried out on the Domestic Abuse Action Plan. Work in Progress
December 2017	HMIC report - Stolen Freedom; the Policing Response to Modern Slavery and Human Trafficking	Actions being monitored on 4Action

December 2017	HMIC report – Planes, Drones and Helicopters	No actions to be picked up by Force. Two specific actions will be addressed by Chief Constables Council
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4.5 Recent and Forthcoming Audits

Recent Audit Activity

Date of Audit	Auditable Area	Date Report Received	Final Grading	Status
September 2017	Procurement Follow Up	September 2017	Satisfactory Assurance	Actions being monitored on 4Action
August 2017	EMCHRS L&D	October 2017	Satisfactory Assurance	Actions being monitored on 4Action
September 2017	Safety Camera Partnership	October 2017	Limited Assurance	Actions being monitored on 4Action
October 2017	Core Financials	January 2018	Satisfactory Assurance	Draft report received, out for Management Comment
October 2017	Collaborative Audit of Counter Fraud	January 2018	-	Draft report received, out for Management Comment

Forthcoming Audits

Date of Audit	Auditable Area	Status
None		

Overview of all ongoing actions from Audits & Inspections

Appendix 1 provides an overview of all ongoing actions from Audits and Inspections. The panel are recommended to scrutinise this information and to feedback on any further information or updates in any particular areas. This information will then be brought back to the next Audit and Scrutiny Panel for discussion.

Area Identified for further scrutiny –

The area identified by the Chair of the Panel for further scrutiny this period is the Nottinghamshire Police's approach to tackling Domestic Abuse which was a local HMIC Inspection completed in 2014. The key reason for this choice is to gain assurance of progress against key actions. The outstanding recommendation identified that the force should have a stronger, more formalised process on prevention, identification and management of serial and serious perpetrators, with clear responsibility and actions for officers, including how partner agencies will work with the police to reduce re-offending.

This recommendation was linked to national work which, at the time of the recommendation was identified as on-going. After completion, the force then undertook to bring the Domestic Violence cohort into the IOM process, so that Nottinghamshire would have a stronger focus on repeat victims and serial perpetrators.

The Serial Perpetrator management has now formally started and Offender Managers (Police, Probation and Independent Domestic Violence Advisor's (IDVA's)) have been identified to the most risky 'Top 40' offenders.

As of the 18th October the Top 40 serial Domestic Violence cohort were brought into the process and these have all been subject to at least one case review and the multi-agency working between Police, Probation, Public Protection Unit and IDVA's which has produced some great early wins.

4.6 Overview of KPMG Audit

The KPMG Audit of the OPCC/CC Statement of Accounts raised 5 recommendations. Corrective action has been taken against each of the points to ensure the Statement of Accounts for 2017/18 are fully compliant.

5. Financial Implications and Budget Provision

5.1 If financial implications arise from recommendations raised from audits, inspections and reviews, these implications are considered accordingly. Where an action cannot be delivered within budget provision, approval will be sought through the appropriate means.

6. Human Resources Implications

6.1 There are no direct HR implications as a result of this report. HR implications resulting from specific actions will be managed on a case by case basis.

7. Equality Implications

- 7.1 There are no direct HR implications as a result of this report. HR implications resulting from specific actions will be managed on a case by case basis.

8. Risk Management

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

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

- 9.1 Any policy implications will be subject to current policy development process.

10. Changes in Legislation or other Legal Considerations

- 10.1 There are no direct legal implications as a result of this report.

11. Details of outcome of consultation

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

12. Appendices

- 12.1 Appendix 1: Overview of all ongoing actions from Audits and Inspections
Appendix 2: PEEL Effectiveness - AF/149c/4717

Appendix 1 - Overview of all ongoing actions from Audits and Inspections: January 2018

Audit/Inspection	Source Title	Date	Number of Actions	Number Open	Number Closed	Number on Target	Number At Risk	Number Overdue
Audit-Mazars	Procurement January 2016	January 2016	10	1	9	0	1	0
Audit-Mazars	Implementation of DMS June 2016	June 2016	6	3	3	3	0	0
Audit-Mazars	Data Protection Act Compliance Oct 2016	October 2016	14	3	11	3	0	0
Audit-Mazars	Procurement Follow up Nov 2016	November 2016	6	4	2	1	3	0
Audit-Mazars	Core Financials Systems Assurance Dec 2016	December 2016	9	2	7	2	0	0
Audit-Mazars	HR Recruitment and Selection	January 2017	4	3	1	3	0	0
Audit-Mazars	Data Quality 2016/17	May 2017	4	2	2	2	0	0
Audit-Mazars	Risk Management	May 2017	7	7	0	7	0	0
Audit-Mazars	Estates Management	August 2017	3	1	2	1	0	0
Audit-Mazars	Fleet Management	August 2017	6	5	1	3	2	0
Audit-Mazars	Workforce Planning	September 2017	8	5	3	5	0	0
Audit-Mazars	Social Value Impact	July 2016	4	2	2	2	0	0
Audit-Mazars	Seized & Found Property	May 2017	11	10	1	10	0	0

Appendix 1 - Overview of all ongoing actions from Audits and Inspections: January 2018

Audit/Inspection	Source Title	Date	Number of Actions	Number Open	Number Closed	Number on Target	Number At Risk	Number Overdue
Audit-Mazars	Procurement Follow up Sept 2017	September 2017	6	3	3	0	3	0
Audit-Mazars	Core Financials Follow up July 2016	October 2016	12	1	11	1	0	0
Audit-Mazars	EMCHRS Learning & Development Collaboration	August 2017	5	5	0	0	5	0
Audit-Mazars	Joint Code of Corporate Governance	November 2015	2	1	1	1	0	0
Audit-Mazars	Safety Camera Partnership	September 2017	2	2	0	2	0	0
Audit-Mazars	Commissioning - Community Safety	May 2016	5	3	2	3	0	0
Inspection-HMIC	Nottinghamshire Police's approach to tackling Domestic Abuse (local report)	March 2014	13	1	12	1	0	0
Inspection-HMIC	Welfare of Vulnerable People in Custody	March 2015	8	1	7	1	0	0
Inspection-HMIC	Efficiency Nov 2016 'Hot De Brief' actions	November 2016	31	5	26	4	0	1
Inspection-HMIC	Legitimacy 2016	December 2016	10	2	8	2	0	0
Inspection-HMIC	Effectiveness 2016	March 2017	13	10	3	13	0	0
Inspection-HMIC	Efficiency, Legitimacy and Leadership Hot Debrief 2017	May 2017	9	8	1	8	0	0
Inspection-HMIC	Making it Fair: Disclosure of unused material in volume Crown Court Cases	July 2017	6	5	1	5	0	0
Inspection-HMIC	National Child Protection 2015	August 2015	8	1	7	1	0	0

Appendix 1 - Overview of all ongoing actions from Audits and Inspections: January 2018

Audit/Inspection	Source Title	Date	Number of Actions	Number Open	Number Closed	Number on Target	Number At Risk	Number Overdue
Inspection-HMIC	Stolen freedom: the policing response to modern slavery and human trafficking	October 2017	7	4	3	4	0	0
IPCC	Use of Force Report	September 2016	15	5	10	5	0	0
IPCO	IPCO Inspection	December 2017	2	2	0	2	0	0
KPMG	Statement of Accounts	September 2017	5	0	5	0	0	0

Appendix 2 - PEEL Effectiveness - AF/149c/4717

HMIC Recommendation - The force should improve its approach to safeguarding victims of domestic abuse who are assessed as high risk. It should review the referral process to multi agency risk assessment conferences to ensure that victims of domestic abuse are not being placed at risk as a result.

Action - Review the referral process to multi agency risk assessment conferences to ensure that victims of domestic abuse are not being placed at risk as a result

In the County, a review demonstrated that all High Risk (HR) cases go to MARAC. This was historically not the case in the City.

However the City position has now changed. The MARAC steering group have now agreed with the police recommendation that all High Risk city cases similarly now go to the MARAC. This has been the position since the 21st August 2017. The first “all cases in” to the City MARAC took place on 13th/14th September 2017.

The volume of High Risk cases within Nottingham is high – As tabulated below. This presents clear resource issues and is a challenge for partner agencies. Several agencies have stated that they cannot service the extra city MARAC demand. Those agencies include: Nottingham Healthcare Trust, NUH, City Care, Framework Housing, Housing Aid, WAIS and the Nottingham Recovery Network.

Average Volumes

Time period Averages worked out per MARAC, not per month	Average referrals per MARAC	No of additional IDVA required*
2016-7 average	29	1.6
2016-7 and 2017-8 Q1-2 average	30	1.8
2016-7 and 2017-8 YTD average	30	1.8
2017-8 Q1-2 average	33	2.4
2017-8 YTD average	32	2.2
2017-8 September – November no case consideration average	28	1.4

As eluded, the number of High risk cases that are submitted to the City MARAC far exceeded the 21 per MARAC number (as commissioned previously by the CDP based on SafeLives analysis).

The CDP remain supportive of WAIS in expressing their reservations about their capacity to hear and cater for more MARAC cases. Consequently liaison with the OPCC over the MARAC issue has resulted in an agreement in principle of an uplift of funding to secure two additional IDVA's for WAIS. This will ensure that every survivor will have the opportunity to engage with an accredited IDVA and meet the increase in MARAC capacity.

This action complies with SafeLives Charity (formerly CAADA) and their guidance that every high risk case should go to MARAC and HMIC recommendation.

Nottinghamshire now hold 4 MARAC's per fortnight: 2 in the County (South and North), 2 in the City.

This is the process going forward and will ensure the appropriate support is given to victims of domestic abuse.

As such whilst all High Risk cases do go to the MARAC, this position remains delicately poised because of the clear resource issue that is facing partner agencies.

For Information and Decision	
Public/Non Public*	Public
Report to:	Police & Crime Panel Audit and Scrutiny Panel – for information
Date of Meeting:	2 March 2018
Report of:	The Chief Finance Officer
Other Contacts:	Head of Finance
Agenda Item:	6

Precept and Budget Reports 2018-19

1. Purpose of the Report

- 1.1 Members are required to make a decision in respect of the Precept Report and the proposed increase to Council Tax for 2018-19.
- 1.2 To assist in this decision making members are provided with budget reports and financial strategies that provide detail on the use of such funding.

2. Recommendations

- 2.1 Members are requested to support the proposed increase in Band D Council Tax by £11.97 to £195.39.
- 2.2 Members are also asked to provide feedback, where appropriate, in respect of the proposed budget and financial strategies.

3. Reasons for Recommendations

- 3.1 Statutory requirement and good financial governance.

4. Summary of Key Points

- 4.1 In providing the provisional settlement for Policing the Minister has assumed that Police & Crime Commissioners will take advantage of the temporary relaxation in the referendum principles in respect of setting a precept.
- 4.2 He has announced that Commissioner can raise the Band D precept by £12 before triggering a Referendum. This equates approximately to a 6.5% increase. Prior to this the limit had been set at 2%.
- 4.3 This news enables the Commissioner to fund a commitment to increasing the number of Police Officers in Neighbourhood teams. Effectively reversing the position of Medium Term Financial Strategy this time last year.

- 4.4 This also ensures that necessary funding in relation to Knife Crime and Rural Crime can be provided.
- 4.5 In providing this relaxation on the Precept the Minister also announced that he would be setting targets in relation to efficiencies and productivity that Commissioners and Chief Constables will have to support and ensure are achieved.
- 4.6 The other reports provided for information are:
- Medium Term Financial Strategy (MTFS)
 - Reserves Strategy
 - Revenue Budget Report 2018-19
 - Capital Programme 2018-23
 - Treasury Management strategy
- 4.7 The MTFS positively demonstrates the ability to achieve the estimated spend levels for the next 5 years. This includes increasing the number of Officers to 1940.
- 4.8 The Reserves Strategy shows the continuing replacement of reserves, previously taken to such low levels that the long term financial viability of the Force was at risk. There are plans to utilise such reserves to fund significant capital expenditure.
- 4.9 The Revenue budget is a balanced budget report and builds on recruitment plans put in place earlier in the current financial year.
- 4.10 The Capital Programme provides detail on proposals for 2018-19, including the replacement Custody Building. An indicative capital programme to 2022-23 is also provided. But the schemes are subject to full business case.
- 4.11 The Treasury Management Strategy provides detail on how the proposed capital programme will be financed.

5. Financial Implications and Budget Provision

- 5.1 Each of the reports set of the budgetary and financing requirements.

6. Human Resources Implications

- 6.1 The budget report provides for the recruitment of additional Police Officers.

7. Equality Implications

- 7.1 None as a direct result of these reports.

8. Risk Management

8.1 These reports set out clear principles to limit any financial or operational risk related to the budget.

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

9.1 This complies with statutory reporting and decision making requirements. These reports also provide evidence of good financial governance.

10. Changes in Legislation or other Legal Considerations

10.1 These reports comply with financial legislation.

11. Details of outcome of consultation

11.1 The detail of the consultation with the public on the precept has been included within the Precept Report.

12. Appendices

Report for Decision:

- Precept report 2018-19

Reports for Information:

- Medium Term Financial Strategy
- Reserves Strategy
- Revenue Budget report 2018-19
- Capital Programme 2018-23
- Treasury Management Strategy



Nottinghamshire

POLICE & CRIME COMMISSIONER

Budget 2018-19



NOTTINGHAMSHIRE
POLICE
PROUD TO SERVE

January 2018

Since setting his first budget for 2013-14, which was itself challenging, the pressure on the Commissioner's budget has increased substantially. Since 2008-09 efficiency savings have been required to deliver annual balanced budgets, in some years these reductions have proved difficult to deliver resulting on the need to use reserves.

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

2015-16 has proved to be the toughest year to date. Efficiency programmes were not delivered in full and in addition to this errors in the budget were identified during the year. This resulted in £9.3m being required from reserves to balance the budget.

2016-17 was always going to be a challenging year, with the need to deliver £12m of efficiency savings – the largest in year target to date with a flat cash settlement and increasing core costs (e.g. pay awards and price inflation). We also faced an estimated £3.5m cost pressure from the change in National Insurance contributions. In creating the budget for 2016-17 additional cost pressures of £11m were identified. In fact due to a revised policing model and strict monitoring of the efficiencies target a further £1m saving was achieved, creating an underspend in the year meaning that a good start on rebuilding the reserves used in previous years was made.

Additional efficiencies of £5.5m were required in 2017-18, and latest estimates show that this will be achieved, with an additional £2m being made available to repay to reserves due to higher turnover in both staff and officers employed.

In 2018-19 a balanced budget is being delivered, which includes considerable, but very much needed, investment of £3.3m. This will be used to:

- increase the number of front line police officers
- create a Crime Fighting Fund targeting rural and knife crime
- Invest in new purpose built buildings and equipment fit to meet future demands
- Procure a specialist vehicle for rural use

During 2017/8 the PCC commissioned new contracts for the delivery of:

- Independent research (literature review and consultation) into the provision of sexual violence support;
- A Survivor Support Service to provide support for adults who were sexually abused whilst children in institutional care;
- A regional Paediatric Sexual Assault Referral Centre (SARC), in partnership with NHS England and the other East Midlands PCCs. The new service, which was commissioned by NHS England as the lead commissioner, will begin on 1 April 2018;

- Nottinghamshire adult Sexual Assault Referral Centre (SARC) in partnership with NHS England. The new service, which was commissioned by NHS England as the lead commissioner, will begin on 1 April 2018;
- An interim ISVA service, pending publication of an invitation to tender for a bigger service (see below);
- An Independent Sexual Violence Adviser (ISVA) service for adults and children in Nottingham and Nottinghamshire. The new service(s) will begin delivery in July 2018.

This has been done despite considerable budget pressures of over £5.6m, needed to meet growing demands and inflation increases.

To achieve this balanced position the drive for efficiencies continues, with cost reductions of over £5.9m identified in this budget. The maintenance of Central Government Grants is welcomed, although maintaining grants in cash terms is in effect a real term cut as the impact of pay awards and inflation means this insufficient in itself to maintain police officer numbers.

BUDGET 2018-19

With the restraint on Government funding savings are still required to meet day to day increases in demand and to afford continued investment in assets and technology in order to maintain an effective Nottinghamshire Police Force.

1.1. Funding levels

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

Funding 2018-19	2018-19 £m
Core grants & funding	
Police & Crime grant	(124.2)
Council Tax legacy grant	(9.7)
Sub-total core grants	(133.9)
Precept	(61.1)
Collection fund (surplus)/deficit	(0.5)
Contribution to Reserves	2.4
Total funding available	(193.1)

Final confirmation of grant settlement will be laid before Parliament in February 2018.

The Referendum Limit was announced at the same time as the provisional settlement and is set at a maximum increase of £12.00 for a band D property for 2018-19 this equates to a maximum rise of 6.54%. This level of increase has been assumed in the above figures. It has also been announced that a similar level of increase can be expected for 2019-20. Additional funding created as a result of this increase will ensure that officer and staff numbers are not reduced to fund national pay awards. Indeed due to continued efficiencies all additional precept funding (worth £2.8m in 2018-19) is being invested in 80 additional new recruits. With plans being developed to increase the productivity of supervisory, by the end of 2018-19, over 100 additional police officers will be available for deployment in neighbourhoods and local communities.

The PCC also requires that the spending plans of the Force need to provide for the addition to reserves over the medium to long term; reflecting the level of reserves used to support expenditure during the current austerity period; and this requirement remains. However a review of the Reserves Strategy is being undertaken and based upon the continued cash support from central Government, the additional Council Tax freedoms, continued delivery of operational efficiencies and improved budget management plans it is expected that significant reserves will be able to be utilised in the future to support capital expenditure plans that will deliver investment in new efficient buildings that will be fit for the future.

The additional precept funding, as well as further operational efficiencies, have been used to invest £3.1m in front line policing, as well as ensuring the required contribution of £2.0m to reserves, in relation to previous years required usage.

This has enabled the Chief Constable to recruit 200 police officers next year. This recruitment will enable the force to grow to a complement of 1,940 police officers an increase of 80 posts.

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

1.2 Summary expenditure

The Commissioner is required to set a balanced budget each year, with the level of sustained real term reductions in grant income and increased pressures from inflation, pay awards, new demands and investment this inevitable means efficiencies have to be identified and delivered in order to balance the budget.

Expenditure 2018-19	2018-19 £m
Previous expenditure	190.1
In year inflation increases	5.6
Investment	3.3
Sub-total expenditure	199.0
Efficiencies	(5.9)
Total net expenditure	193.1

The changes in year shown above are detailed further in the report.

2. 2018-19 Budget breakdown

Annex 1 details the proposed expenditure budget for 2018-19. The proposed revenue budget is £193.1m.

Net expenditure budget	2018-19 £m	Note
Employee	154.2	2.1
Premises	5.9	2.2
Transport	5.4	2.3
Supplies & services	17.2	2.4
Agency & contract services	16.2	2.5
Pensions	4.7	2.6
Capital financing	4.1	2.7
Income	(14.3)	2.9
Efficiencies	(0.3)	3.2
Net use of reserves	0.0	2.8
Total net expenditure	193.1	Annex 1

An alternative thematic view of the 2018-19 budget is also detailed at Annex 5.

2.1 Employee related expenditure

2016-17 saw the Force end its two year recruitment freeze for police officers and recruitment continued throughout 2017-18, the 2018-19 budget provides for continued officer and staff recruitment in order to maintain and effective service. In addition the implementation of the Chief Constables new police officer operating model see police constable numbers rise to 1,940 officers a rise of 80 new front line posts. This is achieved by the continued delivery of efficiencies and the reprioritisation of spend, managed through the Annual Departmental Assessments – a business management programme introduced in 2017-18. This programme becomes key to the way in which we work and in the way in which we will deliver a police service that remains financially stable during the current period of austerity in public sector spending.

A pay award has been included in the budget at 2.0% payable from 1st September each year, in addition to this the additional 1% bonus payment to officer and staff awarded as part of the 2% award in 2017-18 has been retained in the budget. Employee expenditure accounts for approximately 80% of the total expenditure budget.

Annex 2 details the budgeted staff movement between the current year and 2018-19. Annex 3 details the budgeted police officer, police staff and PCSO numbers for 2018-19.

2.2 Premises related expenditure

Over the past few years the Commissioners estate has been reduced in order to achieve efficiencies, but also to ensure resources are allocated based upon need and to facilitate planned changes in working arrangements. Such changes will include remote working through better technologies ensuring officers are in the communities and not stations and hot-desking to ensure optimal use of the space available. In addition core maintenance budgets have increased for the remaining stock reflecting the age of the buildings but also ensuring that maintenance standards are reflective of the needs of the workforce.

Capital investment in new building is included in the capital programme, the main investment being a replacement custody suite, as the current operation become increasingly less fit for purpose. It is not expected that this new building will become operational during 2018-19 although future operational efficiencies should be delivered as the purpose built building will have latest maintenance/fuel efficiencies built in and should be designed to deliver other operational efficiencies. These will contribute to future efficiency requirements, identified in the Medium Term Plan, but do not affect the 2018-19 budgets.

Premises related expenditure includes the provision of utility services to those properties and these are elements of the budget that are adversely affected by inflation. For 2018-19 inflation for gas and electricity has been budgeted at 2.0%.

2.3 Transport related expenditure

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

In addition the force has a smaller fleet of owned vehicles, the non-slot fleet, the maintenance these vehicles is also undertaken by the PFI provider, and the capital programme provides for the replacement of these vehicle over the business cycle.

During 2018-19 a new vehicle will be procured with 4x4 off road capabilities to support our investment in rural policing.

2.4 Supplies & services expenditure

This category of expenditure captures most of the remaining items such as insurance, printing, communications, information technology (IT) and equipment. This will provide for the opportunity to react quicker to local issues/hot spots and to provide funding for low value equipment and materials. It is anticipated that this will support initiatives in rural areas as well as offering further support to our innovative knife crime team.

Some of the IT systems that the Force uses are provided through national contracts that the Home Office recharge the Force for. Notification from the Home Office sees the total cost of these systems continuing to increase substantially above the rate of inflation and again and we have been informed that total police grant will be top sliced in future for this expenditure.

For all other expenditure an inflation factor of 2.0% has been applied in 2018-19, unless there was specific contracted inflation.

2.5 Agency & contract services

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

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

Analysis of Agency & contracted services	2018-19 £m
Agency costs	0.1
Collaboration contributions	9.6
Community safety	5.1
Other partnership costs	1.4
Total	16.2

The costs associated with the use of agency staff have been much reduced and their use is carefully managed to ensure this represents good value for money. In year additional agency costs may be incurred as a result of utilising agency staff to cover short term vacancies, especially where departmental restructures are taking place.

Regional collaboration is shown as a joint authority as this is the basis of the collaboration agreements. The region has been challenged to deliver savings from across those projects already in place. Nottinghamshire's element of the regional budget is £9.6m for 2018-19. No savings have been assumed within this budget for collaboration or innovation projects.

Analysis of Collaboration contributions	2018-19 £m
EMSOU	2.9
Major crime	0.3
Tactical surveillance unit	0.6
Forensics	1.3
EMOpSS Air Support	0.5
Learning & development	0.8
Occupational health unit	0.5
Legal	0.4
Multi Force Shared Services (MFSS)	2.3
Total	9.6

2.6 Pensions

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

The budgeting for medical retirements remains an issue with the number of medical retirements and the associated costs increasing significantly over time the 2018-19 the budget has been increased by £0.3m reflecting the current trend. In addition the police pension scheme is currently under review by GAD and there is a potential risk that employer contributions may increase in future years however this is not expected to affect the 2018-19 budget.

Employer contributions in respect of the LGPS scheme are reviewed by the Actuaries on a tri-annual basis and annual contributions are then adjusted. The next revaluation takes place in 2019 and any changes will impact on the 2020-21 budget. Indications are that, due to changes within the scheme then the employer contributions will continue at the same level.

2.7 Capital financing

This relates directly to the value of the capital expenditure requiring loan funding in previous years. The proposed capital programmes for 2018-19 has been prioritised to ensure that schemes included are not only reflective of need but also are realistic in deliverability. The Force has a track record of being over ambitious in estimating both its need and in the pace that capital schemes can be developed, resulting in significant spend being carried forward or ultimately not been required. For this year fewer schemes are proposed, they are more appropriately apportioned over several years in some cases, and all have active delivery plans.

Currently, market rates remain favourable and therefore the cost of borrowing is low, although incremental increases are expected over coming years as we move away from the historically low level of interest rates. Our advisors predict a stable base rate of 0.50% in 2018-19, in line with the Treasury strategy, individual borrowing decisions will be made with the view to minimising future borrowing costs.

2.8 Use of reserves

There are no plans to use significant reserves in 2018-19. To provide for the initial provision of a Crime Fighting Budget in 2018-19, £100,000 will be transferred from reserves.

Strategically it is anticipated that £10.1m will be returned to reserves over the medium term. A review of the Reserves Strategy is being undertaken and based upon the continued cash support from central Government, the additional Council tax freedoms, continued delivery of operational efficiencies and improved budget management plans it is expected that significant reserves will be able to be utilised in the future to support capital expenditure plans that will deliver investment in new efficient buildings that will be fit for the future.

2.9 Income

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

2.10 Variation to 2017-18 Budget

A variation of budgets between years arises as a result of a variety of changes (e.g. inflationary pressures, efficiency reductions and service demands). Annex 4 details a high level summary of reasons for variations between the original budgets for 2017-18 and 2018-19.

3. Efficiencies

3.1 2017-18 Efficiencies

As part of the 2017-18 budget the following efficiencies were required in order to set a balanced budget.

Efficiencies 2017-18	£m
Procurement	0.3
Medical retirements	0.5
Tri-Force costs savings	0.2
MRP	0.3
Total	1.3
Ongoing pay savings	4.2
Total	5.5

3.2 The Commissioner is of the view that continually achieving efficiencies is challenging however current indications at the time of producing this report is the Force will achieve its efficiency targets and is likely to underspend against the 2017-18 budget. Any underspend will be used to increase reserves.

3.4 2018-19 Efficiencies

As part of the 2018-19 budget the following efficiencies are required in order to set a balanced budget.

Efficiencies 2018-19	£m
Procurement	0.3
Supplies & Services	0.9
Transport	0.3
Comms & Computing	0.6
Income	0.3
MF Shared Service	0.8
MRP	0.4
Total	3.6
Ongoing staff pay savings	2.3
Total	5.9

3.5 As in the previous year if these targets are not met the Commissioner will require the force to provide alternative in year savings plans. If this is required it is likely that the force will respond by delaying its in-year recruitment plans.

4. External Funding

There is an assessment of the financial risk in respect of external funding currently provided. In 2018-19, 22 officers and 68 staff FTE's are funded externally and are added within the expenditure and workforce plans. This could be an additional pressure in future years as funding pressures mount for partners.

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

In addition to these we have 39 police officers and 6 staff FTE's seconded out of the organisation in 2018-19. This compares with 44 officers and 6 staff FTE's seconded in 2017-18.

2018-19 Commissioner's Total Budget (£m)

	Force Budget 2018-19 £m	OPCC Budget 2018-19 £m	Total Budget 2018-19 £m
Pay & allowances			
Officer	100.9	0.0	100.9
Staff	39.8	0.8	40.6
PCSO	6.7	0.0	6.7
	147.4	0.8	148.2
Overtime			
Officer	3.4	0.0	3.4
Staff	0.6	0.0	0.6
PCSO	0.1	0.0	0.1
	4.1	0.0	4.1
Other employee expenses	2.0	0.0	2.0
Medical retirements	4.7	0.0	4.7
	158.2	0.8	159.0
Other operating expenses			
Premises related	5.9	0.0	5.9
Transport	5.4	0.0	5.4
Communications & computing	8.2	0.0	8.2
Clothing & uniforms	0.6	0.0	0.6
Other supplies & services	4.7	0.3	5.0
Custody costs & police doctor	1.4	0.0	1.4
Forensic & investigative costs	2.1	0.0	2.1
Partnership payments & grants to external organisations	1.3	5.1	6.4
Collaboration contributions	9.6	0.0	9.6
Capital financing	4.1	0.0	4.1
	43.3	5.4	48.7
Total expenditure	201.5	6.2	207.7
Income			
Seconded officers & staff income	(3.2)	0.0	(3.2)
Externally funded projects income	(4.3)	0.0	(4.3)
PFI grant	(1.9)	0.0	(1.9)
Ministry of Justice (MoJ)	0.0	(1.3)	(1.3)
EMSCU	(0.9)	0.0	(0.9)
Investment interest	(0.1)	0.0	(0.1)

	Force Budget 2018-19 £m	PCC Budget 2018-19 £m	Total Budget 2018-19 £m
Other income	(2.7)	0.0	(2.7)
	(13.0)	(1.3)	(14.3)
Efficiencies – to be realised*			
Procurement	(0.2)	0.0	(0.2)
Forensics	(0.1)	0.0	(0.1)
	(0.3)	0.0	(0.3)
Net use of reserves	0.0	0.0	0.0
Total	188.2	4.9	193.1

*additional efficiencies as a result of specific plans totalling £5.6m have already been removed from the main budgets.

Annex 2

**Workforce Movements 2017-18 Estimated Outturn v
2018-19 Budget**

	2017-18 Estimated Outturn* FTE's	2018-19 Budgeted Total FTE's	Movements FTE's
Core Funded			
Police Officers			
Operational	1,044	1,129	85
Intelligence & Investigations	515	495	(20)
Operational Collaborations	259	241	(18)
Corporate Services	39	34	(5)
	1,857	1,899	42
Police Staff			
Staff	1,151	1,140	(11)
PCSO	199	207	8
	1,350	1,347	(3)
	3,207	3,246	39
Group Total			
Core	3,208	3,246	38
Seconded	50	45	(5)
Externally Funded	91	90	(1)
Force Total	3,349	3,381	32
OPCC	12	12	-
	3,361	3,393	32

* The estimated outturn as at 31st March 2018.

Workforce Plan FTE's

	2018-19				
	Operational FTE's	Intelligence & Investigations FTE's	Operational Collaborations FTE's	Corporate Services FTE's	Core Funded FTE's
Police Officers					
Opening balance*	1,044	515	259	39	1,858
Leavers / restructure	(90)	-	-	-	(90)
Retirement	(23)	(21)	(18)	(5)	(67)
Recruitment	198	-	-	-	198
	1,129	494	241	34	1,898
Police Staff					
Opening balance*	367	249	230	306	1,151
Leavers / restructure	-	-	-	(12)	(12)
Recruitment	-	-	-	-	-
	367	249	230	294	1,139
PCSOs					
Opening balance*	197	2	-	-	199
Leavers / restructure	(28)	-	-	-	(28)
Recruitment	36	-	-	-	36
	205	2	-	-	207
Opening Balance*	1,608	766	490	344	3,208
Movement	93	(21)	(18)	(16)	38
Closing Balance	1,701	745	472	328	3,246

* Opening balance is the estimated outturn as at 31st March 2018.

Workforce Plan FTE's

	2018-19					
	Core Funded FTE's	Seconded FTE's	Externally Funded FTE's	Force Total FTE's	OPCC FTE's	Total FTE's
Police Officers						
Opening balance*	1,858	44	22	1,924	-	1,924
Leavers / restructure	(90)	-	-	(90)	-	(90)
Retirement	(67)	(5)	-	(72)	-	(72)
Recruitment	198	-	-	198	-	198
	1,899	39	22	1,960	-	1,960
Police Staff						
Opening balance*	1,151	6	69	1,226	12	1,238
Leavers / restructure	(12)	-	(1)	(13)	-	(13)
Recruitment	-	-	-	-	-	-
	1,139	6	68	1,213	12	1,225
PCSOs						
Opening balance*	199	-	-	199	-	199
Leavers / restructure	(28)	-	-	(28)	-	(28)
Recruitment	36	-	-	36	-	36
	207	-	-	207	-	207
Opening Balance*	3,208	50	91	3,349	12	3,361
Movement	38	(5)	(1)	32	-	32
Closing Balance	3,245	45	90	3,380	12	3,392

* Opening balance is the estimated outturn as at 31st March 2018.

Variation to the 2018-19 Budget

Police pay & allowances

The £3.0m increase from the 2017-18 budget is largely due to the additional recruits taken into during 2017-18 and the planned recruitment is 198 FTE's in 2018-19 in line with achieving the 1,940 police officer model; pay scale increments; and impact of the 1.0% non-consolidated pay award. This has been partly offset by an increased number of natural leavers that has been occurred during 2017-18 and the full year impact into 2018-19; combined with natural leavers at 90 FTE's and 30 year leavers at 72 FTE's included in the 2017-18 budget.

Police staff pay & allowances

The £0.2m increase from the 2017-18 budget is largely due to the pay awards and increments. This has been partly offset by the impacts to departmental structures following the Annual Departmental Assessments – a business management programme introduced in 2017-18.

PCSO pay & allowances

The £0.1m increase from the 2017-18 budget largely reflects the increased level of natural leavers, either leaving the organisation or seeking to become officers. During 2018-19 there is a planned recruitment of 36 FTE's to offset leavers and achieve the operating model of 200 FTE's.

Overtime

The £0.3m increase from the 2017-18 budget is largely reflective of pay awards.

Other employee expenses

The £0.4m increase from the 2017-18 budget is largely due to increased training fees and recruitment costs for the planned officer recruitment during 2018-19.

Medical retirements

The £0.3m increase from the 2017-18 budget is largely due to the increased number of budgeted retirements. On average it costs the Force c£75k for every Constable medically retired.

Premises related

The £(0.1)m reduction from the 2017-18 budget is largely due to reduction in utility costs.

Transport

The £(0.3)m reduction from the 2017-18 budget is largely due to the continued work to reduce the fleet vehicles provided under the Vensons contract of £0.1m and a reduction in fuel costs £0.2m.

Communications & Computing

The £0.3m increase from the 2017-18 budget is largely due to software licences for Enterprise Service Agreement (ESA).

Other supplies & services

The £1.2m increase from the 2017-18 budget is largely due to latest insurance estimates which indicate an increase of £0.2m. Other changes relate to consultancy fees £0.1m; legal costs £0.1m; operational expenses and consumables £0.3m. However, the year on year movement has been impacted by an efficiency target within suppliers & services which was delivered across other lines of expenditure; licence fees for SAS £0.1m and subsidence £0.1m.

Partnership payments

The £(0.5)m reduction from the 2017-18 budget is largely due to a contingency for costs relating to Tri-Force collaboration no longer being required for 2018-19.

Collaboration contributions

The £(0.2)m reduction from the 2017-18 budget is largely due to reduced payments to the Multi Force Shared Service (MFSS) from reduce operating costs from moving to Oracle Cloud.

Capital financing

The £(0.4)m reduction from the 2017-18 budget largely reflects the latest borrowing position with a reduction in interest payments of £0.1m; and Minimum Revenue Provision (MRP) of £0.3m.

Income

The £0.9m increase from the 2017-18 budget largely reflects increased income property recharges of £0.2m; vehicle recovery of £0.2m; increased combined income from externally funded projects and seconded officers/staff of £0.5m; this increase in income is offset higher costs across a number of expenditure lines and does not increase the overall budget; and police services such as policing football matches and other events of £0.1m.

2018-19 Commissioner's Total Budget – Thematic View (£m)

2018-19									
Operational £m	Intelligence & Investigations £m	Operational Collaborations £m	Corporate Services £m	Seconded £m	Externally Funded £m	Force Total £m	OPCC £m	Total £m	
Pay & allowances									
Officer	51.1	28.2	14.9	2.8	2.8	1.1	-	100.9	
Staff	12.2	7.7	7.0	10.7	0.3	1.9	0.8	40.6	
PCSO	6.6	0.1	-	-	-	-	-	6.7	
	69.9	36.0	21.9	13.5	3.1	3.0	0.8	148.2	
Pay & allowances									
Officer	1.1	1.2	1.0	0.1	-	0.0	-	3.4	
Staff	0.2	0.1	0.2	0.1	-	0.0	0.0	0.6	
PCSO	0.1	-	-	-	-	-	-	0.1	
	1.4	1.3	1.2	0.2	-	0.0	0.0	4.1	
Other employee expenses	0.0	0.0	0.0	2.0	-	0.0	0.0	2.0	
Medical retirements	-	-	-	4.7	-	-	-	4.7	
	71.3	37.3	23.1	20.4	3.1	3.0	0.8	159.0	
Other operating expenses									
Premises related	-	-	0.0	5.7	-	0.2	0.0	5.9	
Transport	0.2	0.2	1.2	3.6	0.1	0.1	0.0	5.4	
Communications & computing	-	-	0.0	7.9	-	0.3	0.0	8.2	
Clothing & uniforms	-	-	0.0	0.6	-	-	0.0	0.6	
Other supplies & services	0.2	0.5	0.4	3.3	-	0.3	0.3	5.0	
Custody costs & police doctor	0.0	0.1	1.3	0.0	-	-	-	1.4	
Forensic & investigative costs	0.0	0.5	1.2	0.4	-	-	-	2.1	
Partnership payments	0.2	0.2	0.3	0.2	-	0.4	5.1	6.4	
Collaboration contributions	-	-	5.6	4.0	-	-	-	9.6	

2018-19									
Operational £m	Intelligence & Investigations £m	Operational Collaborations £m	Corporate Services £m	Seconded £m	Externally Funded £m	Force Total £m	OPCC £m	Total £m	
Capital financing	-	-	-	4.1	-	-	4.1	-	4.1
	0.6	1.5	10.0	29.8	0.1	1.3	43.3	5.4	48.7
Total expenditure	71.9	38.8	33.1	50.2	3.2	4.3	201.5	6.2	207.7
Income	(0.9)	(0.1)	(0.8)	(3.7)	(3.2)	(4.3)	(13.0)	(1.3)	(14.3)
Efficiencies									
Procurement	-	-	-	(0.2)	-	-	(0.2)	-	(0.2)
Forensics	-	-	-	(0.1)	-	-	(0.1)	-	(0.1)
	-	-	-	(0.3)	-	-	(0.3)	-	(0.3)
Net use of reserves	-	-	-	-	-	-	-	-	-
Total	71.0	38.7	32.3	46.2	-	-	188.2	4.9	193.1



Nottinghamshire

POLICE & CRIME COMMISSIONER

Precept 2018-19

January 2018

The Police & Crime Commissioner's

Precept 2018-19

Letter from the Minister

In announcing the Provisional Settlement figures for Police Grant the Minister has made the following comments:

- The total increase to Police funding will be up to £450m.
- The Flat Cash settlement of the last two years would not continue. Forces would receive the same amount of grant in 2018-19 as it received in 2017-18. The Flat cash settlement would have seen a reduction in Police grant of £60m nationally.
- Precept flexibility has been provided and therefore Commissioners will be able to increase their council tax precept levels by £12, before the need to call a referendum. This gives Commissioners flexibility for their area to protect the front line. If all Commissioners use this flexibility there will be a total increase in funding of £270m.
- Increased investment will be made in national priorities, such as police technology and Special Grant, increasing by £130m compared with 2017-18, and an increase to Counter Terrorism of £50m.
- The protection offered by this settlement must be matched by a serious commitment from Commissioners and Chief Constables to reform and improve productivity and efficiency.

Introduction

In light of the assumptions and opportunity made available by the Minister the Nottinghamshire Police & Crime Commissioner is proposing a precept increase of £11.97 for the 2018-19 financial year.

This increase in the precept supports the budget report and Commissioners commitment to increase in police officer numbers and a further commitment to Rural and Knife Crime initiatives and Victims Services. Further priorities include crime prevention and partnership working, all vital to community safety.

This budget supports fully the Police & Crime Plan for 2018-19.

Government Assumptions

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

Previous reductions to grant reflecting potential precept are no longer continuing. This ensures that resources raised locally will remain local. Grant will remain at the same level for the next two financial years.

The Government has also announced a relaxation in the precept cap and Commissioners have the opportunity to increase precept by up to £12 on a Band D property. The indication is that this relaxation will continue into 2019-20.

This is better news than originally forecast for Nottinghamshire.

Future outlook

The Government settlement will allow for operational plans to increase police numbers and capabilities in new crime areas to take place. However, there needs to be careful consideration of the effect of recruiting significant numbers of police officers and the impact of incremental progression that will occur assuming precept is capped at the current rate of 2% from 2020-21 onwards.

Early in the New Year the Minister will be issuing targets for each force relating to efficiency and productivity. The Commissioner has been discussing these targets directly with the Home Office. The force will have to report regularly on activity in achieving these targets.

Supporting Reports

The Budget Report and the Medium Term Financial Strategy Report on today's agenda details further the plans for 2018-19 and beyond.

The detailed budget for 2018-19, the Medium Term Financial Strategy, the Reserves Strategy, the 4 Year Capital Programme and the Treasury Management Strategy are provided for information purposes to the Police and Crime Panel. These have been drawn together to support the Police and Crime Plan, which has been refreshed and which is currently out for consultation.

This report is based upon actual information provided by the Billing Authorities.

Process

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

- **The Government policy on police spending** – the current economic climate is improving and the forecast is better than anticipated. However, further efficiencies are required.
- **The medium term implications of the budget and capital programme** - the separate report sets out the Medium Term Financial Strategy, which is regularly received and updated.
- **The CIPFA Prudential Code** - the separate Treasury Management Strategy report covers the CIPFA Prudential Code, which evaluates whether the capital programme and its revenue implications are prudent, affordable and sustainable. The implications of borrowing to finance the unsupported element of the capital programme are incorporated within the proposed revenue Budget for 2018-19 and the Medium Term Financial Strategy.
- **The size and adequacy of general and specific earmarked reserves** - the current forecast of the general reserves at 31 March 2017 is £7 million. This is higher than the minimum 2% level in the approved reserves strategy and is considered by the Chief Finance Officer to be an adequate level for the year ahead. The Chief Finance Officer considers that all of the earmarked reserves set out in the Reserves Strategy, remain a risk for an organisation of this size, although the risk is now lower as the Force have made additional contributions to reserves within 2016-17. This will continue into the medium term. It is noted that Nottinghamshire's reserves are amongst the lowest in the country.
The Chief Finance Officer also confirms that the budgeted insurance provision is fully adequate to meet outstanding claims.
- **Whether the proposal represents a balanced budget for the year** - the assurances about the robustness of the estimates are covered in **Section 8** of this report. The proposals within this report do represent a balanced budget based upon an assumed £11.97 increase in the Police & Crime Precept on the Council Tax Band D.
- **The impact on Council Tax** - this is covered in **Section 7** of this report.
- **The risk of referendum** – the limit set for requiring a referendum is a £12 increase on the precept for all Police and Crime Commissioners. The proposed increase of £11.97 is in line with this years change (further detail is provided in **Section 6**).

1. COUNCIL TAX BASE

For 2018-19 the Billing Authorities continue with the local Council Tax Support Schemes introduced in 2013-14. There have not been any significant changes affecting the individual schemes, although collection rates continue to be higher than anticipated.

The Billing Authorities are working hard to keep collection rates up and as a consequence all have seen an increase in estimated tax bases. This is also partly due to an increase in the number of new properties in each area. The actual tax base has increased by 1.60% overall, slightly less than last year's increase of 1.70%.

Tax base	Band D Properties 2017-18 No	Band D Properties 2018-19 No (act.)	Change %
Ashfield	32,546.20	33,140.50	1.83
Bassetlaw	33,916.77	34,231.95	0.93
Broxtowe	33,126.78	33,448.29	0.97
Gedling	36,306.09	36,637.56	0.91
Mansfield	28,894.98	28,905.50	0.04
Newark & Sherwood	37,828.75	38,320.19	1.30
Nottingham City	63,368.00	65,389.00	3.19
Rushcliffe	41,777.00	42,610.10	1.99
Total	307,764.57	312,683.09	1.60

It is intended that any impact from a change between the estimated tax base and the actual tax base will be met from or will contribute to reserves.

2. COLLECTION FUND POSITION

Each billing authority uses a Collection Fund to manage the collection of the Council Tax. For 2018-19 the surplus continues to be created as collection rates are better than anticipated. A breakdown is provided in the table below:

Surplus/(deficit)	Collection Fund	
	2017-18 £	2018-19 £
Ashfield	27,686	32,202
Bassetlaw	140,000	nil
Broxtowe	82,751	42,810
Gedling	(157,500)	nil
Mansfield	280,649	nil
Newark & Sherwood	73,147	59,043
Nottingham City	442,041	370,813
Rushcliffe	17,381	(35,499)
Total	906,155	469,369

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

3. COUNCIL TAX LEGACY GRANT

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

There is no change in the Legacy Grant for 2018-19 at £9.7m. This grant will be considered as part of the Funding Formula Review.

4. CONSULTATION

APPROACH

The Nottinghamshire Police and Crime Commissioner (PCC) has a statutory duty under the Police Reform and Social Responsibility Act 2011 to obtain the views of local people and ratepayers' on budget and precept proposals; consult with local people on policing and engage with local people in setting police and crime objectives.

In fulfilling these duties, Nottinghamshire OPCC directly engaged with over 3,000 residents during 2017 in addition to supporting local authority consultation with a further 3,750 residents. The PCC's newly commissioned Police and Crime Survey was central to this approach and is now providing a more robust and representative sample of public opinion than has ever been achieved previously.

KEY FINDINGS

Findings from the Police and Crime Survey 2017 indicate that there is, on balance, strong and increasing support for an increase in the council tax precept for policing among local residents.

Around 59% of residents support an increase in the council tax precept for policing when those that are unsure are omitted from the profile. This represents a 7% point increase when compared to results obtained in 2016.

The proportion supporting an increase within the limits of the referendum threshold increased by around 8% points to 40% in the last year while the proportion supporting a precept rise in excess of the £12 per annum referendum threshold saw a marginal (non-significant) increase of 2% pts to 19%.

Personal economic circumstances remain the most common reason for respondents not supporting a rise in the precept for policing, with previous qualitative research indicating widespread objections to central government cuts to policing more generally. For many, support for an increase in policing precept was offered on the condition that this supported an uplift in visible neighbourhood presence.

While over a third of all respondents (36%) were not aware of the scale of cuts to policing funding since 2010, the areas which had greatest awareness were also more likely to support an increase in the precept for policing.

Just over half of all respondents (52%) felt that funding cuts had affected policing in their area, with the impact most often being reported as a reduction in neighbourhood policing presence. This reflects findings nationally which indicate reductions in perceived officer foot patrols in local areas.

KEY RECOMMENDATIONS

The Police and OPCC may wish to consider:

- Maximising use of the newly commissioned Police and Crime Survey to improve targeted communications and engagement on police spending and priorities – particularly among communities feeling more information was required.
- Providing residents with further information as to how any additional revenue from the precept would be spent and working to ensure public expectations of the service are effectively managed.
- Further proactive communication with local residents and rate payers to demonstrate what is being delivered and achieved by the service - particularly in areas of high impact but often less visible policing.
- Further lobbying of central government for increases in police funding given strong public support for this approach.
- Continuing to drive organisational efficiencies through greater prioritisation, reducing waste / bureaucracy and making better use of technology.
- Continuing to explore opportunities for more collaborative working with other partner agencies and regional forces, particularly in consolidating support / back office functions, premises and senior leadership and governance functions.
- Further exploring the public / community offer in preventing crime and ASB and improving community safety with the support of local service providers. This may include further work to raise awareness of volunteering roles and opportunities
- Further developing the profile of community issues and concerns as part of the new Neighbourhood-level community engagement plans and profiles, particularly in making use of community profiling and segmentation data.

6. COUNCIL TAX REFERENDUMS

The Localism Act 2011 requires authorities including Police and Crime Commissioners to determine whether their 'relevant basic amount of council tax' for a year is excessive, as excessive increases trigger a council tax referendum. The Secretary of State is required to set out principles annually, determining what increase is excessive. For 2018-19 the principles state that, for Police and Crime Commissioners, an increase of more than £12 in the basic amount of council tax between 2017-18 and 2018-19 is excessive. For 2018-19 the relevant basic amount is calculated as follows:

Formula:

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

Nottinghamshire 2018-19 estimated calculation:

$$\frac{\pounds 61,095,148.96}{312,683.09} = \pounds 195.39 \text{ (}\pounds 11.97\text{)}$$

This year the Referendum limit has been announced at the time of settlement notifications. It has been set at £12 for 2018-19.

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

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

The Commissioners proposed spending plans for 2018-19 result in a Police and Crime Precept on the Council Tax of £195.39 for a Band D property, representing an increase of £11.97.

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

To achieve a balanced budget and having regard for the provisional notification of grant income an increase in the Police & Crime Precept has been required. This is on top of budget reductions and efficiencies to be achieved in year.

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

	2017-18 Budget £m	2018-19 Budget £m	Increase/ Decrease £m
Budget	190.1	193.1	3.0 (+)
External Income	134.0 (-)	133.9 (-)	0.1 (+)
Collection Surplus	0.9 (-)	0.5 (-)	0.4 (+)
Reserves	1.2 (+)	2.4 (+)	1.2 (+)
Precept	56.4 (-)	61.1 (-)	4.7 (-)
Council Tax Base	307,765	312,683	4,918
Council Tax Band D	£183.42	£195.39	£11.97
Council Tax Band A	£122.28	£130.26	£7.98

The overall Police and Crime Precept to be collected on behalf of the Police and Crime Commissioner for 2018-19 is:

	£m	
Budgeted Expenditure	193.1	(+)
Less income from:		
Police & Crime Grant	124.2	(-)
Legacy Council Tax Grant	9.7	(-)
Collection Fund surplus	0.5	(-)
Net contribution to/from Balances	2.4	(+)
Police & Crime Precept on the Council Tax	61.1	(-)

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

Police & Crime element of the Council Tax

Band	2017-18 £	2018-19 £
A	122.28	130.26
B	142.66	151.97
C	163.04	173.68
D	183.42	195.39
E	224.18	238.81
F	264.94	282.23
G	305.70	325.65
H	366.84	390.78

Amounts to be raised from Council Tax in each billing authority area 2018-19:

	Precept amount to be collected £	Collection Fund Surplus/(Deficit) £	Total amount due £
Ashfield	6,475,322.30	32,202.00	6,507,524.30
Bassetlaw	6,688,580.71	Nil	6,688,580.71
Broxtowe	6,535,461.38	42,810.00	6,578,271.38
Gedling	7,158,612.85	Nil	7,158,612.85
Mansfield	5,647,845.65	Nil	5,647,845.65
Newark & Sherwood	7,487,381.92	59,043.00	7,546,424.92
Nottingham City	12,776,356.71	370,813.00	13,147,169.71
Rushcliffe	8,325,587.44	(35,499.00)	8,361,086.44
Total	61,095,148.96	469,369.00	61,564,517.96

Collection Dates

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

	£
2018	
20 April	6,156,456.00
29 May	6,156,456.00
03 July	6,156,456.00
07 August	6,156,456.00
12 September	6,156,456.00
17 October	6,156,456.00
21 November	6,156,456.00
2019	
02 January	6,156,456.00
06 February	6,156,456.00
13 March	6,156,413.96
	61,564,517.96

8. ROBUSTNESS OF THE ESTIMATES

The Chief Finance Officer to the Police and Crime Commissioner has worked closely with Director of Finance (Tri-Force Collaboration) and Head of Finance (Nottinghamshire Police) to obtain assurance on the accuracy of the estimates provided. There have been weekly meetings between the Commissioner, Chief Constable and their professional officers.

2016-17 was a turnaround year for the Force Finances. The improved internal controls and tighter management has resulted in more of the reserves being replenished earlier than originally estimated. Indications to date are that the force will exceed the level of efficiencies required to balance the budget for 2017-18.

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

The balanced budget is based upon the recommended £11.97 band D increase in Council Tax for 2018-19.



Nottinghamshire

POLICE & CRIME COMMISSIONER

Medium Term Financial Strategy

2018-19 to 2022-23

January 2018

Commissioners

Medium Term Financial Strategy

Introduction

This document is part of the overall financial framework of the Police and Crime Commissioner. It builds on the budget proposed for 2018-19 and incorporates plans to meet changes in available financing with the need to meet current and future commitments.

The settlement announced in December was better than originally forecast. Previous reductions to grant that reflected a 2% increase to the precept and 0.5% increase in the tax base this has now ceased, ensuring the benefits of locally generated funding remain local.

In addition to this the precept rules have been relaxed allowing Commissioners to increase the precept by up to £12 on the Band D rate.

And the final piece of positive news is that both of these changes have been confirmed for 2018-19 and indicated for 2019-20. This allows better financial planning over a slightly longer period.

A funding formula review had been started with the intention to bring a simplified approach to police funding in place for April 2016. However, this has now been delayed further and the revised timetable has been put on hold. Within the statement this year the Minister has indicated that this will be resurrected in 2018.

Under the existing funding formula, put into effect in 2005-06, Nottinghamshire continues to lose over £10m per year. The formula itself has never been fully implemented and therefore, in total this now amounts to over £120m+ that the Home Office formula calculates should have come to Nottinghamshire, but which has been withheld, instead providing protection those that would lose significantly as they are over-funded. The Commissioner continues to make the case for a new formula at a national level, one that can be fully implemented over a short period of time.

The Police & Crime Commissioner has produced a draft Police & Crime plan, which has been refreshed to include the feedback and comments made by stakeholders, partners and the public over the last 12 months. The Police & Crime Plan is built upon the following 4 strategic priorities:

- Protecting people from harm.
- Helping and supporting victims.
- Tackling crime and anti-social behaviour.
- Transforming services and delivering quality policing.

Funding

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

1. The amount of grant funding is to reduce by £100,000 to £133.9m.
2. The Referendum assumptions allow for £12 precept increase.
3. The estimated tax base increase is 1.60% for 2018-19, 1.43% 2019-20, 1.28%, 2020-21 falling to 1.0% in 2021-22.
4. The cost pressures that we are budgeting for have a negative impact (i.e. pay wards of 2%, inflation is over 2% (with interest rates having to increase to put inflation back on track)) especially as the funding available continues to reduce.
5. The longer term impact of incremental progression relating to the 200+ new police officers will create pressures in the medium term plan.
6. The level of reserves is such that there are necessary plans to replenish the reserves used in recent years. This will be phased in over the medium to long term. Current repayment is expected by 2021-22.

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

<u>Funding Available</u>	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
Police & Crime Grant	124.2	124.2	124.2	124.2	124.2
Council Tax Legacy Grant*	9.7	9.7	9.7	9.7	9.7
Precept	61.1	65.8	68.0	70.0	71.4
Collection fund surplus/(deficit)	0.5**				
Transfer to reserves ***	(2.4)	(3.0)	(2.0)	(1.0)	
TOTAL	193.1	196.7	199.9	202.9	205.3

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

**The surplus to be received in 2018-19 will be transferred to reserves less an adjustment for the difference between estimated and actual tax base figures.

***The transfer to reserves shown is part of the reserves strategy.

Investment

This Medium Term Financial Strategy allows the Commissioner to invest in the front line delivery of service by increasing the number of officers being recruited. There will be 80 more officers recruited in 2018-19 taking the total to 1940 FTE. The current settlement also enables further investment in priorities such as Knife Crime and Rural Crime.

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

Nottinghamshire is a significant partner in all regional collaborations and collaborations which go outside of the region. This will ensure an on-going visible presence in neighbourhood policing and provide the training and equipment to meet the needs for all cyber related crime detection.

Key to many of the changes has been the need for significant investment in technology, particularly across the Tri-Force area. Investment continues to be made at a regional level and collaboration is well established within the East Midlands. Many specialist policing services such as major crime, roads policing and serious and organised crime are provided through regional teams.

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

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

Savings and efficiencies

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

Efficiencies	2017-18 £m	2018-19 £m
MRP	0.3	0.4
On-going pay savings	4.2	2.3
Procurement	0.3	0.3
Medical Retirements	0.5	
Tri Force Costs (reduction)	0.2	
Transport		0.3
MFSS		0.8
Comms and Computing		0.6
Supplies & services		0.9
Income		0.3
Total Efficiencies	5.5	5.9

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

Risks in the Medium Term

Collaboration and Transformation

As a region we have been collaborating for a numbers of years. This has provided resilience to teams so small it becomes difficult to deliver an effective service and in later years has delivered significant savings. As we continue to collaborate, savings will continue to be generated. The budgeted figures include the total cost of collaboration.

Tri Force Collaboration

The Commissioner and Chief Constables across three force areas: Nottinghamshire, Leicestershire and Northamptonshire; have agreed in principle to collaborate further across all of the elements of the service that are not currently within a collaboration agreement.

Transformation funding has been obtained for 2016-17 and 2017-18. The risks associated with this are being closely monitored.

Funding Formula Review

As mentioned previously the current funding formula review has been delayed and will not be in place before April 2018.

Ministry of Justice Funding

The allocation of funding for Victims for 2018-19 is £1,320,326 and this is slightly more than the previous year.

Emergency Services Network

The Emergency Services Network has been progressing slowly and is significantly behind the original implementation plan. Further delays are anticipated with suitable devices not currently being available. All delays will inevitably result in increased costs. We continue to monitor this closely at Force, Regional and National levels.

Capital Grant

Capital Grant allocations have not changed and remain at £0.7m for 2018-19. This grant is gradually being phased out.

Expenditure

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

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

The improved financial management linked with an improved workforce plan has resulted in a revised workforce plan being created by the Chief Constable and supported by the Commissioner. This will see an increase in Police Officer numbers compared with a year ago when we were anticipating reducing the numbers.

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

Following two years where the force required additional reserves to balance their expenditure to budget a plan was put in place for the Force to replenish the reserves used. For 2016-17 this has plan was exceeded with £2.2m being repaid and which was not planned for. This looks set to continue for 2017-18 with £2.8m estimated to be repaid against the plan of £1.0m. The target for repayment is £11.5m. Nottinghamshire remains in the lower quartile with its level of reserves.

Summary

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

There is still work to do to achieve the required savings plans through to 2023, but the work started on transformation should enable balanced budgets to be set.

The budgeted summary financial position is as detailed below:

	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
<u>Policing element</u>						
Net Expenditure	190.9	194.1	192.8	196.5	199.9	202.4
Savings efficiencies & reserves	(5.5)	(5.9)	(1.1)	(1.6)	(2.0)	(2.1)
sub-total	185.4	188.2	191.7	194.9	197.9	200.3
<u>Grants and Commissioning</u>						
Net Expenditure	4.7	4.9	5.0	5.0	5.0	5.0
Savings efficiencies & reserves	**	**	**	**	**	**
sub-total	4.7	4.9	5.0	5.0	5.0	5.0
Total net expenditure	190.1	193.1	196.7	199.9	202.9	205.3
Total Funding Available	190.1	193.1	196.7	199.9	202.9	205.3
Contribution to reserves*	2.8	2.4	3.0	2.0	1.0	
Further savings required						

* The Contribution to reserves reflects the planned repayment of reserves and has been netted from the funding available.

** The OPCC has made efficiencies in the absorption of pay award and inflationary increases. These have been incorporated into the net budget figure. The increase in budget for 2017-18 and 2018-19 reflects the additional costs in relation to the MARAC and IDVA provision.

Opinion

Within the provisional settlement the Minister has stated that he intends to publish early in 2018 targets for each force in relation to productivity and efficiency. The Force will be required to report regularly on these targets.

The Commissioner is of the view that achieving the levels of efficiencies shown above will continue to be challenging, but acknowledges the hard work undertaken to reach this better financial position, including the accelerated replenishment of reserves over the medium term.



Nottinghamshire

POLICE & CRIME COMMISSIONER

Reserves Strategy 2018-19

Reserves Strategy 2018-19

Background

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

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

The Commissioners Plans

9. The Commissioner holds reserves for specific reasons that are included within the Police & Crime Plan and Medium Term Financial Strategy these include:
- To meet forthcoming events where the precise event, date and amount required for such events cannot accurately be predicted. For example major events that would require the use of the General Reserve. These are detailed within the General Reserve risk assessment provided at **Appendix A**.
 - To meet forthcoming events where the precise date and amount required cannot be accurately predicted. For example: Night Time Levy where partners are making proposals together on how best to utilise this funding or the Grants and Commissioning Reserve, where proposals on how to utilise this fund from previous years underspends are being considered for Crime Prevention or Victims.
 - To meet forthcoming capital expenditure needs where major capital schemes are being planned and the reserve will be utilised to reduce the cost of borrowing and capital charges to the revenue account.
 - To meet smaller projects such as the Animal Welfare Reserve where expenditure is only met from this reserve and which meets specific policy requirements.
 - A reasonable amount to meet peaks and troughs in revenue expenditure requirements (e.g. redundancy or restructuring costs). This is met through the MTFP Reserve.

Current Financial Climate

10. The pressures on public finances are currently forecast as improving. However, at the local level reducing expenditure to an affordable base whilst maintaining service at an acceptable level remains a challenge. Therefore, the ability to retain reserves for unforeseen events and circumstances becomes not only difficult, but something that requires careful consideration.
11. We are still facing an uncertain future with the impact of Brexit and how this will impact on public expenditure plans are currently unknown.
12. Nottinghamshire currently has one of the lowest levels of reserves for policing in England and Wales. Nottinghamshire has never been cash rich, especially as in excess of £10m per annum has been withheld, in the funding formula floors mechanism since 2005.
13. The Medium Term Financial Strategy identifies risks in achieving the required efficiencies to ensure balanced budgets over future years.

Types of Reserve

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

15. The Commissioner also holds other reserves that arise out of the interaction of legislation and proper accounting practice. These reserves are not resource-backed and cannot be used for any other purpose, are described below:
 - The Pensions Reserve – this is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes.

 - The Revaluation Reserve – this is a reserve that records unrealised gains in the value of fixed assets. The reserve increases when assets are revalued upwards, and decreases as assets are depreciated or revalued downwards or disposed of.

 - The Capital Adjustment Account – this is a specific accounting mechanism used to reconcile the different rates at which assets are depreciated under proper accounting practice and are financed through the capital controls system.

 - The Available-for-Sale Financial Instruments Reserve – this is a reserve that records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets. Currently none.

 - The Financial Instruments Adjustment Reserve – this is a specific accounting mechanism used to reconcile the different rates at which gains and losses (such as premiums on the early repayment of debt)

are recognised under proper accounting practice and are required by statute to be met from the General Fund. Currently none.

- The Unequal Pay Back Pay Account – this is a specific accounting mechanism used to reconcile the different rates at which payments in relation to compensation for previous unequal pay are recognised under proper accounting practice and are required by statute to be met from the general fund. Currently none.
 - Collection Fund Adjustment account – this is specific to the changes in accounting entries relating to the Collection Fund Accounts held by the Billing Authorities.
 - Accumulated Absences Account – this account represents the value of outstanding annual leave and time off in lieu as at 31st March each year.
16. Other such reserves may be created in future where developments in local authority accounting result in timing differences between the recognition of income and expenditure under proper accounting practice and under statute or regulation, such as the Capital Grants Unapplied.
17. In addition the Commissioner will hold a Capital Receipts Reserve. This reserve holds the proceeds from the sale of assets, and can only be used for capital purposes in accordance with the regulations.
18. For each earmarked reserve held by the Commissioner there should be a clear protocol setting out:
- The reason for/purpose of the reserve
 - How and when the reserve can be used
 - Procedures for the reserves management and control
 - A process and timescale for review of the reserve to ensure continuing relevance and adequacy
19. When establishing reserves, The Commissioner needs to ensure compliance with the Code of Practice on Local Authority Accounting and in particular the need to distinguish between reserves and provisions.

Nottinghamshire Police and Crime Commissioner's

Reserves

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

The General Reserve

21. It has previously been established that General Reserves will be maintained at a level above the **minimum of 2.0% of the total net budget**.
22. The purpose of this reserve is to provide for any unexpected expenditure that cannot be managed within existing budgets. Such expenditure would be one-off and resulting from an extraordinary event.
23. Similarly the General Reserve should be set at a prudent and not excessive level, as holding high level of reserves can impact on resources and performance. As such the **maximum** level of General Reserves is set at **5.0% of the total net budget**.
24. Authorisation to finance such expenditure must be obtained in advance from the Commissioners Chief Finance Officer, in accordance with the scheme of delegation and the protocol between the Chief Constable and the Chief Finance Officer. Where time permits the request should be supported by a business case.
25. As the net budget position changes the level of General Reserve must be monitored to ensure the minimum level is maintained.
26. **Appendix A** details the elements that make up the current General Reserves balance and the levels of risk attached to each of these elements. These are indicative and may not be exhaustive as new risks emerge. This does not include the Jointly Controlled Operations general reserve of £0.075m.

Earmarked Reserves

27. Unlike General Reserves earmarked reserves have been identified for specific areas of expenditure where there are anticipated costs that can only be estimated. It is therefore prudent for the Commissioner to identify such areas of expenditure and set aside amounts that limit future risk exposure (e.g. balancing budget shortfalls in the MTFS).

28. Such expenditure usually arises out of changes in policy or where the organisation is working in collaboration with other forces to provide a specific service (for example Private Finance Initiative (PFI)).
29. Expenditure relating to earmarked reserves has to specifically relate to the purpose of the reserve.
30. **Appendix B** details for each of the earmarked reserves that existed at the start of the 2017-18 financial year and their estimated balance by 1st April 2018.

Details of the earmarked reserves available for use in 2018-19 are given below:

Medium Term Financial Plan (MTFP) Reserve

31. The medium term financial strategy of the Commissioner is under constant review and changes as new and reliable information becomes available.
32. The original purpose of this reserve was to alleviate financial pressure on the budgets in future years.
33. The support from this reserve is only one-off support and as such cannot be used to finance on-going commitments.
34. The use of this reserve has been reviewed and will continue to be utilised to finance the cost of organisational changes and as an investment to facilitate new savings. In addition to this the reserve will also be utilised smooth budget pressures as they arise.
35. The Medium Term Financial Strategy has a risk assessment in relation to achieving the efficiencies identified. As such this reserve may be used for balancing the accounts should the efficiencies not be realised.
36. All reserves will be utilised with the agreement of the Police & Crime Commissioner in the ways identified in this strategy and supported by a detailed business case.
37. The current level of reserves is now very low and if called upon will impact negatively on the financial viability of the force. **This remains a significant risk.**
38. Payback of this reserve of £11.5m has commenced earlier than originally anticipated and will continue through the medium term period.

Asset Replacement Reserve

39. This is a new reserve reflecting the need to consider the major programme of asset replacement in the capital programme.
40. Specifically, a new Custody building at an estimated cost of £20m and the need to consider replacing the existing Force HQ building within the next 5-10 years. These are major items of expenditure and it is prudent to create a reserve to part fund such items.
41. The Commissioner has also requested a full Asset Strategy to include a detailed stock condition. This will enable the updating of all remaining buildings to a reasonable and comparable standard.

IT Investment Reserve

42. This reserve is set aside to support investment and replacement of IT hardware and software. IT revenue underspends will be transferred to this reserve to meet future changes in IT investment and in support of a medium term IT strategy, which will be provided during 2018-19.

PCC Reserve

43. This reserve has now been earmarked for any cost associated with the PCC elections. This is funded from underspends in the OPCC budget.

Grants & Commissioning Reserve

44. It is intended that underspends on the Grants and Commissioning budget are transferred to here to provide for future needs in this growing area of work. Current plans are to utilise some of this reserve for the refurbishment of a new SARC building in partnership with the NHS. And to support further work relating to Sexual and Domestic Violence.

Private Finance Initiative (PFI) Reserve

45. This is a reserve for the equalisation of expenditure over the life of the contract. This is a statutory reserve to maintain. Consideration of transferring this to provisions is being considered.

Property Act Fund Reserve

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

Drugs Fund

47. This minor reserve is received from court awards in drugs cases and is only used for initiatives that reduce drug related crime. The Chief Constable is currently in the process of approving a plan to utilise this fund proactively.
48. There is currently a request with Neighbourhood Policing Teams for activity requests that would make best use of this fund. The requests have to meet specific criteria such as having community impact, being visible and where possible involving partners. The cost will be met from the fund but at the time of writing this report are unknown.

Revenue Grants

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

Animal Welfare Reserve

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

Tax Base Reserve

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

Night Time Levy

55. 2015-16 saw the first amount of income from this levy being received. The Commissioner will use this funding to contribute towards projects that ensure the City Night Time economy runs smoothly and safely (e.g. the work of the Street Pastors/additional policing when required).

Estimation Reserve

56. 2017 saw this fund created as part of the earlier closedown process for the accounts. This initially required a greater degree of estimation as part of the closure of the management accounts. It will be reviewed during 2018-19.

Jointly Controlled Operations (Regional Collaboration) Revenue Reserve

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

Joint Operations

60. The region currently has revenue earmarked reserves of £0.845m.

Procedure for Use of Reserves

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

Monitoring

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

Risk Analysis

65. Any recommendations that change the planned use of reserves reported within the Annual Budget and Precept Reports will take account of the need for operational policing balanced against the need to retain prudent levels of reserves.
66. However, there are significant risks, which affect the level of reserves to be maintained, and it is for this reason that a minimum level of 2% (with a maximum level of 5%) of total net budget has been set for the General Reserve.
67. The significant risks that have been considered, but which will also be kept under review are:
 - Significant unforeseen legal costs
 - The budget monitoring report highlights potential risks in being able to achieve the required efficiencies and savings during the year.
 - The ability to seek financial assistance from the Home Office for major incidents has been diminished and can no longer be relied upon.
 - The need to finance organisational change and redundancies may have an impact on the use of reserves, although this is also reducing in value and risk.
 - The ability to recover significant overspends by divisions and departments would be very difficult in the current financial climate.

- The instability of the Financial Markets means that the investments we make with balances are currently exposed to greater risk. This is negated by the Treasury Management Strategy, but returns on investment have reduced significantly.
- Should the Commissioner and Force be faced with two or more of the above issues at the same time then the reserves may be needed in full.
- Once utilised reserves have limited scope for replenishment. This is usually achieved through a budget underspend.
- There may be exceptional levels of insurance claims that cannot be met from the usual provisions
- Home Office interest in the levels of reserves held by Police Forces. Nottinghamshire is in the lower quartile in regard to this so any requirement by Central Government affecting reserves would impact on us greater.

CFO Opinion

It is my opinion that the current level of reserves is very low. Over recent years our need to use these when savings have not been achieved or other unplanned expenditure has arisen has resulted in this low position. Other forces are facing similar issues. Nottinghamshires level of reserves are quite low when compared nationally.

This strategy now requires the continued repayment of reserves that have been utilised in recent years.

The repayment of Earmarked reserves will ensure the financial viability of the Force. This will then allow for investment in assets and IT to provide service improvement in the future.

STRATEGY REVIEW

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

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

Charlotte Radford (CPFA)
Chief Finance Officer

Reserves Risk Assessment
2018-19

GENERAL RESERVE

RISK	IMPACT	PROBABILITY	Min £m	Max £m	Proposed for 2017-18 £m
Major Incident(s) Unbudgeted expenditure	Any amount under 1% of net budget is to be funded by the authority. Amounts over 1% of net budget are subject to Home Office application approval.	Single Incident amounting to less than 1% of net budget. MEDIUM Multiple incidents amounting to over 1% of net budget. MEDIUM Single incident amounting to over 1% of net budget. LOW	2.1	4.2	4.2
Major Disaster (e.g. natural)	Operation policing affected and resources diverted. (e.g. through building being inaccessible and disaster recovery plan being auctioned).	LOW	0.5	1.0	0.5
Partnership Support	Funding for posts and PCSO's withdrawn. This has also been risk assessed as part of the budget assumptions.	Medium to HIGH	0.5	4.6	1.2
Counterparty failure	If invested balances were tied up in a process to recovery there would be an immediate impact on the revenue budget (possibly short term).	LOW	0.5	5.0	0.5
Employment Tribunals and other litigation	Direct impact on revenue budgets.	LOW	0.1	0.5	0.1
Insurance	Emerging Risks and late reported claims.	To date no claims of this type have affected the accounts. Low to MEDIUM	0.3	0.7	0.5
TOTAL					7.0

Earmarked Reserves Assessment

RISK/RESERVE	PURPOSE	HOW AND WHEN IT WILL BE USED	Management and control	Review	Estimated Balance 31.03.18 £m
Medium Term Financial Plan (MTFP)	To provide against financial shortfalls identified within the MTFS.	Smoothing peaks and troughs in financing the MTFS.	Chief Finance Officer & Commissioner	Minimum twice annually	2.000
Asset Replacement	To provide funding towards major items of capital expenditure.	In conjunction with the Treasury Management Strategy and where borrowing is not the whole answer.	Chief Finance Officer	On-going	4.075
IT Investment	To provide for investment in new IT software and hardware	In line with the IT strategy	Chief Finance Officer	On-going	1.100
PCC Reserve	Underspends on PCC budgets are transferred here, to meet future needs.	To be utilised to meet unforeseen expenditure.	Chief Finance Officer	On-going	0.652
Grants & Commissioning	To collate small balances within revenue accounts to provide funding for this growing area of work.	To meet specific requirements relating to Grants and Commissioning.	Chief Finance Officer	On-going	2.849
PFI reserve	To fund irregular PFI related expenditure on a smoothed basis. And to provide for end of life PFI expenditure.	Life cycle equalisation.	Chief Finance Officer	Annually	0.012

Property Act Fund	Income from the sale of property act confiscations.	To be determined by the Police & Crime Commissioner.	PCC and CFO	Annually	0.183
Drug Fund	For use in reducing drug related crime.	To be determined by the Police & Crime Commissioner and CC.	PCC and CFO	Annually	0.076
Revenue Grants	Balances on grants not required to be repaid. Use needs to be risk assessed.	To be determined by the Police & Crime Commissioner.	Drawn upon when repayment has been requested	Annually	2.747
Animal Welfare	To set up a scheme for animal welfare on retirement as working animals.	Scheme established.	Chief Finance Officer	During the year	0.019
Tax Base	To iron out fluctuations caused between estimated and actual tax base data. Also to assist with risk relating to the removal of redistributed business rates in future years.	Annually to balance the budget. Every 3-4 years to finance Single Person Discount Review.	Chief Finance Officer	Annually	1.054
Night Time Levy	To be utilised to address Night Time economy issues of crime and safety.	To be determined by the Police & Crime Commissioner.	PCC and CFO	Annually	0.233
Estimation	To be utilised when using estimates in the final accounts statements	Annually as part of the closedown of accounts process	Chief Finance Officer	Annually	0.013
JCO – Jointly Controlled Operations	To provide for unexpected expenditure relating to regional collaboration.	Decisions relating to the use of this fund follow the regional governance arrangements.	EM meeting of the PCC's	Annually	0.845
TOTAL					15.858

Tables to show the use of General Reserves

	2017-18	2018-19		2019-20		2020-21		2021-22		2022-23	
	01.04.17 Balance £m	01.04.18 balance £m	Use in year £m	01.04.19 balance £m	Use in year £m	01.04.20 balance £m	Use in year £m	01.04.21 balance £m	Use in year £m	01.04.22 balance £m	Use in year £m
General Reserve	7.000	7.000	0	7.000	0	7.000	0	7.000	0	7.000	0
EMSOU general reserve	0.075	0.075		0.075		0.075		0.075		0.075	
<i>% of net budget</i>	3.7%	3.6%		3.5%		3.5%		3.5%		3.4%	

The policy in relation to General Reserves is that they will be no less than 2% of the Net Budget and no more than 5% of the net budget.

Tables to show the estimated use of Earmarked Reserves

	2017-18	2018-19			2019-20		2020-21		2021-22		2022-23	
Earmarked Reserves	01.04.17 Actual £m	01.04.18 balance £m	Use in year £m	31.03.19 balance £m	Use in year £m	31.03.20 balance £m	Use in year £m	31.03.21 balance £m	Use in year £m	31.03.22 balance £m	Use in year £m	31.03.23 balance £m
MTFP	3.275	2.000		2.000		2.000	(0.003)	1.997		1.997		1.997
Asset Replacement		4.075	2.000	6.075	3.000 (8.000)	1.075	2.000 (3.000)	0.075	1.000	1.075		1.075
IT Investment		1.100	0.400	1.500		1.500		1.500		1.500		1.500
PCC Reserve	0.622	0.652	0.010	0.662		0.662		0.662		0.662		0.662
Grants & Commissioning	2.499	2.849	0.100 (0.100)	2.849	(0.150)	2.699	(0.100)	2.599		2.599		2.599
PFI	(0.027)	0.012	0.039	0.051	0.040	0.091	0.041	0.132	(0.330)	(0.198)	0.042	(0.156)
Property Act Fund	0.183	0.183		0.183		0.183		0.183		0.183		0.183
Drug Fund	0.076	0.076	0.002 (TBC)	0.078		0.078		0.078		0.078		0.078
Revenue Grants	2.747	2.747		2.747		2.747		2.747		2.747		2.747
Animal welfare	0.019	0.019	(0.001)	0.018	(0.001)	0.017	0.003	0.020	(0.001)	0.019	(0.001)	0.018
Tax Base	1.247	1.054	0.468 (0.500)	1.022		1.022		1.022		1.022		1.022
Night Time Levy	0.284	0.233	0.100 (0.125)	0.208	0.100 (0.277)	0.031	0.100	0.131	0.100	0.231	0.100	0.331
Estimation	0.013	0.013		0.013		0.013		0.013		0.013		0.013
Joint Ops	0.845	0.845		0.845		0.845		0.845		0.845		0.845
TOTAL	11.783	15.858	2.393	18.251	(5.288)	11.963	(0.959)	12.004	0.769	12.773	0.141	12.941



Nottinghamshire

POLICE & CRIME COMMISSIONER

Capital Programme
2018-2023

1. Introduction

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

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

The ability for the Commissioner to finance capital expenditure through borrowing is limited by the Capital Financing Requirement – prudential indicator. With some major building works planned we are reviewing the capital programmes for the lower value and shorter life capital expenditure items to consider financing these through revenue.

2. Capital Programme 2018-19

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

It is currently estimated that there will be approximately £2.8 million slippage (Priority 1 and 2 Schemes) from 2017-18 capital programme into 2018-19. There is a further £3.1m priority 3 Schemes that could also slip, but which will be re-evaluated and only budgeted for if they become a higher priority.

The detailed programme, proposed by the Force, for 2018-19 is provided in **Appendix A**.

The proposed programme is summarised in the table below:

Capital category	2018-19 £	2019-20 £	2020-21 £	2021-22 £	2022-13 £
Assets	6,136,650	16,025,000	11,240,000	3,600,000	2,600,000
IT	4,188,600	3,852,000	1,474,000		
Other	327,000	30,000	120,500	250,000	250,000
Total	10,652,250	19,907,000	12,834,500	3,850,000	2,850,000

3. Medium Term Capital Programme

It is normal practice to provide an indication of the capital programme for 2018-19 to 2022-23. With the understanding that this part of the programme will be subject to change following a detailed business case and affordability assessment.

An indicative proposed programme for the 5 years is provided in **Appendix A**.

It should be noted that in the later years of the programme, much of what is IT related expenditure will transfer to be funded from revenue. This will allow the major building works identified to be funded through the Treasury Management Strategy.

4. Financing

Capital expenditure is financed from capital grant, capital receipts, internal and external borrowing and where appropriate from revenue (e.g. reserves).

Capital grant continues to be reduced and it is estimated that this will be phased out completely over the next few years. It has remained the same as 2017-18 for the next financial year. But this is very limited at £700,000.

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

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

External borrowing is taken at the best time to take advantage of low interest rates and based upon advice of our Treasury Management advisors. Following the increase in the base rate in December it is expected that the next rate increase will occur in December 2018. This is included in the Treasury Management Strategy, which is provided as a separate report on today's agenda.

The table below details the planned financing and revenue consequences of the proposed programme for 2018-19.

Financing	2018-19 £
Total capital programme	10,652,250
Financed by	
Capital Grant	700,000
Capital Receipts	3,293,000
Use of Reserves	0
Borrowing	6,659,250
Total	10,652,250
Revenue impact full year	2019-20
MRP	524,456
Borrowing	206,437

5. Revenue Implications

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

The Revenue budget for 2018-19 includes the estimated Minimum Revenue Provisions (MRP) based on expenditure prior to 1st April 2018, including an estimated cost of borrowing for existing borrowing and new borrowing planned in 2018-19.

The MTFS makes adjustments for significant changes in MRP and interest costs.

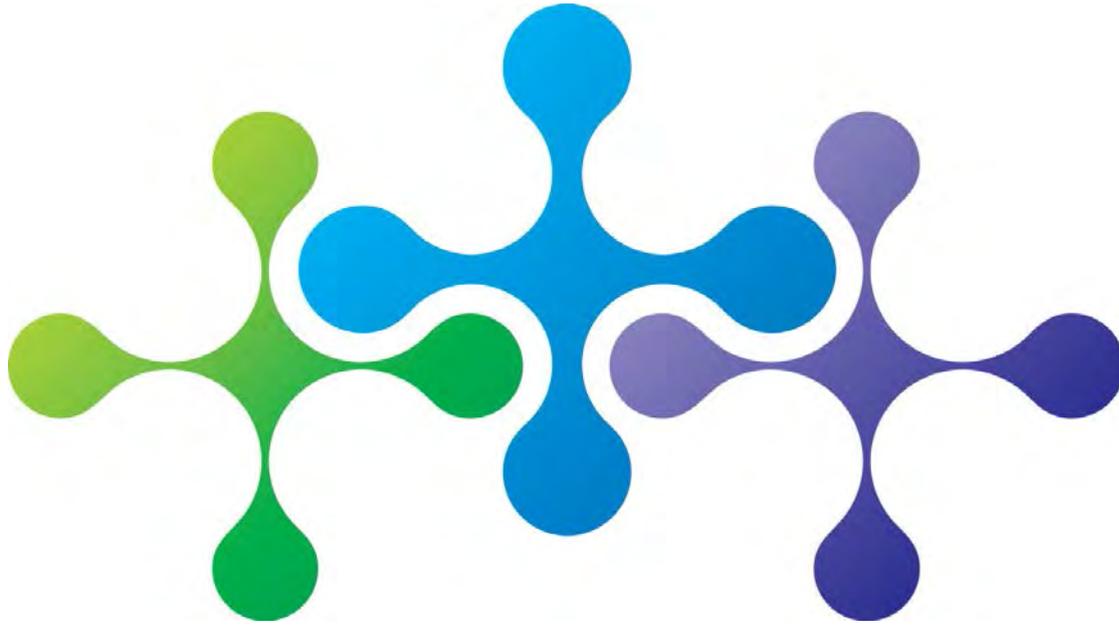
The impact of the proposed capital programme for 2018-19 is included in the table in section 4 above.

Capital Programme 2018-19 to 2022-23

Appendix A

PRIORITY SCHEMES RECOMMENDED FOR INCLUDED IN THE MEDIUM TERM PLAN BY CC

Suggested Priority	Project Name	Department	Budget 2018-19 £	Budget 2019-20 £	Budget 2020-21 £	Budget 2021-22 £	Budget 2022-23 £
1	CB - Bridewell Replacement New Build	Assets	2,166,650	13,210,000	400,000		
1	CB - Oxclose Lane Lift Replacement	Assets	60,000				
1	CB - Custody Improvements - Mansfield	Assets	550,000	100,000	100,000	100,000	100,000
1	CB - Mansfield Goods Lift Replacement	Assets	60,000				
1	CIT - ANPR Camera Project	Information Services	300,000	20,000	20,000	-	-
1	CIT - ESN (Essential Services Network - Airwave Replacement)	Information Services	742,000	742,000	4,000		
	TOTAL PRIORITY 1 PROJECTS		3,878,650	14,072,000	524,000	100,000	100,000
2	Boiler Replacement (BMS)	Assets	2,300,000				
2	CB - Various Building Condition Investment	Assets	200,000	1,500,000	2,200,000	2,200,000	2,500,000
2	CB - Radford Rd Improvements	Assets			300,000	300,000	
2	CB - Fixed Electrical Works	Assets	-	30,000			
2	Replacement Control Room	Assets	-	1,185,000	8,240,000	1,000,000	
2	CB - RAF Newton Improvements	Assets	50,000				
2	CB - Hucknall EMAS - Extension	Assets	500,000				
2	CB - Worksop New Collaboration	Assets	250,000	-	-		
2	CIT - Mobile Data Platform	Information Services		140,000	500,000	-	-
2	CIT - Technology Services Refresh and Upgrades	Information Services	450,000	450,000	450,000	-	-
2	Command & Control System	Information Services	2,500,000	2,000,000	-		
2	Upgrading Direct Access to 2016	Information Services	40,000				
2	Upgrade SQL 2008 R2 Platform	Information Services	60,000				
2	Chorus Networked - Server	Information Services	26,600				
2	IS Replacement Programme	Information Services	-	500,000	500,000	-	-
2	Firearms/all Case Management	Information Services	70,000				
2	CO - Non-Slot Vehicle Replacement	Other	327,000	30,000	85,500	250,000	250,000
2	Collision Investigation Equipment	Other	-		35,000		
	TOTAL PRIORITY 2 PROJECTS		6,773,600	5,835,000	12,310,500	3,750,000	2,750,000
			10,652,250	19,907,000	12,834,500	3,850,000	2,850,000



The Nottinghamshire Office of the Police & Crime Commissioner

Treasury Management Strategy Statement
Minimum Revenue Provision Policy Statement and
Annual Investment Strategy

2018-19

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1. INTRODUCTION

1.1 Background

The Nottinghamshire Office of the Police and Crime Commissioner (The Commissioner's Office) is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Police and Crime Commissioner's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Commissioner's capital plans. These capital plans provide a guide to borrowing need, and longer term cash flow planning to ensure that the The Commissioner's Office can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans. If advantageous debt previously borrowed may be restructured to meet The Commissioner's Office risk or cost objectives.

The responsible officer for treasury management is Chief Finance Officer to the Police & Crime Commissioner (CFO).

CIPFA defines treasury management as:

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

1.2 Reporting requirements

The Commissioner is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) - The first and most important report covers:

- the capital plans, prudential indicators and borrowing plans.
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time).

- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators.
- an investment strategy (the parameters for managing investments).

A mid-year treasury management report – This will update the Commissioner with the capital position regarding capital, and amend prudential indicators as necessary. It also monitors whether the treasury activity is meeting the strategy and whether any policies require revision.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The responsibility for scrutiny lies with the Commissioner supported by the Audit and Scrutiny Panel. The above reports are reviewed at the Strategic Resources and Performance meetings of the Commissioner.

The values within the strategy have been rounded appropriately, and the extent of rounding is clearly labelled. This rounding will in some cases cause a note to be apparently mathematically incorrect.

1.3 Treasury Management Strategy for 2018-19

The strategy covers two main areas:

Capital issues

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

Treasury management issues

- the current treasury position.
- treasury indicators which limit the treasury risk and activities of the The Commissioner's Office.
- prospects for interest rates.
- the borrowing strategy.
- policy on borrowing in advance of need.
- debt rescheduling.
- the investment strategy.
- creditworthiness policy.
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance. The Prudential has been recently updated and will be fully adopted for future strategies, in accordance with the timetables for the new Code. Some of the amendments have been widely reported and these are incorporated in this report on a voluntary basis.

1.4 Training

The CIPFA Code requires that the responsible officer ensures that relevant personnel receive adequate training in treasury management. This especially applies to the Commissioner who is responsible for scrutiny. Training for the Commissioner was delivered in March 2014 and the Chief Financial Officer to the Commissioner (CFO) has attended relevant seminars during the year. The officers involved in treasury management also receive training from Link Asset Services.

1.5 Treasury management consultants

The Commissioner's Office uses Link Asset Services (Formerly known as Capita), Treasury Solutions as its external treasury management advisors.

The Commissioner's Office recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The CFO will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2. THE CAPITAL PRUDENTIAL INDICATORS 2018-19 to 2022-23

The Commissioner's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in prudential indicators, to give an overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of the Commissioner's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

The Commissioner is asked to approve the capital expenditure forecasts, excluding other long term liabilities, such as Private Finance Initiatives (PFI) and leasing arrangements, which already include borrowing instruments.

The table below summarises the capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a net financing need.

Capital Expenditure	2016-17 Actual £m	2017-18 Forecast £m	2018-19 Estimate £m	2019-20 Estimate £m	2020-21 Estimate £m	2021-22 Estimate £m	2022-23 Estimate £m
Capital Programme	7.132	5.650	10.652	19.907	12.835	3.850	2.850
Financed by:							
Capital Receipts	0.000	0.000	(3.293)	(0.555)	0.000	0.000	0.000
Capital Grants & Contributions	(2.700)	(2.793)	(0.700)	(0.525)	(0.394)	(0.295)	(0.166)
Capital Reserve	0.000	0.000	0.000	(8.000)	(3.000)	0.000	0.000
Net Financing need	4.432	2.857	6.659	10.827	9.441	3.555	2.684

2.2 The Commissioners borrowing need (Capital Financing Requirement)

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

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge, which broadly reduces the borrowing need in line with each assets life.

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

The Commissioner is asked to approve the CFR projections below:

Capital Financing Requirement (CFR)	2016-17 Actual £m	2017-18 Forecast £m	2018-19 Estimate £m	2019-20 Estimate £m	2020-21 Estimate £m	2021-22 Estimate £m	2022-23 Estimate £m
Total CFR	54.493	54.925	58.851	66.461	72.227	71.801	70.331
Movement in CFR	-	0.432	3.926	7.610	5.766	(0.426)	(1.470)

Movement in CFR represented by	2016-17 Actual £m	2017-18 Forecast £m	2018-19 Estimate £m	2019-20 Estimate £m	2020-21 Estimate £m	2021-22 Estimate £m	2022-23 Estimate £m
Net financing need for the year (above)	-	2.857	6.659	10.827	9.441	3.555	2.684
Less MRP/VRP and other financing movements	-	(2.425)	(2.733)	(3.217)	(3.675)	(3.981)	(4.154)
Movement in CFR	-	0.432	3.926	7.610	5.766	(0.426)	(1.470)

N.B. The code does not require the reporting of downward estimated movements to CFR, but this information is included for completeness.

2.3 Minimum Revenue Provision (MRP) policy statement

The Commissioner's Office is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP). Additional voluntary payments are also allowed (voluntary revenue provision - VRP). Repayments included in annual PFI or finance leases are applied as MRP.

Communities and Local Government (DCLG) regulations have been issued, which require the Commissioner to approve an MRP Statement in advance of each year. A variety of options are available to the Commissioner, as long as there is a prudent provision. No change is proposed from last year.

The Commissioner is recommended to approve the following MRP Statement:

The Commissioner will set aside an amount for MRP each year, which is deemed to be both prudent and affordable. This will be after considering statutory requirements and relevant guidance from the DCLG.

2.4 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either capital finance or revenue purposes will reduce investments unless replaced by asset sales or revenue underspend. Detailed below are estimates of the year end resource balances and anticipated daily cash flow balances.

	2016-17 Actual £m	2017-18 Forecast £m	2018-19 Estimate £m	2019-20 Estimate £m	2020-21 Estimate £m	2021-22 Estimate £m	2022-23 Estimate £m
Fund balances/Reserves	18.858	22.933	25.326	20.038	19.079	19.848	19.989
Capital Receipts	3.293	3.293	0.555	0.000	0.000	0.000	0.000
Provisions	3.281	3.281	3.281	3.281	3.281	3.281	3.281
Other	(2.318)	(2.363)	(2.363)	(2.363)	(2.363)	(2.363)	(2.364)
Total Core funds	23.114	27.144	26.799	20.956	19.997	20.766	20.906
Working Capital*	(9.271)	(9.226)	(9.226)	(9.226)	(9.226)	(9.226)	(9.226)
(Under)/Over borrowing	(11.533)	(11.108)	(7.875)	(4.658)	(3.483)	(2.002)	(0.348)
Expected Investments	2.310	6.810	9.698	7.072	7.288	9.538	11.332

*Working capital balances shown are estimated year end; these may vary through the year

2.5 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Commissioners overall finances.

The Commissioner is requested to approve the following indicators:

2.6 Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. This indicator will no longer be a mandatory indicator under the revised code, but it has been reviewed and considered a good reflection of the commitment from capital spending.

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Ratio	Actual	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
%	1.8	1.9	2.1	2.4	2.8	3.2	3.2

The estimates of financing costs include commitments and a reasonable assessment of forthcoming capital proposals.

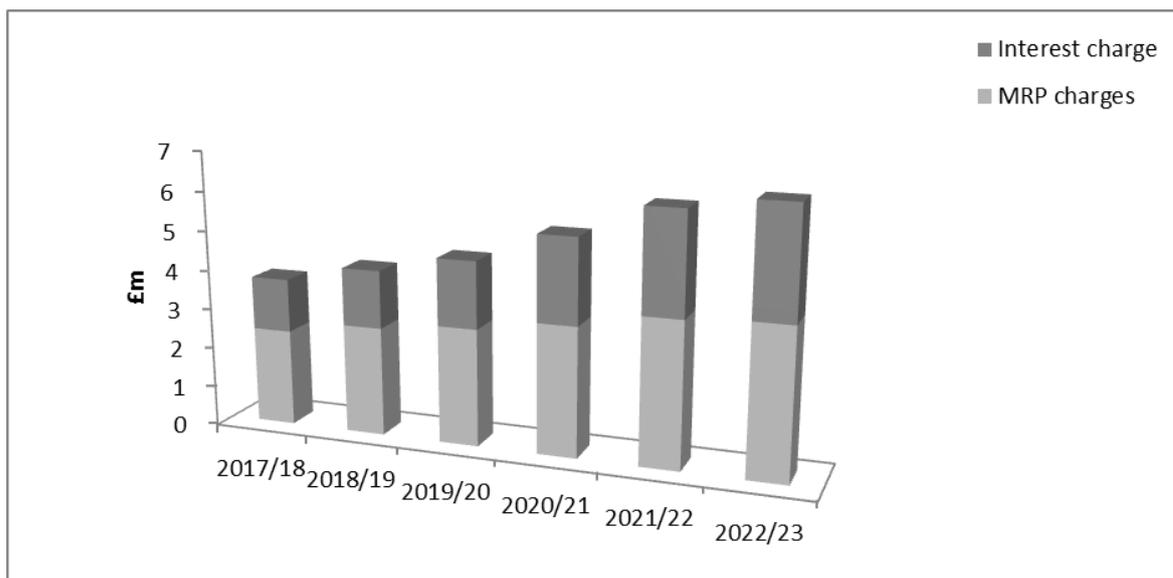
2.7 Incremental impact of capital investment decisions on council tax

This indicator identifies the revenue costs associated with a reasonable assessment of forthcoming capital proposals, compared to the Commissioners existing approved commitments and current plans. The assumptions are based on current plans, but will invariably include some estimates, such as the level of Government support, which is not published over a three year period. This indicator will no longer be a mandatory indicator under the revised code but it has been reviewed and considered a good indicator of the commitment from capital spending. Alternatives will be considered

Incremental impact of capital investment decisions on the band D council tax

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Ratio	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
£	0.1	1.2	3.2	4.7	5.5	5.1

The table below shows the financial impact of capital expenditure and borrowing on the Revenue Account.



3. BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity. The treasury management function ensures that the Commissioners cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The Commissioners borrowing portfolio position at March 2017, with forward projections is summarised below. The table shows external debt against the underlying capital borrowing need (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.

	2016-17 Actual £m	2017-18 Forecast £m	2018-19 Estimate £m	2019-20 Estimate £m	2020-21 Estimate £m	2021-22 Estimate £m	2022-23 Estimate £m
External Debt							
Debt at 1 April	44.303	40.704	41.561	48.720	59.547	66.488	67.543
New Borrowing	6.000	4.456	7.844	11.299	9.744	3.742	2.871
Borrowing Repaid	(9.599)	(3.599)	(0.685)	(0.472)	(2.803)	(2.687)	(2.687)
Movement in Borrowing	(3.599)	0.857	7.159	10.827	6.941	1.055	0.184
Debt as at 31 March	40.704	41.561	48.720	59.547	66.488	67.543	67.727
Capital Financing Requirement	54.493	54.925	58.851	66.461	72.227	71.801	70.331
Other long-term liabilities	(2.256)	(2.256)	(2.256)	(2.256)	(2.256)	(2.256)	(2.256)
Underlying Borrowing Need	52.237	52.669	56.595	64.205	69.971	69.545	68.075
Under/(over) borrowing	11.533	11.108	7.875	4.658	3.483	2.002	0.348
Investments							
Investments	2.310	6.810	9.698	7.072	7.288	9.538	11.332
Change in Investments	(7.180)	0.000	0.000	0.000	0.000	0.000	0.000
Net Debt	38.394	34.751	39.022	52.475	59.200	58.005	56.395

Within the prudential indicators there are a number of key indicators to ensure that activities operate within well defined limits. One of these is that the Commissioner needs to ensure that its gross debt does not (except in the short term), exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The CFO reports that this prudential indicator will be complied with in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR.

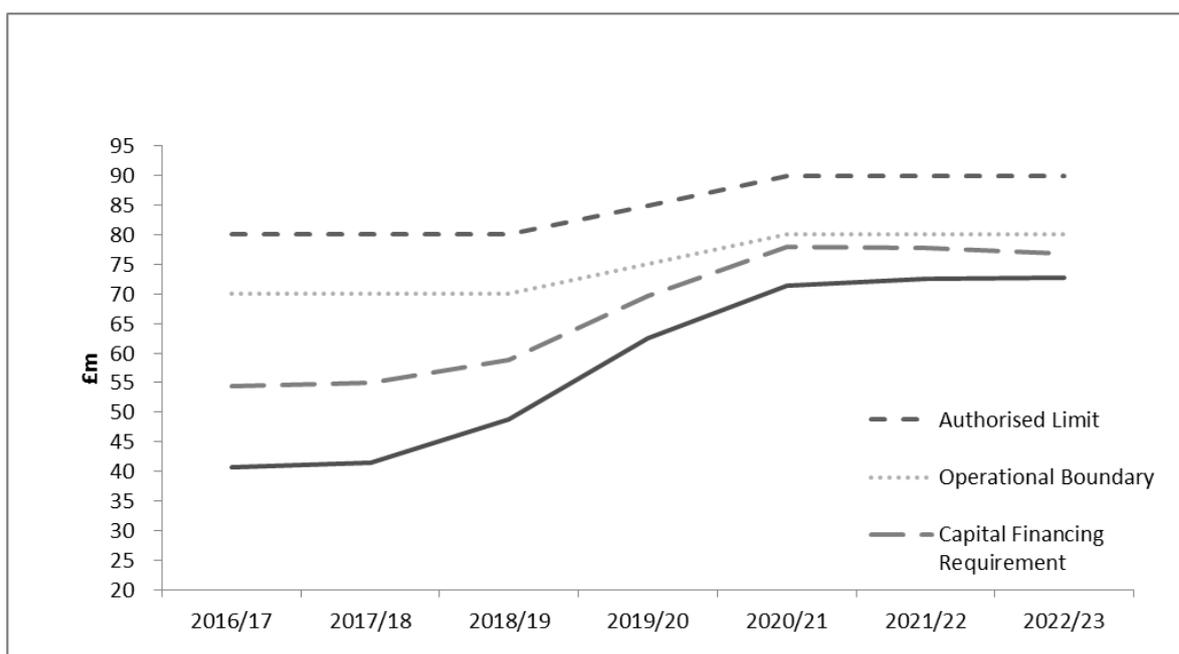
Operational Boundary	2017-18 Forecast	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate	2021-22 Estimate	2022-23 Estimate
£m	70.000	70.000	75.000	75.000	80.000	80.000

The authorised limit for external debt. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Commissioner. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This has increased by £5m in 2021-22 to meet the increase in the Capital Programme

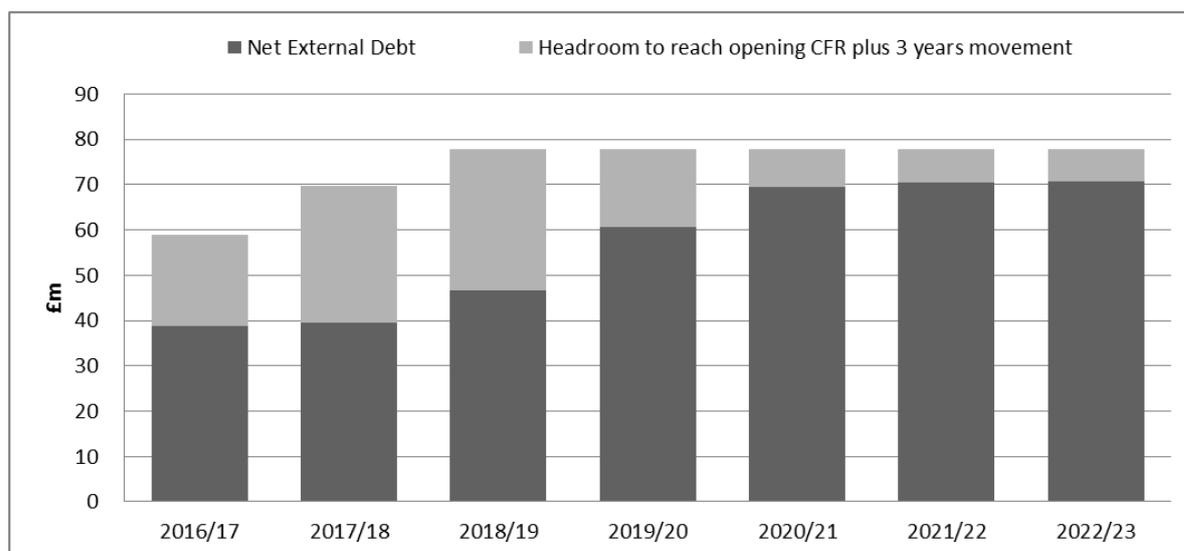
The Commissioner is requested to approve the following authorised limit:

Authorised Limit	2017-18 Forecast	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate	2021-22 Estimate	2022-23 Estimate
£m	80.000	80.000	85.000	85.000	90.000	90.000

This authorised limit has also increased by £5m in 2020-21. The table below shows CFR figures from paragraph 2.2 compared with relevant borrowing limits.



The table below shows the headroom available before CFR is breached.



3.3 Prospects for interest rates and economic background

The Commissioner's Office has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Commissioner to formulate a view on interest rates. The table below gives Link Asset's view (December 2017).

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB Rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB View	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB View	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

There was a 0.25% increase in the base rate on 2 November, this reversed the T emergency cut in August 2016 after the EU referendum. It has been indicated that there is an expectation of further increases to 1.00% by 2020.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a 25 year long-term trend of falling bond yields. Quantitative easing, added further to this downward trend in bond yields and rising bond prices, and also directly led to a rise in equity values as investors searched for higher returns from higher risk products. This may be reversed with the US no longer using this monetary policy. The focus is now on countering inflationary pressures as stronger economic growth becomes more firmly established. The US has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond

yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK. This influence will be tempered by how strong the economy performs and the degree of quantitative easing.

PWLB rates can also be impacted by temporary volatility in the market causing spikes in the rates.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts depend on economic performance. The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of exiting the European Union.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Bank of England monetary policy takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include:

- The Bank of England allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases faster than currently expected.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
- The impact of US fiscal policy reversing too quickly.

Investment and borrowing rates

- Investment returns are likely to remain low during 2018-19 but to be on a gently rising trend over the next few years.
- The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when borrowing is essential.
- There is a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances, being the difference between borrowing costs and investment returns. There is also an increased risk inevitable with all investments.

Against this background and the risks within the economic forecast, caution will be adopted with the 2018-19 treasury operations. The CFO will monitor interest rates and financial markets and adopt a pragmatic approach to changing circumstances.

Treasury Management limits on activity

There are three debt related treasury activity limits. The purpose of these are to constrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set too restrictively they will impair the opportunities to reduce costs/improve performance.

The indicators are:

Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments

Upper limits on fixed interest rate exposure. This gives a maximum limit on fixed interest rates;

Maturity structure of borrowing. These gross limits are set to reduce the exposure to large fixed rate sums falling due for refinancing.

The Commissioner is requested to approve the following treasury indicators and limits:

Upper Interest rate exposures 2018-19 to 2021-22		
Limits on fixed interest rates based on net debt		100%
Limits on variable interest rates based on net debt		100%
Limits on fixed interest rates:		
• Debt only		100%
• Investments only		100%
Limits on variable interest rates		
• Debt only		50%
• Investments only		100%
Maturity structure of fixed interest rate borrowing 2018-19 to 2021-22		
	Lower	Upper
Under 12 months	0%	30%
12 months to 2 years	0%	40%
2 years to 5 years	0%	50%
5 years to 10 years	0%	70%
10 years and above	0%	100%

3.4 Policy on borrowing in advance of need

The Commissioner's Office will not borrow more than, or in advance of its needs purely in order to profit from the investment of extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the security of such funds is considered.

Borrowing in advance will be made within the following constraints:

- It will be limited to no more than 50% of the expected increase in borrowing need (CFR) over the three year planning period; and
- Would not look to borrow more than 18 months in advance of need.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.5 Debt rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

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

Consideration will also be given to identify if there is any potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt. All rescheduling will be reported to the Commissioner at the earliest opportunity.

3.6 Municipal Bond Agency

It is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to Local Authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). The Commissioner intends to make use of this new source of borrowing as and when appropriate.

4. ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy

The Commissioners investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes. The Commissioners investment priorities will be security first, liquidity second and then return.

In accordance with guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the The Commissioner's Office has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. This enables diversification and avoids the concentration of risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk. Thus providing security of investment and minimisation of risk.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets, by actively engaging with Flex Asset to maintain monitoring on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information regarding the banking sector. This allows a robust scrutiny process on investment counterparties.

4.2 Creditworthiness policy

The primary principle governing the Commissioner's investment criteria is the security of its investments. The yield (return) on the investment is also a secondary consideration. The Commissioner will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the prudential indicators covering the maximum principal sums invested.

The CFO will maintain a counterparty list in compliance with the following considerations and will keep the criteria under review. It provides an overall pool of counterparties considered high quality which the Commissioner may use, rather than defining what types of investment instruments are to be used.

The lowest credit rating from the main agencies is used when considering counterparties. It is considered that this does not significantly increase risk but may widen the pool of available counter parties. Credit rating information is supplied by Link Asset Services our treasury consultants, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. Link Asset update counterparties who qualify under the list on a daily basis.

Country and sector considerations - Due care will be taken to consider the country, group and sector exposure of the Commissioners investments. In addition to the considerations already outlined the limits in place will apply to a group of companies and sector limits will be monitored regularly for appropriateness.

Use of additional information other than credit ratings - Additional requirements under the Code requires the Commissioner to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

Time and monetary limits applying to all investments. The time and monetary limits for institutions on the Commissioners counterparty list are as follows: No changes are proposed, other than the Money Market Funds which have been given their new titles for 2018-19. The operation of these accounts remains very similar. The range of values for these has the lower limit being the 'normal limit' and above this being at the CFO's discretion.

	Fitch Long term Rating (or equivalent)	Money and/or % Limit	Time Limit
Banks 1 higher quality	AAA	£5m	1 yr
Banks 1 medium quality	AA-	£5m	1 yr
Banks 1 medium/lower quality	A	£4m	6 month
Banks 1 Lower quality	A-	£3m	3 months
Banks 2 – part nationalised	N/A	£5m	1yr
Additional criteria for non UK Banks			
Sovereign	AA-		
Country		25%/£5m	
Banks 3 category – Commissioners banker (not meeting Banks 1)	N/A	£5m	1 day
UK Govt - DMADF	AAA	Unlimited	6 months
Local authorities	N/A	£5m	2 yr
Low Volatility Net Asset Value Funds (LVNAV) (Used to be called Enhanced money market funds with instant access)	AAA	£10-15m	liquid
Ultra Short Dated Bond Funds (Used to be called Enhanced money market funds with notice)	AAA	£3-5m	liquid

4.3 Country Limits

The Commissioner has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch. For information the UK has maintained an AA rating.

Approved Non UK countries for investments as at December 2017

Based on lowest available rating

AAA	AA+	AA	AA-
Australia	Finland	Abu Dhabi	Belgium
Canada	Hong Kong	France	Qatar
Denmark	U.S.A.		
Germany			
Luxembourg			
Netherlands			
Norway			
Singapore			
Sweden			
Switzerland			

4.4 Investment Strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (up to 12 months).

Investment returns expectations - Bank Rate is forecast to stay flat at 0.50% until quarter 4 2018 and not to rise above 1.25% by quarter 1 2021. Bank Rate forecasts for financial year ends (March) are:

- 2018-19 0.50%
- 2019-20 0.75%
- 2020-21 1.25%
- 2021-22 1.50%
- 2022-23 1.75%

The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the EU departure negotiations move forward positively.

The forecast earnings rates for returns on investments placed for periods up to 100 days are as follows:

2016-17	0.25%
2017-18	0.25%
2018-19	0.25%
2019-20	0.50%
2020-21	0.75%
2021-22	1.00%
2022-23	1.50%

Investment treasury indicator and limit - total principal funds invested for greater than 365 days are limited with regard to liquidity requirements and to reduce the need for early redemption. The 365 day limit is a small change from the new code, which previously had been set as 364 days

The Commissioner is requested to approve the treasury indicator and limit:

Maximum principal sums invested > 365 days				
£m	2018-19	2019-20	2020-21	2021-22
Principal sums invested > 365 days	5.000	5.000	5.000	5.000

For its cash flow generated balances, the The Commissioner's Office will seek to utilise instant access and notice accounts, LVNAVs and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest. Ultra Short Dated Bond Funds will be used if considered appropriate by the CFO.

4.5 Investment Risk Benchmarking

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report.

Security - The Commissioners maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.06% historic risk of default when compared to the whole portfolio.

Liquidity - in respect of this area the Commissioner seeks to maintain:

- Bank overdraft - avoided if possible.
- Liquid short term deposits of at least £2.0m available on instant access.
- Weighted average life benchmark is expected to be 1 month, with a maximum of 6 months.

Yield - local measures of yield benchmarks are:

- Investments – returns above the 7 day LIBID rate

4.6 End of year investment report

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

5. SECTION 151 OFFICER ROLE

5.1 The Treasury Management Role of the Section 151 officer

The S151 (responsible) officer is the Chief Financial Officer to the Commissioner and they have responsibility for the following:

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

For Consideration	
Public/Non Public*	Public
Report to:	Joint Audit and Scrutiny Panel
Date of Meeting:	2nd March 2018
Report of:	Paddy Tipping Police and Crime Commissioner
Report Author:	Kevin Dennis
E-mail:	kevin.dennis@nottinghamshire.pnn.Police.uk
Other Contacts:	Kevin Dennis
Agenda Item:	7

POLICE AND CRIME COMMISSIONER'S UPDATE REPORT – to December 2017

1. PURPOSE OF THE REPORT

- 1.1 This report presents the Joint Audit and Scrutiny Panel (JASP) with the Police and Crime Commissioner's (Commissioner) update report.
- 1.2 In accordance with section 13 of the Police Reform and Social Responsibility (PR&SR) Act 2011 and subject to certain restrictions, the Commissioner must provide the Police and Crime Panel with any information which the Panel may reasonably require in order to carry out its functions. The Commissioner may also provide the Panel with any other information which he thinks appropriate.
- 1.3 This report provides JASP with an overview of performance in respect of 1st April to 31st December 2017 where data is available. This is the third report for this financial year 2017-18.

2. RECOMMENDATIONS

- 2.1 JASP to note the contents of this update report, consider and discuss the issues and seek assurances from the Commissioner on any issues Members have concerns with.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To provide JASP with information so that they can review the steps the Commissioner is taking to fulfil his pledges and provide sufficient information to enable the Panel to fulfil its statutory role.
- 3.2 This report was also submitted and considered by the Police and Crime Panel on 7th February 2018.

4. Summary of Key Points

POLICING AND CRIME PLAN – (2016-18)

Performance Summary

- 4.1 Performance against current targets and measures across all seven themes of the Police and Crime Plan is contained in the Performance section of the Commissioner's web site^a. This report details performance from 1st April 2017 to 31st December 2017 where data is available and is the third report submitted to the Panel for this financial year 2017-18.

Reporting by Exception

- 4.2 The Commissioner's report focuses on reporting by exception. In this respect, this section of the report relates exclusively to some performance currently rated red i.e. significantly worse than the target (>5% difference) or blue, significantly better than the target (>5% difference).
- 4.3 The table below shows a breakdown of the RAGB status the Force has assigned to the 22 targets reported in its Performance and Insight report to December 2017.^{bc}
- 4.4 The latest report shows that 12 (55%) of the measures are Amber, Green or Blue indicating that they are close to or exceeding the target. 41% (9) of the indicators are Red and significantly worse than target. No measures are significantly exceeding the target set (Blue).

KEY to Performance Comparators							
Performance Against Target		Jul-17	% of Total	Sep-17	% of Total	Dec-17	% of Total
<input checked="" type="checkbox"/>	Significantly better than Target >5% dif	0	0%	0	0%	0	0%
<input checked="" type="checkbox"/>	Better than Target	5	23%	8	36%	5	23%
<input checked="" type="checkbox"/>	Close to achieving Target (within 5%)	9	41%	4	18%	7	32%
<input checked="" type="checkbox"/>	Significantly worse than Target >5% dif	7	32%	9	41%	9	41%
<input type="checkbox"/>	No Longer Measured	1	5%	1	5%	1	5%
Total		22	100%	22	100%	22	100%

- 4.5 One measure i.e. the 'Percentage of victims and witnesses satisfied with the services provided in Court', taken from the Witness and Victim Experience Survey (WAVES), is no longer active and therefore not possible to report on.
- 4.6 The table below provides an overview of the 9 targets (41%) graded Red, which remains consistent with the previous Panel report.

^a <http://www.nottinghamshire.pcc.police.uk/Public-Information/Performance/Performance-2017.aspx>

^b A number of performance measures are monitor only and it has been agreed that it is not appropriate to assign a RAGB to such measures unless the measure is + or – 10%.

^c New RAGB symbols have been used for this report in case readers are limited to black and white print.

<input checked="" type="checkbox"/> Objective / Target RAGB Status Red ●	Jul-17	Sep-17	Dec-17
1. Reduction in All Crime compared to 2015-16	+35.9%	+29.6%	+21.6%
2. Reduction in Victim-Based Crime compared to 2015-16	+33.6%	+27.8%	+21.0%
3. Reduction in levels of rural crime compared to 2015-16	+28.9%	+25.3%	+19.4%
4. Reduction in s136 mental health detentions in police custody	+100%	+100%	+400%
5. 10% increase in number of POCA orders compared to 2016-17	-46.0pp	-48.7pp	-47.3pp
6. BME police workforce representation to reflect community	4.3%	4.7%	5.0%
7. % agree that police and council are dealing with local crime/ASB	56.7%	55.7%	55.4%
8. Reduction in number of repeat victims of hate crime	-1	+7	+8
9. 40% reduction in people killed / seriously injured on our roads	-40.1%	-33.6%	-33.2%

4.7 Police and Crime Panel Members require the Commissioner's update report to:

1. Explain the reasons for improved performance and lessons learned for Blue graded measures and
2. Reasons/drivers for poor performance and an explanation as to what action is being taken to address underperformance in respect of Red graded measures.

4.8 The Force has provided the following responses to these questions in sections 5 and below. There are no Blue measures identified during this reporting period.

5. Red Rated Measures (● significantly worse than Target >5% difference)

- R1. A reduction in All Crime compared to 2015-16**
- R2. A reduction in Victim-Based Crime compared to 2015-16**
- R3. To reduce the levels of rural crime compared to 2015-16**

<input checked="" type="checkbox"/> Objective / Target RAGB Status Red ●	Jul-17	Sep-17	Dec-17
1. Reduction in All Crime compared to 2015-16	+35.9%	+29.6%	+21.6%
2. Reduction in Victim-Based Crime compared to 2015-16	+33.6%	+27.8%	+21.0%
3. Reduction in levels of rural crime compared to 2015-16	+28.9%	+25.3%	+19.4%

5.1 The first nine months of this year have seen the Force record a 21.6% (13,004 offences) increase in All Crime compared to the same period last year.

5.2 Victim-Based crime has increased by 21.0% (11,220 offences) year-to-date. Other Crimes Against Society have increased by 25.7% (1,784 offences). The increase in Other Crimes Against Society is driven by a 45.8% increase in Public Order offences. Public Order offence volumes remain high following the NCRS audit, as a result of the daily incident checks now in place in force.

5.3 Following the NCRS audit last year, the Force has put in place new daily processes to maintain compliance with the national standards (NCRS). This means that recorded crime volume remains at a higher level and this is expected to continue as the accepted new 'normal' level. The Force is now recording around 2,000 offences more each month than this time last year.

- 5.4 When considering the longer term trend, the Force has recorded a 23.1% (17,869 offences) increase in All Crime in the 12 months to December compared to the previous 12 months.
- 5.5 Recently published national data (covering performance in the 12 months to June 2017) reveals that almost all forces in England and Wales are recording increases in crime. Nottinghamshire is recording an increase above both the national and regional average.
- 5.6 At present, the local performance position is comparing a period of higher recording (following the change in process described above) to a lower period prior to this change, and as a result a large percentage increase is seen. Following two months of above-forecast volumes, the forecast has been recalculated to year-end. The revised forecast position suggests that the force will end the year with a 19% increase in recorded crime.

R4. A reduction in the number of non-crime related mental health patients detained in custody suites

<input checked="" type="checkbox"/> Objective / Target RAGB Status Red ●	Jul-17	Sep-17	Dec-17
4. Reduction in s136 mental health detentions in police custody	+100%	+100%	+400%

- 5.7 This measure is reported quarterly. Data shown is Quarter 2 April to September 2017 and will be updated when available via the East Midlands Criminal Justice Services.
- 5.8 Three people have been presented to custody as a first place of safety in quarter two 2017. This compares to two people in the first quarter of 2017 and one person in the same period of last year.
- 5.9 This year to date a total of five people has been presented to custody as a first place of safety, this compares to one person in quarter one and two of the previous year. (+400% increase).
- 5.10 On average last year, less than three percent of mental health patients have been taken to custody, with the vast majority taken to the mental health suite.

R5. A 10% increase in the number of POCA orders compared to 2016-17

<input checked="" type="checkbox"/> Objective / Target RAGB Status Red ●	Jul-17	Sep-17	Dec-17
5. 10% increase in number of POCA orders compared to 2016-17	-46.0pp	-48.7pp	-47.3pp

- 5.11 The Force recorded 62 fewer Confiscation and Forfeiture Orders compared to last year-to-date; this equates to a reduction of 37.3%, placing the Force 47.3 percentage points below the 10% increase target.
- 5.12 It should be noted that any decision to apply for an order is made by the Crown Prosecution Service, based on information and advice provided by the police. A decision to grant an order is one for the court alone.

5.13 An order is not granted until sentencing and in many cases there can be a gap of many months between point of arrest and an order being granted.

R6. Increase BME representation within the Force to reflect the BME community (11.2%)

☒	Objective / Target RAGB Status Red ●	Jul-17	Sep-17	Dec-17
	6. BME police workforce representation to reflect community	4.3%	4.7%	5.0%

5.14 December data shows that BME headcount is at 4.65% for Police Officers and 5.32% for Police Staff. This is below the 11.2% for Nottinghamshire resident population (2011 Census). Representation of Police Cadets is 26% and Special Constables 8%.

5.15 The Commissioner has been working closely with the BME Steering Group since 2013 and established a BME Working Group to advance BME recruitment and selection, BME advancement and retention as well as other issues which may adversely affect attraction of BME candidates, i.e. stop and search and diversity training of officers. Members were provided with a case study on this work listed at [Appendix A](#) of the 18th April 2016 Panel meeting.

5.16 When the Commissioner took office in 2012 BME representation was 3.7% so overall representation has increased by 1.3% overall. Austerity and the 2 year recruitment freeze did hamper progress. However, the Chief Constable opened up recruitment for both PCSOs and Police Officers since January 2017 and numerous recruitment processes have been undertaken.

5.17 To achieve an 11.2% BME representation an additional 144 BME police officers would need to be recruited. The Commissioner has worked closely with the Chief Constable during 2017 in relation to the recruitment of Police officers especially from BME communities. A range of positive activities have been undertaken to attract applicants from BME communities under Operation Voice which included talent spotting, buddying, awareness events, marketing publications.

5.18 The Chief Constable intends to recruit a total of 200 officers in 2017-18 (which started in September 2017) and has ambitions to recruit a further 158 in 2018-19.^d The Commissioner hopes to see the number of officers grow in Nottinghamshire to a figure approaching 2,000.

^d <http://www.nottinghampost.com/news/nottingham-news/chief-constable-pledges-200-new-281085>

7. NEW: Percentage of people who agree that the police and local councils are dealing with Anti-Social Behaviour and other crime issues

☒ Objective / Target RAGB Status Red ●	Jul-17	Sep-17	Dec-17
7. % agree that police and council are dealing with local crime/ASB	56.7%	55.7%	55.4%

5.19 Current performance covers interviews in the year to June 2017¹. Please note that this information is updated quarterly with the next update due in February 2018.

5.20 The Force is 4.6 percentage points below the 60% target. Considering the trend in the long term, there appears to be a slight downward trend, however the change on the previous year's position (58.6%) is not significant. The average for the Force's Most Similar Force group is 57.7% and Nottinghamshire is ranked in 5th place in this group of 8.

5.21 Nottinghamshire is ranked first lowest in its MSF group for the 'risk of crime (personal crime)', with a risk level of 3.0% against a group average of 4.0%. This is also a marked improvement on the previous position for Nottinghamshire (6.0% in the previous year).

8. NEW: A reduction in the number of repeat victims of hate crime compared to 2016-17

☒ Objective / Target RAGB Status Red ●	Jul-17	Sep-17	Dec-17
8. Reduction in number of repeat victims of hate crime	-1	+7	+8

5.22 The Force definition of a repeat victim is based on the national definition^e. A hate crime repeat victim is a victim of a hate crime or incident in the current month who has also been a victim of one or more hate crimes or incidents at any point in the previous twelve months.

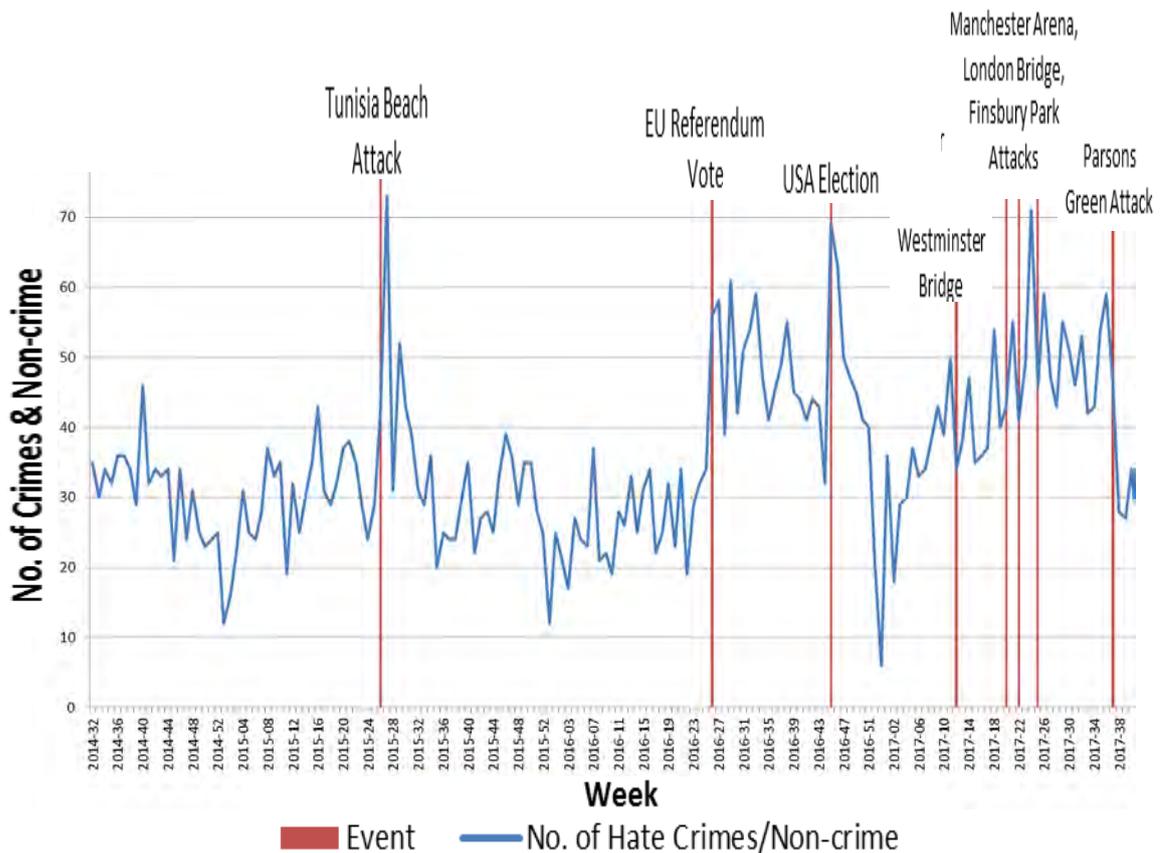
5.23 Of a total of 129 hate crime victims in the month of December, 23 had been a victim of one or more hate crimes in the 12 months prior (January 2017 – December 2017).

5.24 This compares to a baseline monthly average for the 2016/17 year of 15 repeat victims per month, which represents 8 more repeat hate crime victim in December compared to the baseline figure.

5.25 As a proportion, 21.7% of hate crime victims in December were repeat victims. This figure is greater than the baseline monthly average for 2016/17 (11.5%).

5.26 Analysis of hate crime identifies a pattern of increase following national and international events as illustrated in the chart below. This will also include repeat offences. As can be seen spikes occur and then incidents fall back to lower levels.

^e A hate crime repeat victim is a victim of a hate crime or incident in the current month who has also been a victim of one or more hate crimes or incidents at any point in the previous twelve months.



9. NEW: The number of people Killed or Seriously Injured (KSIs) on Nottinghamshire’s roads (Target is 50% by 2020)

<input checked="" type="checkbox"/> Objective / Target RAGB Status Red ●	Jul-17	Sep-17	Dec-17
9. 40% reduction in people killed / seriously injured on our roads	-40.1%	-33.6%	-33.2%

5.27 Data is for calendar quarters one, two and three; January 2017 to September 2017, with the next update due in March 2018.

5.28 Data for quarters one, two and three (1st January 2017 – 30th September 2017) shows a 33.2% reduction (172 fewer persons) in persons Killed or Seriously Injured (KSI) on Nottinghamshire’s roads compared to the 2005-2009 baseline period.

5.29 However a slight increase is apparent when comparing the current year to the equivalent period of last year (+6.8% or 22 persons).

5.30 All user groups are seeing a reduction in KSIs when compared to the baseline average. KSIs in the 0-15 age group have reduced by 56.0% (31 persons) compared to the 2005-2009 baseline.

DECISIONS

5.31 The Commissioner has the sole legal authority to make a decision as the result of a discussion or based on information provided to him by the public, partner organisations, Members of staff from the Nottinghamshire Office of the Police

and Crime Commissioner (NOPCC) or Chief Constable. The Commissioner's web site provides details of all significant public interest decisions.^f

6. Financial Implications and Budget Provision

6.1 The table right shows the projected Force (including externally funded and seconded officers/ staff) variances against the 2017/18 budget as at the end of November 2017.

6.2 The full year net revenue budget for 2017/18 is £190,105k split between the Force (£185,347k) and the Office of the Police and Crime Commissioner (£4,758k).

6.3 At the end of November 2017 the projected year end outturn is shown in the bottom table to be an underspend of £2.365M.

6.4 This underspend is predominately being delivered through transport costs, communications and computing, collaboration contributions, capital financing and additional income.

6.5 Payroll savings on staff and PCSO's are offsetting the additional officer recruitment. The forecast, however, does not take into account any additional cost implications that could be incurred due to the recent Annual Departmental Assessments (ADA's) overseen by the Chief Constable, which will be monitored closely over the forthcoming months as they are evaluated.

Nottinghamshire Police Group Position Total: Budget Variance Analysis				
	Variance to Budget			
	£'000	£'000	£'000	Note
Pay & allowances				4.2
Police officer	1,640			
Staff	(709)			
PCSO	(360)			
		570		
Overtime				4.3
Police officer	690			
Staff	65			
PCSO	0			
		755		
Other employee expenses		345		4.4
Medical retirements		487		4.5
		2,157		
Premises costs	(245)			4.6
Transport costs	(494)			4.7
Comms & computing	(590)			4.8
Clothing, uniform & laundry	128			4.9
Other supplies & services	621			4.10
Collaboration contributions	35			4.11
Capital financing	(732)			4.12
Other	(216)			4.13
		(1,493)		
Income		(3,028)		4.14
Force underspend		(2,365)		
OPCC		-		
Group underspend		(2,365)		

Entity	Budget £'000	Forecast Outturn £'000	Variance to Budget £'000
Force	185,347	182,983	(2,365)
OPCC	4,758	4,758	-
	190,105	187,741	(2,365)

^f <http://www.nottinghamshire.pcc.police.uk/Public-Information/Decisions/Decisions.aspx>

7. Human Resources Implications

7.1 None - this is an information report.

8. Equality Implications

8.1 None

9. Risk Management

9.1 Risks to performance are identified in the main body of the report together with information on how risks are being mitigated.

10. Policy Implications and links to the Police and Crime Plan Priorities

10.1 This report provides Members with an update on performance in respect of the Police and Crime Plan.

11. Changes in Legislation or other Legal Considerations

11.1 The Commissioner publishes a horizon scanning document⁹ every two weeks and can be downloaded from his website. The horizon scanning undertaken involves reviewing information from a range of sources, including emerging legislation, government publications, audits and inspections, consultation opportunities and key statistics and research findings, in order to inform strategic planning and decision making locally.

12. Details of outcome of consultation

12.1 The Chief Constable has been sent a copy of this report.

13. Appendices

A. Forward Plan of Key Decisions for the OPCC and the Force

14. Background Papers (relevant for Police and Crime Panel Only)

- [Police and Crime Plan 2016-2018 \(published\)](#)

For any enquiries about this report please contact:

⁹ <http://www.nottinghamshire.pcc.police.uk/Public-Information/Horizon-Scanning/Horizon-Scanning.aspx>

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For Information / Consideration	
Public/Non Public*	Public
Report to:	Joint Audit and Scrutiny Panel
Date of Meeting:	March 2018
Report of:	Chief Finance Officer
Report Author:	Charlotte Radford
Other Contacts:	Brian Welch
Agenda Item:	8

INTERNAL AUDIT PROGRESS REPORT

1. Purpose of the Report

- 1.1 To provide members with an update on progress against the Internal Audit Annual Plan for 2017-18 and the findings from audits completed to date.

2. Recommendations

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

3. Reasons for Recommendations

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

4. Summary of Key Points

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

5. Financial Implications and Budget Provision

- 5.1 None as a direct result of this report.

6. Human Resources Implications

- 6.1 None as a direct result of this report.

7. Equality Implications

- 7.1 None as a direct result of this report.

8. Risk Management

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

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

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

10. Changes in Legislation or other Legal Considerations

- 10.1 None

11. Details of outcome of consultation

- 11.1 Not applicable

12. Appendices

- 12.1 Appendix A – Internal Audit Progress Report 2017-18



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

Internal Audit Progress Report 2017/18

February 2018

Presented to the Joint Audit & Scrutiny Panel meeting of: 2nd March 2018

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01 Introduction

- 1.1 The purpose of this report is to update the Joint Audit & Scrutiny Panel (JASP) as to the progress in respect of the 2017/18 Internal Audit Plan which was considered and approved by the JASP at its meeting on 9th March 2017.
- 1.2 The Police and Crime Commissioner and Chief Constable are responsible for ensuring that the organisations have proper internal control and management systems in place. In order to do this, they must obtain assurance on the effectiveness of those systems throughout the year, and are required to make a statement on the effectiveness of internal control within their annual report and financial statements.
- 1.3 Internal audit provides the Police and Crime Commissioner and Chief Constable with an independent and objective opinion on governance, risk management and internal control and their effectiveness in achieving the organisation's agreed objectives. Internal audit also has an independent and objective advisory role to help line managers improve governance, risk management and internal control. The work of internal audit, culminating in our annual opinion, forms a part of the OPCC and Force's overall assurance framework and assists in preparing an informed statement on internal control.
- 1.4 Responsibility for a sound system of internal control rests with the Police and Crime Commissioner and Chief Constable and work performed by internal audit should not be relied upon to identify all weaknesses which exist or all improvements which may be made. Effective implementation of our recommendations makes an important contribution to the maintenance of reliable systems of internal control and governance.
- 1.5 Internal audit should not be relied upon to identify fraud or irregularity, although our procedures are designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control will not necessarily be an effective safeguard against collusive fraud.
- 1.6 Our work is delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).

02 Summary of internal audit work to date

- 2.1 We have issued three final reports in respect of the 2017/18 plan since the last progress report to the JASP, these being in respect of the Core Financial Systems, Procurement Follow-up and Road Safety Partnership. We have also issued a draft report in respect of the Counter Fraud Review where we await management's response and the final report will be issued shortly. Further details are provided in Appendix 1.

Nottinghamshire 2017/18 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Seized Property	Final	Limited	5	4	1	10
Workforce Planning	Final	Satisfactory	-	4	4	8
Estates Management	Final	Satisfactory	-	-	3	3
Fleet Management	Final	Satisfactory	-	5	1	6
PEEL Review Action Plan	Final	N/A ¹	-	-	-	-
Road Safety Partnership	Final	Limited	3	2		5
Procurement Follow-up	Final	Satisfactory	-	4	2	6
Core Financial Systems	Final	Satisfactory	-	6	4	10
Counter Fraud Review	Draft					
Total			8	25	15	48

¹ PEEL Review Action Plan – this was carried out as an addition to the approved Internal Audit Plan for 2017/18, upon request of the Police & Crime Commissioner. The audit review focused on Force responses and actions taken to address the issues in the Monitoring Assurance Framework that was produced by the OPCC following the publication of the HMIC PEEL: Police Effectiveness Report in March 2017 and not to provide an opinion on the adequacy and effectiveness of controls.

- 2.2 The only outstanding audit specifically related to Nottinghamshire is that in respect of the DMS Follow-up Review which is scheduled to be carried out in March. The audit of IT Strategy, which was originally planned for quarter 3, and was intended to encompass Northamptonshire and Leicestershire as well, has been deferred to 2018/19 following changes in the manner in which IT will be managed across the region. Further details are provided within Appendix A2.

2.3 Similarly to 2016/17, five specific areas have been identified in terms of the collaborative audits for 2017/18 and a lead officer (OPCC CFO) has been identified as a single point of contact. Four of the audits adopted a similar scope to that of the 2016/17 audits and looked at the business plan and S22 agreement in terms of whether it is being delivered and is fit for purpose going forward; the scope also included value for money considerations and arrangements for managing risk. The four areas of collaboration that formed the focus of these initial reviews were:

- EMCHRS Learning & Development
- EMCHRS Occupational Health
- EMSOU Forensic Services
- Criminal Justice (EMCJS)

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

2.4 We have issued one final report since the last progress report to the JASP, this being in respect of Criminal Justice (EMCJS). Further details are provided in Appendix 1.

Collaboration Audits 2017/18	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
EMCHRS Learning & Development ¹	Final	Satisfactory		2	3	5
EMSOU Forensic Services ¹	Final	Significant			3	3
EMCHRS Occupational Health ¹	Final	Substantial			3	3
Criminal Justice (EMCJS) ¹	Final	Satisfactory		1	2	3
Total			-	3	11	14

¹Denotes those collaborative arrangements which Nottinghamshire are a part of.

03 Performance

3.1 The following table details the Internal Audit Service performance for the year to date measured against the key performance indicators that were set out within Audit Charter.

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

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 meeting of the JASP:

Core Financial Systems

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

Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	6
Priority 3 (Housekeeping)	4

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

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

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

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

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

- 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.
- MFSS should review the process for removing leavers from the system to ensure that it is completed in a timely manner.
- MFSS should ensure that once invoices are received they are paid in a timely manner.
- MFSS should review the cases highlighted by audit and take appropriate debt collections actions to try and collect the outstanding debts.
- MFSS should investigate the instance highlighted and ensure 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.
- The Force should ensure that it is clearly communicated to staff that they need to attach supporting documentation for expenses claims to be paid.
The Force should consider carrying out a spot check on a random sample of expenses, in addition to the current checks carried out, to confirm compliance with the Expenses Policy, highlighting areas of non-compliance to ensure lessons are learnt.

We also raised four housekeeping issues with regards net pay account reconciliations, bank reconciliations, payroll performance data and checks on new suppliers.

Management confirmed that all actions have either been implemented or will be actioned by May 2018.

Procurement Follow-up

Assurance Opinion	Satisfactory (Force)
	Satisfactory (MFSS)

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

The audit determined the extent to which agreed recommendations have been implemented and assessed what mitigating controls are in place where no changes have been made in view of the previously identified weaknesses.

The above objective were assessed in light of the audit objectives set out in the 2015/16 and 2016/17 internal audit terms of reference; these being:

- Policies, procedures and guidance are in place to ensure officers and staff are aware of the process for purchasing goods and services.
- Purchasing authority levels are clearly defined and adhered to.
- All purchases over £25,000 are managed by the East Midlands Strategic Commercial Unit (EMSCU).
- Purchases are supported by sufficiently detailed and authorised business cases where appropriate.
- All procurement below £25,000 is authorised locally, with purchase orders raised and with quotations and tenders sought where appropriate.
- Purchases below the £25,000 threshold are monitored to ensure compliance with local financial and procurement regulations and that best value is being achieved.
- National frameworks are used where it is appropriate to do so and best value is considered when making this decision.
- Value for money is considered and decisions regarding this are documented during the procurement process.

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

- EMSCU staff should be reminded of the need to upload signed documentation to Crystal for all contracts that are finalised. Wherever possible, original documentation should also be requested when existing contracts are extended. Dip sampling should be completed by EMSCU to ensure that documents are being uploaded to crystal as required. (EMSCU Responsibility)
- A further 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 appropriate quotes or details of related contracts. Consideration should be given to completing dip samples to ensure compliance with Contract Procedure Rules. (Local Responsibility)
- EMSCU should conduct detailed analysis of the quarterly supplier spend reports that are provided by Finance to identify any suppliers where a contract would be beneficial and could deliver value for money. (Local & EMSCU Responsibility)
- Finance should engage MFSS to ensure exception reports are provided on a regular basis. Possible reports could include: Duplicate invoices; Changes to bank details; Split invoices; Invoices paid with no PO; and New suppliers. Finance should review these exception reports to identify any errors within the finance system or possible fraudulent activity. (Local Responsibility)

We also raised two housekeeping issues with regards policies and procedures, and cleansing of supplier records.

Management confirmed that all actions would be implemented by the end of January 2018.

Road Safety Partnership

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

As an addition to the agreed Internal Audit Plan for 2017/18 for the Office of the Police and Crime Commissioner for Nottinghamshire (OPCC) and Nottinghamshire Police, we undertook an audit of the controls and processes in place for the management of expenditure with regards the Road Safety Partnership (RSP).

Our audit considered the following area objectives:

- Expenditure incurred in respect of the RSP is legitimate and contributes to the overall objectives of the RSP.
- There is a robust and approved Strategy that underpins the RSP, including what would be counted as legitimate expenditure.
- There are clear and documented approval routines for incurring expenditure and expenditure in respect of the RSP is being approved at the appropriate level.

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

Recommendation 1	<p>The RSP Strategy should be reviewed and updated to ensure that it is aligned with the aims and objectives of its partners.</p> <p>The Strategy should explicitly set out the roles and responsibilities of partners and, in particular, the management of the RSP's finances and each partners responsibilities for joint funded activities.</p>
Finding	<p>RSP Strategy</p> <p>The RSP Strategy defines the objectives of the partnership. Audit noted that the strategy had last been reviewed on 9th May 2008. The strategy was reviewed by audit which confirmed that it did not clearly define roles and responsibilities of partners in regards to managing the RSP's finances and how joint funding of activities would be achieved. A date of next review was not included.</p>
Response	<p>There is a review underway within the force, being led by the DCC. All partners should be involved in formulating the strategy.</p>
Timescale	<p>DCC / June 2018</p>

Recommendation 2	The review of the Strategy / Terms of Reference of the Partnership Board should include an analysis of its membership, ensuring that those who attend, and therefore make decisions, are of sufficient seniority and have delegated approval to make such decisions.
Finding	<p>RSP Governance</p> <p>The RSP Strategy sets out the aims and objectives of the Partnership. Within the Strategy it makes reference to who makes up the Partnership and how the Board will be comprised. It states that <i>"the partnership will comprise a board to establish high-level priorities and strategy. Representatives from partnership organisations will be managers with lead responsibilities for casualty reduction activities in their respective organisations."</i></p> <p>The Strategy does not specifically refer to the delegated responsibilities of the Board and those who make up the Board.</p>
Response	Agreed.
Timescale	DCC / June 2018

Recommendation 3	A corrective action plan should be put in place to determine the income and expenditure of the partnership to ensure that a budget deficit for 2017/18 does not occur.
Finding	<p>RSP Budget Deficit</p> <p>The RSP had a budget deficit of £370,168.21 for 2016/17. As a result, the RSP drew down on its reserve fund for this same amount, reducing the fund to £1,059,097.37. The RSP no longer receives funding from Nottinghamshire City Council and County Council and must ensure that it is entirely self-funded. The Force presently provides, on an annual basis, £129,000 and £129,689 to the City Council and County Council respectively for road safety educational posts. It was identified through discussions with the Senior Management Accountant that the Force is presently in negotiations with the City Council and County Council to reduce these payments.</p>
Response	Agreed.
Timescale	Head of Finance / March 2018

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

- Clear guidance should be produced, and communicated to the relevant staff / officers, with regards what is deemed to be relevant expenditure and can be charged to the partnership budget.
- The RSP should be required to produce an annual report which, amongst other things, sets out actual performance against its strategic aims, and provides a transparent record of expenditure made against the partnership budget.

Management confirmed that both recommendations will be implemented by May 2018.

East Midlands Criminal Justice Service (EMCJS)

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

The East Midlands Criminal Justice Service (EMCJS) is a four force collaboration between Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire Police. The Collaboration Unit formed as a four Force collaboration in April 2015 when each force agreed to progress with a regional approach to criminal justice.

The Criminal Justice Unit aims to support each regional force through the delivery of a number of services, including:

- Custody Function – provision of trained custody sergeants and civilian detention officers to maintain custody for detainees;
- Custody Audit Compliance – EMCJS undertake its own compliance regime;
- File Administration – EMCJS will provide a service for file receipt and file transfers between investigators and the CPS;
- Warrant Management; and
- Secretariat support for the East Midlands Criminal Justice Board.

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

- A Section 22 agreement is in place that clearly sets out the decision making and governance framework that is in place;
- A clearly defined Business Plan is in place that sets out the statutory duties, objectives and the key performance indicators for the services to be provided;
- The Business Plan is set in line with the Section 22 agreement and it is regularly reviewed to ensure it remains 'fit for purpose';
- There are effective reporting processes in place to provide assurances to the Forces on the performance of the unit;
- Value for money considerations are regularly reviewed and reported to the Forces; and
- The unit has procedures in place to ensure that risks are identified, assessed recorded and managed appropriately.

We also raised one priority 2 recommendation where we believe there is scope for improvement within the control environment. This related to the following:

- The Unit should ensure that business plans are signed off in a timely manner prior to the start of the period they are intended to cover. The Unit should adopt a three year plan in addition to its annual plan to ensure that it complies with the Section 22 agreement and that relevant planning into the future is considered.

We also raised two priority 3 recommendations of a housekeeping nature. These were in respect of terms of reference for governance forums and the review and update of policies and procedures.

Management confirmed that these recommendations will be actioned by April 2018.

Appendix A2 Internal Audit Plan 2017/18

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JASP	Comments
Core Assurance					
Core Financial Systems	Oct 2017	Nov 2017	Jan 2018	Mar 2018	Final report issued.
Procurement Follow-up	Sept 2017	Sept 2017	Jan 2018	Mar 2018	Final report issued.
Strategic & Operational Risk					
Implementation of DMS	Mar 2018			May 2018	Scheduled to start 26 th March.
Counter Fraud Review	Oct 2017	Jan 2018		May 2018	Draft report issued.
Workforce Planning	May 2017	June 2017	Sept 2017	Sept 2017	Final report issued.
Seized & Found Property	May 2017	June 2017	Oct 2017	Sept 2017	Final report issued.
Information Technology Strategy	Oct 2017			N/A	Audit deferred to 2018/19.
Estates Management	July 2017	July 2017	Aug 2017	Sept 2017	Final report issued.
Fleet Management	July 2017	July 2017	Aug 2017	Sept 2017	Final report issued.
Other					
PEEL Review Action Plan	July 2017	Aug 2017	Aug 2017	Sept 2017	Final report issued.
Road Safety Partnership	Sept 2017	Oct 2017	Jan 2018	Mar 2018	Final report issued.

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JASP	Comments
Collaboration					
EMCHRS Learning & Development	Aug 2017	Aug 2017	Sept 2017	Dec 2017	Final report issued.
EMCHRS Occupational Health	Oct 2017	Nov 2017	Nov 2017	Dec 2017	Final report issued.
EMSOU Forensic Services	Sept 2017	Oct 2017	Oct 2017	Dec 2017	Final report issued.
Criminal Justice (EMCJS)	Dec 2017	Jan 2018	Jan 2018	Mar 2018	Final report issued.
POCA	Jan 2018			May 2018	Work in progress.

Appendix A3 – Definition of Assurances and Priorities

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

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

Appendix A4 - Contact Details

Contact Details

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A5 Statement of Responsibility

Status of our reports

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

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

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

For Information and Decision	
Public/Non Public*	Public
Report to:	Audit and Scrutiny Panel
Date of Meeting:	March 2018
Report of:	Chief Finance Officer
Report Author:	Charlotte Radford
Other Contacts:	Andrew Cardoza KPMG
Agenda Item:	9

EXTERNAL AUDIT PLAN 2017/18

1. Purpose of the Report

- 1.1 To provide members with the proposed External Audit Plan covering the audit of the Accounts for 2017-18.

2. Recommendations

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

3. Reasons for Recommendations

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

4. Summary of Key Points

- 4.1 The External Auditor has assessed the required time to complete the audit for the accounts for 2017-18.

5. Financial Implications and Budget Provision

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

6. Human Resources Implications

- 6.1 None

7. Equality Implications

- 7.1 None

8. Risk Management

8.1 Any change of the financial management system is always identified as a risk. The move to Oracle Fusion is currently under close scrutiny.

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

9.1 None

10. Changes in Legislation or other Legal Considerations

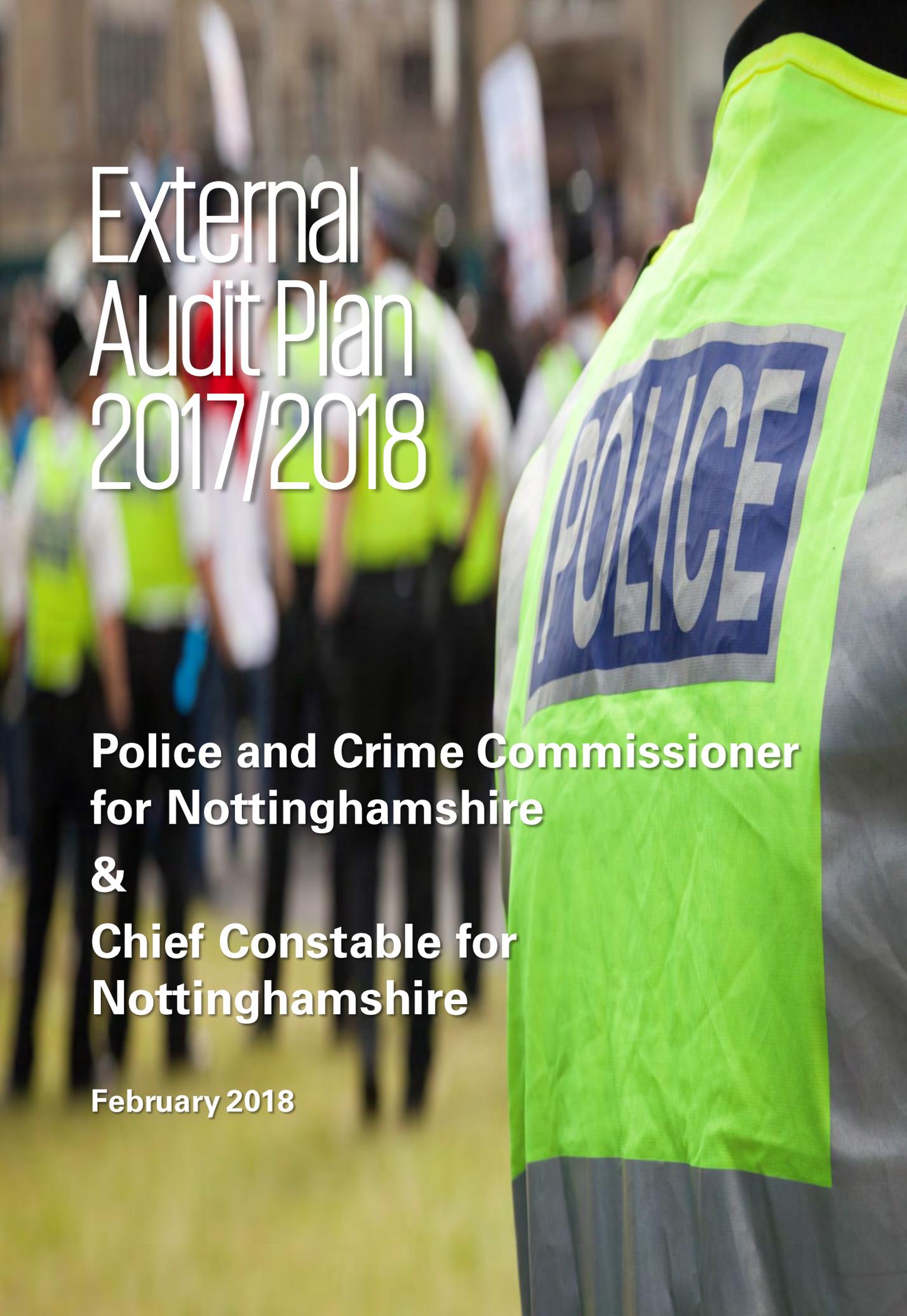
10.1 None

11. Details of outcome of consultation

11.1 Not applicable

12. Appendices

A – External Audit Plan



External Audit Plan 2017/2018

**Police and Crime Commissioner
for Nottinghamshire
&
Chief Constable for
Nottinghamshire**

February 2018

Summary for Joint Audit Risk and Assurance Committee (JASP)

Financial statements

There are no significant changes to the Code of Practice on Local Authority Accounting ("the Code") in 2017/18, which provides stability in terms of the accounting standards local authority bodies need to comply with. Despite this, the deadline for the production and signing of the financial statements has been significantly advanced in comparison to year ended 31 March 2017.

This represents a significant change for the Police and Crime Commissioner and Chief Constable and will need to be carefully managed in order to ensure the new deadlines are met. As a result we have recognised a significant risk in relation to this matter.

In order to meet the revised deadlines it will be essential that the draft financial statements and all prepared by client documentation is available in line with agreed timetables. Where this is not achieved there is a significant likelihood that the audit report will not be issued by 31 July 2018.

Materiality

Materiality for planning purposes has been set at £3.3million for both the Police and Crime Commissioner and the Chief Constable.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at a level of £160,000 for both the Police and Crime Commissioner and the Chief Constable.

Significant risks

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

- **Pension Liabilities** – The valuation of the Police and Crime Commissioner and Chief Constable's pension liabilities, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We will review the processes in place to ensure accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation.
- **Valuation of PPE** – Whilst the Police and Crime Commissioner and Chief Constable operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We will consider the way in which the PCC and CC ensures that assets not subject to in-year revaluation are not materially misstated.
- **Faster Close** – As set out above, the timetable for the production of the financial statements has been significantly advanced with draft accounts having to be prepared by 31 May (2017: 30 June) and the final accounts signed by 31 July (2017: 30 September). We will work with the Police and Crime Commissioner and Chief Constable in advance of our audit to understand the steps being taken to meet these deadlines and the impact on our work.

Summary for Joint Audit and Assurance Committee (cont.)

Financial Statements (cont.)

Other areas of audit focus

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

- **Management review of Accounts** – The draft set of accounts provided for audit are required to be fully compliant with the code and have undergone management review and necessary amendment for any known errors prior to the deadline dates and submission to the auditor. The draft accounts should match the Big Red Button with amendments made in the BRB system. We will work with the Police and Crime Commissioner and Chief Constable in advance of our audit to understand the steps being taken to meet these deadlines and the impact on our work

See pages 4 to 11 for more details.

Value for Money Arrangements work

Our risk assessment regarding your arrangements to secure value for money has identified the following VFM significant risk to date:

- **Medium Term Financial Planning** – The Police and Crime Commissioner and Chief Constable continue to face significant financial pressures and uncertainties in relation to its future funding levels with grant allocations for future years not yet being published. The Police and Crime Commissioner and Chief Constable need to have effective arrangements in place for managing their annual budgets, generating income and identifying and implementing any savings required to balance its medium term financial plan. We will consider the way in which the Police and Crime Commissioner and Chief Constable identify, approve, and monitor both savings plans and how budgets are monitored throughout the year.

See pages 12 to 16 for more details.

Logistics

Our team is:

- Andrew Cardoza – Director
- Anita Pipes – Manager

More details are in **Appendix 2**.

Our work will be completed in four phases from December to July and our key deliverables are this Audit Plan, an Interim Report/Letter and a Report to Those Charged With Governance as outlined on **page 19**.

Our fee for the 2017/18 audit of the Police and Crime Commissioner is £35,220 (£35,220 2016/17) and for that of the Chief Constable £15,000 (£15,000 2016/17).

See page 18. These fees are in line with the scale fees published by PSAA.

Acknowledgements

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

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2017/18 presented to you in April 2017, which also set out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

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

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

01 | Financial statements :
Providing an opinion on your accounts. We also review each Annual Governance Statement and Narrative Report and report by exception on these; and

02 | Use of resources:
Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary. Any change to our identified risks will be reported to the JASP.

Financial Statements Audit

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



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a six stage process which is identified below. Page 12 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2017/18 and the findings of our VFM risk assessment.



Financial statements audit planning

Financial Statements Audit Planning

Our planning work takes place during December 2017 to January 2018. This involves the following key aspects:

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of management's use of experts; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

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

Management override of controls

01

Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

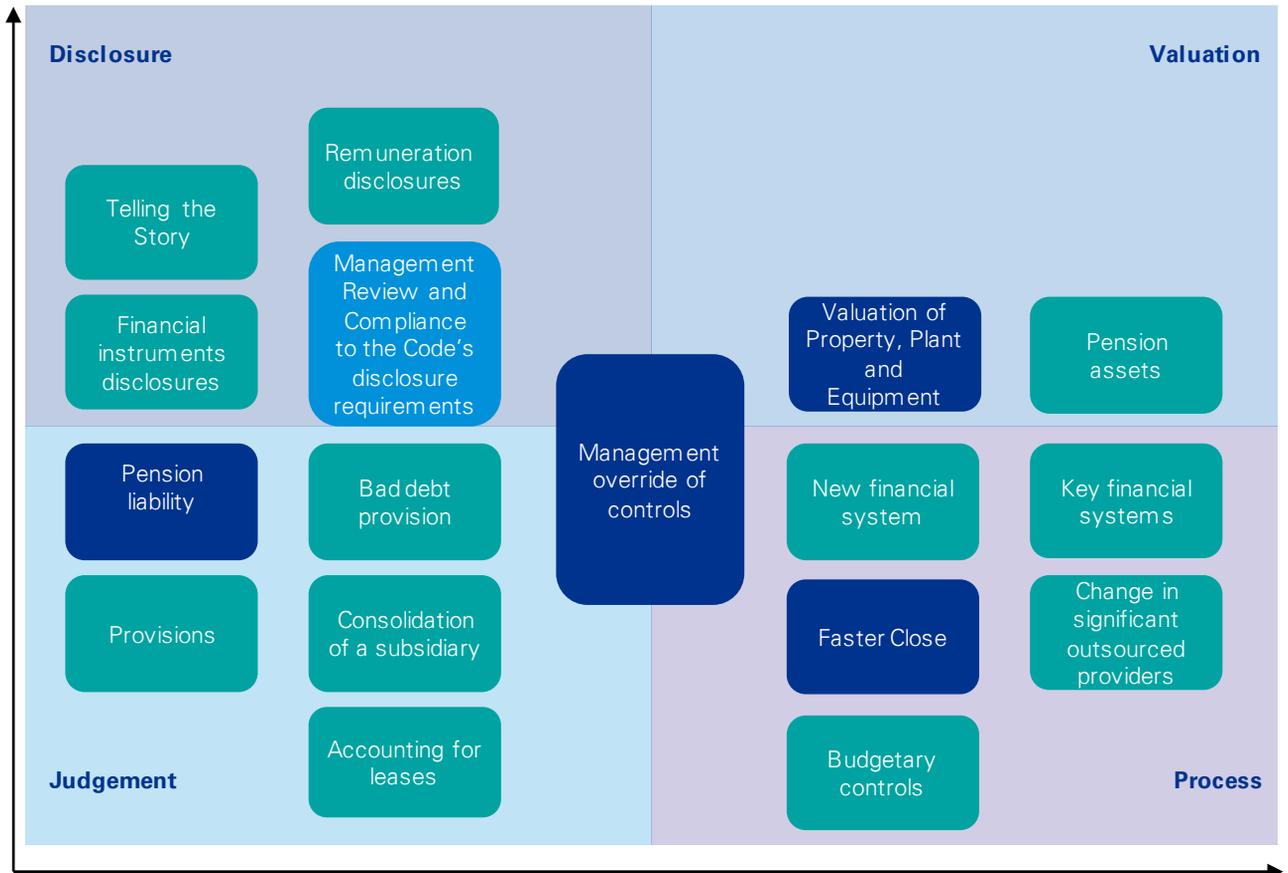
Fraudulent revenue recognition

02

We do not consider this to be a significant risk for the Police and Crime Commissioner and Chief Constable as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

Financial statements audit planning (cont.)

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



Keys: ■ Significant risk ■ Other area of audit focus ■ Example other areas considered by our approach

Financial statements audit planning (cont.)

Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Police and Crime Commissioner or Chief Constable.

Pension Liabilities

Risk:

The net pension liability represents a material element of the Police and Crime Commissioner and Chief Constable's balance sheets.

The valuation of the pension liabilities rely on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the overall valuations.

There are financial assumptions and demographic assumptions used in the calculations of the valuations, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Police and Crime Commissioner and Chief Constable's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodologies used in the valuations of the Police and Crime Commissioner and Chief Constable's pension obligations are not reasonable. This could have a material impact to net pension liabilities accounted for in the financial statements.

Approach:

As part of our work we will review the controls in place over the information sent directly to the schemes' actuary. We will also liaise with the auditors of the Local Government Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This will include consideration of the process and controls with respect to the assumptions used in the valuation. We will also evaluate the competency, objectivity and independence of Hymans Robertson.

We will review the appropriateness of the key assumptions included within the valuation, compare them to expected ranges, and consider the need to make use of a KPMG actuary. We will review the methodology applied in the valuation by Hymans Robertson.

In addition, we will review the overall actuarial valuations and consider the disclosure implications in the respective financial statements of the Police and Crime Commissioner and Chief Constable.

Financial statements audit planning (cont.)

Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Police and Crime Commissioner or Chief Constable.

Valuation of PPE

Risk:

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Police and Crime Commissioner and Chief Constable have adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years.

This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. In addition, as the valuation is undertaken as at the end of December there is a risk that the fair value is different at the year end.

Approach:

We will review the approach that the Police and Crime Commissioner and Chief Constable have adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. We will also assess the risk of the valuation changing materially during the year.

In addition, we will consider movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.

In relation to those assets which have been revalued during the year we will assess the valuer's qualifications, objectivity and independence to carry out such valuations and review the methodology used (including testing the underlying data and assumptions).

Financial statements audit planning (cont.)

Significant Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Police and Crime Commissioner or Chief Constable

Faster Close

Issue:

In prior years, the Police and Crime Commissioner and Chief Constable have been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.

These changes represent a significant change to the timetables that the Police and Crime Commissioner and Chief Constable have previously worked to. The time available to produce draft accounts has been reduced by one month and the overall time available for completion of both accounts production and audit is two months shorter than in prior years.

In order to meet the revised deadlines, the Police and Crime Commissioner and Chief Constable may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:

- Ensuring that any third parties involved in the production of the accounts (including valuers, and actuaries) are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this;
- Revising the closedown and accounts production timetables in order to ensure that all working papers and other supporting documentation are available at the start of the audit process;
- Ensuring that the JASP meeting schedules have been updated to permit signing in July; and
- Applying a shorter paper deadline to the July meeting of the JASP in order to accommodate the production of the final versions of the accounts and our ISA 260 report.

In the event that the above areas are not effectively managed there is a significant risk that the audits will not be completed by the 31 July deadline.

Approach:

We will continue to liaise with officers in preparation for our audit in order to understand the steps that the Police and Crime Commissioner and Chief Constable are taking in order to ensure they meet the revised deadlines. We will also look to advance audit work into the interim visit in order to streamline the year end audit work.

Where there is greater reliance upon accounting estimates we will consider the assumptions used and challenge the robustness of those estimates.

Financial statements audit planning (cont.)

Other areas of audit focus

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

Management Review of Accounts

Issue:

In 2016-17 Nottinghamshire PCC and CC were a pilot site for the new CIPFA financial system known as the Big Red Button. Our ISA 260 report for 2016/17 highlighted a number of challenges with the statement of accounts provided for audit last year.

The initial draft statement of accounts provided for audit was not code compliant and we identified a number of issues with version control and timely management review of the accounts.

We understand that recommendations made in the ISA 260 report will be actioned.

In order to meet the earlier deadlines this year the S151 officers of the PCC and CC will need to ensure the Big Red Button has been updated correctly with all prior year adjustments and supports the figures presented for audit. The draft statement will need to be code compliant and a full and detailed management review will be required prior to the audit. All working papers will need to be in line with the statement of accounts and updated as necessary when changes are made in the Big Red Button.

In the event that the above areas are not effectively managed there is a significant risk that the audits will not be completed by the 31 July deadline.

Approach:

We will continue to liaise with officers in preparation for our audit in order to understand the steps that the Police and Crime Commissioner and Chief Constable are taking in order to ensure they meet the requirements of the code and that they have reviewed and amended the accounts prior to the first draft being submitted to auditors by the required deadline. We will also look to advance audit work into the interim visit in order to streamline the year end audit work.

Financial statements audit planning (cont.)

Materiality

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

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

For both the Police and Crime Commissioner and the Chief Constable, materiality for planning purposes has been set at £3.3 million, which equates to 1.5 percent of the Chief Constables gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Prior Year Gross Expenditure: £221m (2016/17: £221m)

Materiality

£3.3m

1.5% of Expenditure

(2016/17: £3.3m,
1.5%)



Financial statements audit planning (cont.)

Reporting to the Joint Audit and Scrutiny Panel (JASP)

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

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

In the context of both the Police and Crime Commissioner and Chief Constable, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £160,000.

If management has corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the JASP to assist it in fulfilling its governance responsibilities.

We will report:



Non-Trivial corrected audit misstatements



Non-trivial uncorrected audit misstatements



Errors and omissions in disclosure
(Corrected and uncorrected)

Value for money arrangements work

VFM audit approach

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

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

Overall criterion

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

The VFM approach is fundamentally unchanged from that adopted in 2016/17 and the process is shown in the diagram below. The diagram overleaf shows the details of the sub-criteria for our VFM work.



Value for money arrangements work (cont.)

Value for Money sub-criterion

Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for money arrangements work (cont.)

VFM audit stage



VFM audit risk assessment

Audit approach

We consider the relevance and significance of the potential business risks faced by all local authority bodies, and other risks that apply specifically to the Police and Crime Commissioner and Chief Constable. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the *Code of Audit Practice*.

In doing so we consider:

- The Police and Crime Commissioner and Chief Constable's own assessment of the risks it faces, and its arrangements to manage and address its risks;
- Information from Her Majesty's Inspectorate of Constabulary and Fire & Rescue Service VFM profile tool;
- Evidence gained from previous audit work, including the response to that work; and
- The work of other inspectorates and review agencies.



Linkages with financial statements and other audit work

Audit approach

There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the organisational control environment, including the financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.

We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.



Identification of significant risks

Audit approach

The Code identifies a matter as significant '*if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.*'

If we identify significant VFM risks, then we will highlight the risk to the Police and Crime Commissioner and Chief Constable and consider the most appropriate audit response in each case, including:

- Considering the results of work by the Police and Crime Commissioner and Chief Constable, inspectorates and other review agencies; and
- Carrying out local risk-based work to form a view on the adequacy of the Police and Crime Commissioner and Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Value for money arrangements work (cont.)

VFM audit stage



Assessment of work by other review agencies, and Delivery of local risk based work

Audit approach

Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.

We will also consider the evidence obtained by way of our financial statements audit work and other work already undertaken.

If evidence from other inspectorates, agencies and bodies is not available and our other audit work is not sufficient, we will need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:

- Additional meetings with senior managers;
- Review of specific related minutes and internal reports; and
- Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.



Concluding on VFM arrangements

Audit approach

At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Police and Crime Commissioner and Chief Constable's arrangements for securing economy, efficiency and effectiveness in the use of resources.

If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.



Reporting

Audit approach

On the following page, we report the results of our initial risk assessment.

We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.

The key output from the work will be the VFM conclusion (i.e. our opinion on the arrangements for securing VFM), which forms part of our audit report.

Value for money arrangements work (cont.)

Significant VFM Risks

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

Risk:	Medium Term Financial Planning <p>The Police and Crime Commissioner and Chief Constable identified the need to make efficiency savings of £1.3 million in 2017/18 in addition to ongoing pay savings of £4.2m. The current forecast shows that they will deliver an underspend of approximately £2.1 million for the financial year for the force and that the OPCC will deliver a balanced budget.</p> <p>The overall budget was approved by the Police and Crime Commissioner in February 2017 and recognised a need for £1.3million in savings. The approved budget includes individual proposals to support the delivery of the overall savings requirement. Further savings of £7 million will be required over the period 2018 to 2020 to principally address future reductions to funding levels alongside service cost and demand pressures. As a result, the need for savings will continue to have a significant impact on the Police and Crime Commissioner and Chief Constable’s financial resilience.</p> <p>There is no plan to use reserves to support the 2017-18 expenditure and the overall aim is to return £10.1m to reserves in the medium to long term.</p>
Approach:	As part of our additional risk based work, we will review the controls the Police and Crime Commissioner and Chief Constable have in place to ensure financial resilience, specifically that the Medium Term Financial Plan has duly taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors.
VFM Sub-criterion:	This risk is related to the following Value For Money sub-criterion: — Sustainable resource deployment.

Other matters

Whole of government accounts (WGA)

We are required to issue an assurance statement to the National Audit Office confirming the income, expenditure, asset and liabilities of the Police and Crime Commissioner and Chief Constable at a group level. Deadlines for completion of this for 2017/18 have not yet been confirmed.

Elector challenge

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

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

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

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



Other matters

Reporting and communication

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

Independence and Objectivity

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

Audit fee

Our Audit Fee Letter 2017/18 presented to you in April 2017 first set out our fees for the 2017/18 audit. This letter also set out our assumptions. We have not considered it necessary to seek approval for any changes to the agreed fees at this stage.

Should there be a need to charge additional audit fees then these will be agreed with the respective s.151 Officers and PSAA. If such a variation is agreed, we will report that to you in due course.

The planned scale audit fees for 2017/18 are:

- Police and Crime Commissioner : £35,220, compared to 2016/17 of £35,220; and
- Chief Constable : £15,000, compared to 2016/2017 of £15,000.

Appendix 1:

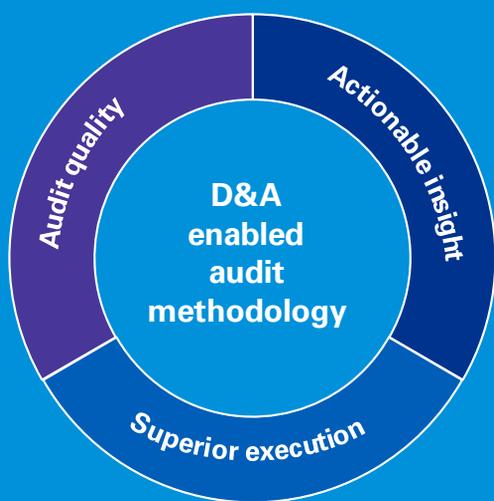
Key elements of our financial statements audit approach

Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. Data and Analytics allows us to:

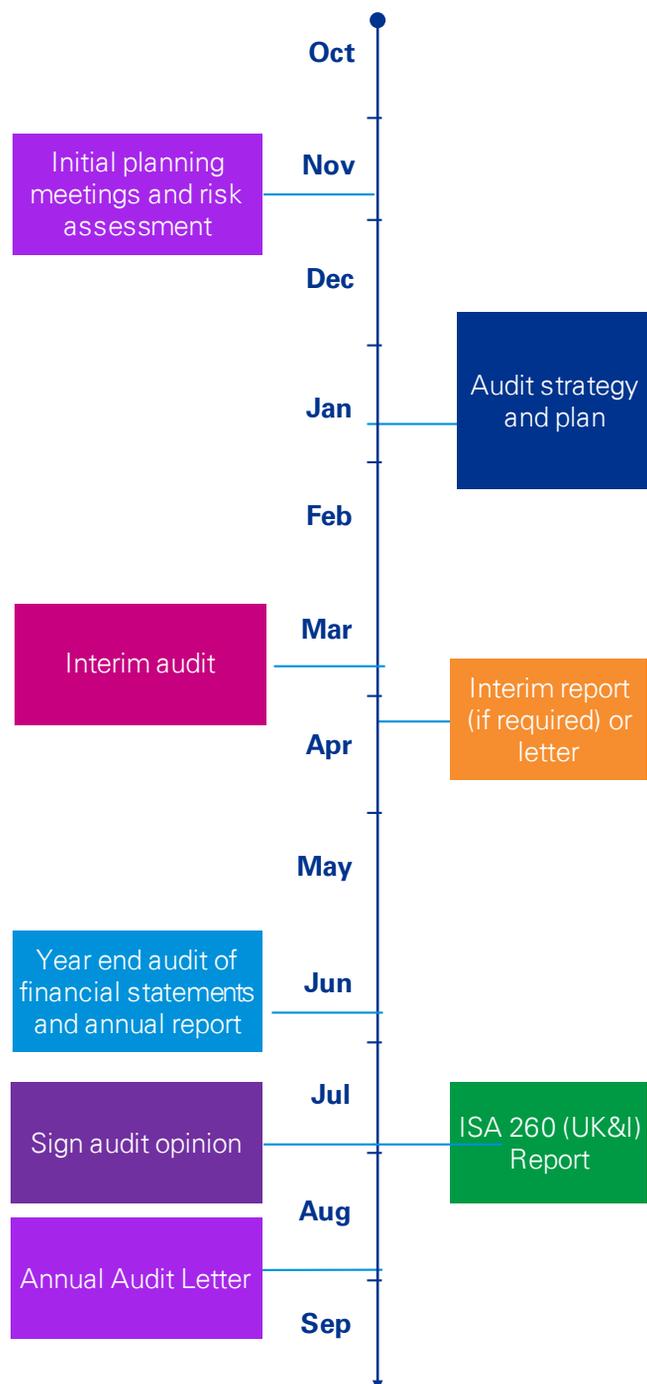
- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around journals.



Communication

Continuous communication involving regular meetings between the, Senior Management and audit team. JASP.



Appendix 1:

Key elements of our financial statements audit approach

Audit workflow

Planning

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of managements use of experts; and
- Issuing this audit plan to communicate our audit strategy.

Control evaluation

- Understand accounting and reporting activities;
- Evaluate design and implementation of selected controls;
- Test operating effectiveness of selected controls; and
- Assess control risk and risk of the accounts being misstated.

Substantive testing

- Plan substantive procedures;
- Perform substantive procedures; and
- Consider if audit evidence is sufficient and appropriate

Completion

- Perform completion procedures;
 - Perform overall evaluation;
 - Form an audit opinion; and
 - JASP reporting.
-



Appendix 2:

Audit team

Your audit team has been drawn from our specialist public sector assurance department. Our audit team were all part of the Police and Crime Commissioner and Chief Constable audits last year.



Andrew Cardoza
Director

T: 0121 232 3869
E: andrew.cardoza@kpmg.co.uk

'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion. I will be the main point of contact for the JASP and Chief Finance Officers.'



Anita Pipes
Manager

T: 0115 945 4481
E: anita.pipes@kpmg.co.uk

'I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'

Appendix 3:

Independence and objectivity requirements

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF POLICE AND CRIME COMMISSIONER FOR NOTTINGHAMSHIRE AND CHIEF CONSTABLE FOR NOTTINGHAMSHIRE

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Ltd's ('PSAA's') Terms of Appointment relating to independence and the requirements of the FRC Ethical Standard and General Guidance Supporting Local Audit (Auditor General Guidance 1 – AGN01) issued by the National Audit Office ('NAO').

This Appendix is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the Police and Crime Commissioner, Chief Constable and its affiliates for professional services provided by us during the reporting period.

There are no fees in relation to the provision of non-audit services which need to be disclosed to the JASP.

Appendix 3:

Independence and objectivity requirements (cont.)

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the JASP.

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Director and audit staff is not impaired.

This report is intended solely for the information of the JASP of the Police and Crime Commissioner and Chief Constable and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

KPMG LLP

KPMG LLP



kpmg.com/uk



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

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Cardoza, the engagement lead to the Police and Crime Commissioner and Chief Constable, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ. © 2017 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

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