

**OFFICE OF THE POLICE & CRIME COMMISSIONER FOR HUMBERSIDE/
HUMBERSIDE POLICE**

JOINT INDEPENDENT AUDIT COMMITTEE

Monday, 20 March 2023 - 10.00AM

**Office of the Police and Crime Commissioner, The Lawns, Harland Way, Cottingham,
HU16 5SN**

A G E N D A

Business		Lead	Primary Action Requested
1. Minutes of meeting 12 December 2022	Pages (1 - 3)	Chair	To approve
2. JIAC Action Schedule	Pages (4 - 8)	Chair	To receive
3. Annual Cycle of Business 2022/23	Page (9)	Chief Finance Officer (OPCC) & Head of Finance and Business Services (HP)	To receive
<u>External Audit</u>			
4. Audit Annual Report 2021/22	Pages (10 - 40)	Mazars	To receive
<u>Internal Audit</u>			
5. Progress Reports	Pages (41 - 48)	West Yorkshire Police (Internal Audit)	To receive
6. Annual Audit Plan 2023/24	Pages (49 - 59)	West Yorkshire Police (Internal Audit)	To receive
<u>Finance</u>			
7. Treasury Management Strategy 2023/24	Pages (60 - 91)	Chief Finance Officer (OPCC)	To receive
<u>Force Update</u>			
8. Draft Annual Governance Statement 2022/23	Pages (92 - 106)	Assurance Manager (OPCC) & Head of Finance and Business Services (HP)	To receive
9. Declarations of Gifts, Hospitality & Sponsorship	Verbal	Chief Finance Officer (OPCC)	To receive
10. Force Complaints Update	Verbal	Statutory Operations Manager (OPCC)	To receive
11. Feedback from the Force HMICFRS Assurance Group	Verbal	JIAC Members	To receive
<u>Other Business</u>			
12. Any Other Business	-	Chair	-

HUMBERSIDE POLICE/OFFICE OF THE POLICE & CRIME COMMISSIONER**JOINT INDEPENDENT AUDIT COMMITTEE****MONDAY, 12 DECEMBER 2022****Office of the Police and Crime Commissioner, The Lawns, Harland Way, Cottingham,
HU16 5SN****PRESENT****Members:**

James Doyle (Chair), Chris Brown, Pam Jackson (attended remotely), and Kathryn Lavery (attended remotely)

Officers:Humberside Police (HP)

Paul Anderson - Deputy Chief Constable, David Breed - Head of Information Systems, Scot Dunn - Head of IT, Jim Wright - Head of Finance and Business Services, (HP)

Office of Police and Crime Commissioner (OPCC)

Jonathan Evison - Police and Crime Commissioner, Kevin Wilson - Chief Finance Officer

Auditors

Gavin Barker (External Audit), Louise Stables (External Audit) and Neil Rickwood (Internal Audit)

Committee Manager

Rob Close

48/22 MINUTES OF 26 SEPTEMBER 2022 – Agreed - That the minutes of the meeting held on 26 September 2022 be confirmed as a correct record.

The Committee was advised by the Head of IT that, in relation to minute number 43/22, a number of tools were in place to test data recovery following catastrophic failure in quarters one and two of the next calendar year. Early indications suggested however that all data would be recoverable within 24 hours.

49/22 JIAC ACTION SCHEDULE - Received - That the Action Schedule be received.

50/22 ANNUAL CYCLE OF BUSINESS 2022/23 - Agreed - That the Annual Cycle of Business 2022/23 be received.

51/22 TIMETABLE OF MEETINGS - Agreed - That the timetable of meetings of the Committee for the 2023/24 financial year be approved.

52/22 RISK REGISTERS - The Committee received the Risk Registers presented by the Chief Finance Officer.

Agreed - That the Risk Registers be received.

53/22 AUDITOR'S ANNUAL REPORT - The Committee received the Auditor's Annual Report presented by Gavin Barker (Mazars).

The Committee was advised that the external audit opinions on the financial statement for both the Police and Crime Commissioner (PCC) the Chief Constable (CC) were unqualified. Group instructions were received from the National Audit Office in July 2022 in relation to Whole of Government Accounts. Mazars raised a query with the National Audit Office still outstanding. While it was not considered to necessarily materially change the report, Mazars were waiting until the National Audit Office's reply before formally closing the 2020/21 accounts. The accounts were currently published but uncertificated.

When determining if the PCC and CC made proper arrangements to secure economy, efficiency, and effectiveness in their use of resources, Mazars identified two recommendations for improvement. Both weaknesses related to the limited assurance controls from the shared service arrangements at CC but were considered to be improved upon. The progress made on both recommendations would be considered as part of the 2021/22 external audit.

Received - That the Auditor's Annual Report be received.

54/22 AUDITOR'S COMPLETION REPORT FOLLOW UP LETTER 2021/22 - The Committee received an update on the Auditor's Completion Report Follow Up Letter 2021/22 presented by Gavin Barker (Mazars).

The Committee was advised that, following late receipt of information delaying valuation of the Pension Fund, the Audit Completion Follow Up Letter was not yet available. This was a common issues throughout public sector organisations and few had been issued opinions. Work was ongoing though to reach a resolution and, as no further delays were anticipated, work was expected to be completed two weeks following the date of this meeting. It was noted however that, while there were not expected to be any issues at PCC or CC, lack of audit certification would be taken into account in challenge was made to either organisation's financial regularity.

Agreed – (a) That the update on the Auditor's Completion Report Follow Up Letter 2021/22 be received;

(b) That, once the follow up letter Auditor's Completion Report Follow Up Letter 2021/22 is available, it be shared via email to the GAS Committee for information prior to formal consideration of it at the next meeting.

55/22 PROGRESS REPORT - The Committee received the Progress Report presented by the Head of Audit. Progress on the Information System (IS) Audit Universe Workstream remained amber however IS committed to undertaking an organisational review including their target operating model. Additionally, a follow up exercise from previous audits was scheduled for quarter four relating to the previous limited assurance on organised crime groups.

The Committee were advised that the designated post vetting audit identified that those enhanced vetting processes were being applied beyond the expected level across the force. Additionally, some current post vetting, including two minimum vetting clearances, had fallen out of date as demand for a wider range of industries to be vetted increased.

Agreed – That the Progress Report be received.

56/22 TREASURY MANAGEMENT MID-TERM REVIEW - The Committee received the Treasury Management Mid-Term Review presented by Chief Finance Officer. Overall, the interest earned by the Commissioner was £41,060 from April to September 2022/23. Of the Prudential Indicators, Indicator one identified a small predicted overspend against the revised 2022/23 budget. Indicator two identified an expectation to internally borrow £130,335. Indicator four confirmed that the commissioner was well inside the operational boundary for external debt. Indicator seven identified a smooth maturity profile for borrowings.

Agreed – That the Treasury Management Mid-Term Review be received.

57/22 INFORMATION SYSTEMS UPDATE - The Committee received the Information Systems Update presented by Head of Information Systems (HP). The review of an IS operation model was on going with a number of options under consideration including a complete split between Humberside Police and West Yorkshire Police, retention of a small central team collaboratively between both forces, and outsourcing of the whole operation to a third party. Given the substantial investment already made into the IS service, the Head of Information Systems recommended the retention of a small shared central team with dedicated auxiliary staff available on for both forces. The viability of the recommended model would be explored through a detailed business case. Early speculative observations included the challenges of recruitment, affordability, and suitability. Generally, it was observed that the direction of travel for IS operation for police forces throughout the country was one focused on local internal service.

A review into performance of IS support for Humberside Police identified areas of weakness within the framework. Early observations indicated that the framework, prior to improvement, was not effectively proving a clear picture of service performance. In an effort to make improvements, the introduction of key performance indicators (KPIs) was made, including issues of availability and customer satisfaction. Those KPIs were accessible to senior management for scrutiny.

Agreed - That the Information Systems update be noted.

58/21 FEEDBACK FROM THE FORCE HMICFRS ASSURANCE GROUP - The Committee had received an update from Members that had attended the recent Assurance Group meetings. Attention for given to the outstanding grading given to Humberside Police following a recent peer review.



Agreed - That the update be noted.

ROLLING ACTION SCHEDULE OF JOINT INDEPENDENT AUDIT COMMITTEE - HUMBERSIDE POLICE/OFFICE OF POLICE & CRIME COMMISSIONER

Date of Meeting	Agenda Item	Minute Number	Action	Officer to Action	Complete/Update
12 December 2022	Auditor's Completion Report Follow Up Letter 2021/22	54/22	(b) That, once the follow up letter Auditor's Completion Report Follow Up Letter 2021/22 is available, it be shared via email to the GAS Committee for information prior to formal consideration of it at the next meeting.	Gavin Barker - External Audit	
26 September 2022	External Audit Completion Report	43/22	(b) that the Committee be updated in relation to the disaster recovery exercise referred to in the report; (c) that the Committee be updated on the actions arising from the report, and (d) that future reports contain more detailed management responses to recommendations.	Gavin Barker - External Audit	
20 June 2022	Strategic Risk Update	21/22	(e) that the full risk register be circulated to the Committee.	James Tabor - Strategic Planning Manager	Complete – the register was circulated.
20 June 2022	Internal Audit Progress Update	24/22	(b) that subsequent internal audit reports contain timelines for recommendations.	Neil Rickwood (West Yorkshire Police)	Complete – the report was updated at the 26 September meeting..
21 March 2022	Declarations of Gifts, Hospitality and Sponsorship	09/22	(a) That the Gifts and Hospitality form be amended to include an additional column to include who offered the gift/hospitality.	Paul Wainwright - Head of Assurance and Statutory Duties (OPCC)	Complete – this is now included.
21 March 2022	Declarations of Gifts, Hospitality and Sponsorship	09/22	(b) That the Chief Executive of the OPCC publish a separate register of interests form.	Paul Wainwright - Head of Assurance and Statutory Duties (OPCC)	Complete – register of interests completed annually.
13 December 2021	Numbers and Deployment of Additional Recruited Officers	56/21	That regular updates be provided to the Committee.	Emma Bowen - Head of People Services (HP)	Complete - added to annual cycle of business on a bi-annual basis
27 September 2021	Whistleblowing, Fraud and Anti-Bribery and Anti-Money Laundering Policy Updates	40/21	That the update be removed from annual cycle of business.	Gareth Naidoo - Committee Manager	Complete - annual cycle of business updated.
27 September 2021	OPCC Staff Register of Interests [Minutes of 19 July 2021 - reference to previous Minute 30/21]	36/21	That the staff register of interests of the OPCC be published on the OPCC website.	Clare Rex - Statutory Operations Manager (OPCC)	Complete - The staff register of interests is now published on the website: https://www.humberside-pcc.gov.uk/Transparency/Who-We-are-and-What-We-Do/Who-We-Are-and-What-We-Do.aspx
19 July 2021	Chief Constable & Police and Crime Commissioner Draft Financial Statements	30/21	Members also queried the role of the Chief Executive of the OPCC as a non-executive director on the Board of Ongo Partnership Limited: <ul style="list-style-type: none"> Duration to date of her role as non-executive director on the Board of Ongo Partnership Limited and whether it was a remunerated post; Any involvement in the £650,000 Safer Streets Grant Income awarded to Ongo Partnership Limited and whether this was recurring expenditure. <p><i>The Chief Finance Officer (OPCC) agreed to confirm the details of this with Members outside the meeting.</i></p>	Kevin Wilson - Chief Finance Officer (OPCC)	Complete - The Chief Executive of the OPCC wrote to the Chair following the meeting.
19 July 2021	Annual Cycle of Business 2021/22	29/21	That the items 'Decoupling of the joint HR function with South Yorkshire Police' and 'Update on the numbers of and deployment of additional recruited officer' be received at the next meeting (27 September 2021).	Emma Bowen - Head of People Services (HP)	Complete - included on the register for 13 December 2021.



ROLLING ACTION SCHEDULE OF JOINT INDEPENDENT AUDIT COMMITTEE - HUMBERSIDE POLICE/OFFICE OF POLICE & CRIME COMMISSIONER

Date of Meeting	Agenda Item	Minute Number	Action	Officer to Action	Complete/Update
7 June 2021	AOB - FOI request figures	26/21	That it be confirmed how and where Freedom of Information (FOI) request figures are disclosed.	James Tabor - Strategic Planning Manager (HP)	Complete - FOI disclosures are made via the website at this address: https://www.humberside.police.uk/what-weve-already-released-under-foi
7 June 2021	Risk Register Report	20/21	That the item 'Police Legitimacy' be included on a future meeting agenda.	James Tabor - Strategic Planning Manager (HP)	Complete - an update was provided to the Committee at its meeting of 13 December 2021.
7 June 2021	PCC Register of Interest	17/21	That regarding the publication of the PCC's Register of Interest (Minute 7/21 'Declarations of Gifts, Hospitality and Sponsorship'), it be clearly stated on the website that it has been updated annually.	Paul Wainwright - Head of Assurance and Statutory Duties (OPCC)	Complete - the OPCC reviews the publication of the Register of Interests annually and this is made clear on the website.
22 March 2021	CIPFA Financial Management Code	9/21	That the significant compliance demonstrated by the self-assessment against the FM Code be noted and that the areas of partial compliance be developed further during 2021/22	Kevin Wilson - Chief Finance Officer (OPCC)	Complete - an update was provided to the Committee at its meeting of 13 December 2021.
22 March 2021	Treasury Management Strategy Statement 2021/22	8/21	(a) That a paragraph be added to reference potential impact of public sector pay. (b) That the Strategy Statement be updated to reflect the latest budget and reference to the extended furlough schemes.	Kevin Wilson - Chief Finance Officer (OPCC)	Complete - Strategy updated to reflect these requests.
22 March 2021	Declarations of Gifts, Hospitality and Sponsorship	7/21	It was noted that the PCC Register of Interest only detailed interests since taking up office in 2016 and was queried whether this should be updated annually. It was agreed that the Chief Finance Officer would look into this matter further.	Kevin Wilson - Chief Finance Officer (OPCC)	Complete - the register is reviewed annually, but this is unclear on the website. The website has been updated to make this clear.
22 March 2021	Draft Annual Governance Statement - Chief Constable	5/21	The Head of Finance and Business Services/S.151 Officer (HP) agreed to check if a good level of custody support had been maintained over the last year.	Jim Wright - Head of Finance and Business Services/S.151 Officer (HP)	Complete - There has been no shortfall in custody support during the pandemic. Support has been provided by Appropriate Adults UK.
22 March 2021	Force Complaints Update	4/21	That the Committee receive future updates on a bi-annual basis.	Gareth Naidoo - Committee Manager/ Clare Rex - Statutory Operations Manager (OPCC)	Complete - added to annual cycle of business bi-annually for 2021/22
22 March 2021	Risk Register	3/21	(b) That the Risk Register be regularly published on the website in order to support the Committee's bi-annual review of this.	James Tabor - Strategic Planning Manager (HP)	Complete - the risk registers will be updated with the latest that is reported to the Accountability Board. This also allows for a consistent understanding.
22 March 2021	Annual Cycle of Business	2/21	That the Annual Cycle of Business be included as standing item alongside the Action Schedule on every agenda.	Gareth Naidoo - Committee Manager	Complete
14 December 2020	Updated Corporate Governance Framework	41/20	(b) That guidance be issued to all Force and OPCC staff reminding them of the sign-off procedure for Conflict of Interest matters	Kevin Wilson - Chief Finance Officer (OPCC) & Jim Wright - Head of Finance and Business Services/S.151 Officer (HP)	Complete - Reminders on the sign-off procedure for Conflict of Interest matters are posted on the Force Intranet on an at least annual basis for all staff to view. The last reminder posting was 29/08/2020 and the time before that was 11/04/2019. Another reminder will therefore be posted during 2021.  Code of Ethics 2014.pdf  Business Interests and Voluntary Work

ROLLING ACTION SCHEDULE OF JOINT INDEPENDENT AUDIT COMMITTEE - HUMBERSIDE POLICE/OFFICE OF POLICE & CRIME COMMISSIONER

Date of Meeting	Agenda Item	Minute Number	Action	Officer to Action	Complete/Update
14 December 2020	Updated Corporate Governance Framework	41/20	(c) That under 'Money Laundering' the Framework be explicit regarding crypto currency;	Kevin Wilson - Chief Finance Officer (OPCC) & Jim Wright - Head of Finance and Business Services/S.151 Officer (HP)	Complete - The Code of Corporate Governance has been updated accordingly (March 2021) and re-published on the OPCC web-site.
14 December 2020	Updated Corporate Governance Framework	41/20	(d) That the Chair of JIAC be added as a route for reporting whistle blowing;	Kevin Wilson - Chief Finance Officer (OPCC) & Jim Wright - Head of Finance and Business Services/S.151 Officer (HP)	Complete - The Code of Corporate Governance has been updated accordingly (March 2021) and re-published on the OPCC web-site.
14 December 2020	Updated Corporate Governance Framework	41/20	(e) That the Head of Finance and Business Services/S.151 Officer (HP) confirm the command procedures should the Chief Constable and Deputy Chief Constable both be absent at the same time.	Jim Wright - Head of Finance and Business Services/S.151 Officer (HP)	Complete - In the highly unlikely event that anything happened to both the Chief Constable and the Deputy Chief Constable, then an Assistant Chief Constable would be designated.
14 December 2020	Internal Audit - Progress Report	46/20	That the implementation/timeframe for completing the audit on 'Repeat Victims: Tasking & Problem Solving' be confirmed in due course.	Neil Rickwood (Internal Audit)	Complete - The full audit on Repeat Victims will commence in March/April 2021 - the interim audit was finalised in November 2020 with the latest action deadline of December 2020. So further audit work from March 2021 will have given 6 months for the new processes to have matured/become embedded. This in turn will ensure that the findings/issues subsequently reported will provide a more accurate reflection of how systems in this area have developed/progressed and been implemented.
28 September 2020	Revised Complaints Process	27/20	(a) That the Committee receive a progress report (and to include compliments) in six months' time.	Clare Rex - Statutory Operations Manager (OPCC)	Complete - Progress report received at 22 March 2021 meeting.
28 September 2020	Revised Complaints Process	27/20	(b) That the administration process of the review mechanism be circulated to Members of the Committee.	Clare Rex - Statutory Operations Manager (OPCC)	Complete - Administration process of the review mechanism circulated to Members of the Committee.
27 July 2020	Minutes & Action Schedule of 8 June 2020	16/20	That the following narrative be added to Minute 4/20: <i>"A Member noted that the Committee was responsible for independent assurance to the PCC and Chief Constable on the adequacy of the governance and risk management frameworks and queried the complete omission from the risk register of the judicial review, to which the Chief Constable was a defendant, given the potential impact on reputation and public confidence. The PCC agreed it should have been included on the risk register and said the process was being reviewed."</i>	Committee Manager	Complete - Minutes amended and published on OPCC website.
27 July 2020	Risk Management Register Update	17/20	That any long running risks that have not changed status or progressed be reviewed on a periodic basis and reported to the Committee accordingly.	James Tabor - Strategic Planning Manager (HP)	Complete - Added to annual cycle of business on a 6 monthly basis.
27 July 2020	Melton 2 Project Update	21/20	(b) That the plans/presentation slides be placed on the secure portal for Members to access.	Committee Manager	Complete - Placed under the 'Reference Material' page on secure portal on 28 July 2020 for Members to access
8 June 2020	Internal Audit Progress Report 2020/21	11/20	That Internal Audit provide an update at a future meeting on areas where best practice can be gleamed or implemented.	Internal Audit	Complete - Updated provided at meeting of 14 December 2020.
8 June 2020	Year-End Financial Outturn 2019/20	9/20	(a) That the link to the Melton 2 Project Decision Record on the Force website be shared with Members;	(a) Assurance Manager (OPCC)	(a) Complete - link shared with Members via email 8 June 2020.

ROLLING ACTION SCHEDULE OF JOINT INDEPENDENT AUDIT COMMITTEE - HUMBERSIDE POLICE/OFFICE OF POLICE & CRIME COMMISSIONER

Date of Meeting	Agenda Item	Minute Number	Action	Officer to Action	Complete/Update
			(b) That an update on the Melton 2 Project be provided as part of a future Member Development Session and added to the Annual Cycle of Business	(b) S.151 Officer for the Chief Constable/ Committee Manager	(b) Complete - added to Member Development session topic list on Annual Cycle of Business .Also added as an update presentation for 27 July meeting.
8 June 2020	Risk Management Register Update	4/20	That an update on the Force Risk Management Register be brought to the next meeting.	Assurance Manager (OPCC) and Head of Corporate Development (HP)	Complete - added to agenda for 27 July 2020
8 June 2020	Risk Management Register Update (Revised Complaints Process)	2/20	(a) That a briefing on the revised arrangements for dealing with Force complaints be placed as a reserve item on Annual Cycle of Business and added to a future meeting agenda at the appropriate time; (b) That an update on the decoupling of the joint HR function with South Yorkshire Police be placed as a reserve item on Annual Cycle of Business and added to a future meeting agenda at the appropriate time; (c) That an action schedule be produced for monitoring and tracking completed actions.	(a) Statutory Operations Manager (OPCC) (b) Assistant Chief Officer (Resources) (c) Committee Manager	(a) Complete - To be added to the agenda for 28 September 2020. (b) Complete - Added to list of reserve items on Annual Cycle of Business (c) Complete - action schedule updated and will be included with the minutes at each meeting.
20 December 2019	Professional Standards Department	373	That a briefing on the revised arrangements for dealing with complaints should be provided to a future meeting	Claire Rex (OPCC)	Complete - Added to the agenda for 28 September 2020.
20 December 2019	External Audit Progress Report	374	That more information on the Redmond Review and NAO consultation be provided for Members	External Audit (Mazars)	Complete - Update provided at meeting of 14 December 2020.
20 December 2019	IS Governance And Financial Management	389	That the report be noted and an update be brought to the next meeting.	Internal Audit	Complete - Update provided at 8 June 2020 meeting.
23 September 2019	Implementation Of The Humberside Police/Humberside Fire And Rescue Service Joint Estates Collaboration And Performance Management	358 Repeat of 328 and 331	Report to the Fire and Rescue Transformation Board to be submitted to a future meeting of the Committee.	Assistant Chief Officer (Resources) [HP]	Complete - Fire and Rescue Transformation Board no longer in existence.
23 September 2019	Force Update On Current Issues	358	T/ACC Young and ACO(R) invited members to attend problem solving training in respect of the Neighbourhood Policing Strategy and to visit the Hydra Suite at Courtland Road and consideration be given to holding future meetings at alternative venues.	T/ACC Young and ACO(R) Deputy Chief Executive and Treasurer	Complete - Committee meeting on 9 December 2019 to be held at Courtland Road to allow Hyrda Suite visit. Future meetings to be arranged at alternative venues if possible.
23 September 2019	Internal Audit - Progress Report	360	Members commented on the HMICFRS focus on a process in relation to RUI as against using information to establish whether its use was correct and to identify lessons learned to improve effectiveness.	Head of Audit/ Deputy Chief Executive and Treasurer	Complete - Use of RUI and HMICFRS focus raised at the HMIC Governance Group.
23 September 2019	Committee Self-Assessment and Annual Report	363 Repeat of 341 and 351	Self-Assessment Improvement Plan and updated Draft Annual report to be submitted to the next meeting.	Deputy Chief Executive and Treasurer	Complete - Updated improvement plan and draft annual report on the December 2019 agenda.
23 September 2019	Annual Fraud Risk Assessment	367	The process of Annual Fraud Risk Assessment be continued in 2020. The Head of Professional Standards Department be asked to present to a future meeting of the Committee.	Deputy Chief Executive and Treasurer/ Risk and Governance Officer	Complete - Annual Fraud Risk Assessment to be continued in 2020 and reported to this Committee. Head of Professional Standards' briefing on the agenda.
23 September 2019	Civil Claims	368	That details of claims submitted and costs during the period April to September 2019 be reported to the Committee.	Head of Legal Services	Complete - Report placed on the Member secure area.
29 July 2019	Committee Self-Assessment and Annual Report	351	Self-Assessment Improvement Plan and updated Draft Annual report to be submitted to the next meeting.	Deputy Chief Executive and Treasurer	Complete - Updated improvement plan and draft annual report on the December 2019 agenda.

ROLLING ACTION SCHEDULE OF JOINT INDEPENDENT AUDIT COMMITTEE - HUMBERSIDE POLICE/OFFICE OF POLICE & CRIME COMMISSIONER

Date of Meeting	Agenda Item	Minute Number	Action	Officer to Action	Complete/Update
07 June 2019	Implementation Of The Humberside Police/Humberside Fire And Rescue Service Joint Estates Collaboration And Performance Management	331	Report to the Fire and Rescue Transformation Board to be submitted to a future meeting of the Committee.	Assistant Chief Officer (Resources) [HP]	Complete - Fire and Rescue Transformation Board Report to be provided for a future meeting
07 June 2019	Force Update On Current Issues	333	T/ACC Young and ACO(R) invited members to attend problem solving training in respect of the Neighbourhood Policing Strategy and to visit the Hydra Suite at Courtland Road and consideration be given to holding future meetings at alternative venues.	T/ACC Young and ACO(R) Deputy Chief Executive and Treasurer	Complete - Committee meeting on 9 December 2019 to be held at Courtland Road to allow Hyrda Suite visit. Future meetings to be arranged at alternative venues if possible.
07 June 2019	Committee Self-Assessment and Annual Report	341	Self-Assessment Improvement Plan and updated Draft Annual report to be submitted to the next meeting.	Deputy Chief Executive and Treasurer	Complete - Updated improvement plan and draft annual report on the December 2019 agenda.
18 March 2019	Implementation Of The Humberside Police/Humberside Fire And Rescue Service Joint Estates Collaboration And Performance Management	328	Report to the Fire and Rescue Transformation Board to be submitted to a future meeting of the Committee.	Assistant Chief Officer (Resources) [HP]	Complete - Fire and Rescue Transformation Board Report to be provided for a future meeting

JIAC Annual Cycle of Business

Agenda Item/Issue	20 Jun 2022	18 Jul 2022	26 Sep 2022	12 Dec 2022	20 Mar 2023	Lead
Standing Items						
Minutes of previous meeting	X	X	X	X	X	Committee Manager
Action Schedule	X	X	X	X	X	Committee Manager
Draft Annual Cycle of Business for next financial year					X	Committee Manager
Timetable of Meetings				X		Committee Manager
Statutory and Corporate Governance & Risk Management						
Risk Registers (full review)	X			X		Paul Wainwright - Assurance Manager (OPCC)/James Tabor - Strategic Planning Manager (HP)
Force Complaints Update			X		X	Clare Rex - Statutory Operations Manager (OPCC)
Draft Annual Governance Statements					X	Paul Wainwright - Assurance Manager (OPCC) & Jim Wright - Head of Finance and Business Services (HP)
Declarations of Gifts, Hospitality & Sponsorship (<i>link to Force & OPCC websites</i>)					X	Kevin Wilson - Chief Finance Officer (OPCC) & Jim Wright - Head of Finance and Business Services (HP)
Finance						
Treasury Management Strategy					X	Kevin Wilson - Chief Finance Officer (OPCC)
Treasury Management Mid-Term Review				X		Kevin Wilson - Chief Finance Officer (OPCC)
Treasury Management Annual Report	X					Kevin Wilson - Chief Finance Officer (OPCC)
Draft Accounts		X				Kevin Wilson - Chief Finance Officer (OPCC) & Jim Wright - Head of Finance and Business Services (HP)
Audited Accounts		X				Kevin Wilson - Chief Finance Officer (OPCC) & Jim Wright - Head of Finance and Business Services (HP)
External Audit						
Audit Strategy Memorandum	X					Gavin Barker - Mazars (External Audit)
Report Updates	X			X		Gavin Barker - Mazars (External Audit)
Audit Completion Report		X				Gavin Barker - Mazars (External Audit)
Auditor's Annual Report	X			X		Gavin Barker - Mazars (External Audit)
Audit Opinion		X			X	Gavin Barker - Mazars (External Audit)
Internal Audit						
Annual Audit Plan (Review and Approve)					X	Neil Rickwood - West Yorkshire Police (Internal Audit)
Progress Reports (including any final reports)	X	X	X	X	X	Neil Rickwood - West Yorkshire Police (Internal Audit)
Head of Internal Audit Opinion and Annual Report						Neil Rickwood - West Yorkshire Police (Internal Audit)
Force Update						
Force HMICFRS Assurance Group Update	X	X	X	X	X	JIAC Members
Update on Numbers and Deployment of Additional Recruited Officers	X			X		Emma Bowen - Head of People Services (HP)

Additional Items	20 Jun 2022	18 Jul 2022	26 Sep 2022	12 Dec 2022	20 Mar 2023	Lead



Auditor's Annual Report

Police and Crime Commissioner for
Humberside and Chief Constable for
Humberside – year ended 31 March 2022

March 2023



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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Police and Crime Commissioner for Humberside and the Chief Constable for Humberside. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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

01

Section 01: **Introduction**

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for the Police and Crime Commissioner for Humberside and Chief Constable for Humberside (the PCC and CC) for the year ended 31 March 2022. Although this report is addressed to the PCC and CC, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 14 December 2022. Our opinion on the financial statements of the PCC & Group and Chief Constable were unqualified.



Value for Money arrangements

In our audit reports issued we reported that we had not completed our work on the PCC and CC's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the PCC and CC's arrangements.



Wider reporting responsibilities

The 2014 Act requires us to give an elector, or any representative of an elector, the opportunity to question us about the accounting records of the PCC and CC and to consider any objection made to the accounts. We did not receive any questions or objections in respect of either the PCC & Group or CC's financial statements.



Whole of Government Accounts (WGA)

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data and to carry out certain tests on the data. At the time of preparing this report we have recently received instructions from the NAO on what procedures are required. We expect there to be a delay in progressing the 2021/22 WGA work, as the position on 2020/21 WGA work needs to be clarified first. Until this work is concluded we cannot issue our audit certificate.

02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinions

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the PCC and CC and whether they give a true and fair view of the PCC and CC's financial position as at 31 March 2022 and of its financial performance for the year then ended. Our audit reports, issued on 14 December 2022 gave an unqualified opinion on the financial statements of the PCC & Group and CC for the year ended 31 March 2022.

Qualitative aspects of the PCC and CC's accounting practices

We have reviewed the PCC and CC's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice Local Authority Accounting, appropriately tailored to the PCC and CC's circumstances.

Draft accounts were received from the PCC and CC on 29 July 2022 and were of a good quality.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we had the full co-operation of management.

2. Audit of the financial statements

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We identified the following deficiencies in internal control as part of our audit.

Description of deficiency – Accounts receivable control accounts reconciliation - Level 2

Our walkthrough of accounts receivable identified that the accounts receivable control account reconciliations had not been performed by the finance team for months 1 to 10. The reconciliation had been performed for months 11 and 12.

Potential effects

Inconsistencies between the accounts receivable values in the accounts receivable system and general ledger are not identified and resolved.

Recommendation

The accounts receivable control account reconciliations should be completed monthly and on a timely basis.

Management response

A process of completing monthly accounts receivable reconciliations has been in place since January 2022, since being highlighted during the 20-21 audit.

2. Audit of the financial statements

Description of deficiency – Review of control accounts reconciliations – Level 2

Our walkthrough of the bank reconciliation, accounts receivable and accounts payable identified that the bank reconciliations, and accounts receivable and accounts payable control account reconciliations had not been reviewed by a second officer.

Potential effects

Failure to perform control account reconciliations or unresolved discrepancies may go unnoticed.

Recommendation

The bank reconciliation and accounts receivable and accounts payable control account reconciliations should be reviewed by a second officer and evidence retained of the review.

Management response

New processes have since been implemented to ensure the required review and authorisations take place.

Description of deficiency – Petty cash year end reconciliation – Level 2

Our testing of the bank reconciliation highlighted that year end petty cash reconciliation had been completed on 22 March 2022 and not as at 31 March 2022.

Potential effects

The petty cash value does not reflect the actual year end balance.

Recommendation

The year end petty cash reconciliation should be performed as at 31 March 2022

Management response

Management to ensure the year end petty cash reconciliation is completed on the 31 March.

2. Audit of the financial statements

Description of deficiency – ID management (Oracle) – Level 2

We performed a test over the ID Management and noted that there is one shared account (CAPITA1) using the system. We understand the account belongs to the third party provider but we don't know the number of people accessing it.

Potential effects

Inappropriate or fraudulent access to IT resources. Fraudulent or unintentional data alteration or entry and loss of the audit trail/logs of user actions.

Recommendation

Generic accounts should be avoided as they present a traceability issue. When a generic account is not needed it should be disabled (e.g. enabling training accounts only when needed). Whenever possible, individual accounts should be attributed to each user.

We also recommend the implementation of a periodic review focusing on the assessment of user access rights and disabling the accounts/rights that are no longer required.

Management response

Third Party suppliers do not have open access to the Force network. When providing support they contact the IT Service Desk who will enable their account following appropriate security questions and record the details of the Third Party engineer and the reason for the access on a ticket within our Service Management Tool. Third party access is removed on a daily basis overnight unless requested to be extended for a longer period to complete a timed piece of work such as a system upgrade, the account will then be disabled once the work is complete. Should there be an issue with the CAPITA1 shared account we would be able to identify from this audit which engineer had their access enabled. Review of this shared account will be included in the amended User Access Reviews that will be established following this audit.

2. Audit of the financial statements

Description of deficiency – User access review (Oracle) – Level 2

Enquiries of the Head of IT highlighted that there were no periodic user access reviews conducted in the audit period.

Potential effects

Inappropriate or fraudulent access to IT resources. Fraudulent or unintentional data alteration or entry.

Recommendation

In order to ensure access is appropriately restricted, we recommend the implementation of a periodic review covering all users at both network and applications levels. The review should include, but not be limited to:

- Users that have not logged on (the network/application) for more than 90 days;
- Generic accounts; and
- Checking that segregation of duties is appropriately enforced.

Review documentation/reports should also be standardised and retained for monitoring and audit purposes.

Management response

The IT System Administration Team will conduct a full audit of Oracle Access in October 2022 to:

- Identify and manage users that have not accessed the system for 90 days. This will included removal of access or amendment to access levels were required.
- Identify and record any generic accounts.
- Review access levels for each role is appropriate and only granted as per the requirements of that role.

On completion of the review the results will be documented for audit purposes and an appropriate review date identified.

2. Audit of the financial statements

Description of deficiency – Disaster Recovery Management (Oracle) – Level 3

Enquiries of the Head of IT highlighted that the disaster recovery plan had not been tested.

Potential effects

Failure to update the disaster recovery plan may result in a partial or complete loss of data, as in the case of disaster not all employees are aware of their duties, or the key contact personnel information is not appropriately updated so it is not possible to contact all key personnel.

Recommendation

In order to ensure proper and timely recovery in case of a disaster or major incident, we recommend testing the Disaster Recovery Plan on at least an annual basis.

Management response

This has been planned in and a table-top Disaster Recovery exercise is being managed by the IT Change Manager to take place in September 2022. Amendments will be made to the plan following this exercise and further tests planned in annually.

03

Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements



Approach to Value for Money arrangements work

We are required to consider whether the PCC and CC have made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the PCC and CC plan and manage their resources to ensure they can continue to deliver their services



Governance - How the PCC and CC ensure that they make informed decisions and properly manage their risks



Improving economy, efficiency and effectiveness - How the PCC and CC use information about their costs and performance to improve the way they manage and delivers their services

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the PCC and CC have in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 15.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the PCC and / or CC. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the PCC and / or CC's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.

- **Other recommendations**

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

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Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	16	No	No	No
 Governance	19	Yes	No	No
 Improving economy, efficiency and effectiveness	23	No	No	No

3. Commentary on VFM arrangements



3. VFM arrangements – Financial Sustainability

How the PCC and CC identifies significant financial pressures that are relevant to its short and medium-term plans.

Detailed processes are in place to identify service costs as part of budget setting. The PCC has a Medium-Term Resource Strategy (MTRS) which covers a period of 5 years and considers shifting police priorities and changes in funding. The MTRS sets out the financial direction of the force and outlines the key risks and financial pressures. The MTRS includes the revenue budget, capital programme and precepting decisions. It is reassessed and extended annually and if required re-prioritised to enable the Force to achieve the aims and objectives established in the PCC’s Police and Crime Plan.

The PCC and CC has a well-established and robust budget monitoring process in place. The process is led and co-ordinated by the finance team but includes conversations and challenge with relevant budget holders and other members of staff as appropriate, with a focus on the main current and future issues arising and agreeing action where necessary.

Budget monitoring identifies pressures during the year which are logged. Longer term issues identified through budget monitoring feed into the mid-year review of the budget and annual update of the MTRS. A thorough analysis of budget pressures is undertaken as part of the mid-year budget review. These are considered for the forthcoming year’s budget and MTRS review along with central pay pressures and national/regional pressures.

The Covid 19 pandemic continued to impact on finances in 2021/22, with the MTRS recognising the risk of increased expenditure and reduced income. However, increased spending was largely offset by additional funding and an underspend for the year of £5m was achieved. Of this underspend £1.2m was reserve funded activity, which when excluded gives an overall underspend of £3.8m. Of the underspend, £1.2m has been approved to be carried forward into 2022/23 to meet expenditure that has been delayed or will continue to be incurred during 2022/23. We have seen evidence of effective financial management arrangements despite the additional issues caused by the Covid-19 pandemic.

How the PCC and CC plans to bridge funding gaps and identifies achievable savings.

A savings target is included in the MTRS. Savings are identified from a number of reviews and investment in more efficient ways of working. Savings schemes planned for 2021/22 include reduced overtime, organisational

reviews resulting in a reduction from the budgeted Target Operating Model (TOM) and efficiencies created by the update or replacement of information systems. The MTRS includes a group savings requirement of £1.5m in 2022/23, and for each year up to and including 2026/27. For 2022/23 the MTRS shows the required savings as being identified and agreed. In future years, the amount of identified savings reduces with a greater proportion of the target being at the proposal stage or yet to be identified. The failure to deliver planned savings is recognised as a risk to the financial position.

The 2021/22 budget included a savings target of £0.75m, which was achieved. Overall savings of £1.7m, were delivered, exceeding the target by £0.95m. The overall savings target included in the MTRS is underpinned by a savings plan which sets out the specific schemes along with the forecast savings that are to be generated.

Review of financial reporting to Chief Officers Group (COG) and Police and Crime Panel demonstrates that savings plans are monitored in year and progress tracked to ensure delivery.

How the PCC and CC plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities.

Resources follow priorities through the MTRS which aligns with the organisational change programme and other force plans.

The Police and Crime Plan 2021 to 2025, sets out the Humberside Police and Crime Commissioners vision, mission, values and aims. Page 19 of the plan sets out the financial resources used to deliver the plan, including the sources of funding and the role Central Government play in the allocation of funding. The plan references the annual budget and how that is underpinned by the MTRS 2021/22 to 2025/26 which describes the financial direction of the organisation. The plan also sets out how external funding (e.g. bidding to central Government for extra investment) is used to deliver specific projects and services, as well as effective investment to deliver value for money.

The MTRS clearly states it is underpinned by workforce planning and capital programmes which are aligned with the delivery of the Police and Crime Plan priorities. The MTRS recognises that the successful delivery of the Police and Crime Plan requires the need to manage a complex set of resources, demands and priorities

3. VFM arrangements – Financial Sustainability

whilst reviewing and revising plans to meet changing demand for policing services within the available financial resources.

How the PCC and CC ensures that its financial plan is consistent with other plans

The MTRS is underpinned by workforce planning and capital programmes which are aligned with the delivery of the Police and Crime Plan and Plan on a Page priorities.

Review of the Capital Strategy 2021/22 to 2024/25 demonstrates the linkages between the MTRS and Treasury Management Strategy Statement (TMSS). The Capital Strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services. It provides an overview of how the associated risk is managed and the implications for future financial sustainability.

The MTRS includes the 5-year capital programme and how this is to be financed and therefore considers the revenue implications of the capital programme. Review of the Intel Analytics Software Replacement report seeking COG project approval clearly shows that revenue implications of capital projects are considered as part of the options appraisal. This further demonstrates the linkages between the MTRS and the Capital Strategy. The MTRS also sets out the Prudential borrowing required to fund the capital programme and review of the TMSS shows the clear links between the borrowing requirement shown in the MTRS and the TMSS, as well as the expected impact on the PCC's capital financing requirement and minimum revenue provision.

The force has a Target Operating Model (TOM) which sets out the resource requirements of the force. For 2021/22 the TOM was set at 2,092 full time equivalent (FTE) officers. Ongoing efficiency reviews are taking place to determine the police workforce required at the department/function level. This work is aligned with the available funding contained within the MTRS, it also considers the implications arising from Operation Uplift and the savings required to deliver a balanced budget. Update reports are taken to the Accountability Board and provide an overview of the actual workforce compared to the TOM, an overview of the schemes in place and progress with recruitment and training of new officers, as well as updates on the progress to deliver the efficiency reviews.

The MTRS takes into account changes to the TOM, as well as the wider financial implications of national funding streams and ongoing initiatives such as the Police Allocation Funding (PAF) used to distribute grant between forces, Operation Uplift the Government's commitment to police officer numbers, the police finance settlement and Ministry of Justice Grant.

How the PCC and CC identifies and manages risks to financial resilience.

Substantial work is undertaken to understand possible future impacts on the budget. The annual update of the MTRS considers various budget pressures, such as pay and price increases, the revenue implications of the capital programme and other financial pressures.

Review of the MTRS shows that it includes a risk assessment and considers the key financial risks facing the police e.g. pay awards, failure to deliver planned savings, impact of Covid-19, further reductions in funding etc. For each risk identified the likelihood and impact is assessed and details are included of how the risk is to be managed.

The MTRS includes a reserves strategy so that unexpected budget pressures can be met without adverse impact on the achievement of key objectives and council taxpayers. The reserves strategy sets out the key MTRS principle to seek to maintain the general reserve at 3% of the net revenue budget.

The overall financial position is monitored monthly, with a focus on forecast outturn and identified financial pressures, along with strategies to mitigate these and the risk to the overall financial position.

The PCC and CC have a good track record of predicting pressures and costs based upon prior year experience and review of the MTRS indicates that assumptions are largely realistic although the plan recognises the uncertainties and risks.

Our work did not identify a significant weakness in the PCC and CC's arrangements in relation to the financial sustainability reporting criteria.

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3. VFM arrangements – Governance

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>1 Collaborative Provision of Information Services</p> <p>Humberside Police have a collaborative arrangement in place with a neighbouring Force for the provision of Information Systems and Information Technology services. The neighbouring Force are the lead provider of these services, which incorporates financial governance, procurement and the employment of all staff.</p> <p>As a result of management concerns, the Assistant Chief Officer commissioned an Internal Audit review of IS (Information Services) Corporate Governance and Financial Management, and Internal Audit reported the outcome in October 2019. This review was undertaken from Humberside Police's perspective as a party to the agreement and focused on the management of two significant IS projects, the implementation of Enterprise Resource Planning (ERP) and Smart CONTACT.</p> <p>The conclusion of the Internal Audit review was that there was Inadequate Assurance over the corporate governance and financial management of this collaborative arrangement. Following the internal audit review, Humberside Police's Assistant Chief Officer was given the lead role in addressing the issues arising. The Assistant Chief Officer identified further significant issues and has led the implementation of changes to improve the arrangements in place, which were ongoing during the year ended 31 March 2022.</p> <p>The Police and Crime Commissioner and Chief Constable identified this as a significant governance issue in their respective Annual Governance Statements for the 2019/20 financial year.</p> <p>As part of our review of VFM for 2020/21 we reported a significant weakness in the PCC and CC arrangements to secure economy, efficiency and effectiveness in their use of resources for the year ended 31 March 2021, in respect of the collaborative provision of information services.</p>	<p>Work undertaken</p> <p>We addressed this risk by considering the progress made by Humberside Police to address the weaknesses identified by Internal Audit which resulted in them concluding that there was Inadequate Assurance over the corporate governance and financial management of the collaborative arrangement.</p> <p>In particular, we reviewed the follow up review of IS Corporate Governance and Financial Management and Control undertaken by Internal Audit and reported in December 2021. We reviewed this to determine the progress made in implementing the recommendations outlined in the original Internal Audit review.</p> <p>We also made enquiries of internal audit to support the review of the follow-up work and confirm that the Collaborative Provision of Information Services would revert back to being reviewed through the routine risk-based audit plan.</p> <p>Results of our work</p> <p>The overall reasonable assurance rating issued by internal audit in December 2021 confirmed that the positive direction of travel reported on in 2020/21 had continued and that further improvements to the governance arrangements were made. This demonstrates that management took the appropriate action to deliver improvements and address the risks identified in 2019/20 and 2020/21.</p> <p>In 2019/20 and for part of 2020/21 there was an inadequate assurance assessment of these arrangements by Internal Audit. In 2021/22, the inadequate assurance assessment by Internal Audit did not apply to any part of the financial year. As such we concluded that the risk of significant weakness in the PCC and CC arrangements no longer exists. The PCC and CC management have taken appropriate action and there is no longer a significant weakness in respect of the collaborative provision of information services.</p>

3. VFM arrangements – Financial Sustainability

How the PCC and CC monitors and assesses risk and how the PCC and CC gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.

The Corporate Governance Framework sets out the governance arrangements for both the PCC and CC. The integrated scheme of governance clarifies the way the two corporations sole govern both jointly and separately. The PCC holds the Force to account and ensures it delivers against the Police and Crime Plan, making it answerable to the communities it serves. The PCC fulfils this duty through regular assurance conversations and one to one briefings. It also hosts the Joint Independent Audit Committee (JIAC), Accountability Board and External Ethics Committee. The PCC also sets the Chief Constable's terms of employment, including his salary and annual leave entitlement in line with the Home Office's national guidelines set out in Police Regulations.

The Corporate Governance Framework sets out the risk and resource management arrangements and that the Accountability Board provides scrutiny of Force strategic risks. Review of reports to the Accountability Board show that reporting of strategic risks includes the impact and likelihood of risks and the control mitigations to reduce the risk to an acceptable level. Force strategic risks are also reported to JIAC.

The Internal Audit service is provided to the PCC and CC by West Yorkshire OPCC. The internal audit team provides assurance based on a risk-based audit plan which complies with auditing standards. It produces an annual report to JIAC, which provide an opinion on the control environment. The audit team also provides advice and support on the design and operation of the control environment in general. The Head of Internal Audit Opinion for 2021/22 gave a reasonable assurance opinion.

The Corporate Governance Framework also sets out the Fraud Response Plan and details the various ways in which suspected fraud and corruption may be reported.

How the PCC and CC approaches and carries out its annual budget setting process.

The PPC's approach to budget setting is to deliver a sustainable budget and capital programme, whilst delivering the Commissioner's Police and Crime Plan and meet the requirements of the National Strategic Policing Requirement.

The MTFS includes consideration of the impact of Central Government funding and local taxation yields on the

overall financial position and identifies these as risk areas. Review of the budget setting arrangements highlights no significant weaknesses and the PCC is aware of the financial pressures it faces.

How the PCC and CC ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.

The PCC and CC have a well-established budget monitoring process which includes monthly updates focusing on the financial outturn position for revenue and capital. Regular budget monitoring reporting is taken to the COG and the Accountability Board. Monitoring reports set out the annual revenue budget, year to date actual spend, forecast outturn and any forecast variance at the overall force level. The reports highlight the key points of note and the reasons for under and overspending. Reporting also includes revenue performance at command level, monitoring of the annual savings target and performance against the approved capital programme. Review of COG and Accountability Board minutes confirm there was regular reporting of the financial position during the 2021/22 financial year.

A mid-year review of all budgets is undertaken and amendments to the annual budget made as required. Review of COG and Police and Crime Panel minutes show clear evidence of this.

The outturn position was not significantly different to that reported during the year and did not indicate a weakness in arrangements. There was a clear understanding of the reasons for the underspend reported at year end. This is further evidence of effective arrangements for budgetary control.

Statutory financial reporting requirements are well resourced with a dedicated accountant supported by the Chief Constables Chief Finance Officer (CCFO), Police and Crime Commissioners Chief Finance Officer (PCCCFO) and Deputy. The PCC and CC have an effective system for production of the final accounts. The draft accounts were shared with us on 27 July 2022, before the 31 July 2022 deadline and we have found no significant deficiencies in the draft accounts in 2021/22. The accounts are reflective of the reported budgeted

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financial position summarised in the outturn report.

How the PCC and CC ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

The foundation of the PCC and CC decision making is set out within the Corporate Governance Framework. This includes the Financial Regulations, Standing Orders and Scheme of Delegation which make it clear where the responsibility for any given decision lies. Decisions are formalised by Decision Records, which are publicised on the PCC website. Review of a number of decision records demonstrate that decisions are supported by reports that outline options and recommendations for approval. Reports set out the financial, legal, equalities implications to ensure decisions are supported by robust information and how the decision links to the Police and Crime Plan and therefore overall strategy. Decision records reviewed support informed decision-making and clearly stated the decision being required by the Police and Crime Commissioner. Our overall review of the PCC and CC meeting minutes did not identify any evidence of a significant weakness in the arrangements.

All senior police officers and support officers of both the CC and PCC make declarations of interests. Our review of related party declarations and associated transactions as part of our work on the financial statements, has highlighted no significant weaknesses. A gifts, gratuities, donations and hospitality policy is in place. Registers are maintained of PCC gifts and hospitality and this is published on the PCC website. All police officers are required to comply with the Police Code of Ethics. Annual messages are communicated to all staff from professional standards branch and guidance on reporting conflicts of interest is available to all officers.

The ongoing impact of Covid 19 during 2021/22 necessitated the continuation of some of the changes to the Force’s governance arrangements that were implemented to respond to the pandemic. On 9th March 2020, an operational order was put into effect, Operation Flame, to mitigate the impact of Covid-19 on local communities, and to work together with others to promote recovery to a state of normality. The operation had a Gold/Silver/Bronze command structure, with each level of command having designated responsibilities. Whilst the governance activities required to respond to the Covid-19 outbreak took place under this operation, the existing Force governance structure remained in place, with all meetings taking place as scheduled, but subject

to adjustments such as video conferencing or social distancing where appropriate. Government advice continued to be adhered to and all staff remained able to work from home. The arrangements allowed the Force to maintain business as usual governance activities whilst responding to the Covid-19 outbreak.

Our work did not identify a significant weakness in the PCC and CC’s arrangements in relation to the governance reporting criteria.

3. Commentary on VFM arrangements



3. VFM arrangements – Financial Sustainability

How financial and performance information has been used to assess performance to identify areas for improvement.

Financial performance and savings monitoring is reported monthly to COG and periodically to the Accountability Board and Police and Crime Panel. Each Assistant Chief Constable (ACC) is held accountable for financial performance at COG and in turn through discussions at their Senior Leadership Teams (SLT). Review of financial reporting shows detailed information is shared including latest financial position, forecast financial outturn and commentary on key pressures/underspends. Reporting also includes analysis of other key areas that impact on the financial position including overtime, events and mutual aid.

A performance structure is in place that has enabled leaders across the organisation to hold each other to account. A formal performance review process is in place to support the delivery of Force plans, this is achieved through updates to Chief Officers, a monthly Victim Focussed Performance meeting and supported by Local Accountability Meetings (LAMs) and Team Accountability Meetings (TAMs). Review of an example LAM report shows detailed reporting of performance across a wide range of areas, including staff absence, deployable resource against TOM, financial performance, crime statistics over time, division performance, crime outcomes and compliance. The reports show trend data and compare performance with prior periods highlighting those areas where performance improvement is required. Team Accountability Meetings (TAMs) also show reporting of performance, with actions clearly identified and assigned to a responsible officer.

A performance management framework is in place for all staff with Performance Development Reviews (PDR's) carried out at least annually. A Development Portal is available to all officers and sets out the way performance is managed and assessed and how performance is rated. Guidance is available to all officers and managers on the PDR process, along with guidance on how to review and assess performance and potential. The portal also includes development resources for officers to develop in their role, maintain competence in their role or seek lateral progression. Resources are also available for personal development and continuing performance development. The guidance clearly sets out the purpose of PDR as being to assess ongoing effectiveness, explore career aspirations and talent management, assess strengths and opportunities for development and determine pay progression. The PDR process enables line managers to review performance, assist in career development or address underperformance.

How the PCC and CC evaluates the services it provides to assess performance and identify areas for improvement.

A Force Accountability Framework is in place to support robust and effective performance management. As detailed above monthly Victim Focussed Performance meetings, are chaired by the Deputy Chief Constable (DCC) and attended by command SLT's and other key stakeholders including Her Majesty's Inspectors of Constabulary and Fire and Rescue Services (HMICFRS). The purpose of these meetings being to monitor both local and force performance. Monthly LAMs chaired by the relevant ACC or Assistant Chief Officer (ACO) focus on the delivery of their local plans and monitoring performance against specific indicators. The process is further supported through local TAMs and PDRs across every level of the organisation.

In November 2022, the 2021/22 HMICFRS PEEL inspection was published. This report rated the Force as follows:

Area of Policing	Judgement
Developing a positive workplace	Outstanding
Good use of resources	Outstanding
Investigating crime	Good
Managing offenders	Outstanding
Preventing crime	Outstanding
Protecting vulnerable people	Outstanding
Recording data about crime	Adequate
Responding to the public	Good
Treatment of the public	Outstanding

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The inspection also reviewed how effective a service the Force gives to victims of crime. However, a graded judgement is not made in this overall area.

The PEEL inspections introduced in 2014 have been continuously adapted and significant changes have been made during 2021/22, with a more intelligence-led, continual assessment approach and a move from a four-tier system of judgements to a five-tier system. The judgements are:

- Outstanding
- Good
- Adequate
- Requires improvement
- Inadequate

Whilst as a result comparisons cannot directly be made between the grades awarded in 2021/22 and previous years, the report shows the continuing positive trajectory of the Force from requires improvement to good in 2018/19 and to outstanding and good in eight out of nine areas of policing in 2021/22.

The report congratulates the Force on its excellent performance in keeping people safe and reducing crime and highlights that it has demonstrated its continuous improvement in many areas since the last inspection. The report highlights a small number of improvement areas as follows:

- Recording crime when anti-social behaviour is reported
- Improving recording of crimes that involve vulnerable victims
- Improving the recording of equality data
- Responding to calls for service within its published time frames based on the prioritisation given to the call. Where delays occur, the reason for the delays should be recorded and victims should be informed.
- Actively and regularly supervise investigations to make sure all investigative opportunities are taken.

Whilst the report acknowledges the excellent performance of the force it also highlights that the challenge will be in maintaining the level of performance in future years.

How the PCC and CC ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.

There are many examples of partnership working in a variety of functions within the Force. Partnerships and other services commissioned by the PCC are subject to grant and partnership agreements that specify expected outcomes, with monitoring undertaken to ensure delivery.

Community Safety Partnerships are in place for each of the Local Authority areas that Humberside Police work across. The partnerships include the Local Authority, Humberside Police, Humberside Fire and Rescue, Humberside Probation and Health.

Regional collaborations for the provision of policing services between Humberside Police, North Yorkshire Police, South Yorkshire Police and West Yorkshire Police are in place. With a Regional Collaboration Board responsible for governance of the arrangements. A Lead Force model has been adopted for each functional area of regional collaboration, the OPCC for Humberside has lead force responsibility for underwater search services, OPCC for South Yorkshire for procurement & stores and the OPCC for West Yorkshire for serious and organised crime, scientific support, collision investigation and prison intelligence unit.

The OPCC for Humberside collaborates in a two Force partnership with the OPCC for South Yorkshire on the provision of Information Services.

There has been increasing collaborative working with Humberside Fire and Rescue. The PCC shares a Chief Finance Officer/S151 Officer and Deputy Chief Finance Officer/Deputy S151 Officer with Humberside Fire Authority.

Humberside Police and Humberside Fire Authority collaborate on a joint operation in respect of their emergency vehicle maintenance requirements, which are delivered by Emergency Services Fleet Management (Humberside) Ltd (ESFM), a company limited by guarantee which was established for that purpose.

Humberside Police provide Estates Management Services to Humberside Fire Authority on a lead Authority basis. The Joint Estates Service (JES) provides premises repairs, regular maintenance, utility management and support for capital projects.

3. VFM arrangements – Financial Sustainability

Partnership working also forms a key part in providing and improving support to victims. One example of this is the Humberside Rape and Serious Sexual Offences Group (RASSO) Service Improvement Group (SIG). Review of the terms of reference show one of the key purposes of the group is to bring together representatives from partner agencies, to oversee, innovate and develop the care of victims who have experienced serious sexual assault. The group is made up of representatives from the PCC, CC, NHS, Sexual Assault Referral Centre (SARC), Community Interest Companies, Charities and Crown Prosecution Service (CPS). Representatives from Local Authorities (public health and social services) and other victim and witness services are also invited to attend to support the achievement of key SIG aims. An example outcome of the group has been improving consultation with victims, including around decisions to pursue or withdraw from criminal investigations, an area identified as requiring improvement from consultation with victims. Partnership working with Hull University has been undertaken to improve communication letters and to provide toolkits and training to stakeholders.

The 2021/22 HMICFRS PEEL inspection highlighted as an important assessment finding that the Force has a well-established neighbourhood policing model and that the force has effective partnership working to tackle local problems. It also highlights the value that the Force places on early intervention and the importance of this in supporting children and young people to divert them away from offending.

How the PCC and CC ensures that where services are commissioned or procured this is done in accordance with relevant legislation

The PCC and CC are part of the Yorkshire and the Humber (YatH) Regional Procurement Team, with the rationale being that the service can be delivered most effectively and efficiently by using a Lead Force model whereby the management and the provision of the function is undertaken by South Yorkshire CC and the PCC for South Yorkshire. A Collaboration Agreement is in place for the provision of the procurement service to the PCC and CC.

The YatH Regional Procurement Team are responsible for providing procurement services to the parties to enable them to benefit from procurement collaboration for categories of work, goods and services. The key categories are estates and facilities management, transport, IT/ISD, crime and forensics, operations and

corporate services. The Team also provides contract management for region wide multiple force contracts, monitoring and reporting performance, delivering efficiencies through using eBusiness tools, developing and maintaining regional information on the National Contracts Data Base and developing regional policies and procedures to support the procurement process. A YatH Procurement Strategy and Policy and Guidance Document are in place.

Regional contract standing orders are included in the Code of Corporate Governance, these are comprehensive and up to date. Review of the standing orders show that they clearly set out the requirement for compliance, the requirement for competitive procurement/tender process, the responsibility for financial and contractual delegation and the exceptional circumstances in which the normal procedures can be waived. The standing orders also set out the thresholds for quotations/tenders and the delegated officers for signing contracts and the financial thresholds they are permitted to authorise.

Our work did not identify significant weakness in the PCC and CC’s arrangements in relation to the improving economy, efficiency and effectiveness reporting criteria.

04

Section 04:

**Other reporting responsibilities and
our fees**

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data and to carry out certain tests on the data. At the time of preparing this report we have recently received instructions from the NAO on what procedures are required. We expect there to be a delay in progressing the 2021/22 WGA work, as the position on 2020/21 WGA work needs to be clarified first. Until this work is concluded we cannot issue our audit certificate

4. Other reporting responsibilities and our fees

Area of work	2020/21 fees	2021/22 fees
Planned fee in respect of our work under the Code of Audit Practice	£26,045	£26,045
Recurring increases in the base audit fee arising from regulatory pressures for the PCC (recurring, as reported in the 2019/20 audit)	£5,242	£5,242
Additional fees in respect of the new VFM approach (recurring, as reported in the 2020/21 audit)	£5,500	£5,500
Additional fees in respect of new ISA540 requirements in relation to accounting estimates (recurring, as reported in the 2020/21 audit)	£1,750	£1,750
Total fees	£38,537	£38,537

Fees for other work

We confirm that we have not undertaken any non-audit services for the PCC and Group in the year.

4. Other reporting responsibilities and our fees

Area of work	2020/21 fees	2021/22 fees
Planned fee in respect of our work under the Code of Audit Practice	£11,550	£11,550
Recurring increases in the base audit fee arising from regulatory pressures for the CC (recurring, as reported in the 2019/20 audit)	£2,360	£2,360
Additional fees in respect of the new VFM approach (recurring, as reported in the 2020/21 audit)	£3,500	£3,500
Additional fees in respect of new ISA540 requirements in relation to accounting estimates (recurring, as reported in the 2020/21 audit)	£750	£750
Total fees	£18,160	£18,160

Fees for other work

We confirm that we have not undertaken any non-audit services for the CC in the year.

Gavin Barker, Director – Public and Social Sector

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

Report of the Head of Audit

INTERNAL AUDIT PROGRESS REPORT

1 PURPOSE OF THE REPORT

- 1.1 The report sets out the current progress against the 2022/23 Audit Plan.

2 BACKGROUND

- 2.1 This Progress Report monitors the delivery of work undertaken in relation to the provision of shared Internal Audit services as per the Joint Service arrangements between West Yorkshire and Humberside Police & Crime Commissioner (PCC) and the respective Police Forces.

Table 1: Summary of Progress against the Audit Plan for 2022/23

STATUS OF AUDITS	2022/23 (as at 1 March 23) APPENDIX A
Final Reports with Response Received	6
Final Reports – Response Awaited	-
Final Reports – No Response Required	1
Work Completed/ Advice/ briefings provided	-
Draft Reports Issued	2
In Progress	6
TOTAL	15

- 2.2 Progress against the 2022/23 audit plan has continued and since the last JIAC in December two reports have been finalised, Occupational Health Unit and Victims Code Compliance, both of which provided REASONABLE assurance. A further report is awaiting management responses (Serious Sexual Offences) and two audits are currently in draft (Logistics & Management of Offenders).

It is also worth noting that all audits on the 2022/23 audit plan are either at reporting stage or in progress, although the IS audit work will be carried forward for completion as part of the 2023/24 audit plan due to the delays in obtaining agreement/ approval for a joint audit programme with SYP.

All audits once finalised are made available in full on the members portal.

- 2.3 To continue the additional commentary provided as part of the progress report introduced in September, both the RAG rated audit progress/ status (Appendix A) and recommendation follow-up/ action tracker (Appendix B) have been updated.

3 OPTIONS, RISKS AND OPPORTUNITIES

- 3.1 If the Internal Audit function does not provide an efficient and effective risk based audit service the Police and Crime Commissioner and Force will be unable to obtain an appropriate level of assurance regarding the system of internal control operating within both organisations.

4 POLICING PLAN AND PERFORMANCE

- 4.1 Internal audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

5 IMPACTS ON OR LINKS TO COLLABORATION

- 5.1 The Internal Audit function is provided to the Humberside Police & Crime Commissioner and Chief Constable by internal audit staff from the West Yorkshire Office of the Police & Crime Commissioner under a s22 agreement with the Police and Crime Commissioner for West Yorkshire.

6 FINANCIAL IMPLICATIONS

- 6.1 There are no direct, specific financial implications within the progress report. However, individual audits contained within the report may include recommendations which contribute to a more effective use of resources and enhance the value for money being obtained by the Force/ PCC. In addition, wherever practicable, recommendations are made which do not cause the PCC/ Force to incur additional costs.

7 LEGAL IMPLICATIONS

- 7.1 The Police and Crime Commissioner and Chief Constable are required to ensure that appropriate Internal Audit arrangements are in place.

8 EQUALITY AND DIVERSITY AND HUMAN RIGHTS

- 8.1 There are none in the context of this report.

9 CONCLUSION

- 9.1 The report summarises progress to date against the 2022/23 audit plan and updates members on the findings of the External Quality Assessment.

10 RECOMMENDATIONS

- 10.1 It is recommended that the Joint Independent Audit Committee note the contents of the report and discuss any issues arising.

Contact Officer:

Neil Rickwood, Head of Audit

Background documents:

Appendix A - Audit Plan 2022/23 (to date)

Appendix B – Recommendation Follow-up & Action Tracker Report

Appendix A – 2022/23 Internal Audit Plan and Progress (as at 9 March 2023)

<i>Audit Name</i>	<i>Scheduled</i>	<i>Type of Audit</i>	<i>Audit Progress & Status (RAG rated)</i>	<i>Audit Opinion</i>	<i>Description</i>
OHU	c/f 21/22	Assurance/ Support	FINAL REPORT <i>(Issued December 2022)</i>	Reasonable	Completion of carried forward audit work commenced late in Q4.
VAIWG	Q1-2	Risk	In Progress Agreed scope and started testing with a focus on DA offences, management of DVPN's, as well as spiking/injection offences.	-	Audit to evaluate/ provide assurance regarding HP's overall prevention approach to VAWG.
Serious Sexual Offences (SSO) investigation quality	Q1-2	Risk	FINAL REPORT <i>(Issued November 2022)</i>	Reasonable	Review of the quality of investigations in relation Serious Sexual Offences (SSO) with a key focus on a victim informed approach as part of these investigations. Initial work commenced in 21/22 which has been incorporated in the 22/23 audit programme as an expanded scope.
Force Vetting	Q1-2	Assurance/ Support	FINAL REPORT <i>(Issued October 2022)</i>	Limited	A review of the vetting arrangements in place for both police officers and police staff. The audit was initially planned for Q1 but was postponed pending the implementation of CoreVet. The audit is due to commence in September 2022.
Overtime Processes	Q1-2	Financial Systems	FINAL REPORT <i>(Issued July 22)</i>	Substantial	Review of overtime processes – Police Officer and Police Staff
Victim Code Compliance	Q1-2	Governance	FINAL REPORT <i>(Issued 9 November 2022)</i>	Reasonable	Wider audit focussing on the 'harder to measure aspects' not just regularity of victim updates / victim right to review.

<i>Audit Name</i>	<i>Scheduled</i>	<i>Type of Audit</i>	<i>Audit Progress & Status (RAG rated)</i>	<i>Audit Opinion</i>	<i>Description</i>
Custody Services	Q3	Risk	In Progress <i>(Testing Feb/ March 23)</i>	-	A review of the management of the risks associated with custody services.
Logistics	Q3	Assurance/ Support	DRAFT REPORT <i>(Issued March 2023)</i>	-	A review of the management and administration of Annual Leave, RDIL and Time Off processes within the logistics function.
Management of Offenders	Q3-4	Assurance/ Support	DRAFT REPORT <i>(Issued March 2023)</i>	Reasonable	Management of Offenders including IOM and the specific management of sex offenders within the community – including the use of VAST (lie detector technology)
IS Audit Universe workstream	Q3-4	Risk/ Governance	<i>IS Audit Programme signed-off by Chief Officers in HP & SYP. Meeting held with SYP IA (23 November) to allocate audit assignments.</i> <i>HP IA team currently scoped, agreed and commenced information gathering exercise for two audits.</i> 1. IS Change Management 2. IS Asset Management <i>Although commenced these audits will be carried forward to the 2023/24 audit plan.</i>	-	IS Department commissioned an ITIL assessment exercise which identified areas of risk which will provide direction for subsequent audit activity for a shared audit programme of work with SYP IA team. IS are subsequently undertaking an organisational review and review of their target operating model. In the interim it has been agreed that IA will add value by auditing change/ demand management, asset management and cybersecurity.
Financial Systems Assurance & Testing	Q4	Financial Systems	In Progress <i>(Fieldwork Completed)</i>	-	Annual review of Key Financial Systems, including Payroll, Debtors, Creditors & Budget Monitoring
Follow-Up Exercises Crime Screening	Q1-4	Follow-up	FINAL REPORT <i>(Issued September 2022)</i>	Reasonable	Follow up of previous audits, providing assurance to JIAC and Senior Management that actions relied on to address risk are implemented with particular reference to fundamental & significant recommendations in

<i>Audit Name</i>	<i>Scheduled</i>	<i>Type of Audit</i>	<i>Audit Progress & Status (RAG rated)</i>	<i>Audit Opinion</i>	<i>Description</i>
					areas of limited assurance.
Follow-Up Exercises Golden Hours Principles	Q3-4	Follow-up	<p>In progress</p> <p>FU of findings reported in a Briefing Note in 2021/22 which related to issues first identified in 2019.</p> <p>After further discussion this has gone to CS Ward & CS Wilson for discussion under the PIP1 & PIP 2 improving investigations board, where some of the work has already been referenced & worked upon. Further update/ evidence to be provided.</p> <p>Subsequent work will be largely determined by the implementation of the actions in the briefing note.</p>	-	Follow up of previous audits, providing assurance to JIAC and Senior Management that actions relied on to address risk are implemented with particular reference to fundamental and significant recommendations in areas of limited assurance.
Follow-Up Exercises: Organised Crime Groups (OCGs)	Q4	Follow-up	<p>ACTIONS CLOSED</p> <p>Imminent HMICFRS inspection 23/24 (Q1) in this area. Previous issues identified being factored into the preparation for the inspection and IA have sought assurances through the action tracker information provided which does appear reasonable.</p>	-	Follow up of previous audits, providing assurance to JIAC and Senior Management that actions relied on to address risk are implemented with particular reference to fundamental and significant recommendations in areas of limited assurance.

SUBJECT: UPDATE ON TRACKED ACTIONS & THE FOLLOW-UP OF RECOMMENDATIONS

REPORT OF THE HEAD OF AUDIT

1. PURPOSE OF THE REPORT

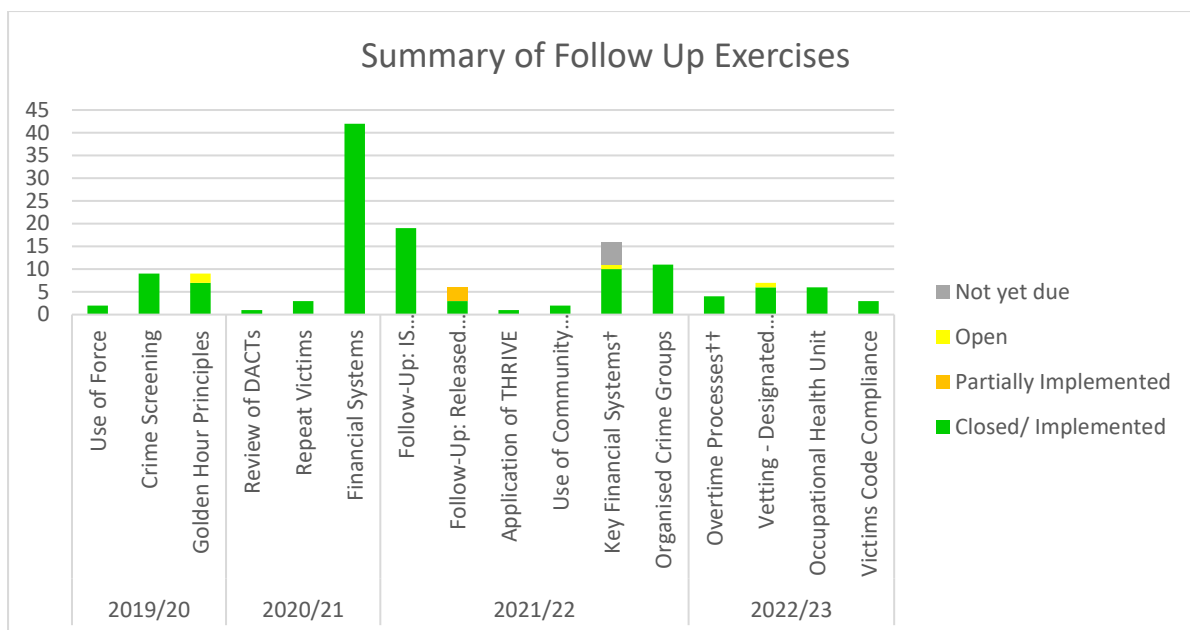
- 1.1 To provide the committee with an update on the implementation of previous audit recommendations.

2. KEY INFORMATION

- 2.1 Internal Audit follow up on recommendations included in reports which resulted in an overall assurance opinion of limited or inadequate assurance. Any fundamental recommendations within reports with an opinion of substantial or reasonable assurance are also followed up on. 'Significant' recommendations relating to a review with an overall opinion of substantial or reasonable assurance, are followed up by exception, depending on the level of risk posed to the organisation. Monitoring of 'Merits Attention' recommendations does not take place, due to the low level of risk associated with advisory actions. This enables the section to focus on the review of high-risk areas, ensuring that action is taken to address significant issues.
- 2.2 In addition to the primary follow-up activity detailed above Internal Audit also liaise with Humberside Police's Strategic Planning Department who undertake their own action tracker activity which seeks updates on management action against all audit recommendations irrespective of the overall assurance opinions assigned to the audit report, including those assessed as providing reasonable assurance. In order to provide assurance and subsequent reliance on the action tracker work undertaken Internal Audit will also dip-sample selected actions to provide evidence and confirmation that the closure of recommendations can be considered appropriate.

Current Status

- 2.3 As part of this initial detailed follow-up/ action tracker report Internal Audit have collated the audit reports and follow up work undertaken since 2019/20 into a table below.



† Recommendations will be followed up as part of the annual audit of Key Financial Systems planned for Q4.

†† Audit not to be followed up as provided 'substantial assurance' with only one significant recommendation. Action tracker update confirms that actions can be closed down.

Current Follow-Up Work

- 2.4 There is one area of outstanding follow up activity which relates to Golden Hour Principle Compliance. An initial follow-up of findings reported in a Briefing Note in 2021/22 related to issues first identified in 2019. After further discussion this has gone to Chief Superintendents on the North & South Banks for discussion under the PIP1 & PIP 2 improving investigations board, where some of the work has already been referenced & worked upon. Further updates/ evidence to be provided.
- 2.5 The other follow-up audit activity reported previously in relation to Organised Crime Groups (OCGs) has been closed down for the purposes of follow up activity. Due to an imminent HMICFRS inspection 2023/24 (Q1) in this area assurances have been sought that previous issues identified are being factored into the preparation for the inspection and IA have been provided with evidence through action tracker information and updates which does appear reasonable.

Humberside Police & Crime Commissioner
Joint Independent Audit Committee

Report of the Head of Audit

INTERNAL AUDIT STRATEGY 2023/24

1 PURPOSE OF THE REPORT

- 1.1 To set out the Internal Audit Strategy for the consideration of the Audit Committee.

2 BACKGROUND

- 2.1 The Internal Audit Strategy sets out the methodology used by Internal Audit to determine the Internal Audit Plan.
- 2.2 Internal Audit's annual plan provides the Humberside Police and Crime Commissioner and Chief Constable with an independent opinion and appropriate assurances on the internal control environment.
- 2.3 The Audit Strategy and Audit Plan defines the strategic approach and establishes audit coverage for 2023/24.

3 OPTIONS, RISKS AND OPPORTUNITIES

- 3.1 If the Internal Audit function does not provide an efficient and effective risk based audit service the Police and Crime Commissioner and Force will be unable to obtain an appropriate level of assurance regarding the system of internal control operating within both organisations.

4 POLICING PLAN AND PERFORMANCE

- 4.1 Internal audit is an assurance function that provides an independent and objective opinion on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

5 IMPACTS ON OR LINKS TO COLLABORATION

- 5.1 The Internal Audit function is provided on a collaborative basis to Humberside Police and Humberside Police and Crime Commissioner, by the West Yorkshire Police internal audit function under a collaboration agreement.

6 FINANCIAL IMPLICATIONS

- 6.1 The basic cost of the Internal Audit function will be included in the budget for the Police and Crime Commissioner for 2023/24.

7 LEGAL IMPLICATIONS

- 7.1 The Police and Crime Commissioner and Chief Constable are required to ensure that appropriate Internal Audit arrangements are in place.

8 EQUALITY AND DIVERSITY AND HUMAN RIGHTS

- 8.1 There are none in the context of this report.

9 CONCLUSION

- 9.1 This report summarises the methodology used by Internal Audit to determine the Internal Audit Plan.

10 RECOMMENDATIONS

- 10.1 It is recommended that the Audit Committee note the contents of the report and discuss any issues arising.

Contact Officers:

Neil Rickwood, Head of Audit

Background Papers: Appendix A - Internal Audit Strategy
Appendix B – Internal Audit Plan 2023/24

Appendix A

INTERNAL AUDIT STRATEGY (2023/24)

1. STRATEGY STATEMENT

The Internal Audit Strategy establishes the methodology used to determine how Internal Audit will provide assurance on the internal control environment for the Police and Crime Commissioner (PCC) of Humberside and the Chief Constable of Humberside Police. This document outlines the approach used to create the audit plan that provides those legal persons with assurance.

The planning process is risk based, meaning that it is based on the risk assessments of the Chief Constable and the PCC. This includes the risk registers and also areas of concern identified during previous audits, and discussions with the Office of the Police and Crime Commissioner (OPCC) and the Force.

The Internal Audit function was subject to an External Quality Assessment (EQA) in June 2022 in compliance with the requirements of the Public Sector Internal Audit Standards. This assessment provided confirmation and assurance that the audit strategy and planning processes adopted conforms to the International Standards for the Professional Practice of Internal Auditing (IPPF).

2. OUTPUTS OF STRATEGY

The main aims of the strategy are to put into place arrangements whereby:

- ▶ Internal Audit will support the PCC and the Chief Constable by providing them, the Chief Finance Officers and the Joint Independent Audit Committee with reports and any significant findings in relation to the adequacy and effectiveness of the internal control environment.
- ▶ Internal Audit contributes to the Annual Governance Statements for both organisations.
- ▶ Internal Audit will provide management with recommendations resulting from audit work which are intended to improve the internal control environment.
- ▶ Internal Audit will co-operate effectively with the External Auditors and other review bodies. This will include co-operation in relation to any audit and inspection requirements agreed as part of regionalised work programmes.
- ▶ Internal Audit will deliver the audit programme in accordance with the required professional standards.

3. STATUTORY BASIS

The current legal basis for the provision of internal audit services is the Accounts and Audit (England) Regulations 2015 for Local Government. These regulations state that, “a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.”

The Chartered Institute of Public Finance and Accountancy (CIPFA), Chartered Institute of Internal Auditors, Department of Health, Welsh Government, Department for Finance and Personnel (Northern Ireland), HM Treasury and the Scottish Government have come together to issue the Public Sector Internal Audit Standards. These became effective from 1 April 2013 and replace the CIPFA Code of Practice for Internal Audit.

The Standards provide a definition of internal auditing:

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

The Home Office Financial Management Code of Practice recommends that PCCs and Chief Constables have a shared internal audit service to cover both bodies, and that the Accounts and Audit Regulations 2015 place a responsibility on both the PCC and the Chief Constable to maintain an effective internal audit of their affairs.

4. INDEPENDENCE OF INTERNAL AUDIT

To be effective, Internal Audit must operate independently and have unrestricted access to all information relevant to the functions of the Chief Constable and PCC which is necessary in the course of our work. In practical terms, this means that auditors should have full access to all records deemed necessary, including information held by or managed by third parties. The Financial Regulations in each organisation provide formal authority for such access.

Internal Audit staff have a right of access to all employees and agents of the Office of Police and Crime Commissioner and Force, including direct access to the Chief Constable and PCC.

The independence of Internal Audit is achieved by reporting in its own name, ensuring that all auditors are free from conflicts of interest and have no direct management responsibility for the development, implementation or operations of systems.

5. SCOPE OF INTERNAL AUDIT

In order to form an opinion on the Internal Control Environment it is necessary that Internal Audit has sufficient coverage of how the organisation is managing risk.

The table below shows an estimated allocation of days for Humberside Police and the Office of the Police and Crime Commissioner (OPCC), by the type of audit.

A majority of the audit plan continues to be both risk based (x%) and provide assurance/support (x%), with the remainder of the resource devoted to the other categories of audit detailed below.

Audit Days 2023/24	Description
250	Total Days
25	Provision of advice, audit planning, committee reporting, progress meetings, external audit liaison, internal control evaluation and annual opinion drafting.
225	Audit Days
TBC	Risk
TBC	Assurance/ Support
TBC	Financial Systems
TBC	Governance
TBC	Follow Up

(approximate percentages based on audit days assigned)

Comprehensive Coverage

Below are listed the different types of audit work that make up the audit plan. In drawing up the plan we have been mindful of the following:

- ▶ The needs of the separate legal entities of the OPCC and Chief Constable;
- ▶ The need for the PCC and Chief Constable to have assurance over their own organisation; and
- ▶ The need for the PCC to have overarching assurance over the Force.

We also seek to gain coverage of a range of areas to ensure that we have a comprehensive picture of internal control. Therefore whilst the bulk of our work will be aimed at achieving assurance over the underpinning systems relied on by the Force and Commissioner, we will also seek to specifically consider elements of assurance that are important operationally and also assurance over expenditure related to assets or their maintenance.

Planning is based on multiple activities, including:

- ▶ Strategic Risk Registers
- ▶ Audit experience & professional judgement
- ▶ Consultation with key stakeholders/ management concerns
- ▶ Any previous investigations or irregularities
- ▶ Significant local and national issues
- ▶ Other external reviews (eg through the force HMICFRS Governance Board).

Types of Audit Work

Internal Audit will undertake the following types of work:

- ▶ Risk Audit - the Internal Audit plan needs to be aligned to the Organisations' understanding of risk;
- ▶ Financial Systems Audit – key financial systems which are looked at each year;
- ▶ Follow Up Audit – previously agreed Internal Audit recommendations;
- ▶ Governance Audit – the decision making approach, arrangements for accountability and risk management;
- ▶ Assurance/ Support Audit – to assess compliance against a number of key controls or mandated standards and provide support/advice on the design and implementation of new systems; and
- ▶ Irregularity - the investigation of any instances of suspected loss, theft etc.

Risk Audit

Public Sector Internal Audit Standards require that the internal audit function be risk based. The need to manage risks is recognised as a core part of corporate governance and organisational activities/ actions to manage and mitigate these risks is essential in maintaining an effective internal control environment.

Where possible internal audit should rely on the organisation's assessment of risk, if deemed to be sufficiently reliable.

Internal audit identify risk audits from a number of sources:

- ▶ Risks appearing in the Risk Registers, which by default are those rated most highly, on the basis that management action is required.
- ▶ Emergent/ escalating risks that may not yet feature on organisational risk registers which are based on management concerns and audit experience.

- ▶ Risks that are regarded as controlled and not requiring further management action. Internal Audit can provide assurance to the PCC and Chief Constable that mitigating controls are effective, operating as prescribed and that they continue to be well managed.

Financial Systems Audit

Unless there is a change in the risk factors, such as the introduction of a new system, staff turnover or previous irregularities, the main financial systems of the Force will typically be considered to be operating effectively and therefore not requiring any special attention from management. However, these systems underpin the financial management of the Force, allowing it to be operationally effective. They are therefore given prominence in internal audit coverage and under normal circumstances are covered through systems audits on a rotational basis and an annual regime of transactional testing.

Coverage of the main financial systems may also allow External Audit to place reliance on those systems and thereby expedite the External Audit of the Chief Constable and PCCs Financial Statements.

Humberside Police was due to implement Oracle Fusion in 2021. However, following the completion of the majority of UAT testing earlier that year, there continued to be issues in the integration of CAPITA Duty Management System (DMS) with HCM (HR) and difficulties around the migration of payroll data. Consequently, the SRO's took the decision to formally pause the project. The ACO is currently reviewing options ahead of developing a proposal regarding the future of the duty management system and Oracle. The Head of Audit will continue to liaise with the ACO to consider the impact on the annual financial systems audit, to ensure that the work programme includes the documentation of any new systems/processes and testing of changes to key controls can be undertaken.

Follow Up Audit

The follow up of agreed recommendations is an important part of the assurance function of internal audit, communicating that actions being relied upon to address particular weaknesses have in fact been taken. This involves obtaining evidence of compliance or substantive improvement, depending on the recommendation that was made. The approach is based on following up recommendations classed as significant or fundamental.

Governance Audit

In order to form an opinion on the internal control environment, internal audit need to consider aspects of governance and risk management processes of the Chief Constable and PCC. The way that an organisation is controlled and directed is a particularly important aspect of the health of an organisation, contributing towards the organisation's culture and

treatment of risk. Internal audit therefore reserve some time to look at these important matters.

Assurance/ Support Audit

Internal Audit will also undertake reviews acting as a critical friend, to ensure compliance against a number of key controls or mandated standards. The purpose of such reviews is to provide assurance that risk mitigating actions are operating as prescribed. These audits also include the provision of support/ advice regarding the evaluation of projects, benchmarking services and the design and implementation of new systems. This will include the provision of assurances regarding any remaining joint work being undertaken between Humberside and South Yorkshire police forces and OPCC's.

Irregularity

Irregularity work relates to the investigation of any instances of suspected irregularities, loss, theft etc. The audit work is essentially reactive and variable dependent upon circumstances. No contingency is made for such work and a decision will be made with the two CFOs as to what work will be substituted on the audit plan, should such work become necessary.

Internal Audit will also report to management any systemic weaknesses identified as part of any investigative work, with the intention of preventing a re-occurrence of the incident.

6. REPORTING

The output of Internal Audit primarily comprises:

- ▶ Audit reports for each individual assignment
- ▶ Follow up reports to report whether recommendations the Chief Constable and PCC considers it has discharged have in fact been implemented
- ▶ Irregularity/ Investigation Reports
- ▶ Progress reports submitted to the Audit Committee
- ▶ An Internal Audit Annual Report
- ▶ Reports, where applicable, to the HMICFRS Board

Audit assignments will be the subject of formal reports. Initially a Draft Report will be issued and its factual accuracy will be discussed and confirmed. Reports will identify insufficiently controlled risks and will recommend actions to address these areas. Once the factual accuracy of a report has been agreed a Final Report is issued for a management response. Agreed actions and deadlines are required against the recommendations made in the report.

Management can determine their own risk treatment based on the risks reported in audit reports. However it is a requirement under the PSIAS that the Head of Audit, as the Chief

Audit Executive (CAE), will report by exception where they consider, that, in their professional opinion management have made the decision to tolerate an unacceptable level of risk to the organisation.

Each audit is rated with one of the following categories and these are based on a judgement of internal control in respect of the systems examined. This is therefore a relative judgement:

Category	Assurance Level	Description
1	Substantial Assurance	Substantial assurance can be provided that arrangements to secure risk management, governance and internal control are being effectively managed. Management action may still be required in a small number of areas where the exposure to residual risk is of low impact in nature.
2	Reasonable Assurance	Reasonable assurance can be provided that arrangements to secure risk management, governance and internal control are being effectively managed. Limited management action may be required to address a small number of significant issues.
3	Limited Assurance	Limited assurance can be provided that arrangements to secure risk management, governance and internal control are being effectively managed. Significant management action is required to address some important weaknesses.
4	Inadequate Assurance	Inadequate assurance can be provided that arrangements to secure risk management, governance and internal control are being effectively managed. Significant weaknesses have been identified which are likely to involve major and prolonged intervention by management. These weaknesses are such that the objectives in this area are unlikely to be met.

Finalised reports are made available to Joint Independent Audit Committee members and are summarised for each meeting.

The Head of Audit prepares an Annual Report which provides an overall audit opinion and a detailed analysis and commentary on the internal control environment. The report also provides detail on overall progress against the audit plan and the performance of the internal audit function.

7. PERFORMANCE MANAGEMENT

The Standards requires that the internal audit function do have a performance management and quality assurance framework in place.

Mechanisms in place include:

- ▶ A set of timeliness, quality and output measures to gauge performance (these are subject to regular benchmarking and review);
- ▶ Client feedback questionnaires issued for each audit assignment;
- ▶ Each assignment subject to supervisory review / quality check as part of audit process;

- ▶ PEN entries on PDR system (as post audit review) of audit assignments;
- ▶ Annual Stakeholder Survey implemented to assess perception regarding the integrity, professionalism and added value of the audit function;
- ▶ Quality Assurance and Improvement in placed based on self- assessment against the Public Sector Internal Audit Standards.

8. RESOURCES & SKILLS

The Internal Audit section comprises of 8 posts, consisting of a Head of Audit, one Audit Manager and 6 Auditors.

These posts have required qualifications, skills and competencies as set out in the respective Role Profiles.

Professional qualifications and ongoing professional development is recognised within the section. All staff are either professionally qualified (CMIIA / CCAB) or are currently undergoing a study programme.

Staff are also encouraged to keep up to date with current auditing developments and regularly attend courses in order to continuously update their professional skills.

A formal Personal Development Review (PDR) process is in place in order that training and development requirements of staff can be regularly assessed and re-evaluated.

Budgets are made available to buy in external specialist services/ skills if required.

9. PROFESSIONAL APPROACH

All staff within the Internal audit section are reminded of their responsibilities to maintain a professional, courteous approach with all staff subject to the audit process, and they will also conduct themselves in accordance with the Seven Principles of Public Life enunciated by the 1995 Nolan Committee.

The commitment of staff will ensure that they:

- ▶ Notify the appropriate level of management of the scope of an audit assignment in a timely fashion, offering opportunities for the inclusion of any specific areas of concern
- ▶ Discuss any issues found, wherever possible, with the appropriate level of management so that any control issues can be addressed in a timely fashion
- ▶ Acknowledge areas of good practice in the audit reporting process
- ▶ Share any best practice identified, where relevant, across the client base
- ▶ Strive to be both constructive and helpful during the course of an audit assignment.

Appendix B: Internal Audit Plan 2023/24

Ref	Days	Scheduled Start	Type of Audit	Audit Name	Description & Rationale
-	15				Completion of carried forward audit work commenced late in Q4. Including expanded scope of VAIWG audit coverage.
1	10	Q1		Use of Forensic Hits	Review to undertake an audit of the effectiveness of the Use of forensic hits in the outcomes of investigation of volume crimes. <i>(NB Much of data necessary is available from similar audit undertaken in WY).</i>
2	135	TBC	TBC	6-7 Audits to be agreed (depending on scope, etc)	Planning meeting on 31 March 2023 with OPCC & HP to agree a programme of audits in operational risk areas (approximately 135 days).
3					
4					
5					
6					
7					
8					
9/ 10	30	Q1-2	Risk / Governance	(1) IS Change Management (2) IS Asset Management	IS Audit Programme signed-off by Chief Officers in HP & SYP (late 2022). The objective of these reviews is to undertake a risk based, system audit relating to the change management & asset management processes to provide assurance that the process is controlled, monitored, and follows good practice.
11	25	Q3-4	Financial Systems	Financial Systems Assurance & Testing	Annual review of Key Financial Systems, including Payroll, Debtors, Creditors & Budget Monitoring.
12+	10	Q1-4	Follow-up	Follow-Up Exercises	Follow up of previous audits, providing assurance to JIAC and Senior Management that actions relied on to address risk are implemented with particular reference to fundamental and significant recommendations in areas of limited assurance.
					OTHER
-	25	-	Audit Management		Putting together the Annual Opinion, as well as audit planning, committee reporting, progress meetings, HMICFRS Governance Board attendance, external audit liaison and the provision of ad hoc advice.



HUMBERSIDE
POLICE & CRIME
COMMISSIONER



TREASURY MANAGEMENT STRATEGY STATEMENT

2023/24

INTRODUCTION

Background

The Police and Crime Commissioner (PCC) is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the PCC'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 PCC's capital plans. These capital plans provide a guide to the borrowing need of the PCC, essentially the longer-term cash flow planning, to ensure that the PCC can meet his capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet a risk or cost objectives.

CIPFA defines treasury management as:

“The management of the local authority's borrowing, 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.”

PCC's are subject to the same requirements as Local Authority's in respect of treasury management.

Reporting requirements

The PCC is currently required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals, additionally the PCC will receive quarterly update reports.

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

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid-year treasury management report – This will update the PCC with the progress of the capital position.

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.

Quarterly update reports – This will provide the PCC with a quarterly update of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the PCC. This role is undertaken by the Joint Independent Audit Committee (JIAC).

Capital Strategy

In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019-20, all local authorities and PCCs are required to prepare an additional report, a Capital Strategy report, which is intended to provide the following:-

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

The aim of this report is to ensure that the PCC fully understands the overall strategy, governance procedures and risk appetite. The Capital Strategy is set out at Appendix 8 of this report.

Treasury Management Strategy for 2023/24

The strategy for 2023/24 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 PCC;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the 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 CIPFA Code requires the responsible officer to ensure that the PCC with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members of Joint Independent Audit Committee (JIAC) who are responsible for scrutiny. Training will be arranged as required.

Treasury management consultants

The PCC uses Link Asset Services, Treasury solutions as its external treasury management advisors.

The PCC 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 PCC 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.

THE CAPITAL PRUDENTIAL INDICATORS 2023/24 – 2026/27

The PCC's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist the PCC's overview and confirm capital expenditure plans.

Capital expenditure – Indicator 1

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

Capital expenditure £m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Total	12.504	13.666	11.255	10.396	5.362

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

Financing of capital expenditure £m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Net financing need for the year	12.504	13.666	11.255	10.396	5.362

The PCC's borrowing need (the Capital Financing Requirement) – Indicator 2

The second prudential indicator is the PCC's 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 PCC's indebtedness and indicates 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 indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

The PCC is asked to approve the CFR projections below:

£m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Capital Financing Requirement					
Total CFR	125.932	132.805	135.820	137.597	134.084
CFR as a % of Budget Requirement	57.24%	57.07%	56.90%	57.06%	54.70%
Movement in CFR	7.660	6.873	3.015	1.777	(3.513)
Movement in CFR represented by					
Net financing need for the year (above)	12.504	13.666	11.255	10.396	5.362
Less MRP/VRP and other financing movements	(4.844)	(6.793)	(8.240)	(8.619)	(8.875)
Movement in CFR	7.660	6.873	3.015	1.777	(3.513)

This table shows CFR increasing to circa 57% of our Budget Requirement (BR) over the period 2023/24 to 2025/26, before beginning to fall.

*IFRS16 Leases comes into effect from 2024/25. The impact of this is yet to be established and will be reviewed throughout the year.

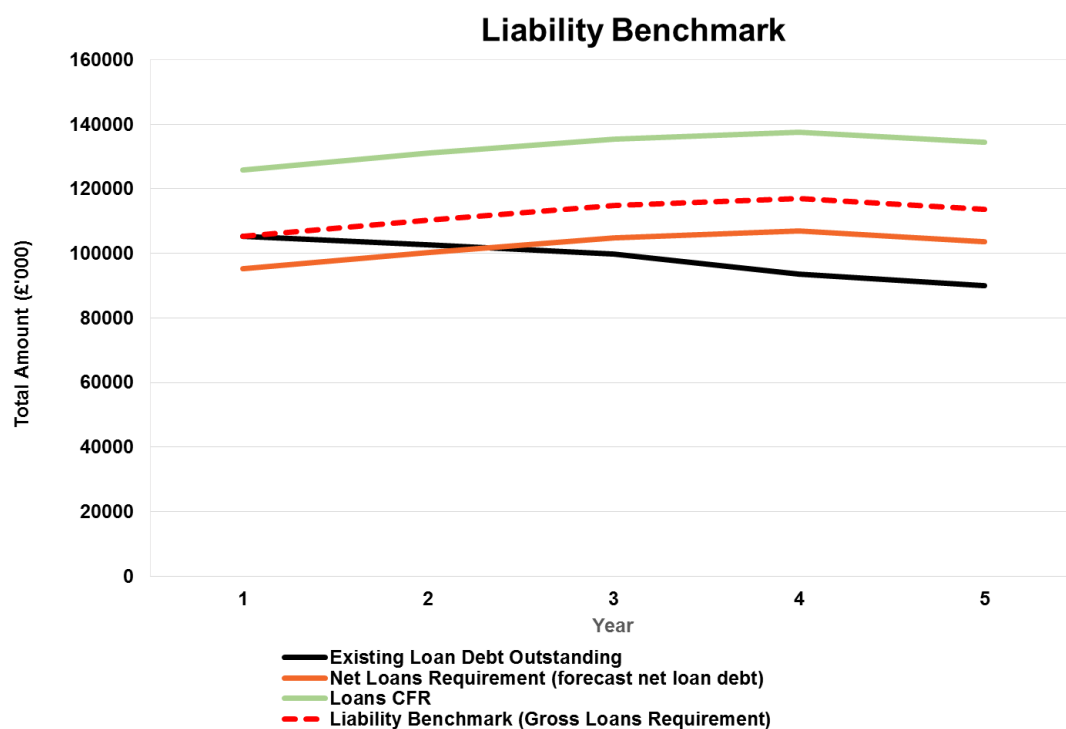
The PCC's Liability Benchmark – Indicator 3

A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The PCC is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

- **Existing loan debt outstanding:** the PCC's existing loans that are still outstanding in future years.
- **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
- **Net loans requirement:** this will show the PCC's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.

The graph below shows that the PCC is currently slightly internally borrowed and this will increase over the next few years. The PCC will actively monitor interest rates and determine the most advantageous time to take actual long-term borrowing. Short-term borrowing may be used until borrowing rates become more attractive.



Core funds and expected investment balances – Indicator 4

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources £m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Fund balances / reserves	30.500	24.300	18.400	15.700	15.100
Total core funds	30.500	24.300	18.400	15.700	15.100
Working capital*	(10.000)	(10.000)	(10.000)	(10.000)	(10.000)
(Under)/over borrowing	(22.910)	(22.296)	(18.201)	(16.306)	(9.121)
Expected investments	(2.410)	(7.996)	(9.801)	(10.606)	(4.021)

*Working capital balances shown are estimated year-end; these may be higher mid-year

TREASURY MANAGEMENT PRUDENTIAL INDICATORS 2023/24 – 2026/27

The capital expenditure plans set out in this section provide details of the service activity of the PCC. The treasury management function ensures that the PCC's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the PCC's capital strategy. 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.

Current portfolio position

The PCC's estimated treasury portfolio position at 31 March 2023, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
External Debt					
Debt at 1 April	105.263	103.022	110.509	117.619	121.291
Expected change in Debt	(2.241)	7.487	7.110	3.672	6.486
Actual gross debt at 31 March	103.022	110.509	117.619	121.291	127.777
The Capital Financing Requirement	125.932	132.805	135.820	137.597	134.084
Under / (over) borrowing	22.910	22.296	18.201	16.306	6.307

Within the prudential indicators there are a number of key indicators to ensure that the PCC operates its activities within well-defined limits. One of these is that the PCC 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 2023/24 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 or speculative purposes.

The Chief Finance Officer & S.151 Officer reports that the PCC complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Treasury Indicators: limits to borrowing activity

The operational boundary – Indicator 5

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, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt	150.000	150.000	150.000	150.000	150.000
Total	150.000	150.000	150.000	150.000	150.000

The authorised limit for external debt – Indicator 6

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 PCC. 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.

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

Authorised limit £m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt	180.000	180.000	180.000	180.000	180.000
Total	180.000	180.000	180.000	180.000	180.000

Prospects for interest rates

The PCC has appointed Link Group as its treasury advisor and part of their service is to assist the PCC to formulate a view on interest rates. Link provided the following forecasts on 6 February 2023. These are forecasts for certainty rates, gilt yields plus 80bps:

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

Additional notes by Link on this forecast table: -

Our central forecast for interest rates was updated on 19 December and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. Bank Rate stands at 4% currently but is expected to reach a peak of 4.5% in H1 2023.

Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

The CPI measure of inflation looks to have peaked at 11.1% in Q4 2022 (currently 10.5%). Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is a very tight labour market.

Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started and will focus on the short, medium, and longer end of the curve in equal measure now that the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy are firmly in the rear-view mirror.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy, and rent/mortgage payments.

PWLB RATES

1. The yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.10% to 4.80%.
2. We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

The balance of risks to the UK economy: -

1. The overall balance of risks to economic growth in the UK is to the downside.

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

1. **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
2. **The Bank of England** acts too quickly, or too far, over the next year to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
3. **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
4. **Geopolitical risks**, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea, and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

1. The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project or even necessitates a further series of increases in Bank Rate.
2. **The Government** acts too quickly to cut taxes and/or increases expenditure considering the cost-of-living squeeze.
3. **The pound weakens** because of a lack of confidence in the UK Government’s fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
4. Longer term **US treasury yields** rise strongly and pull gilt yields up higher than currently forecast.
5. Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields consequently.

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are currently above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

Our suggested budgeted earnings rates for investments up to about three months’ duration in each financial year are rounded to the nearest 10bps as follows: -

Average earnings in each year	
2022/23 (remainder)	4.00%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts. Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

Borrowing strategy

The PCC is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the PCC's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Chief Finance Officer & S.151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.*
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

Any decisions will be reported to the PCC at the next available opportunity.

Policy on borrowing in advance of need

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

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.

Debt rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020.

All rescheduling will be reported to the PCC, at the earliest opportunity following its action.

New financial institutions as a source of borrowing and / or types of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

Approved Sources of Long and Short-Term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

ANNUAL INVESTMENT STRATEGY

Investment policy – management of risk

The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy, (a separate report).

The PCC's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

The PCC's investment priorities will be security first, portfolio liquidity second and then yield, (return).

The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. The PCC has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. **Other information:** 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. To achieve this consideration the PCC will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. The PCC has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 4 under the categories of 'specified' and 'non-specified' investments.
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
 - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
5. **Non-specified investments limit.** The PCC has determined that it will limit the maximum total exposure to non-specified investments as being 10% of the total investment portfolio.

6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in the creditworthiness policy.
7. **Transaction limits** are set for each type of investment in the creditworthiness policy.
8. The PCC will set a limit for its investments which are invested for **longer than 365 days**.
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**.
10. The PCC has engaged **external consultants**, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of the PCC in the context of the expected level of cash balances and need for liquidity throughout the year.
11. All investments will be denominated in **sterling**.
12. As a result of the change in accounting standards for 2022/23 under IFRS 9, the PCC will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23.

Creditworthiness policy

The primary principle governing the PCC's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the PCC 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 PCC's prudential indicators covering the maximum principal sums invested.

The Chief Finance Officer & S.151 Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to the PCC for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the PCC may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by Link Group, our treasury advisors, 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 the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to counterparty at the minimum Authority criteria will be suspended from use, with all others being reviewed in light of market conditions.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

- Banks 1 - good credit quality – the PCC will only use banks which:
 - i. are UK banks; and/or
 - ii. are non-UK and domiciled in a country which has a minimum sovereign Long Term rating of AA-
 and have, as a minimum, the following Fitch, Moody’s and Standard & Poor’s credit ratings (where rated):
 - i. Short Term – F1;
- Banks 2 – Part nationalised UK bank – Royal Bank of Scotland. This bank can be included provided it continues to be part nationalised or it meets the ratings in Banks 1 above;
- Building societies - The PCC will use all societies which:
 - i. Meet the ratings for banks outlined above;
- Money Market Funds – £2m limit (each). Subject to £6m maximum;
- Local authorities, Police and Fire and Crime Commissioners - £6m limit (each);
- Debt Management Office (DMO) - £no limit.

Use of additional information other than credit ratings. Additional requirements under the Code require the PCC to supplement credit rating information. Whilst the above criteria rely 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 opportunities.

Time and monetary limits applying to investments. The time and monetary limits for institutions on the PCC’s counterparty list are as follows (these will cover both specified and non-specified investments):

	Fitch Long-term Rating (or equivalent)	Money Limit	Transaction Limit	Time Limit
Individual Banks 1&2 higher quality	F1+	£6m	£6m	364 days
Individual Banks 1&2 medium Quality	F1	£6m	£6m	364 days
Individual UK Building societies	F1+	£6m	£6m	364 days
Individual UK Building societies	F1	£6m	£6m	364 days
Local authorities/Police, Fire and Crime Commissioners		£6m	£6m	364 days
Money Market Funds	AAA	£2m (each)	£2m (each)	liquid

The proposed criteria for specified and non-specified investments are shown in the appendices for approval.

Country and sector limits

Due care will be taken to consider the country, group and sector exposure of the PCC's investments.

The PCC has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in the appendices. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

In addition:

- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

Investment strategy

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

Investment returns expectations.

The current forecasts are for the Bank Rate to reach 4.5% in Quarter 2 2023.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Average earnings in each year	
2022/23 (Remainder)	4.0%
2023/24	4.4%
2024/25	3.3%
2025/26	2.6%
2026/27	2.5%
Years 6 to 10	2.8%
Years 10+	2.8%

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the PCC's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The PCC is asked to approve the following treasury indicator and limit:

Upper limit for principal sums invested for longer than 365 days is nil			
£m	2023/24	2024/25	2026/27
Principal sums invested for longer than 365 days	£m nil	£m nil	£m nil
Current investments as at 31.03.23 in excess of 1 year maturing in each year	nil	nil	nil

Investment risk benchmarking

This PCC will use an investment benchmark to assess the investment performance of its investment using the SONIA (Sterling Overnight Index Average) rate .

End of year investment report

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

Day to day Treasury Management

Kingston Upon Hull City Council manage the PCC's treasury management functions under the terms of a service level agreement in accordance with the approved Annual Treasury Management Strategy.

APPENDICES

1. Prudential and treasury indicators and MRP statement
2. Interest rate forecasts
3. Economic background
4. Treasury management practice 1 – credit and counterparty risk management
5. Approved countries for investments
6. Treasury management scheme of delegation
7. The treasury management role of the section 151 officer
8. Capital Strategy

Appendix 1

THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2023/24 – 2026/27 AND MRP STATEMENT

The PCC's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist the PCCs' overview and confirm capital expenditure plans.

Capital expenditure

Capital expenditure £m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Total	12.504	13.666	11.255	10.396	5.362

Minimum revenue provision (MRP) policy statement

The PCC 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), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

CLG regulations have been issued which require the PCC to approve **an MRP Statement** in advance of each year. A variety of options are provided to authorities and PCCs, so long as there is a prudent provision. The PCC is recommended to approve the following MRP Statement:

The PCC has continued to adopt Option 2, the CFR approach in respect of pre-2007/08 debt as indicated above along with use of the asset life method of calculating the MRP for borrowing after that date by setting aside each year an amount that in simple terms equalled approximately 4% of the amount of capital expenditure financed from borrowing.

For post 2008 debt Option 3 is adopted, using the annuity method for calculating the MRP and that rate and amortisation period shall be determined by the PCC's Chief Finance Officer.

The annuity method is now widely used as it makes provision for an annual charge to revenue that takes account of the time value of money (whereby £100 in 10 years time is less of a burden than paying £100 now. The charges produced by the annuity method result in a consistent charge over the life of the asset taking into account the real value of the annual charges when they fall due. The method also reflects the fact that assets deteriorate and deterioration is slower in the early years and accelerates towards the latter end of the life of the assets. This approach conforms to the MHCLG requirement to make a prudent provision over a period which is broadly commensurate with the period that the capital expenditure provides benefit. The annuity calculation method results in lower MRP payments in the early years but higher payment in later years but has the advantage of linking MRP to the flow of benefits from an asset where these are expected to be in later years.

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 PCC's overall finances. The PCC is asked to approve the following indicators:

Ratio of financing costs to net revenue stream – Indicator 6

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.

%	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Ratios	3.23%	3.84%	4.31%	4.38%	4.38%

The estimates of financing costs include current commitments and the proposals in this budget report.

Maturity structure of borrowing

Maturity structure of borrowing. These gross limits are set to reduce the PCC's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The PCC is asked to approve the following treasury indicators and limits:

Maturity structure of fixed interest rate borrowing 2023/24 – Indicator 7		
	Lower	Upper
Under 12 months	0	15%
12 months to 2 years	0	15%
2 years to 5 years	0	30%
5 years to 10 years	0	60%
10 years and above	0	80%

Appendix 2

Interest Rate Forecasts 2023 – 2026

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

Appendix 3

ECONOMIC BACKGROUND

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	3.5%	2.0%	4.25%-4.50%
GDP	-0.2%q/q Q3 (2.4%/y/y)	+0.2%q/q Q3 (2.1%/y/y)	2.6% Q3 Annualised
Inflation	10.7%/y/y (Nov)	10.1%/y/y (Nov)	7.1%/y/y (Nov)
Unemployment Rate	3.7% (Oct)	6.5% (Oct)	3.7% (Nov)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.

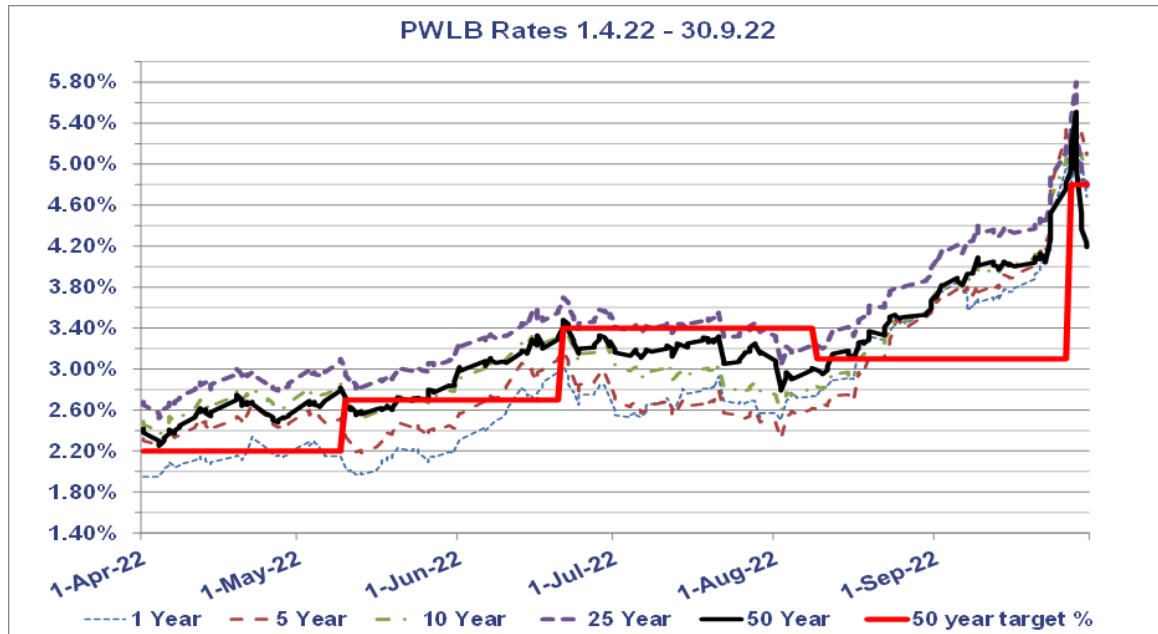
Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3.5% in December and the market expects Bank Rate to hit 4.5% by May 2023.

Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have almost completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one, if not more, quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of \$1.035, on the Monday following the Truss government’s “fiscal event”, to \$1.22. Notwithstanding the £’s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

CENTRAL BANK CONCERNS – DECEMBER 2022

In December, the Fed decided to push up US rates by 0.5% to a range of 4.25% to 4.5%, whilst the MPC followed by raising Bank Rate from 3% to 3.5%, in line with market expectations. EZ rates have also increased to 2% with further tightening in the pipeline.

Having said that, the sentiment expressed in the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

Appendix 4

TREASURY MANAGEMENT PRACTICE – CREDIT AND COUNTERPARTY RISK MANAGEMENT

SPECIFIED INVESTMENTS:

(All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable)

	Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies	F1	In-house

Term deposits with nationalised banks and banks and building societies

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
UK part nationalised banks	UK sovereign rating or Short-term F1, Sovereign rating AA-	In-house	50%	364 days
Banks part nationalised by high credit rated (sovereign rating) countries – non UK	Sovereign rating or Short-term F1, Sovereign rating AA-	In-house	50%	364 days

Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -

1. Money Market Funds	AAA rated	In-house
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Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this PCC. To ensure that the PCC is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

NON-SPECIFIED INVESTMENTS: The PCC will not make investments longer than 1 year

TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

The MHCLG issued Investment Guidance in 2018, and this forms the structure of the PCC's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for authorities and PCCs to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this PCC to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The PCC adopted the Code on 15/02/2010 and will apply its principles to all investment activity. In accordance with the Code, the Chief Finance Officer and S.151 Officer has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

Annual investment strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments;
- The principles to be used to determine the maximum periods for which funds can be committed;
- Specified investments that the PCC will use. These are high security (i.e. high credit rating, although this is defined by the PCC, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year;
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the PCC is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified investments – These investments are sterling investments of not more than one-year maturity. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, housing association, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's and / or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society For category 5 this covers bodies with a minimum Short Term rating of F1 (or the equivalent) as rated by Standard and Poor's, Moody's and / or Fitch rating agencies .

Within these bodies, and in accordance with the Code, the PCC has set additional criteria to set the time and amount of monies which will be invested in these bodies.

Non-specified investments –are any other type of investment (i.e. not defined as specified above). The PCC will not use these types of investments.

The monitoring of investment counterparties - The credit rating of counterparties will be monitored regularly. The PCC receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Chief Finance Officer & S.151 Officer, and if required new counterparties which meet the criteria will be added to the list.

Appendix 5

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

Based on lowest available rating

AAA

1. Australia
2. Denmark
3. Germany
4. Netherlands
5. Norway
6. Singapore
7. Sweden
8. Switzerland

AA+

9. Canada
10. Finland
11. U.S.A.

AA

12. Abu Dhabi (UAE)
13. France

AA-

14. Belgium
15. Qatar
16. **U.K.**

THIS LIST IS AS AT 19.12.22

Appendix 6

TREASURY MANAGEMENT SCHEME OF DELEGATION

Police and Crime Commissioner

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

Appendix 7

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- 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;
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe;
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money;
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the PCC;
- ensure that the PCC has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- ensuring the proportionality of all investments so that the PCC does not undertake a level of investing which exposes the PCC to an excessive level of risk compared to its financial resources;
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities;
- provision of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees;
- ensuring that there is an adequate understanding of the risk exposures taken on by the PCC;
- ensuring that the PCC has adequate expertise, either in house or externally provided, to carry out the above;
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following:-
 - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*

Appendix 8

CAPITAL STRATEGY

3. Introduction

- 1.1 There is a new requirement on local authorities (including Police and Crime Commissioners) to prepare a capital strategy each year, which sets out our approach to capital expenditure and financing at a high level. The requirement to prepare a strategy arises from Government concerns about a small number of authorities borrowing substantial sums (relative to their budget) to invest in commercial property, often outside the area of the authority concerned.
- 1.2 There is also a new requirement on local authorities to prepare an investment strategy, which specifies our approach to making investments other than day to day treasury management investments (the latter is included in our treasury management strategy, as in previous years). Given that the Police and Crime Commissioner for Humberside makes no such investments, a strategy has not been prepared.
- 1.3 This Appendix sets out the proposed capital strategy for approval.

2. Capital Expenditure

- 2.1 The capital expenditure plans are approved by the PCC, as part of the budget report each year.
- 2.2 The capital programme is usually restricted to:-
 - (a) Investment in operational buildings – e.g. stations and administrative offices;
 - (b) Renewal of operational fleet;
 - (c) New and replacement equipment;
 - (d) Investment in ICT.
- 2.3 The PCC's Code of Corporate Governance sets out the delegations to the Chief Constable on the delivery of the capital programme.
- 2.4 Capital expenditure on **buildings**, where funded from the capital programme, is principally directed to maintaining the fitness of the operational estate. Major property investments are considered as part of the overall estates strategy.
- 2.5 Expenditure on the **renewal of the fleet** is directed by the replacement programme approved by the PCC.
- 2.6 Capital expenditure on **operational equipment** ensures equipment is replaced when it has reached the end of its useful life or has become technologically obsolescent. It also enables the PCC to invest in new technology.
- 2.7 Capital expenditure on **ICT** is determined by the ICT replacement and Improvement programme which is approved by the PCC.

- 2.8 Monitoring of capital expenditure is carried out by the COG; the Accountability Board, Joint Independent Audit Committee and the PCC. Reports are presented throughout the year and at outturn.
- 2.9 the PCC does not capitalise expenditure, except where it can do so in compliance with proper practices: it does not apply for directions to capitalise revenue expenditure.
- 2.10 Past and forecast capital expenditure is:-

End of:	£m
22/23	12.504
23/24	13.666
24/25	11.255
25/26	10.396
26/27	5.362

3. Financing of Capital Expenditure

- 3.1 The PCC funds capital expenditure from the revenue budget, capital receipts and prudential borrowing.
- 3.2 Prudential borrowing is used to fund capital expenditure, within the limits prescribed within the Annual Treasury Management Strategy Statement. This is reviewed annually for affordability.
- 3.3 The PCC measures its capital financial requirement, which shows our underlying need to borrow for a capital purpose. This is shown in the table below:-

End of:	Total CFR £000
23/24	132,805
24/25	135,820
25/26	137,597
26/27	134,084

- 3.4 Projections of actual debt are part of the treasury management indicators in the Annual Treasury Management Strategy Statement.

4. Debt Repayment

- 4.1 The PCC 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), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

CLG regulations have been issued which require the PCC to approve **an MRP Statement** in advance of each year. A variety of options are provided to authorities and PCCs, so long as there is a prudent provision. The PCC is recommended to approve the following MRP Statement:

The PCC has continued to adopt Option 2, the CFR approach in respect of pre-2007/08 debt as indicated above along with use of the asset life method of calculating the MRP for borrowing after that date by setting

aside each year an amount that in simple terms equalled approximately 4% of the amount of capital expenditure financed from borrowing.

For post 2008 debt Option 3 be adopted, using the annuity method for calculating the MRP and that rate and amortisation period shall be determined by the PCC's Chief Finance Officer.

The annuity method is now widely used as it makes provision for an annual charge to revenue that takes account of the time value of money (whereby £100 in 10 years time is less of a burden than paying £100 now. The charges produced by the annuity method result in a consistent charge over the life of the asset taking into account the real value of the annual charges when they fall due. The method also reflects the fact that assets deteriorate and deterioration is slower in the early years and accelerates towards the latter end of the life of the assets. This approach conforms to the MHCLG requirement to make a prudent provision over a period which is broadly commensurate with the period that the capital expenditure provides benefit. The annuity calculation method results in lower MRP payments in the early years but higher payment in later years but has the advantage of linking MRP to the flow of benefits from an asset where these are expected to be in later years.

5. Commercial Activity

5.1 Government guidance now requires us to specify our policy towards non-financial investments.

5.2 The PCC makes no such investments.



CHIEF CONSTABLE OF HUMBERSIDE POLICE
ANNUAL GOVERNANCE STATEMENT 2022/23

1. Introduction

This Annual Governance Statement (AGS) demonstrates the governance arrangements in place for the Chief Constable for Humberside, including how the effectiveness of the framework is evaluated and monitored. This statement also outlines significant governance issues and any planned changes.

2. Scope of Responsibilities

The Chief Constable ensures that Force business is conducted in accordance with the law and proper standards and that the use of public money is safeguarded and properly accounted for. The Chief Constable has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which the Force functions, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Chief Constable is responsible for putting in place proper management arrangements for the governance of the affairs of the Force and facilitating the exercise of functions including arrangements for ensuring that there is a sound system of internal control and for the management of risk. The Chief Constable recognises that reliance is placed by the Police and Crime Commissioner (PCC) on him to support the governance and risk management processes that enable the PCC to fulfil his responsibilities. The PCC has provided an AGS in connection with his and the Office of the Police and Crime Commissioner's (OPCC) activities. This AGS and the one produced by the PCC will be published alongside the financial statements for the year.

A Statement of Corporate Governance for the Police and Crime Commissioner and Chief Constable has been approved and adopted and forms part of the Governance Framework document. The arrangements are consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) Delivering Good Governance, Guidance Notes for Policing Bodies in England and Wales 2016. This Statement explains how these principles have been complied with and meet the requirements of Regulation 6 of the Accounts and Audit Regulations 2015 in respect of the need to conduct a review of the effectiveness of the system of internal control and the preparation and approval of an AGS.

3. The Purpose of the Governance Framework

Governance comprises the arrangements introduced to ensure that the intended outcomes for stakeholders are defined and achieved. Governance is about how decisions are made, focusing on matters such as understanding and clarity of aims, the integrity, fairness and transparency of decisions made by individuals and teams, and the effectiveness of controls and accountability mechanisms.

The governance framework is comprised of the systems and processes, culture and values by which the Force's affairs have been directed and controlled and the activities through which the responsibilities of the Chief Constable have been discharged. It enables both the Chief Constable and the PCC to monitor the achievement of shared strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost effective services, including achieving value for money and engaging with the community.

Good governance is not only about processes, rules and procedures but should also demonstrate the spirit and ethos of good governance. Shared values which are integrated into the culture of the organisation and are reflected in behaviour and policy are essential hallmarks of good governance.

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

and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of policy aims and objectives. It is also designed to evaluate the likelihood of those risks being realised as well as seeking to manage them effectively, efficiently and economically.

The fundamental function of good governance in the public sector is to ensure intended outcomes are achieved whilst acting in the public interest at all times. Governance arrangements for the Chief Constable and PCC follow the seven principles set out in the CIPFA Delivering Good Governance, Guidance Notes for Policing Bodies in England and Wales 2016. These principles are:

A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

B: Ensuring openness and comprehensive stakeholder engagement.

C: Defining outcomes in terms of sustainable economic, social and environmental benefits.

D: Determining the interventions necessary to optimise the achievement of the intended outcomes.

E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.

F: Managing risks and performance through robust internal controls and strong public financial management.

G: Implementing good practices in transparency, reporting and audit to delivery effective accountability.

4. The CIPFA Financial Management Code

The Force is required to comply with the CIPFA Financial Management (FM) Code. The CIPFA FM Code introduces an over-arching framework of assurance, building on existing financial management good practice. The six key principles are explained below, with each principle in bold -

- Organisational **leadership** – clear strategic direction, Financial Management is embedded into organisational culture.
- **Accountability** – based on a Medium Term Resource Strategy (MTRS) which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs
- **Transparency in** Financial Management, using consistent, meaningful and understandable data, reported frequently with evidence of periodic action and decision making.
- Adherence to professional **standards** is promoted by the leadership team and is evidenced.
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management and includes the results of external audit, internal audit and inspection.
- The long term **sustainability** of the Force is at the heart of all financial management process and is evidenced by prudent use of public resources.

The Force demonstrates that it operates according to these principles by meeting the following standards –

- The Leadership Team is able to demonstrate that the Force provides value for money
- The Force complies with the CIPFA Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (2014)
- The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control
- The Force complies with the CIPFA Delivering Good Governance, Guidance Notes for Policing Bodies in England and Wales (2016)
- The financial management style of the Force supports financial sustainability
- The Force has carried out a credible and transparent Financial Resilience Assessment
- The Force understands its prospects for financial sustainability in the longer term
- The Force complies with the CIPFA Prudential Code for Capital Finance in Local Authorities
- The Force has a rolling multi-year Medium Term Resource Strategy

Full compliance against the code is mandatory. A full self-assessment has been undertaken against the criteria contained within the CIPFA Financial Management Code jointly with the PCC. The self-assessment shows the Force to be fully compliant.

5. The Governance Framework

The Chief Constable is responsible for operational policing matters, direction and control of police personnel, and for putting in place proper arrangements for governance of the Force. He is accountable to the PCC for the exercise of those functions and those of persons under his direction and control. He is required to provide assurance to the PCC that the Force has appropriate mechanisms in place for maintenance of good governance, and that these operate in practice. The corporate processes underpinning this commitment are set out in the Policing Protocol Order 2011, the Financial Management Code of Practice (Home Office, 2013) and the Code of Ethics (College of Policing, 2014).

The Chief Constable is accountable for how the resources are used. This includes accountability for outputs and for the outcomes achieved. In addition, he has an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that he can demonstrate the appropriateness of all actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

This core principle underlines that, above almost everything else, good governance depends on building a corporate environment where leaders and staff believe personally in acting in accordance with generally accepted values.

For the appropriate mechanisms to operate in practice, the PCC and Chief Constable, as separate corporations sole, have separate but complimentary governance structures. These facilitate achievement of effective governance arrangements, including monitoring and assessment of performance in line with statutory responsibilities. This consists of a governance framework, collectively known as the Scheme of Corporate Governance, aligned to the key elements of the Plan on a Page which drives ownership and accountability across the operational and organisational business.

The framework clearly articulates the governance mechanism and decision-making processes that are now in place across the Force, and with the OPCC, to manage and coordinate key areas of business including Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS), Continuous Improvement, Neighbourhood Policing, Health and Wellbeing and Staff Development and Leadership. The framework is regularly revisited and refreshed to reflect any changes required.

The framework was amended to reflect the enhancements to the OPCC's accountability processes with the introduction of the bi-monthly Accountability Board (formerly the Corporate Governance Group), which is the formal governance meeting between the PCC and Chief Constable to ensure proper governance of the Force and the OPCC, through open, constructive debate of their respective statutory duties and the efficiency and effectiveness of the Force. OPCC accountability of the Force is further supported by the Joint Independent Audit Committee (JIAC), External Ethics Committee and one-to-one Assurance meetings between the PCC and Chief Officers/Senior Leaders. The framework will be adapted to reflect the outcomes of the OPCC's ongoing review of their wider governance processes.

The Chief Constable is held to account through a number of systems and processes which comprise the PCC's current governance arrangements, the key elements of which are as follows.

Police and Crime Plan 2021-2025

This sets out the PCC's strategic police and crime objectives for the area, including the policing which the Chief Constable is to provide and the financial resources the PCC will make available, how performance is measured, what

grants are to be made and how the Chief Constable is to be held to account. The PCC works with the Chief Constable to ensure processes and systems are in place to deliver against the Police and Crime Plan. This allows the PCC to be satisfied the Chief Constable has regard to the Police and Crime Plan through operational plans of the Force, including the Plan on a Page and Strategic Delivery Plan.

Plan on a Page

The Plan on a Page is a key document in meeting the seven principles of good governance. It sets out our culture, values and behaviours, how we will deliver our mission, how the Force will serve communities to make them stronger and safer, reducing crime and building trust and confidence, that planned resources will enable us to continuously improve and be effective and efficient, how management of people and their development is key to success and how we will engage with our partners to improve people's lives.

Delivery Plan 2022-2023

This translates the PCC's objectives into the OPCC Annual Delivery Plan and Activity Plan.

Accountability Board

The Accountability Board ensures proper governance of the Force for the Chief Constable and PCC, through open, constructive debate of their respective statutory duties and the efficiency and effectiveness of the Force. The agenda covers delivery against the Police and Crime Plan, inspections/audits/reviews, people, finance, collaboration/partnerships, risks and current/significant issues.

Corporate Efficiency and Continuous Improvement Review Programme

The Chief Constable has a robust Efficiency and Continuous Improvement Review Programme in place in order to ensure the delivery of required cashable and non-cashable savings across the Force and to maximise opportunities to improve efficiency and effectiveness through a programme of continuous improvement. The Programme has been prioritised through an assessment of performance, demands, threat, risk and harm and financial planning requirements and will be a key vehicle in the delivery of the Force Savings Plan.

Further Assurance Arrangements

The Chief Constable is held to account in a number of other ways:

- **Daily Informal Interaction:** enabling and encouraging spontaneous face-to-face discussions between Chief Officers and the PCC on significant issues and critical incidents.
- **Joint PCC/Chief Constable Briefings:** weekly briefings enabling dialogue and discussion, with opportunities to cover Police and Crime Plan delivery and receive updates on topical issues/operational matters.
- **Joint Chief Executive/Deputy Chief Constable Briefings:** monthly briefings enabling dialogue and discussion, with opportunities to discuss organisational planning, risks and current/significant issues.
- **Assurance Conversations:** monthly/quarterly between the PCC and Chief Officers/Function Heads to complement and enhance Force performance management and corporate governance arrangements, enhance understanding of the PCC around delivery against Plan-on-a-Page and Police and Crime Plan outcomes, and provide him with access to information, officers and staff as required.
- **Joint Independent Audit Committee (JIAC):** quarterly to provide independent advice and recommendations to the PCC and Chief Constable on the adequacy of governance and risk management frameworks, internal controls and financial reporting, annual governance processes and internal and external audit, helping to ensure efficient and effective assurance arrangements.
- **Independent Ethics and Scrutiny Board:** these meetings commenced in October 2021. The meetings are independently chaired, along with representatives from the independent scrutiny groups, OPCC and Force.

The Board meets quarterly to objectively explore ethical issues and matters raised, in depth and from multiple perspectives, with the purpose of generating genuine and positive organisational learning, informing police and OPCC policy and priorities, challenging when appropriate and creating openness and transparency.

- **Complemented by:**

- Bespoke briefings from Chief Officers on significant/sensitive issues.
- Senior OPCC staff attending key Force meetings (e.g. HMICFRS Governance Board).
- OPCC staff, Diversity Panel (community representatives) and Domestic Abuse Scrutiny Panel (senior representatives from a number of key support agencies) conducting further checks/audits as part of their assurance work (e.g. Stop & Search and Use of Force Scrutiny Panels).
- Routine liaison between senior OPCC staff/senior Force staff and officers on matters including finance, estates, procurement, professional standards, legal and IT.
- Feedback from Independent Custody Visitors (ICVs) and Appropriate Adults (AAs).
- Regular meetings with public bodies (e.g. local authorities) and Inspectorates (e.g. HMICFRS).
- Internal Audit plans (provided by West Yorkshire OPCC), with reports back to the JIAC and Force HMICFRS Governance Board.
- Pro-actively supporting HMICFRS Force Inspections through the HMICFRS Efficiency Board including production of the draft Force Management Statement and Efficiency Review and actively encouraging HMICFRS inspectors to attend Force meetings and to visit the Force and maintaining a high level of transparency.

Statutory Functions:

The Chief Constable fulfils his statutory duties by ensuring:

- **Financial management:** arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (2014), and procedural rules, policies and internal management procedures are established for financial management in accordance with the CIPFA Financial Management Code.
- **Procedure Rules, Policies and Internal Management:** established processes for Financial Management, Procurement (via the Yorkshire and the Humber Regional Procurement Team), Health and Safety (via Humberside Fire and Rescue), Confidential Reporting ('whistleblowing'), Complaints Handling, Anti-Fraud, Bribery and Corruption and Records Management including security of information and information sharing.
- **Codes of Conduct:** defined standards of behaviour for the Force
- **Joint Scheme of Corporate Governance:** scheme in place setting out in detail the respective roles and functions of the PCC and Chief Constable, outlining significant decisions consented or delegated and which are of a statutory, financial or management nature.
- **Decision Making Process:** decisions made by the Chief Constable are recorded at the Chief Officers Group and referred to the PCC in accordance with the Statement of Corporate Governance
- **Joint Independent Audit Committee (JIAC):** established and responsible for independent assurance on the adequacy of the risk management framework and associated control environment, independent scrutiny of the PCC's and Chief Constable's financial performance to the extent that it affects their exposure to risk and weakens the control environment. JIAC has an independent chair, as identified by the Revised Home Office Code of Practice for Financial Management 2018 and the CIPFA Audit Committees: Practical Guidance for Local Authorities and Police 2018.

- **Corporate Risk Strategy and Risk Register:** continued review of the risk register by OPCC Senior Leadership Group. JIAC is responsible for independent assurance on the adequacy of the risk management framework.
- **External Audit:** function is in place which reports to those charged with governance in respect of the Annual Accounts, ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

6. Review of Effectiveness

The PCC has responsibility for conducting a review of the effectiveness of the governance framework. The review of the effectiveness is informed by the work of the statutory and senior officers within the Force and the OPCC Leadership Meeting, who have responsibility for development and maintenance of the governance environment and the Annual Report and Audit Opinion of the Head of Internal Audit (OPCC West Yorkshire), as well as comments by External Auditors and other review agencies and inspectorates.

The Chief Constable supports the view of the PCC that the governance arrangements in place are fit for purpose.

JIAC

The JIAC has continued to be responsible, on behalf of both corporations sole, for:

- Advising the PCC and Chief Constable according to good governance principles.
- Providing independent assurance on the adequacy and effectiveness of the PCC's and Chief Constable's internal control environment and risk management framework.
- Monitoring the effective development and operation of risk management including the adequacy of management action.
- Oversight of the effectiveness of the framework in place for ensuring compliance with statutory requirements.
- Independent scrutiny of financial and non-financial performance to the extent that it affects the PCC's and Chief Constable's exposure to risks and weakens the internal control environment.
- Oversight of the financial reporting process and consideration of the arrangements to secure value for money.

The Terms of Reference of the JIAC encompass and reflect these duties by defining that they:

- Be the conduit through which governance work is channelled.
- Provide assurance on risk management arrangements on behalf of the PCC.
- Recommend approval of the Statutory Accounts of the PCC and Chief Constable.

To ensure that it is ably qualified, assessments of its abilities in line with best practice are undertaken confirming that the JIAC is well suited and equipped for such responsibilities. Members of the JIAC continue to undergo regular training to ensure the committee remains effective in advising the PCC and Chief Constable.

Internal Audit:

The system of Internal Audit (provided via s.22 agreement with OPCC West Yorkshire) is a primary principle of corporate governance and joint responsibility of the PCC. Provision and maintenance of an effective joint internal audit service has been designated to the OPCC Chief Financial Officer. JIAC continues to oversee provision of this service. Internal audit standards are assessed against Public Sector Internal Audit Standards (PSIAS).

During 2022/23, internal audit has continued the approach of concentrating on major risks faced by the PCC and Force, allowing the PCC to have increased confidence in the governance, risk management and control processes.

Section 151 Officers:

The OPCC has in place a Chief Finance Officer covering the role of s.151 officer. The force has a Head of Finance and Business Services in place, covering the s.151 officer role.

Collaborative Working:

The Chief Constable manages a number of collaborative arrangements to deliver services in conjunction with both national and neighbouring forces. These include:

- Provision of policing services including Regional Organised Crime Unit (Yorkshire and the Humber).
- Joint ICT Service (Humberside and South Yorkshire).
- Procurement (Yorkshire and the Humber).
- Scientific Support Service (North East Region).
- Protected Personnel Carriers.
- National Police Air Service.
- Provision of Legal Services.
- Modern Slavery Police Transformation Programme.

The Chief Constable continues to collaborate with other bodies including the Humberside Fire and Rescue Service (shared facilities including vehicle maintenance, estates, and health and safety).

The Chief Constable also has national roles as Director of Blue Light Commercial, a member of the management committee for Police Sport UK, Chair of the National Police Chiefs' Council (NPCC) Performance Sub-Committee and is also the NPCC lead for HMICFRS liaison.

7. Performance

The Chief Officers' Group receives regular monitoring reports based on detailed analysis and including comparator information in order to inform decision making. The Police Effectiveness, Efficiency and Legitimacy (PEEL) standing is outstanding.

Corporate Assessment Framework

The Force Corporate Assessment process is a robust performance management and review framework to monitor progress in the delivery of the Plan on a Page, the Force Strategic Delivery Plan and the PCC's Police and Crime Plan. The approach focussed on the development of Local Delivery Plans within Operational Commands and Support departments outlining the activities they would be undertaking over the year to support the delivery of the Plan on a Page and the Police and Crime Plan and the measures to monitor progress.

A formal performance review process to support the delivery of these plans is in place. This comprises the Deputy Chief Constable (DCC) Victim Focussed Monthly Performance Meeting, chaired by the DCC and attended by the relevant operational/organisational support Commanders/SLT's to monitor overall Force performance. This is supported by monthly Local Accountability Meetings (LAMs) chaired by the relevant ACC with operational command/support departments focussed on the delivery of their local plans and monitoring performance against their specific indicators.

This is a fully embedded process and, in line with the Force culture of continuous improvement, was refined in 2020 with a revision of the planning templates, activities and supporting measures focussed on the Chief Constable's Strategic Delivery Plan, Plan on a Page and OPCC's Police and Crime Plan.

The process is further supported through local Team Accountability Meetings (TAMs) and Individual Accountability Meetings (IAMs) across every level of the organisation to not only assess the contribution to Force Performance, but

to also consider continuous personal development and health and wellbeing requirements and opportunities for individuals.

8. Significant Governance Issues

The Chief Constable and the OPCC identified a number of strategic risks in 2022/23. These included risks arising out of processes, systems, national influences such as policy and policing in general, health and safety and financial controls all of which the Chief Constable continues to manage. Each risk has Chief Officer functional ownership and a responsible risk manager who are accountable for the progress of the management of that risk.

All risks have controls or mitigations assigned to them, are assessed and reassessed on a dynamic basis, and receive regular updates which are subject to quality assurance by the DCC in his role as Force Risk Champion. All risks are reported to and scrutinised by Chief Officers, the Accountability Board, and the JIAC. There is a well understood process in place with local risk managers escalating to the strategic level as required. Local managers also manage operational risks in all of the high risk areas of Force business particularly where vulnerability in the community is a key factor for example, Missing Persons, Domestic Violence and Child Abuse.

Significant governance issues are defined as those:

- Which prevent or seriously prejudice achievement of a principal objective.
- Where additional funding has had to be sought in order to resolve it.
- Which result in material impact on the accounts.
- Which the Head of Internal Audit (OPCC West Yorkshire) has specifically highlighted in the annual audit opinion
- Which attracts significant public interest and damages the reputation of the PCC.
- Which result in formal action being taken by the OPCC Chief Financial Officer or the Monitoring Officer.

Using the above criteria there are no significant governance issues to report for 2022/23.

Head of Finance and Business Services

Chief Constable

Date

Date

POLICE AND CRIME COMMISSIONER FOR HUMBERSIDE ANNUAL GOVERNANCE STATEMENT 2022-23

1. INTRODUCTION

This Annual Governance Statement (AGS) demonstrates the governance arrangements in place for the Police and Crime Commissioner (PCC) for Humberside, including how the effectiveness of the framework is evaluated and monitored. This statement also outlines significant governance issues and any planned changes.

2. SCOPE OF RESPONSIBILITIES

The PCC is responsible for ensuring business is conducted in accordance with the law and proper standards, and public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The PCC has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way his functions are exercised having regard to a combination of economy, efficiency and effectiveness.

In discharging his overall responsibility, the PCC is responsible for putting in place proper arrangements for the governance of his affairs and facilitating the exercise of his functions, which includes ensuring maintenance of a sound system of internal control and that arrangements are in place to support the management of risk.

The PCC has adopted a Code of Corporate Governance, consistent with the principles of the CIPFA/SOLACE Guidance: Delivering Good Governance in Local Government¹. This statement explains how the PCC has complied with the Code and met the requirements of the Accounts and Audit Regulations 2015, requiring all relevant bodies to prepare an Annual Governance Statement (AGS) and publication of a statement on internal control.

3. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values by which the PCC directs and controls his activities and through which he accounts to and engages with the community. It enables him to monitor the achievement of his objectives as set out in the Police and Crime Plan, and consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.

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

The fundamental function of good governance in the public sector is to ensure intended outcomes are achieved whilst acting in the public interest at all times. Governance arrangements for the PCC and force follow the seven principles set out in the revised Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales (2016). These principles are:

A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

B: Ensuring openness and comprehensive stakeholder engagement.

C: Defining outcomes in terms of sustainable economic, social and environmental benefits.

D: Determining the interventions necessary to optimise the achievement of the intended outcomes.

E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.

F: Managing risks and performance through robust internal controls and strong public financial management.

G: Implementing good practices in transparency, reporting and audit to delivery effective accountability.

¹ Delivering Good Governance in Local Government – Guidance Notes for Policing Bodies (revised 2016)
<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-guidance-notes-for-policing-bodies-in-england-and-wales-2016-edition>

4. 4. THE CIPFA FINANCIAL MANAGEMENT CODE

The PCC is required to comply with the CIPFA Financial Management (FM) Code. The CIPFA FM Code introduces an over-arching framework of assurance, building on existing financial management good practice. The six key principles are explained below:

- Organisational **leadership** – clear strategic direction, financial management is embedded into organisational culture.
- **Accountability** – based on a Medium-Term Resource Strategy (MTRS) which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- **Transparency in Financial Management**, using consistent, meaningful, and understandable data, reported frequently with evidence of periodic action and decision making.
- Adherence to professional **standards** is promoted by the OPCC leadership team and is evidenced.
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management and includes the results of external audit, internal audit and inspection.
- The long-term **sustainability** is at the heart of all financial management process and is evidenced by prudent use of public resources.

The PCC demonstrates that it operates according to these principles by meeting the following standards:

- OPCC leadership team is able to demonstrate that the force provides value for money.
- PCC ensures compliance with the CIPFA Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (2014).
- OPCC leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
- PCC complies with the CIPFA Delivering Good Governance, Guidance Notes for Policing Bodies in England and Wales (2016).
- Financial management style of the PCC supports financial sustainability.
- PCC ensures the force has carried out a credible and transparent Financial Resilience Assessment.
- PCC understands its prospects for financial sustainability in the longer term.
- PCC ensures compliance with the CIPFA Prudential Code for Capital Finance in Local Authorities.
- PCC ensures a rolling multi-year Medium Term Resource Strategy.

Full compliance against the code was mandatory from 1 April 2022. A full self-assessment has been undertaken against the criteria contained within the CIPFA Financial Management Code jointly with the force. The self-assessment shows both the PCC and force to be fully compliant.

5. THE GOVERNANCE FRAMEWORK

The Chief Constable is responsible for operational policing matters, direction and control of police personnel, and for putting in place proper arrangements for governance of the force. The PCC is required to hold him to account for the exercise of those functions and those of persons under his direction and control. It follows that the PCC must be assured that the force has appropriate mechanisms in place for maintenance of good governance, and that these operate in practice. The relationship between the PCC, Chief Constable, Police and Crime Panel and Home Secretary is guided by the Policing Protocol Order 2011².

For the appropriate mechanisms to operate in practice, the PCC and Chief Constable, as separate corporations sole, have separate but complimentary governance structures. These facilitate achievement of effective governance arrangements, including monitoring and assessment of performance in line with statutory responsibilities. This consists of a governance framework, collectively known as the Scheme of Corporate Governance.

The PCC has adopted a number of systems and processes which comprise the PCC's current governance arrangements, the key elements of which are outlined below.

Police and Crime Plan 2021-25:

The three key aims are:

² Policing Protocol Order 2011 <http://www.legislation.gov.uk/ukxi/2011/2744/made>

1. Engaged, Resilient and Inclusive Communities.
2. Safer Communities.
3. Effective Organisations.

The Police and Crime Plan sets out the PCC's objectives for policing/community safety, policing to be provided, financial and other resources available, how performance is measured, what grants are to be made and how the Chief Constable is to be held to account. The PCC works with the Chief Constable to ensure processes and systems are in place to deliver against the Police and Crime Plan. This allows the PCC to be satisfied the Chief Constable has regard to the Police and Crime Plan through operational plans of the force, including their Plan-on-a-Page and Strategic Delivery Plan.

Delivery Plan 2022-23:

This translates the PCC's objectives into the OPCC Annual Delivery Plan³ and Activity Plan.

Accountability Board:

The Accountability Board⁴ ensures proper governance of the force and PCC, through open, constructive debate of their respective statutory duties and the efficiency and effectiveness of the force. The agenda covers delivery against the Police and Crime Plan, inspections/audits/reviews, people, finance, collaboration/partnerships, risks and current/significant issues.

Further Assurance Arrangements:

The PCC fulfils the duty to hold the Chief Constable to account in a number of other ways:

- **Daily Informal Interaction:** enabling and encouraging spontaneous face-to-face discussions between Chief Officers and the PCC on significant issues and critical incidents.
- **Joint PCC/Chief Constable Briefings:** weekly briefings enabling dialogue and discussion, with opportunities to cover Police and Crime Plan delivery and receive updates on topical issues/operational matters.
- **Joint Chief Executive/Deputy Chief Constable Briefings:** monthly briefings enabling dialogue and discussion, with opportunities to discuss organisational planning, risks and current/significant issues.
- **Assurance Conversations:** monthly/quarterly between the PCC and Chief Officers/Function Heads to complement and enhance force performance management and corporate governance arrangements, enhance understanding of the PCC around delivery against Plan-on-a-Page and Police and Crime Plan outcomes, and provide with access to information, officers and staff as required.
- **Joint Independent Audit Committee (JIAC):** quarterly to provide independent advice and recommendations to the PCC and Chief Constable on the adequacy of governance and risk management frameworks, internal controls and financial reporting, annual governance processes and internal and external audit, helping to ensure efficient and effective assurance arrangements.
- **Independent Ethics and Scrutiny Board:** meetings are independently chaired, along with representatives from the independent scrutiny groups, OPCC and force. The Board meets quarterly to objectively explore ethical issues and matters raised, in depth and from multiple perspectives, with the purpose of generating genuine and positive organisational learning, informing police and OPCC policy and priorities, challenging when appropriate and creating openness and transparency.
- **Complemented by:**
 - Bespoke briefings from Chief Officers on significant/sensitive issues.
 - Senior OPCC staff attending key force meetings (e.g. HMICFRS Governance Board).
 - Police Powers Scrutiny Group and Hate Crime Scrutiny Group (both with community representatives) meeting quarterly to scrutinise, recognise and promote good practice, and robustly challenge, reporting their findings back to the Independent Ethics and Scrutiny Board.
 - Routine liaison between senior OPCC staff/senior force staff and officers on matters including finance, estates, procurement, professional standards, legal and IT.
 - Feedback from Independent Custody Visitors (ICVs) to the PCC and Force Custody Board as appropriate.
 - Regular meetings with public bodies (e.g. local authorities) and Inspectorates (e.g. HMICFRS).

³ OPCC Humberside Delivery Plan <https://www.humberside-pcc.gov.uk/Our-Work/Delivery-Plan.aspx>

⁴ Humberside Police and Crime Commissioner – Accountability Board <https://www.humberside-pcc.gov.uk/Your-Police/Documents/Accountability-Board-Holding-to-Account.pdf>

- Internal Audit plans (provided by West Yorkshire OPCC), with reports back to the JIAC and Force HMICFRS Governance Board.
- Oversight of HMICFRS Force Inspections through attendance at Force HMICFRS Governance Board and meetings between the PCC and Regional HMI.

Statutory Functions:

The PCC fulfils his statutory duties by ensuring:

- **Monitoring Officer:** effective arrangements are in place for the discharge of the Chief Executive (head of paid service) and Monitoring Officer functions.
- **Financial management:** arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (2014), and procedural rules, policies and internal management procedures are established for financial management.
- **Procedure Rules, Policies and Internal Management:** established processes for Financial Management, Procurement (via the Yorkshire and the Humber Regional Procurement Team), Health and Safety (via Humberside Fire and Rescue), Confidential Reporting ('whistleblowing'), Complaints Handling, Anti-Fraud, Bribery and Corruption and Records Management including security of information and information sharing.
- **Codes of Conduct:** defined standards of behaviour for the PCC, statutory officers, staff, members of our Joint Independent Audit Committee (JIAC) and volunteers.
- **Joint Scheme of Corporate Governance:** scheme in place setting out in detail the respective roles and functions of the PCC and Chief Constable, outlining significant decisions consented or delegated and which are of a statutory, financial or management nature.
- **Decision Making Process⁵:** established approaches and principles of decision-making. All decisions made by the PCC are recorded and published online for transparency.
- **Joint Independent Audit Committee (JIAC):** established and responsible for independent assurance on the adequacy of the risk management framework and associated control environment, independent scrutiny of the PCC's and Chief Constable's financial performance to the extent that it affects their exposure to risk and weakens the control environment. JIAC has an independent chair, as identified by the Home Office Code of Practice for Financial Management and the CIPFA Audit Committee: Practical Guidance for Local Authorities and Police Guidance.
- **Corporate Risk Strategy and Risk Register:** continued review of the risk register by OPCC Senior Leadership Group. JIAC is responsible for independent assurance on the adequacy of the risk management framework.
- **External Audit:** function is in place which reports to those charged with governance in respect of the Annual Accounts, ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The PCC provides information to External Audit, enabling them to provide assurance. The PCC also ensures External Audit recommendations are implemented.
- **Partnerships/Stakeholders/Communities:** defined and documented roles and responsibilities, with clear arrangements for effective communication in respect of the PCC and partnership arrangements. Established and clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation. We have developed good governance arrangements in respect of partnership and other joint working arrangements, including clear working relationships with Community Safety Partnership (CSPs).
- **Other Statutory Responsibilities and Compliance:**
 - Setting the budget and precept.
 - Issuing a Police and Crime Plan⁶.
 - Publication of an Annual Report⁷.
 - Publication of specified information, including the requirements of the Elected Local Policing Bodies (Specified Information) (Amendment) Order 2021.

⁵ PCC Decision Making Process <https://www.humberside-pcc.gov.uk/Transparency/How-We-Make-Decisions/How-We-Make-Decisions.aspx>

⁶ Police and Crime Plan 2021-25 <https://www.humberside-pcc.gov.uk/Our-Work/Police-and-Crime-Plan.aspx>

⁷ Annual Report 2021-22 <https://www.humberside-pcc.gov.uk/Document-Library/Annual-Reports/HPCC-Annual-Report-2022-Web.pdf>

- Duties to consult with victims of crime, the population as a whole and council-tax payers.
- Safeguarding of children and promotion of child welfare.
- Having regard to the Strategic Policing Requirement.
- Duties relating to equality and diversity.
- Attendance at and input to the Humberside Police and Crime Panel.

6. REVIEW OF EFFECTIVENESS

The PCC has responsibility for conducting a review of the effectiveness of the governance framework. The review of effectiveness is informed by the work of the OPCC Leadership Meeting, who have responsibility for development and maintenance of the governance environment and the Annual Report and Audit Opinion of the Head of Internal Audit (OPCC West Yorkshire), as well as comments by External Auditors and other review agencies and inspectorates.

Overall governance arrangements are fit for purpose.

In maintaining and reviewing the effectiveness of governance arrangements, the following roles are undertaken:

PCC:

The PCC has overall responsibility for maintenance and review of governance arrangements and has asked his Statutory Officers, together with the Head of Internal Audit (OPCC West Yorkshire) to continue with the review of the corporate governance arrangements, designed to assess and monitor:

- Code of Corporate Governance.
- Review of the system of Internal Control.
- Assurance through development of the Accountability Board.
- Production of the Annual Governance Statement (AGS).

Joint Independent Audit Committee (JIAC):

The JIAC has continued to be responsible, on behalf of both corporations sole, for:

- Advising the PCC and Chief Constable according to good governance principles.
- Providing independent assurance on the adequacy and effectiveness of the PCC's and Chief Constable's internal control environment and risk management framework.
- Monitoring the effective development and operation of risk management including the adequacy of management action.
- Oversight of the effectiveness of the framework in place for ensuring compliance with statutory requirements.
- Independent scrutiny of financial and non-financial performance to the extent that it affects the PCC's and Chief Constable's exposure to risks and weakens the internal control environment.
- Oversight of the financial reporting process and consideration of the arrangements to secure value for money.

The Terms of Reference of the JIAC encompass and reflect these duties by defining that they:

- Be the conduit through which governance work is channelled.
- Provide assurance on risk management arrangements on behalf of the PCC.
- Recommend approval of the Statutory Accounts of the PCC and Chief Constable.

To ensure that it is ably qualified, assessments of its abilities in line with best practice are undertaken confirming that the JIAC is well suited and equipped for such responsibilities. Members of the JIAC continue to undergo regular training to ensure the committee remains effective in advising the PCC and Chief Constable. Recruitment was successfully undertaken in 2022-23 to replace outgoing members.

Internal Audit:

The system of Internal Audit (provided via s.22 agreement with OPCC West Yorkshire) is a primary principle of corporate governance and joint responsibility of the PCC. Provision and maintenance of an effective joint internal audit service has been designated to the OPCC Chief Financial Officer. JIAC continues to oversee provision of this service. Internal audit standards are assessed against Public Sector Internal Audit Standards (PSIAS).

During 2022-23, internal audit has continued the approach of concentrating on major risks faced by the PCC and force, allowing the PCC to have increased confidence in the governance, risk management and control processes.

Section 151 Officers:

The OPCC has in place a Chief Finance Officer covering the role of s.151 officer. The force has a Head of Finance and Business Services in place, covering the s.151 officer role – recruitment for this post has been undertaken in the year following the announcement of retirement of the current holder.

Police and Crime Panel:

The Humberside Police and Crime Panel continues to scrutinise the work of the PCC, acting as critical friend to the PCC through independent challenge. The Panel has:

- Reviewed progress against the Police and Crime Plan 2021-25.
- Scrutinised the PCC's Annual Report 2021-22.
- Scrutinised the decisions and actions of the PCC.
- Reviewed and accepted the PCC's proposed policing precept.

The PCC remains compliant with all requests from the Panel, including information and attendance at meetings.

Collaborative Working:

The PCC has collaborative arrangements in place to deliver a number of services in conjunction with both national and neighbouring PCCs. Details of the current collaborative agreements⁸ are published on our website.

These services are delivered under a Section 22A Collaboration agreement and work was undertaken with the Force Head of Legal Services to identify all the relevant agreements. This was published via the Accountability Board and included:

- Regional Organised Crime Unit (ROCU)
- Regional Scientific Support Services
- Regional Collision Investigation Unit
- Forensic Collision Investigation Network
- Regional Stores
- Regional Procurement
- Regional Underwater Search Unit
- Joint ICT Service (Humberside and South Yorkshire)
- Legal Services
- National Police Air Service (NPAS)
- National Police Chiefs Council (NPCC) Central Office
- NPCC Inclusion and Race Equality Team
- NPCC Pension Remedy Resource Planning
- NPCC Central Logging of Intelligence Operations
- NPCC Biometrics
- NPCC Pay and Rewards Team
- National Police Coordination Centre (NPoCC) Operations
- NPoCC Strategic Intelligence and Briefing
- Criminal Records Office
- National Intelligence Unit for Serious Organised Acquisitive Crime (OPAL)
- Under Cover Protection Inquiry Co-ordination Team
- National Police Freedom of Information and Data Protection Unit
- National Wildlife Crime Unit
- UK Casualty Bureau Co-ordinator
- Surveillance Data Dashboard

⁸ Publication of Collaborative Agreements: <https://www.humberside-pcc.gov.uk/Transparency/What-Our-Priorities-Are-and-How-We-Are-Doing/What-Our-Priorities-Are-and-How-We-Are-Doing.aspx>

- Independent Inquiry into Child Sexual Abuse
- Modern Slavery Police Transformation Programme

The collaboration reporting template developed in the previous year has been used during 2022-23 to ensure a fully transparent method for seeking assurance around regional collaborative working. There is still work to be done to ensure greater compliance with this approach.

The PCC is involved as the North-East Regional Representative for the National Police Air Service (NPAS) Strategic Board. The PCC also continues to collaborate with other bodies including the Humberside Fire and Rescue Service (shared facilities including vehicle maintenance, estates, and health and safety). The PCC is an invited member of the Humberside Fire Authority (HFA) and is in contact with the HFA Chair on a needs basis to facilitate the progress around collaborative working.

7. SIGNIFICANT GOVERNANCE ISSUES

Significant governance issues are defined as those:

- Which prevent or seriously prejudice achievement of a principal objective.
- Where additional funding has had to be sought in order to resolve it.
- Which result in material impact on the accounts.
- Which the Head of Internal Audit (OPCC West Yorkshire) has specifically highlighted in the annual audit opinion.
- Which attracts significant public interest and damages the reputation of the PCC.
- Which result in formal action being taken by the OPCC Chief Financial Officer or the Monitoring Officer.

In the 2021-22 Annual Governance Statement (AGS), the OPCC identified two significant issues and included them in the Delivery Plan 2022-23. These were:

1. **National PCC Review:** there were several large-scale changes planned through the National PCC Review published last year. The most recent was the Strategic Policing Requirement (SPR) changes. All changes continue to be reported back through the OPCC accountability mechanisms.
2. **Partnership Funding Arrangements:** the OPCC has been working to improve accountability and transparency with how funds provided by the PCC to partnerships are utilised and aligned to the Police and Crime Plan aims.

All significant issues from 2021-22 have been covered, with remaining elements transferred across to the Delivery Plan 2023-24 or incorporated into business as usual.

Using the criteria for significant issues for 2022-23, there are two for the OPCC. Both have actions in place through the OPCC Delivery Plan 2022-23 where relevant:

1. **Scrutiny:** there is currently no independent scrutiny of complaint outcomes. The level of review outcomes has increased in 2022-23 and the OPCC needs to ensure consistency in approach and force response. The Delivery Plan 2023-24 will ensure the independent scrutiny arrangements will better enable the PCC to undertake their statutory role in holding the force to account.
2. **Pentana:** the OPCC has been developing the Pentana system to monitor the efficiency and effectiveness of the team. The OPCC has developed reporting around the Delivery Plan and now needs to further develop around business as usual in 2023-24.

Jonathan Evison
Police and Crime Commissioner

Rachel Cook
OPCC Chief Executive

Kevin Wilson
OPCC Chief Finance Officer

Date: xx March 2023

Date: xx March 2023

Date: xx March 2023