

**Enquiries: Mrs I Redpath
Telephone: 0300 1240113
ext. 48432**

Our reference: JAC/IR

Date: 15 March 2023

AGENDA

TO: THE MEMBERS OF THE JOINT AUDIT COMMITTEE

CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY JOINT AUDIT COMMITTEE

A Meeting of the Joint Audit Committee will take place on **Wednesday 22nd March 2023** in **Conference Room One**, Police Headquarters, Carleton Hall, Penrith, at **10:30am**.

**Vivian Stafford, Gill Shearer
Chief Executive**

Note: Members are advised that allocated car parking for the meeting is available in the Visitors' Car Park.

Note: If members of the public wish to participate in this meeting please contact inge.redpath@cumbria.police.uk by 20th March 2023 for an invitation.

Please note – there will be a JAC development Session - Treasury Management 9am-10am and a JAC Development Session - Budget & MTF 2pm-3pm

COMMITTEE MEMBERSHIP

Mrs Fiona Moore (Chair)
Mr Malcolm Iredale
Wing Commander (Retired) Tim Mann
Mr Jake Cornthwaite
Mr Mike Roper

AGENDA

PART 1 – ITEMS TO BE CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC

1. APOLOGIES FOR ABSENCE

2. URGENT BUSINESS AND EXCLUSION OF PRESS AND PUBLIC

To consider (i) any urgent items of business and (ii) whether the press and public should be excluded from the Meeting during consideration of any Agenda item where there is likely disclosure of information exempt under s.100A(4) and Part I Schedule A of the Local Government Act 1972 and the public interest in not disclosing outweighs any public interest in disclosure.

3. DISCLOSURE OF PERSONAL INTERESTS

Members are invited to disclose any personal/prejudicial interest, which they may have in any of the items on the Agenda. If the personal interest is a prejudicial interest, then the individual member should not participate in a discussion of the matter and must withdraw from the meeting room unless a dispensation has previously been obtained.

4. MINUTES OF MEETING AND MATTERS ARISING

To receive and approve the minutes of the committee meeting held on 23rd November 2022.

5. ACTION SHEET

To receive the action sheet from previous meetings.

6. CORPORATE UPDATE

To receive a briefing on matters relevant to the remit of the Committee.

(To be presented by the Deputy Chief Constable, the OPCC Chief Executive and the Joint Chief finance Officer)

7. INTERNAL AUDIT – SUMMARY INTERNAL CONTROLS ASSURANCE REPORT

To receive the Internal Auditors the Summary Internal Controls Assurance (SICA) Report. To include arrangements for Quality Assurance and Improvement. *(To be presented by TIAA Ltd Engagement Manager)*

8. INTERNAL AUDIT REPORT(S)

To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the committee. *(To be presented by the Audit Manager)*

- a) Risk Management & Framework **Report to Follow**
- b) Debtors
- c) Treasury Management

- d) Firearms Licensing
- e) Performance & Insight Command
- f) Resource Planning

9. MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS

To receive an updated summary of actions implemented in response to audit and inspection recommendations. *(A Verbal update will be given by TIAA Ltd Engagement Manager)*

10. PROPOSED INTERNAL AUDIT PLAN/INTERNAL AUDIT CHARTER

To receive a report from the Internal Auditors on the proposed Internal Audit Annual Plan and any proposed revisions. To receive a copy of the internal audit charter from the Internal Auditors. *(To be presented by TIAA Ltd Engagement Manager)*

- a) PCC & Constabulary Internal Audit Plan 2023/24
- b) Fire & Rescue Internal Audit Plan 2023/24 **Report to Follow**

11. EXTERNAL AUDIT UPDATE REPORT

To receive from the external auditors an update report in respect of progress on the external audit plan. *(To be presented by Grant Thornton Engagement Lead)*

12. STRATEGIC RISK REGISTER

To consider the OPCC and Constabulary strategic risk register as part of the Risk Management Strategy.

- a) OPCC Risk Management Monitoring *(To be presented by OPCC Chief Executive)*
- b) OPCC Strategic Risk Register *(To be presented by OPCC Chief Executive)*
- c) OPCC Operational Risk Register *(To be presented by OPCC Chief Executive)*
- d) Constabulary Strategic Risk Register *(To be presented by Joint Chief Finance Officer)*

13. RISK MANAGEMENT STRATEGY

To provide the tri-ennial review of:

- a) OPCC Risk Management Strategy *(To be presented by OPCC Chief Executive)*
- b) Constabulary Risk Management Strategy *(To be presented by Deputy Chief Constable)*

14. CAPITAL STRATEGY and TREASURY MANAGEMENT STRATEGY AND TREASURY MANAGEMENT PRACTICES

To review the annual Capital Strategy and Treasury Management Strategy incorporating the policy on investment and borrowing activity and treasury management practices. *(To be presented by Deputy Chief Finance Officer)*

- a) Capital Strategy 2023/24
- b) Capital Programme 2023/24 & Beyond
- c) Treasury Management Strategy incorporating the policy on investment and borrowing activity
- d) Treasury Management Practices

15. ANNUAL REVIEW OF GOVERNANCE

To review the OPCC and Constabulary arrangements for governance; cyclical review over three years:

- a) OPCC Scheme of Delegation/Consent *(To be presented by OPCC Chief Executive)* **To be deferred to May 2023 meeting.**
- b) ~~Constabulary Scheme of Delegation *(To be presented by Director of Legal Services)*~~ **This has already been considered at the November 2022 meeting.**

16. VALUE FOR MONEY

To receive an annual report on Value for Money within the Constabulary. *(To be presented by Joint Chief Finance Officer)* **To be deferred to May 2023 meeting, the VFM profiles have only recently been received.**

17. JAC ANNUAL WORK PROGRAMME: ASSURANCE FORMAT

To review and approve an annual work programme covering the framework of assurance against the Committee's terms of reference. *(To be presented by Deputy Chief Finance Officer)*

18. TREASURY MANAGERMENTS ACTIVITIES

To receive for information reports on Treasury Management Activity - Quarter 3. *(To be presented by the Deputy Chief Finance Officer)*

19. POINT FOR CONSIDERATION BY THE COMMISSIONER AND THE CHIEF CONSTABLE**Future JAC Meeting Dates (For Information)**

30th May 2023 @ 10.30– Conference Room 1 **(Please note this date has changed from June)**

20th September 2023 @ 10.30– Fire HQ Penrith

22nd November 2023 @ 10.30– Conference Room 1

20th March 2024 @ 10.30– Fire HQ Penrith

Future Police & Crime Panel Meeting Dates (For Information)

~~18 April 2023 – Conference Room A/B, Cumbria House, Botchergate, Carlisle, CA1 1RD~~
Cancelled, replacement meetings to be arranged.

CUMBRIA POLICE & COMMISSIONER AND CUMBRIA CONSTABULARY

JOINT AUDIT COMMITTEE

Minutes of a meeting of the Joint Audit Committee held on Wednesday 23rd November 2022
Conference Room 2, Police Headquarters, Carleton Hall, Penrith at 10:30am

PRESENT

Mrs Fiona Moore (Chair)
Mr Jack Jones
Mr Malcolm Iredale
Wing Commander (Retired) Tim Mann
Mr Jake Cornthwaite

Also present:

Police Crime Commissioner (PCC), (Peter McCall)
Chief Constable (CC), (Michelle Skeer)
Deputy Chief Constable (DCC), (Rob Carden)
Chief Executive (CE), OPCC (Vivian Stafford)
Joint Chief Financial Officer (JCFO), (Roger Marshall)
Deputy Chief Financial Officer (DCFO), (Michelle Bellis)
Chief Superintendent (CS), (Michael Bird)
Engagement Lead (EL), Grant Thornton LLP, (Michael Green)
Engagement Manager (EM), Grant Thornton LLP, (Gareth Winstanley)
Engagement Manager (EM), Grant Thornton LLP, (Bethany Duffy)
Audit Manager (AM), TIAA, (Andrew McCulloch)
Performance Consultant (PC), (Claire Griggs)
Head of Commercial (HC), (Barry Leighton)
Director of Corporate Support (DCS), (Stephen Kirkpatrick)
Head of Estates and Fleet (HE&F), (Philip Robinson)
Corporate Support Directorates PA (CSDPA), (Amy Price)
Michael Roper – Recently appointed JAC member as an observer (start December 2022)

PART 1 – ITEMS CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC

The Chair called the meeting to order at 10:32am

747. APOLOGIES FOR ABSENCE

All were present and accounted for.

748. URGENT BUSINESS AND EXCLUSION OF PRESS AND PUBLIC

There is no urgent business to discuss away from the press and public.

10:35 The Police and Crime Commissioner (PCC), Peter McCall joined the meeting.

749. DISCLOSURE OF PERSONAL INTERESTS

There were no disclosures of any personal interest relating to any item on the agenda

750. MINUTES OF THE PREVIOUS MEETING

The Committee received and reviewed the minutes of the meeting held 21st September 2022.

A member queried 734 not having an answer logged to the question posed. The Committee confirmed that the action was completed but would like the answer to the question stated in the action 734 "...and ask for clarification that officer and staff are happy with these". DCFO confirmed the answer Yes.

ACTION: Add the wording "Yes" to the action log number 734

RESOLVED: Amendment complete.

A member queried the wording on page 3 JAC3 "(is Tim still classed as new?)" and whether the minutes are being looked at and to have this removed from the final version.

DCFO confirmed it was in relation to the JCFO notes on holding a Members Development Session in the New Year.

ACTION: Remove this from the final version of the previous meeting minutes

RESOLVED: Action complete.

A member asked for clarification on the commands that have been listed on page 4 and whether they include Audit.

The CS gave the clarification that there is an audit function within the force, but it is more aligned for internal assessments and not in the context that they are discussing. The DCFO further clarified that the PCC and the CC have overall responsibility for the provision of an internal audit function within the Constabulary and the OPCC and that the Financial Services Team do this on their behalf.

A member queried the spelling on page 7, 743 "there" should be "their".

ACTION: change to the correct spelling on the final version of the previous meeting minutes.

RESOLVED: Wording has now been changed.

751. MATTERS ARISING

The chair raised a concern with item 741 on page 7 and whether this should ideally be a more generic action which covered all future actions rather than just page 8 and page 12 as originally stated.

10:41 – Inge Redpath (Financial Services Assistant) and Mike Roper (member of the Public) entered the room

10:42 – Inge Redpath left the room

ACTION: Confirmed that this action is to be utilised on all actions moving forward.

752. ACTION SHEET

The action sheet has been circulated and reviewed, and the following verbal updates were given.

694, 715, 715 - The chair noted that the first 3 items on the action plan should not say "completed" until after the meeting as we are to still check them.

717 (c) – Operation Uplift – the DCFO explained that the constabulary are on track to meet the uplift targets by 31st March and have a detailed plan of recruitment for the rest of the year and that they are progressing with that.

The DCC further added that the intake numbers are subjective as it is a very competitive market currently.

720(a) – some members still cannot access the client portal. The DCFO is to request access again. It became apparent that the links members had been sent for the TIAA portal had time lapsed, the links were re-instated, and members have confirmed they can now access the portal.

JAC4 – DCC requested clarity on the management of the HMICFRS.

A member clarified that they had questioned the audit system and HMICFRS as both of produce actions, but to avoid duplication or redundancy in actions they queried if these are integrated in any way?

The DCC explained that he was the person in charge of the HMICFRS action plan and there is now a monthly meeting as part of the new performance framework which has been completely reengineered. The DCC's presence ensures that it achieved its full potential.

The force also has a planned internal audit under the performance framework based on reality testing to ensure the instructions, process and procedure are taking place.

The audit although under Finance is a service provided for the PCC / CC.

753. CORPORATE UPDATE

DCC has made a request to the Committee to incorporate item 10 with item 6 in the agenda as he will be providing a presentation on the internal restructure of the Constabulary. This request was approved by the Committee.

DCC also confirmed that CS Bird will be presenting the second presentation on the new governance arrangements.

11:07 – Chief Constable (CC), Michelle Skeer entered the meeting

An overview of the presentation explains that the HMICFRS has currently graded the force as GOOD with areas for improvement. The Chief wishes to have an outstanding police force and so the structural changes have been necessary in trying to achieve that.

The two new BCU (Basic Command Unit) models were shown on the map on slide 2 and it was explained that this is to replicate the unitary councils of Cumberland and Westmorland and Furness which come into effect from 01/04/2023 as a result of Local Government Reform.

Further explanation of the slides was given and an update on the force moving forward with the new structure. The presentation slides will be made available to the Committee to review further in a separate attachment.

Thanking of Committee Member - MB and the Board acknowledged the 10-year service of Mr Jack Jones and that this was his last meeting. A presentation of a gift hamper was made and a commemorative photo with both the PCC and the CC was taken.

754. EXTERNAL AUDIT – AUDIT FINDINGS REPORT

A) Findings of the Financial Audit of the PCC and CC are being presented in overview which was indicated to be found on Page 3 of the report that the Committee have pre read.

It was confirmed that work was now complete subject to finishing, and they will be issuing the full modified opinion on both sets of financial statements in the next day or so in advance of the statutory deadline (30th November).

Auditor concluded the audit went well and the level of work on the accounts submitted by the financial services team was very good which is reflected in the low level of adjustments made.

Work focused across 3 significant risk areas Valuation of Property, Plant and Equipment, Valuation of Pension Liability and Revenue Recognition (which has been rebutted as we believe that the risk material in the statement identified there is low).

The findings of these areas are set out in the body of the report.

First point raised was regarding the Pension Liability. There was an unadjusted misstatement of £480,000 due late changes made in respect of the Local Government Pension Scheme asset valuations and the resultant impact on the PCC/Constabulary share of those assets. Had this correction been made, it would reduce the Net Pension Fund Liability in the balance sheet. Management made the decision not to adjust for this error on the grounds of materiality.

A further adjustment was made within the Financial Statements this year which was a balance sheet reclassification for an asset that was being marketed for sale. The asset was shown as operational land and buildings where it should have been classified as held for sale. This adjustment has been made in the accounts and had no overall impact on the balance sheet.

A further unadjusted misstatement arose which related to some incorrect information being provided in relation to Council Tax from the Neighbouring Authorities (billing authorities) of £449,000, management made the decision not to adjust for this error on the grounds of materiality.

Page 13 onwards of the report indicates several processing control issues identified mainly around IT and the Oracle system, looking at several areas including the access levels and audit functions.

Recommendations were made in those areas, and they received management responses. Auditors were comfortable that those issues were not significant deficiencies and hopeful the members of the committee are happy with responses provided.

Auditor confirmed that the audit fee is as proposed in the audit plan and that they do remain independent as an external auditor.

The Chair asked if there were any questions.

A member of the committee voiced a point that was made in a previous meeting regarding the issue in risk lack of third-party insurance for ITRENT. The management response was that Midland HR planned to charge £9k per annum for that report. In the committee's discussion for this they thought gaining extra assurance was very useful going forward. Two points we raised,

1. That The PCC/Constabulary should consider a commercial or contractual solution by writing the requirement to provide this 3rd party assurance report as part of the contract with Midland HR.
2. The second point the committee noted, was if The PCC/Constabulary don't purchase the 3rd party assurance report, further checks and balances might be required that would end up with a fee. It's not a zero cost against £9,000 there is a cost to be incurred.

DCFO responded and indicated that discussions would be held with the Head of Central Services when she is back from Annual Leave and subsequently with MHR.

A Member of the Committee made a further point around the IT access and that it was mentioned in last year's accounts as well. There is an appreciation for the difficulty of using Oracle, but they were kind of looking forward and thinking what's to happen in terms of fire and the change of personnel. There was a suggestion that there is a good three-way discussion to be had between IT, Finance and the external auditors to make sure we get the controls right as it is the distribution of the admin duties as opposed to the user duties between IT and Finance that needs to be absolutely right and robust. The situation will change as we go forward, and this should be an action between the three groups.

CFO stated that it was a fair comment, around that 3-way discussion. The CFO further explained that the Oracle system is designed for big multinational companies which have separate departments and Cumbria Constabulary is a relatively small organisation that have people completing multiple duties whilst making sure there is sufficient internal control in the segregation of duties. This complication is replicated in the system access.

B) Auditor stated to the Committee that the report is a review of the Forces arrangements around value for money. They are required to look at arrangements as part of the National Audit Code by looking at three themed areas: 1) Financial Sustainability 2) Governance arrangements 3) Economy, Efficiency and Effectiveness (3 E's)

Report is to be taken as read and Auditor provided a brief summary of findings.

Overall, a positive report. To be noted on Page 3 that no significant weaknesses were identified in any of the three themed areas.

Two improvement recommendations have been made around Financial Sustainability, highlighted on page 10 and 11 which is primarily because of the current economic climate. Proposed a formal review of assumptions in the medium-term financial plans for part way through the next year to compare assumptions against current trends.

Increased costs around the current economic climate would mean the budget deficit is likely to increase so an improvement recommendation around savings plans.

Governance and 3 E's there was no significant weaknesses identified and the auditors were happy with the arrangements that are in place.

Report also shows the positive progress on the recommendations made last year.

Auditor then opened the floor to questions on the report.

A member of the committee had two points for clarification.

Page 10 – improvement recommendations. Query on wording in the final sentence under the management comments. It reads “A formal midyear update for MTFE will be provided in 2023” question is should that read “from 2023” if the process is something you are planning to continue into the future or is it a onetime thing?

CFO responded that due to the volatility of the current market we will commit to continuing it in the near future. When it returns to being more stable, we will review.

Page 7 – planning on financial pressure. Noted a few reasons as to why there were going to be challenges. Do the savings require factor in the Operation Uplift and the wage increases for Officers over a 7-year period? The CFO confirmed that it is factored into the Medium-Term Financial Forecast. We complete a 5-year detailed financial modelling which breaks down to individual officers.

A committee member raised a question on Page 3 – The Executive Summary and if any of the recommendations were recurrent. Auditor confirmed none were recurrent.

Page 7 - The Chair questioned the wording and figures on the first two lines. As it read the Constabulary was spending money and the PCC was making a profit. CFO agreed to adjust to be clearer.

755. ANNUAL STATEMENT OF ACCOUNTS

DCFO referred to the two sets of accounts, the PCC group and the Constabulary and explained they have been marked up with changes that have been made since the draft (subject to audit) accounts were issued in June 2022.

Any changes highlighted in Green are those that have been identified by the Auditors and any changes have been made through the Audit process.

Any changes highlighted in Blue are changes that we have made ourselves as a Constabulary or comments made by the Committee from the draft report.

Only a few changes have been made to the accounts, but these include changes to the authorised for issue dates which have been updated from the June 2022 date when the draft accounts were authorised to the November 2022 date to reflect the finalised accounts.

Changes were made in relation to references to the Fire Business Case which were in the future tense when they were prepared in June 2022, but a decision has been made by the Home Secretary now.

Changes to the balance sheet in rows 9 and 10 in relation to the adjusted misstatement mentioned in the Audit report. This relates to Hunter Lane Police Station which had been classified as operational land and buildings but as it was being marketed for sale at that time it should have been reflected as such. Management have therefore agreed with the auditors to move that to Held for Sale. Subsequent to that but having no impact on last year's accounts, we have decided to retain that building so for this year's accounts it will move back to Operational land and building.

Clarification around the presentation of the audit fees note. Extra text has been added and we have spilt the table out to identify which fees relate to top up for the previous year's audit fee and which relate to the current years audit fee.

Slight changes to the format of the Grant Income Note to correctly identify which part of the account you will see different parts of the grant.

Note 33 on the group account regarding Pension challenge has now been updated as was left blank in the draft accounts.

DCFO has confirmed that after the meeting she will produce a clean set of accounts for signature by PCC and CC and other relevant individuals. The auditor's opinion will be added, and the accounts will be published on the website.

756 – ASSURANCE FRAMEWORK STATEMENT OF ACCOUNTS

The CFO introduced the report which sets out the principal findings of the audit and looks at the wider assurance framework to give confidence in the production of the set of accounts. This assurance includes opinions of the CFO, Head of Internal Audit, External Auditors, Letters of Representation, Annual Governance Statement, Annual Audit Reports and External Auditors findings report.

It was noted that none of which give rise to significant issues or concern, although there is recognition for the difficulty ahead in regard to sustainability.

Regarding the production of accounts, the principal challenge has continued to be the remote working however it has eased this year as the Constabulary has got used to it as part of its agile working practice. No significant changes to the Code of Practice.

The CFO took time to thank the Financial Services Team along with other internal departments and the external auditors for all their hard work.

The CFO asked if there were any questions from the Committee before the PCC and the CC signed off on the accounts.

A committee member further praised the effort that has gone in, and the Chair confirmed that there were no questions to be raised.

ACTION: The Chair along with the Committee confirmed the recommendation for the PCC and CC to sign off the accounts.

11:38 Chief Constable (CC), Michelle Skeer left the meeting.

PCC requested to provide a quick update on Cumbria Fire before leaving the meeting. The Chair agreed.

PCC confirmed that the business case was approved by the Home Secretary and although the process is a complicated one, it is coming together in hopes to be live from 1st April 2023.

The Funding Settlement is still undergoing its finalisation and should be ready by Christmas 2022. The PCC has explained that it is his first priority to have the financial aspects for Fire correct from the start.

From January 2023 PCC will become Shadow Authority of Cumbria Fire and he can the start to gain more control and a better understanding of the service, confirming at least in the short term that Cumbria Constabulary and Cumbria Fire will not be merging.

Last 5 years there has been a Joint Chief Financial Officer however due to the volume of work with Cumbria Fire, the PCC has made the decision to have a CFO for the Office of the PCC, which will include Fire and there will be a separate CFO for Cumbria Constabulary.

The PCC then asked in there was any questions from the board, to which there was none.

11:58 Police Crime Commissioner (PCC), Peter McCall left the meeting.

11:58 External Auditors from Grant Thornton left the meeting.

757 – GOVERNANCE STRUCTURE AND BENEFITS DELIVERY PROCESS

A presentation provided by CS Mike Bird. The presentation slides have been made available to the Committee.

CS Bird began by introducing himself to the Committee as the Chief Superintendent for Standards, Insight and Performance within Cumbria Constabulary. His main goal when taking this role on in July 2022 was to make sure that we have an efficient and effective corporate governance structure.

He further explained that every force within the country is now under an enhanced level of scrutiny for various reasons and although Cumbria Constabulary is a very good performing force, they wish to be outstanding.

CS Bird went through the slides and the structure that is now in place within the force, making note that the DCC has already discussed some points and further confirmed that all preparation work is complete, the strategic meetings have begun except one which is due to start at the beginning of December and the paperwork that under pins this is being finalised.

12:05 Director of Corporate Support (DCS), Stephen Kirkpatrick and Head of Estates and Fleet (HE&F), Philip Robinson entered the room.

A committee member commented that the presentation was very good but in reference to the last 3 graphics he asked where does it all fit in as it is a major input into the change management?

CS Bird responded that he didn't go into detail as it still needs final approval from the ACO however the new Organisational Board will categorise several different things and will include the questions and recommendations that come from the HMICFRS and what the organisational structure should be delivering

CS Bird made a final comment that if anyone has any questions outside of meeting, DCFO has his details, and he would be happy for them to contact him to discuss further.

12:19 Chief Superintendent (CS), Michael Bird leaves the meeting.

The CFO requested to make a quick announcement on two separate points. Firstly, that it his intention to retire in March 2023. Secondly, the financial position. The Constabulary are in the middle of budget preparation and have given informal updates to the PCC, COG (Chief Officer Group) and relevant Governance Boards however they will be looking to complete the exercise and formulating the budget in the next week or two, in preparation for the Grant Settlement, expected Mid December 2022. The budget is proving challenging due to high inflation and Public Sector spending restraint. The Constabulary expect our savings challenges to increase significantly and to ensure sustainability over the medium term will be difficult. We are in a healthy position in terms of our reserves and even though we expect to have to use some to plug any gaps in the short term we do not wish to use these reserves completely as it reduces our scope to deliver performance for the future in the medium to long term.

The committee will receive a budget review in the March meeting.

12:23 Chair adjourned meeting for a 5-minute break.

12:30 Chair brought meeting back to order.

758 – FIRE GOVERNANCE – POTENTIAL IMPACTS ON JOINT AUDIT COMMITTEE

The CE of the PCC Office commented that the PCC has already made a comment on the present situation with Cumbria Fire however would like to highlight that the paper submitted to the Committee by the PCC Office is an ask for the Joint Audit Committee to assume responsibilities with Fire in line with the responsibilities that they have with Cumbria Constabulary.

The paper identifies background information on the Commissioners business case and the drafted Terms of Reference (where it is noted that the highlighted sections may be subject to change).

The Chair made comment they were happy and willing to add to the work they already do subject to any other member that may not be happy with that suggestion.

It was noted that there were no direct concerns against this and that the meeting was not the right time for a full debate, however the Chair raised the concern on whether it would be done correctly and whether it was to be adequately resourced.

A committee member commented that there are details to be decided upon still however suggested there may be people that would be interested in one part of the meeting and not necessarily in the other so perhaps there could be two different meetings?

The CE suggested that if the Committee accepts responsibilities for Fire on principle, the CE and the DCFO will work on a proposal within a Tasking Group on how they can make it work in the future and bring it to the Committee in March 2023?

Chair confirms that this acceptable.

A committee member asked the CE who audits Fire.

CE responded that they have begun communications with TIAA to discuss what the internal audit will look like, taking a pragmatic approach that they have to have something in place by the 1st April 2023 and longer term align any procurement processes with the Constabulary.

CE will bring their findings and plans to the March 2023 meeting, informing the Committee what the internal audit will look like.

DCFO noted to the Committee that the external auditor will be appointed to Cumbria Commission of Fire and Rescue Authority (as it will be known) by Public Sector Audit Appointments. Once this is made known we will know how best to proceed.

The Chair stated that the agenda has already grown and there is a time limit to the effectiveness of a meeting so for that to be taken into consideration moving forward.

The Chair put to the CE if there was any work from the Tasking Group that could be circulated to the Committee for comment before the March meeting and requested that they work to 5 meetings next year instead of 4.

759 – INTERNAL AUDIT – SUMMARY INTERNAL CONTROLS ASSURANCE REPORT

Auditor stated Paragraph 2 of the Governance report details the increase of Corporate and Social responsibility and that TIAA engaged a sustainability expert which will allow for assurance in future years and plans.

Paragraph 3 refers to the two reports that are on the agenda. At this current time there is no proposal for change to the annual plan. There have been no recommendations or fundamental control issues.

Appendix A – TIAA have met with CFO and DCFO and concluded that they were slightly behind where we wanted to be. TIAA have had some long-term sickness that was not expected but now have dates for remaining work to completed before the year end.

A committee member noted that there was a lot of work noted in the December to February timeframe and asked if it was achievable.

Auditor responded that it was achievable as the resources have been put aside as well as the organisation.

760 – INTERNAL AUDIT REPORTS

A) ASSURANCE REVIEW OF DOMESTIC VIOLENCE PROTECTION ORDERS

Auditor commented that they will pick out the key points. Process met statutory requirements and approved practice however there were some inconsistencies across the areas with the documentation not always correct or out of date. Recommendations as show in the action plan is to ensure all paperwork to above standard and more consistent which will lead to more efficiencies.

Auditor believes the reorganisation will assist with improvements as there will be a better oversight of each area.

A committee member made a comment in reference to recommendation 1. Noted that the recommendation was sensible but how are they going to make sure the process is being followed?

Chair would like to add a supplementary that might assist as this has gone to the Director of Legal Services and they understand the court processes but where does it fit with the operational people? If the concern is the use of incorrect paperwork how do the departments communicate this and work together?

DCC explained that it sits with Legal Services however will take away the action to look into this further.

A committee member commented on recommendation 3. DVPO's (Domestic Violence Protection Orders) is a niche order and is not something every officer would encounter so perhaps would benefit from a template pack that is easy to find.

DCC commented that we have the specialist units, framework and resources however will take a more detailed look into the processes.

A Committee member asked a question on the findings and what is the process to have them put into the risk register, who decides this?

DCC confirmed it is him that oversees the risk register. Previously it wasn't regularly looked at due to the old corporate governance but the new corporate governance that is now in place will mean the register will go monthly to Strategic Management Board and due to the new structure, it is now easier to see the risks that are present within the force and manage them accordingly.

B) ASSURANCE REVIEW OF ESTATES – BUILDINGS HEALTH AND SAFETY

Auditor noted that although there were policies and procedures in place there were several inconsistencies with operations and work that has been outstanding. The auditor noted that they were made aware of new staff in post and that some new processes had been introduced at the time the audit took place.

There were concerns around the fire alarm testing records however post audit it was confirmed that there were hard copy records that showed the tests had been conducted.

Tracking and monitoring of routine of maintenance and Health and Safety tasks has been improved recently. Online records are now being retained and there is a central oversight to those.

There are a number of recommendations that have been put forward and it is noted that management have made comments on whether the recommendations sit within the right priority or not, but the auditors have undertaken a second QA of the report and are happy to stand with their assessments of the priority levels, but they have left the comments in for transparency.

The Chair asked who has overarching responsibility for Estates.

SK (Director of Corporate Support) confirmed that the audit sits within two departments – Estates and Occupational Health (Health and Safety) and that both of those departments come under his command.

A Committee member asked if there was any process that logs the progress of the risks highlighted? There was a discussion on what the process could look like, and it has been noted and taken on board that there is no way for the Committee to see what risks to the force have come out of the recommendations and what the solutions have been to have them fixed.

It was also noted that any urgent recommendations / priority 1's would be brought to the attention of the CC and the PCC as a matter of urgency. The auditor further confirmed that if such a priority was given there would be a log completed to show the work that has been undertaken since the recommendation was made.

SK concluded to the Chair and the Committee that it is a fair and reasonable report whilst also observing that there are quite an unusually high number of recommendations. It is a wide-ranging audit and although we question the recommendations, we do take them on board.

A committee member further explained the importance of record keeping especially with Health and Safety records and SK agreed.

The auditor further commented that the most recent records were very good, it was in fact the historic records that were the concern. PR explained the situation with the team in Estates when staff moved on and the fact that it had highlighted the issues with record keeping which were addressed via an internal review that took place within the team and that when the audit took place it was seen that the new system was in place, working well and that the records were being kept correctly.

A Committee member noted that there was some criticism on the time available after the audit. Indicated that a planning member went over on the 26th September and then work started on the 28th September there was not a lot of time

Auditor clarified that there were scoping meetings before hand and that was the final version. The difficulty was taken on board in the audit meetings however it was noted that the HSC would not wait for documentation regarding Health and Safety.

The Chair added that the Health and Safety Committee, noted by the force in the audit responses should have knowledge of all Health and Safety checks, Fire Alarm testing etc as part of the housekeeping for the force and should be produced at each meeting.

761 – MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS

JCFO – 5 recommendations that are outstanding. 2 that are related to digital leadership which are completed and are reflected in a national programme of work fronted by the ACC.

The other recommendations are a combination of outstanding and one that have implementation dates extended or still within the timeframe.

2 of these have already been discussed which relate to benefits delivery, which the DCC has already looked at in the Strategic Change Board and how this is going to be progressed and financial sustainability which will be ongoing for several years.

JCFO has commented that new timescales will be discussed, and the table populated to reflect the new decisions.

AM confirmed that a discussion had taken place on the best way to monitor progress and it was decided that all the outstanding recommendations will be uploaded to an online portal, monitored, and signed off as in when they are completed. A running report will be provided to the committee at each meeting, so they are aware of the current situation.

762 – INTERNAL AUDIT – EXTERNAL QUALITY ASSESSMENT

ISO 9001 2015 – undertaken earlier this year with confirmation provided to the Committee that this was sufficiently passed

Public Sector Internal Audit Standards (PSIAS) is currently being audited. The assessment commenced on the 7th November 2022 and the outcome is expected to be reported to TIAA by the end of this month. AM confirmed there will be a certificate brought to the next meeting.

13:17 Performance Consultant (PC), Claire Griggs enters the meeting.

763 – STRATEGIC RISK REGISTER

OPCC Risk Management Monitoring report was provided to the committee in September and to note there have been some changes. The ESMCP – there are changes nationally to that programme so at this time until we have further direction, this has been removed.

There are assurances in place and therefore has also been withdrawn from the register

A committee member questioned the closing of the ESMCP as there is potentially a risk still there. The CE and the JCFO concluded that as it is so far in the future, we would just be continuing to report no action as there is significant delays potentially into 2028 /29. Once there is more certainty around it, it will be reintroduced to the risk register.

Committee member questioned the risk around prolonging the use of current equipment. DCFO confirmed that we have already completed updates on the airwave radio sets and extended the warranties to extend the life of these into the future. In the medium term anything else that we find we need to extend we can add into the programme.

OPCC Operational Risk register indicates that climate change is mostly seen is equal

Constabulary Strategic Risk register – JCFO explains that we not only removing risks but also adding them in line with National Issues such as Firearms licensing and vetting. There has also been a reduction in risk scores due to the actions that have been put in place by the Constabulary.

Financial Risk and Vision25 have been retained and the values remain unchanged. They are high risk, but we are also waiting for the government response in terms of the grant settlement which we will receive in December 2022, giving us a better idea of the medium-term outlook on how big the risk is. The committee will receive an update when we next review them in March 2023.

764 - ANNUAL REVIEW OF GOVERNANCE

- a) Role of the CFO - Document has been updated to include changes and are highlighted in green text. After the announcement of JCFO retiring, the document will need to be reviewed and split into two separate CFOs with the new arrangements in line for April 2023. DCFO will review how best to present both departments and come back to the committee by November 2023. However, as a committee requested an update will be given in the next meeting.
- b) Scheme of Delegation - Brought to the committee early due to the new governance structure outlined by the DCC and the CS. There are two elements to the scheme of delegation; 1 being the framework which has been significantly overhauled and which now reflects the new arrangements that the DCC has described linking all the way down to the responsibilities of the individual officers. A mapping exercise has been completed to ensure the decisions of individual officers do not conflict with the new governance arrangements.

A committee member commented that they like the report, it is good, clear and identifies responsibilities.

A committee member noted that the current workforce is 85% of the forces accountability, and whether on the workforce board is their finance and efficiency linked in along with discussions on overall control and entry into the system?

The DCC responded that the sickness is an agenda item in the Silver Workforce Board and the Workforce would only cover vetting if there is a delay or a blockage with regards to Operation Uplift. There is another meeting that is now in place which is the monthly Professional Standards Department (PSD) meeting which will discuss and consider feedback from the vetting department along with other PSD agenda items.

765 – ANNUAL GOVERNANCE STATEMENT DEVELOPMENT AND IMPROVEMENT PLAN UPDATE

Update as to where we are with the development plans, as there is a lot of changes going on within the structure of the organisation a lot of the tasks have already been undertaken. JCFO opened the questions to the board.

Committee member questioned page 3 CTC2- original timescale extended – there is no date on there to be revised. JCFO explains that a lot has lost its identity and been adopted into everyday work. We will propose to close this as it is reflected in all the work we do.

767 – PROCUREMENT ANNUAL REPORT

Chair has advised that whilst looking at this, there is need consider moving this off the agenda and back into business as usual.

BL (Head of Commercial) explains that the last 3 years has been a success. The department now has expertise in the department along with the relevant qualifications. The department has also delivered savings of £3.65 million which is according to the Home Office calculation. Going forward it is about service delivery, value for money and risk management. There has also been a lot of support from colleagues.

A couple of areas will test the department and its thinking such as energy. There will be an increase to costs by estimated £1 million which will potentially change the way we buy energy.

Operating model shows governance strategies into the Constabulary and how we work. There is also an action plan which include saving £1 million in the next year. Working with others in the force will help to achieve the actions set.

We have a good team in the department along with the contractors, which will want to make the most out of and work together.

A Committee member asked about the 48% turnover of staff that is shown in the report and questioned why it was so high. BL explains that 3 years ago there was a lot of staff that were moving around departments at the same time along with resignations and a redundancy. Therefore, the team was not a high performing team, which is what the department and the force needed. Since then, the department have hired new people.

Another question raised regarding the operational model and the closure of contracts. Has the department addressed contract closure management? BL explains that there was a contract management audit in the last 18 months which was outstanding, and the Commissioner's office received reassurance.

Contract closure on one of the most strategic contracts we have which is custody medical. We closed the contract because we wanted to. It was working but it wasn't as safe as we would like. We closed with service credits, and we used that as part of the implementation in the new contracts recycling them for the nurses to be able to have access to the detainees' medical records. No cost to the Constabulary.

More than this everyone in the department is going on Advanced Contract Management Training through Blue light Commercial which is a 3-day course.

A committee member questioned the resource capability within the department to which BL answered that Procurement have implemented Oracle Fusion which is a hard system but has allowed the department to streamline the administrative tasks freeing up the bandwidth in the department and allowing it to work to its best potential.

The chair continued to thank BL on behalf of the Committee for the hard work on improvement within the department.

BL continued that the department is now part of the ACO's portfolio so there is no necessity to bring it to the Joint Audit Committee as part of an agenda item.

768 – TREASURY MANAGEMENT ACTIVITIES

Report provides details of the Treasury management activities undertaken in Q2 until the end of September. The investment interest forecast is around £300,000 for the year, which is compared to a budget of £10,000, this reflects the increase in bank-based rates which all have seen.

Report provides details the £22 million invested at the end of September but it also provides assurance that the Treasury management indicators that were set as part of the Treasury management strategy have all been compiled with.

769 – POINT FOR CONSIDERATION BY THE COMMISSIONER AND THE CHIEF CONSTABLE

The Chair has requested that the board draw the attention of the CC and PCC to the audit report of the Health and Safety issues.

13:52 The Chair brought the meeting to a close.

Joint Audit Committee – Action Update and Plan

Minute Item and date	Action to be taken	Person Responsible	Target Date	Comments	Status
694 (16/03/22) Linked to 715 (22/06/22)	Internal Audit – Progress Report	DCC	Jun 22 Sep 22 Nov 22	To update on the Benefits Delivery Process quarterly reporting to the management board June 2022 – A verbal update will be provided at the meeting on 22/06/22 September 2022 - To give a further verbal update at the meeting on 21/09/22 – moved to Nov meeting due to the absence of the DCC November 2022 – Governance Structure and Benefits Delivery Process Presentation given to meeting – This action is now considered closed	Complete
715 (22/06/22)	Action Plan	DCC	Sep 22 Nov 22	To give a further verbal update on the Benefits Delivery Process at the September meeting. September 2022 – A verbal update will be provided at the meeting – moved to Nov meeting due to the absence of the DCC November 2022 – Governance Structure and Benefits Delivery Process Presentation given to meeting – This action is now considered closed	Complete
715 (22/06/22)	Action Plan	DCC	Nov 22	To bring an update presentation on new corporate model, the operating model, governance to the Nov 2022 meeting. September 2022 - An update presentation will be provided at the November meeting November 2022 – Governance Structure and Benefits Delivery Process Presentation given to meeting – This action is now considered closed	Complete
717(c) (22/06/22)	Internal Audit Report - Establishment Processes - Recruitment (Constabulary & OPCC) - May 22	DCC	Mar 23	To confirm we have achieved the target for uplift officer by 31 st March 2023 September 2022 – As at 31/08/22 the headcount of police officers stood at 1295 against an uplift target number by 31/03/2023 of 1368. Further recruitments are planned and the estimated headcount at 31/03/23 is now 1405. This shows that the Constabulary is on track to recruit the required number of police officers. A further update will be provided at the November and March meetings. November 2022 – As at 31/10/22 the headcount of police officers stood at 1308 against an uplift target number by 31/03/2023 of 1368. Further	Ongoing

recruitments are planned and the estimated headcount at 31/03/23 is now 1390. Intakes are scheduled up to March 2023 as follows:

	Intake
November (DHEP DC)	10
December (IPLDP)	30
January (PCDA)	24
March (1x24 DHEP, 1x30 IPLDP)	54
Total required	118

The above intakes do not include re-joiners / transferees. The Constabulary continue to recruit applications for both strands ahead of the national “Transfer embargo” from 1st January 2023-31st March 2023

This shows that the Constabulary is on track to recruit the required number of police officers. It is expected the programme will continue beyond March with an expectation number will be sustained. A further update will be provided at the March meeting.

March 2023 - The Constabulary achieved the Uplift target of 1368 on 6th March 2023, the current officer headcount is 1372. There are 19 new recruits due to start on 27th March and two Transferees due before 31st March also. When factoring in confirmed leavers this will take us to 1390.

The Constabulary are in discussions with the central Uplift team to maintain an establishment of 1388 in 2023/24.

734 (21/09/22)	Minute from Meeting 22/6/22	JCFO/FA	Nov 22	To amend word on item 720 to read “A member asked if officers were happy with the new performance measures as they are fewer than in previous reports” and ask for clarification that officer and staff are happy with these. November 2022 – Confirmation from DCFO of Yes to the question above – This action is now considered closed	Completed
-------------------	--------------------------------	---------	--------	--	-----------

750 (23/11/22)	Minutes of Previous Meeting	FA	Mar 23	Add the work "Yes" to Action Log 734 November 2022 – Confirmation from DCFO of Yes to the question above – This action is now considered closed	Completed
750 (23/11/22)	Minutes of Previous Meeting	FA	Mar 23	Remove "(is Tim still classed as new?)" from final version of minutes November 2022 – Minutes amended accordingly – This action is now considered closed	Completed
750 (23/11/22)	Minutes of Previous Meeting	FA	Mar 23	Correct spelling on page 7-735 from there to their for final version of minutes November 2022 – Minutes amended accordingly	Completed
751 (23/11/22)	Matter Arising	DCFO	Mar 23	Monitoring of Audit, Internal Audit and Other Recommendations and Action Plans, to add reasons and dates for extension to timescales to be added to all actions moving forward	Ongoing

Joint Audit Committee – Review of Effectiveness Action Plan 2022/23

Ref	Improvement Area	Planned Action	Owner	Review Date	Status
JAC1	Support and monitor the OPCC and Constabulary plans to address the ongoing funding environment and sustainability.	Members to maintain awareness of the national position in relation to the Funding Formula; to receive annual training on the budget and MTFP and consider as appropriate the arrangements flowing from significant changes in funding levels. JAC members to consider efficiency aspects of any recommendations or reports to Committee	JAC	March 2023	Ongoing
JAC2	Support and challenge any new governance arrangements for example arising from restructuring and capacity reviews; Local Government Reorganisation and Fire; greater collaboration with other organisations; joint working on delivery of services.	JAC to seek assurance regarding the sufficiency of all new arrangements supported by appropriate documentation including Financial Regulations and ensure governance arrangements are considered as part of the risk assessment process. To receive specific briefings on all re-structuring, particularly as a result of Local Government Reorganisation and its impact on the Police and Crime Plan. To receive specific briefings on Fire Governance arrangements.	JAC	March 2023	Ongoing
JAC3	Achieve a greater understanding of partnerships the PCC and Constabulary are involved with.	The DCFO to organise and introduction day for all members and this would include visits to different stations and a presentation on partnerships.	JAC	March 2023	Ongoing
JAC4	Achieve a greater understanding of the findings of HMICFRS reports; how these are reflected in the risk registers and evidence of benefit realisation following implementation of inspection findings.	The DCC to brief JAC members at the November meeting on HMICFRS as the first part of the understanding/integration process for inclusion in the risk register and continuous improvement loop.	JAC	March 2023	Ongoing
JAC5	To improve engagement with the Chief Constable of Police and Crime Commissioner (Committee Chair) and attend Police and Crime Panel Meetings and other governance committees as necessary/considered beneficial to enhance the work of JAC.	Update August 2022 – Appointments have been arranged for the Chair of the committee to meet the Chief Executive & Assistant Chief Officer (13/09/22 @ 14:00), Commissioner (13/09/22 @ 14:30) and Chief Constable 13/09/22 @ 15:00)	JAC	March 2023	Ongoing



Internal Audit

FINAL

Police and Crime Commissioner for Cumbria and Cumbria Constabulary

Summary Internal Controls Assurance (SICA) Report

2022/23

March 2023

Summary Internal Controls Assurance

Introduction

1. This summary controls assurance report provides the Joint Audit Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at Police and Crime Commissioner for Cumbria and Cumbria Constabulary as at 13th March 2023.

TIAA’S CONFORMANCE TO THE IIA STANDARDS AND CODES OF PRACTICE

2. TIAA Limited commissioned an External Quality Assessment (EQA) of its internal audit services in 2022. An EQA is required every five years, in line with the requirements of the International Professional Practices Framework (IPPF) and the Standards set by the Global Institute of Internal Auditors (IIA). The independent EQA considered our conformance with the IPPF and the Standards and also the Public Sector Internal Audit Standards (PSIAS), which govern internal audit in the public sector.

Our independent EQA was undertaken by a senior partner at Chiene + Tait, a long-established and high-quality accountancy firm headquartered in Edinburgh with offices in Scotland and London. The review assessed TIAA’s internal audit methodology and delivery against the Core Principles, the Code of Ethics and the Standards. It took into account our comprehensive framework, our guiding policies, organisational culture, planning and delivery, investment in our people, tools and techniques and our quality assurance framework, including feedback from clients.

We are pleased to confirm that the independent EQA assessor was able to conclude that TIAA ‘generally conforms to the requirements of the Public Sector Internal Audit Standards and the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF)’. ‘Generally conforms’ is the highest rating that can be achieved using the IIA’s EQA assessment model. It was also noted that there were no areas of non-conformance or partial conformance with the Standards.

TIAA was also complimented on the standard of documentation provided which enabled them to form a positive conclusion.

Audits completed since the last SICA report to the Audit Committee

3. The table below sets out details of audits finalised since the previous meeting of the Audit Committee.

Audits completed since previous SICA report

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM
Treasury Management and Banking	Substantial	05/09/2022	09/12/2022	12/12/2022	0	0	1	0
Debtors	Reasonable	07/03/2023	14/03/2023	14/03/2023	0	2	1	0
Performance and Insight CC Assurance	Substantial	03/03/2023	09/03/2023	09/03/2023	0	0	0	0
Resource Planning	Reasonable	06/03/2023	10/03/2023	10/03/2023	0	2	1	0
Firearms Licensing	Reasonable	03/03/2023	09/03/2023	09/03/2023	0	4	0	0

4. There are no issues arising from these findings which would require the annual Head of Audit Opinion to be qualified.

Progress against the 2022/23 Annual Plan

5. Our progress against the Annual Plan for 2022/23 is set out in Appendix A.

Changes to the Annual Plan 2022/23

6. The ICT Cyber Security Maturity Assessment review has not been able to be undertaken due to a resourcing issue at TIAA. The review will be undertaken in Quarter 1 of 2023-24 and will be added to the work completed in the 2023-24 plan.

Management have requested that the HMICFRS Action plan review be cancelled as there is detailed internal and external scrutiny on the implementation of recommendations arising from the last inspection. It is management's belief that further scrutiny at this time would not add any value or provide additional assurance.

The non-completion of the above reviews in the 2022-23 internal audit programme will not impact on TIAA's ability to provide an unqualified Head of Audit Opinion.

Frauds/Irregularities

7. We have not been advised of any frauds or irregularities in the period since the last SICA report was issued.

Other Matters

8. We have issued one briefing note, shown in Appendix B, since the previous SICA report.

Responsibility/Disclaimer

9. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Progress against Annual Plan

System	Planned Quarter	Current Status	Comments
Risk Management Framework (PCC/Force)	1	Site work completed	
Force – Personal Safety Training	1	Final Report issued	JAC September 2022
Security of Seized Proceeds of Crime (Cash and Assets)	1	Final Report Issued	JAC September 2022
Domestic Violence Protection Orders	2	Final Report Issued	JAC November 2022
Management of Overtime	2	Site work commenced 6 th March 2023	Deferred to Q4 at management request
Estates – Buildings Health and Safety	2	Final Report Issued	JAC November 2022
ICT – Cyber Security Maturity Assessment	3		To be moved to 23-24 Q1
Debtors	3	Final Report Issued	JAC March 2023
Resource Planning	2	Final Report issued	JAC March 2023
Firearms Licensing	3	Final Report issued	JAC March 2023
Treasury Management and Banking	4	Final Report issued	JAC March 2023
Performance and Insight CC Assurance	4	Final Report issued	JAC March 2023
Financial Sustainability – Business Planning	4	Field work commenced 27 th February 2023	
HMICFRS Action Plan	4		Management request to cancel
Follow-up	1 - 4	Ongoing	

KEY:

	To be commenced		Site work commenced		Draft report issued		Final report issued
--	-----------------	--	---------------------	--	---------------------	--	---------------------

Briefings on developments in Governance, Risk and Control

TIAA produces regular briefing notes to summarise new developments in Governance, Risk and Control that may have an impact on our clients. These are shared with clients and made available through our Online Client Portal. A summary list of those CBNs issued in the last three months which may be of relevance is given below. Copies of any CBNs are available on request from your local TIAA team.

Summary of recent Client Briefing Notes (CBNs)

CBN Ref	Subject	Status	TIAA Comments
CBN - 23002	Government Sets Out Plans to Protect Public Spaces from Terrorist Attacks		<p>Action Required</p> <p>Organisations should ensure they are aware of the new regulations regarding public safety and to review their existing emergency plans frequently.</p>



Internal Audit

FINAL

PCC Cumbria & Cumbria Constabulary

Assurance Review of Debtors

2022/23

March 2023

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

OPCC Operational Risk Register - Risk 3: Financial Governance

KEY STRATEGIC FINDINGS

- The arrangements are appropriately directed by the Financial Regulations and the Financial Rules.
- Invoice requisition pro-formas were not always used to request invoices to be raised.
- Letters are automatically generated to meet the timeframes in the Financial Rules, although manual communication was found to not always be taken in a timely manner.
- A robust audit trail for a sample of debts written off was evidenced.

GOOD PRACTICE IDENTIFIED

- Regular reconciliations and detailed reporting and analysis of debtors performance is undertaken

SCOPE

Debtors is a key financial system that is subject to cyclical review. Scope The review considered the raising of debtor accounts, collection of income, receipting, storage and banking of income received by the organisation. The scope of the review did not include identification of the activities giving rise to income for the organisation, the basis of calculating the rates to be charged or that all income receivable has been identified. The review also considered the effectiveness and success of the approach in meeting targets.

ACTION POINTS

Urgent	Important	Routine	Operational
0	2	1	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	<p>An Invoice Request pro-forma is available, although, it was established that it was not always required for some invoices raised, such as invoices for the Alarms Team or the raising of an AR invoice through the self-service process or for internal invoices.</p> <p>Testing identified that the Invoice Request pro-forma was not always being used where it should have been for invoices outside those referenced above. The use of the pro-forma, where applicable, not only provides the Financial Services Team with the full details for the invoice but also provides the key contact details for the Business Services Administration Officer should there be a need to instigate the debtor recovery process if payment is not received in the expected timeframe.</p>	The procedure notes be updated to clearly articulate where an Invoice Request pro-forma is required to be submitted.	2	<p><u>Specific</u> The procedure notes in relation to raising of AR invoices will be updated and will include specific guidance on if and when a pro-forma should be completed and attached.</p> <p><u>Measurable</u> By a revised procedure document being produced and provided to all members of the Financial Services Team.</p> <p><u>Achievable</u> The review of documentation will be undertaken by the Financial Services Manager.</p> <p><u>Realistic</u> The instruction to review the procedure has already been tasked.</p> <p><u>Timely</u> The review and updated procedures will be completed by 30/04/23</p>	30/04/23	Financial Services Manager (Financial Systems) – Keeley Hayton

PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	<p>A sample of 20 outstanding debts that related to 10 debtor accounts was selected for review. The following matters were identified:</p> <ul style="list-style-type: none"> Contact details held were not always correct and not always realised early in the process; One customer had two accounts set up with debt on both; Dates recording action taken had been incorrectly copied and pasted from a previous version of a spreadsheet. 	<p>A review of all outstanding debtors be undertaken to establish the current position with each debt and action be taken as required to bring them in line with the required process.</p>	2	<p>R2(i) – The review and update of procedures mentioned in response to R1 above will include the requirement for correct contact information to be collected and appended to AR record within the system.</p> <p>R2(ii) – In some circumstances a single customer will require invoices to be provided to different individuals/departments. In order to make the recovery process as efficient as possible (e.g. dunning letters) these have been set up as separate customers.</p> <p>Specific A review will be undertaken to see if it is possible for the same result to be achieved with a single customer, if not I would propose that this risk is just tolerated.</p> <p>Measurable The review will reveal if it is possible to amend the system and combine duplicate customers.</p> <p>Achievable The review will be conducted by the Financial Services Manager Systems (Keeley Hayton).</p>	<p>30/04/23</p> <p>30/04/23</p>	<p>Financial Services Manager (Financial Systems) – Keeley Hayton</p> <p>Financial Services Manager (Financial Systems) – Keeley Hayton</p>

PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
					<p>Realistic As above, it may not be possible to remove duplicate customers and still provide an efficient debt collection service.</p> <p>Timely This review will be completed by 30/04/2023.</p> <p>R2(iii) The debt recording (copied & pasted) error identified by internal audit on 05/12/22 was corrected on 06/12/22.</p> <p>The action in line with the recommendation is as follows:</p> <p>Specific A review of all outstanding debtors has been completed.</p> <p>Measurable The above review has been approved and signed off by the Central Services Team Leader (Sarah Bradley).</p> <p>Achievable Work already completed.</p>	Task Completed 18/01/23	Central Services Team Leader - Sarah Bradley

PRIORITY GRADINGS

1 URGENT Fundamental control issue on which action should be taken immediately.

2 IMPORTANT Control issue on which action should be taken at the earliest opportunity.

3 ROUTINE Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
					<p><i>Realistic</i> As above, the work has already been completed</p> <p><i>Timely</i> The review was completed 14/01/23 and approved 18/01/23.</p>		

PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.
----------	---------------	--

2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.
----------	------------------	--

3	ROUTINE	Control issue on which action should be taken.
----------	----------------	--

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	<p>The debtors system is set up so that all letters are raised automatically and issued to meet the timeframes set out in the Financial Rules. A review of the records where manual intervention had taken place found that this had not always been taken in a timely manner.</p> <p>Discussions with the Business Services Administration Officer noted that they had only recently taken the role in relation to debtors and that appropriate resources were in place to allow for a more coordinated approach.</p> <p>Early intervention is key with debt recovery and a review of when manual communication is required should be undertaken and recorded in the procedure notes.</p>	<p>A review of when manual communication is required be undertaken and recorded in the procedure notes.</p>	3	<p><i>Automated dunning letters are created by the system to chase debts in line with financial regulations/rules. Where early manual intervention would improve this, the following action will be undertaken:</i></p> <p><u>Specific</u> <i>A review of the benefits of early manual intervention in debt chasing.</i></p> <p><u>Measurable</u> <i>By a reduction in outstanding debts.</i></p> <p><u>Achievable</u> <i>Work already underway to improve the debt collection process.</i></p> <p><u>Realistic</u> <i>Existing staff have been allocated to do this work.</i></p> <p><u>Timely</u> <i>This review and procedure update will be completed by 31st May 2023.</i></p>	31/05/23	<i>The Head of Central Services – Ann Dobinson</i>

PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
There were no operational effectiveness matters identified.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Assignment Engagement Details

TIAA Auditors	Title	Contact Email	Telephone
Andrew McCulloch	Director of Audit	Andrew.McCulloch@tiaa.co.uk	07980787926
Jane Butterfield	Director- Risk & Assurance	Jane.Butterfield@tiaa.co.uk	07580164521

Exit Meeting Date	9 th December 2022
Attendees	Michelle Bellis, Deputy CFO Sarah Bradley, Central Services Team leader Lorraine Holme, Financial Services Manager Beth Wild, Business Services Administration officer

Director/Commander Comment	<p>Roger to add a Director Comment</p> <p>I am assured that most aspects of the accounts receivable process are operating effectively and in accordance with the financial regulations and rules. The processes where deficiencies have been identified will be reviewed as set out in the management responses and appropriate remedies have or will be implemented in line with the timescales outlined.</p> <p>I see no reason to escalate the risks identified.</p> <p>Roger Marshall, Joint Chief Financial Officer</p>
Considered for Risk Escalation	No

Findings



Directed Risk:





Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In place	-	-
RM	Risk Mitigation The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	Compliance Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in place	1, 2, & 3	-

Other Findings

- The arrangements for management of debtors are directed by the Financial Regulations, which was last reviewed and updated in March 2021 and sets out the policy and responsibilities relating to debtors.
- The Financial Rules, also last reviewed and updated in March 2021, clearly set out the processes required and the roles that undertake the necessary actions. This includes raising of invoices, debtor month-end reconciliations, raising and approval of credit notes, and the identification and approval for the write off of bad debt.
- The processes adopted provide for appropriate segregation of duties between the requesting and raising of invoices as well as the recovery of debt that is not paid within the expected timeframe. This also extends to the preparing and approval of month-end reconciliation processes.
- The organisation is aware of the risk relating to debtors, which is recorded within the OPCC Operational Risk Register under the Finance heading and Risk 3; Financial Governance.
- A sample of 20 invoices that had been raised was selected for review. The sample included internal invoices as well as those for external accounts.

Other Findings

-  For internally raised invoices, the audit trail was appropriate with the requestor providing the reason for the invoice as well as the provision of a detailed breakdown of the required value and internal codes where applicable.
-  Six credit notes raised were selected for review. In each case an appropriate audit trail supporting the request was evidenced with each credit note being approved in writing by the deputy Chief Financial Officer.
-  Month end reconciliations for the five months from June 2022 to October 2022 were reviewed and no issues were identified with each reconciliation being in the same format, duly signed by the preparer and reviewer and undertaken in a timely manner.
-  Six debts, totalling £2,408, written off in March 2022 were reviewed. Original invoices and evidence to demonstrate that action had been taken to try and recover the debts was evidenced along with the Bad Debt Write Off Approval Request pro-forma. It was, however, identified that the pro-forma had only been signed by the Deputy CFO and not by the Joint CFO as well, as required by the Financial Rules. It was established that approval had been sought by email.






Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In place	-	-
S	Sustainability The impact on the organisation's sustainability agenda has been considered.	Out of scope	-	-
R	Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

Other Findings

-  Formal quarterly reporting on debtors is provided through the Financial Summary Report, which is presented to the Chief Officer Group on a quarterly basis.
-  The report uses a consistent format and provides debtor performance on the following areas at each quarter end:
 - Balance of system debtors with narrative;
 - Age profile of outstanding system debtors;
 - Top 10 debtors by value;
 - System debtors balance outstanding month by month for the current year in graphical format with previous year's profile for comparison;
 - Debtor days (average number of days to receive payment) in graphical format.
-  A review of the report for the end of Quarter 2 noted that 54% of the debtor total was not overdue and a further 24% was overdue by less than 30 days, totalling £631,742. This was an increase from the previous quarter but mirrored a similar trend in the previous year.

EXPLANATORY INFORMATION

Appendix A

Scope and Limitations of the Review

- The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

- The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Effectiveness of arrangements

- The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

In place	The control arrangements in place mitigate the risk from arising.
Partially in place	The control arrangements in place only partially mitigate the risk from arising.
Not in place	The control arrangements in place do not effectively mitigate the risk from arising.

Assurance Assessment

- The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

- We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

- The table below sets out the history of this report.

Stage	Issued	Response Received
Audit Planning Memorandum:	22 nd November 2022	22 nd November 2022
Draft Report:	7 th March 2023	
Revised Draft Report:	13 th March 2023	14 th March 2023
Final Report:	14 th March 2023	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	PCC Cumbria & Cumbria Constabulary		
Review:	Debtors		
Type of Review:	Assurance	Audit Lead:	Andrew McCulloch

Outline scope (per Annual Plan):	Debtors is a key financial system that is subject to cyclical review. Scope The review considers the raising of debtor accounts, collection of income, receipting, storage and banking of income received by the organisation. The scope of the review does not include identification of the activities giving rise to income for the organisation, the basis of calculating the rates to be charged or that all income receivable has been identified. The review will also consider the effectiveness and success of the approach in meeting targets.		
Detailed scope will consider:	<p>Directed</p> <p>Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.</p> <p>Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.</p> <p>Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.</p>	<p>Delivery</p> <p>Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.</p> <p>Sustainability: The impact on the organisation's sustainability agenda has been considered.</p> <p>Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.</p>	
Requested additions to scope:	(if required then please provide brief detail)		
Exclusions from scope:			

Planned Start Date:	28/11/2022	Exit Meeting Date:	09/12/2022	Exit Meeting to be held with:	Deputy CFO, Central Services Team Leader, Financial Services Manager
----------------------------	------------	---------------------------	------------	--------------------------------------	--

SELF ASSESSMENT RESPONSE

Matters over the previous 12 months relating to activity to be reviewed	Y/N (if Y then please provide brief details separately)
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	N
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	N
Have there been any significant changes to the process?	N
Are there any particular matters/periods of time you would like the review to consider?	N



Internal Audit

FINAL

PCC Cumbria & Cumbria Constabulary

Assurance Review of Treasury Management and Banking

2022/23

March 2023

Executive Summary

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

In the PCC's treasury management activities, administered by the Financial Services Team, that an investment counterparty defaults on repayment of a loan.

SCOPE

The review considered the arrangements for controlling the investment and borrowing arrangements; compliance with the organisation's overall policy; banking arrangements; reconciliations and the reporting to committee. The scope of the review did not include consideration of the appropriateness of any individual financial institution or broker or of individual investment decisions made by the organisation.

KEY STRATEGIC FINDINGS

- The treasury and banking arrangements are directed by appropriate and up to date policies and procedures that have been developed in accordance with the CIPFA codes of practice.
- The bank reconciliations tested for May and July 2022 were not reviewed until five to seven weeks following their completion.
- Daily cashflow forecasts are produced to aid the investment decision making process.
- All investments made were in line with the requirements of the Treasury Management Strategy Statement.

GOOD PRACTICE IDENTIFIED

- Regular reporting is provided to the Joint Audit Committee on the treasury activities of the Commissioner. This includes a dashboard and supporting commentary.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	1	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	<p>A review of the bank reconciliations undertaken for March, May, July, September and October 2022 for the Main Fund, Police Property Act account and Investment Interest ledgers showed that, whilst the accounts had been reconciled within a short period of the month end, a number of these had not been reviewed by another officer until the following month or no evidence was held to demonstrate that a review had taken place. These were:</p> <ul style="list-style-type: none"> • May 2022 - Main Account reconciled on 2nd June, Investment Interest reconciled 21st June, both were reviewed on 25th July. • July 2022 - Main Account reconciled on 2nd August, Investment Interest reconciled 15th August, both reviewed on 7th September. • Police Property Act Accounts for May and October - a review of these accounts has not been documented. 	It be ensured that bank reconciliations are promptly reviewed following these being completed and documented as an audit trail.	3	<p><i>The findings of the audit are accepted. I am pleased to note that the auditors found that the bank reconciliation had been completed on a timely basis, whilst it is disappointing that the control measure of an independent review was not always as prompt as it could be. Having said that, I feel confident that if a problem had been identified with a bank reconciliation it would have been brought to the Financial Services Manager's attention straight away.</i></p> <p>Specific <i>The importance of the independent review has been reinforced with the Financial Services Team and efforts will be made to ensure that the independent review of bank reconciliations will be carried out on a timely basis from now on (within 2 weeks of reconciliation).</i></p> <p>Measurable <i>Through the sign off of the existing bank reconciliation control sheet.</i></p>	31/12/22	Financial Services Manager

PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
					<p>Achievable Yes, this action reinforces the existing agreed process.</p> <p>Realistic Yes, the instruction to all relevant staff has already been issued.</p> <p>Timely Yes, this action was completed by 31/12/2022. The instruction has been provided that all future reconciliations must be countersigned by the Manager within 2 weeks of completion.</p>		

PRIORITY GRADINGS

1 URGENT Fundamental control issue on which action should be taken immediately.

2 IMPORTANT Control issue on which action should be taken at the earliest opportunity.

3 ROUTINE Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
No operational effectiveness matters were identified.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Assignment Engagement Details

TIAA Auditors	Title	Contact Email	Telephone
David Robinson	Audit Manager	David.Robinson@tiaa.co.uk	07766553339
Andrew McCulloch	Director of Audit	Andrew.McCulloch@tiaa.co.uk	07980787926

Exit Meeting Date	18 th November 2022
Attendees	Lorraine Holme, Financial Services Manager Angela Evans, Financial Services Officer Michelle Bellis, Deputy Chief Finance Officer

Director/Commander Comment	<p>I am pleased to note the audit findings that processes and controls in relation to treasury management and banking are operating effectively and as designed, in what is an inherently risky activity.</p> <p>Bank reconciliation is a fundamental requirement of good financial management and whilst I accept that any problems would have been highlighted to management, the recommendation to undertake more prompt review will be acted upon. As the action has already been completed, I see no reason to escalate the risks identified.</p> <p>Roger Marshall, Joint Chief Financial Officer</p>
Considered for Risk Escalation	No

Findings



Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In place	-	-
RM	Risk Mitigation The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	Compliance Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in place	1	-

Other Findings



The treasury management and banking arrangements are set out in the Financial Regulations, which were last reviewed and approved by the Joint Audit Committee in March 2021. Further details of the required controls and responsibilities of management and officers, in addition to those relating to the Joint Audit Committee, are contained in the Financial Rules, which were also reviewed in March 2021.

The Borrowing, Treasury Management, Investment and MRP Strategy 2022/23 was presented to the Joint Audit Committee in March 2022 having previously been approved by the Commissioner in February 2022. This comprehensive document, developed in accordance with the CIPFA codes of practice, sets out the requirements and required reporting in relation to cash flow forecasting, interest rate forecasting, the investment strategy and references the associated Treasury Management Practices, prudential indicators and counterparty investment rules.



The Strategy is supported by a set of Treasury Management Practices (TMP) that are reviewed annually. These are in relation to the following areas: Risk management; Performance measurement; Decision making and analysis; Approved instruments, methods and techniques; Organisation, clarity, segregation of responsibilities and dealing arrangements; Reporting requirements and management information arrangements; Budgeting, accounting and audit arrangements; Cash and cash flow management; Money laundering; Training and qualifications; Use of external service providers; and Corporate governance.



The risk of "In the PCC's treasury management activities, administered by the Financial Services Team an investment counterparty defaults on repayment of a loan" has been recorded within the Finance Risk Register. The general controls in relation to this risk are referenced in the Treasury Management Strategy Statement, however further details are recorded in TMP 1 Risk Management. These include the specific controls in relation to risks concerning liquidity, interest rates, counterparties, refinancing, fraud and the market value of investments.

Other Findings



Cash flow forecasts are produced showing daily balances up to the end of the 2022/23 financial year. This utilises actual, known funding and expenditure information where available and estimates based on historical data. These include payroll, Inland Revenue and pension payments, and precept and Home Office grant receipts. The daily balances inform the investment decision making with deposits and withdrawals being actioned accordingly. An outline forecast for 2023/24 has been produced with longer term cash requirements contained in the Medium-Term Financial Forecast to 2026/27 and the Capital Programme to 2032.



In relation to placing funds into the interest-bearing NatWest account, this is generally undertaken on a Friday following the weekly creditor payments batch being paid. Discussions with the Financial Services Officer identified that, due to the very low interest rates offered on this account, this has rarely been utilised. Investments into the Money Market Funds have, however continued. Transactions are processed through the ICD Portal. Appropriate segregation of duties is in place whereby the Financial Services Officer is able to execute a deal, and this generates emails to the other users of the portal, who are the Financial Services Manager and another Financial Services Officer. The actual payment to the investment fund is then set up by the Financial Services Officer using a payment template that will only allow the payment to be made to an approved institution. A series of further checks and approvals are subsequently undertaken prior to the payment being authorised by an officer in line with the bank mandate.

A sample of current investments was selected for testing and confirmation was received to demonstrate that these had been appropriately authorised.



Confirmation was received from the Deputy Chief Finance Officer, supported by an examination of the internal reporting and the published Statement of Accounts 2021/22, that there is no external debt. In March 2022 the Commissioner borrowed from the local authority for a short term until the Pension Grant of approximately £20M was received from the Home Office.



A review of the Treasury Management Activities report for 2022/23 quarter two showed that the following investments were in place: Category one (banks unsecured) - £8,510,676; Category three (Government) - £7,621,885; Category five (pooled funds) - £5,900,000. It was confirmed that the individual investments with each institution were in accordance with the Counterparty Groupings and Associated Limits schedule contained within the Treasury Management Strategy Statement 2022/23.



There are a total of seven bank accounts operated by the PCC. These include a range of current and interest-bearing deposit accounts. Details of these, and the balances as at 15th November 2022 are as follows:

Main Fund - current account £63,667.

Liquidity Select Overnight (interest bearing for short term deposits) - £10,000.

Business Continuity Current Account (used in the event of a business continuity incident with cards held by select staff) - £nil.

Police Property Act Fund (for holding balances of funds awarded by the courts to the PCC. The PCC is permitted to distribute these funds to local groups and organisations) - £20,836.

CHIS Bank Current Account - £6,855.

Seized Cash Current Account - £2,989.

Liquidity Select Seized Cash - £87,978.

Confirmation was received from NatWest Bank that the authorised signatories for these accounts are the Deputy Chief Finance Officer, Head of Central Services, Director of Legal Services, Director of Corporate Support, Joint Chief Finance Officer, Chief Executive and the Deputy Chief Executive.



A number of the performance indicators contained within the 2022/23 quarter two Treasury Management Activities report were verified against the source data contained within the cashflow spreadsheets. These included the average daily balance, investment balance at 30/09/22 and the days in credit/overdrawn.



Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In place	-	-
S	Sustainability The impact on the organisation's sustainability agenda has been considered.	Out of scope	-	-
R	Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

Other Findings

- Quarterly Treasury Management Activities reports are provided to the Commissioner’s Public Accountability Conference and the Joint Audit Committee. These provided the Commissioner and Members with:
 - A snapshot of the investment balance as at the end of the quarter and the average daily balance;
 - The investment interest budget and forecast;
 - A schedule showing the values invested;
 - Performance data showing the number of days the bank accounts were in credit and overdrawn; and
 - Commentary confirming compliance with the Treasury and Prudential Indicators. Further commentary is provided in relation to each of these Indicators.
- The quarter four Treasury Management Activities Report, presented to the Commissioner’s Public Accountability Conference and the Joint Audit Committee in June 2022, also contains the Annual Report for 2021/22. This incorporated additional detail and commentary than the standard quarterly reports including charts and comparisons to the previous year where relevant.
- There are a number of staff in place within the Financial Services Team, including Financial Service Officers and Assistants, who are able to undertake treasury and banking activities. This provides resilience in times of staff absence.

Scope and Limitations of the Review

- The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

- The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Effectiveness of arrangements

- The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

In place	The control arrangements in place mitigate the risk from arising.
Partially in place	The control arrangements in place only partially mitigate the risk from arising.
Not in place	The control arrangements in place do not effectively mitigate the risk from arising.

Assurance Assessment

- The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

- We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

- The table below sets out the history of this report.

Stage	Issued	Response Received
Audit Planning Memorandum:	7 th November 2022	10 th November 2022
Discussion Draft Report:	28 th November 2022	1 st December 2022
Draft Report:	5 th December 2022	9 th December 2022
Final Report:	12 th December 2022	
Revised Final Report:	10 th March 2023	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	PCC Cumbria & Cumbria Constabulary		
Review:	Treasury Management and Banking		
Type of Review:	Assurance	Audit Lead:	David Robinson

Outline scope (per Annual Plan):	The review considers the arrangements for controlling the investment and borrowing arrangements; compliance with the organisation’s overall policy; banking arrangements; reconciliations and the reporting to committee. The scope of the review does not include consideration of the appropriateness of any individual financial institution or broker or of individual investment decisions made by the organisation.
Detailed scope will consider:	<p>The review will set out to provide assurance to JAC that the organisation has robust controls in relation to the treasury management and banking arrangements, including:</p> <ul style="list-style-type: none"> • Policy and Procedures are up to date and clearly define the process for the treasury management arrangements; • Appropriate segregation of duties is in place; • Investments and loans are appropriately authorised; • Cash Flow is monitored; • Loan covenant compliance is monitored and reported upon. • Relevant Committees are presented with Treasury Management activity reports.

Planned Start Date:	14/11/2022	Exit Meeting Date:	18/11/2022	Exit Meeting to be held with:	Deputy Chief Finance Officer, Financial Services Manager, Financial Services Officer
----------------------------	------------	---------------------------	------------	--------------------------------------	--

SELF ASSESSMENT RESPONSE

Matters over the previous 12 months relating to activity to be reviewed	Y/N (if Y then please provide brief details separately)
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	N
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	N
Have there been any significant changes to the process?	N
Are there any particular matters/periods of time you would like the review to consider?	N

Michelle Bellis – Dep CFO

Angela Evans – Financial Services Officer

Lorraine Holme FS Manager

Exit meeting all 3 -18/11/22



Internal Audit

FINAL

Police and Crime Commissioner Cumbria and Cumbria Constabulary

Assurance Review of Firearms Licensing

2022/23

March 2023

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

CC Risk 54 - That lawfully held firearms are not sufficiently tracked and traced as per FAL APP and other national guidelines.

SCOPE

Recent incidents in England have highlighted the risk in relation to the licencing of firearms and the heightened associated reputational risk. In addition, new Statutory Guidance was introduced in November 2021. Scope The review assessed compliance with the Statutory Guidance that came into force in November 2021 and Force policy for Firearms Licensing.

KEY STRATEGIC FINDINGS



The Force follows Statutory Guidance but does not have a documented policy for its full arrangements for firearms licensing.



Process maps and guidance was found to detailed and in place but was not dated or version controlled.



Application and associated documentation was found to be well controlled and, for the areas tested, provided a robust audit trail of actions and decisions.



There are no performance indicators in place for the firearms licensing process and no formal reporting of activities.

GOOD PRACTICE IDENTIFIED



Robust and controlled access to the Firearms Licensing Unit is in place.



The move to an electronic system for applications will reduce the risk of hardcopy data loss through an event such as flooding or fire.

ACTION POINTS

Urgent	Important	Routine	Operational
0	4	0	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	Whilst there is Statutory Guidance issued, it was noted that the Force does not have a documented policy that sets out its own specific arrangements, for example, delegated approval routes, processing priority and areas such as refusals and revocations.	A Firearms Licensing Policy be agreed, documented and introduced.	2	<p>Specific A Force Policy is in the process of being produced, and once completed will be taken to the ACC's Operational Board for review and consultation. If supported, it will then be remitted to the Strategic Management Board for Chief Officer approval.</p> <p>Measurable The policy will be produced and once approved, will be stored within the force policy library to ensure its continually reviewed and updated.</p> <p>Achievable The work to create the policy is already In progress</p> <p>Realistic As above, work is already underway and will be delivered by the timescales indicated</p> <p>Timely This will be achieved by 30th April 2023.</p>	30/04/23	Ch/Supt Bird

PRIORITY GRADINGS

1 URGENT Fundamental control issue on which action should be taken immediately.

2 IMPORTANT Control issue on which action should be taken at the earliest opportunity.

3 ROUTINE Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	<p>A review of the process maps noted that documents are not version controlled or dated and that expected timeframes for each stage of the process, where applicable, are not recorded.</p> <p>It is acknowledged that a new online system is being introduced in May 2023 and that process maps will be reviewed to coincide with this change to arrangements.</p>	<p>Process maps that are developed for the new Firearms Licensing system be dated, version controlled and include timeframes for actions, where appropriate.</p>	2	<p>Specific <i>This work is already commissioned and will form part of the work the project team will complete under the CycFirearms case management system implementation.</i></p> <p>Measurable <i>The process maps will be documented and recorded alongside all other relevant information being compiled by the project team.</i></p> <p>Achievable <i>The work is already factored into the CycFirearms implementation work and will be governed through the project board which is chaired by Ch/Supt Bird.</i></p> <p>Realistic <i>As above, work is already underway and will be delivered by the timescales indicated</i></p> <p>Timely <i>This will be achieved by 31st May 2023. The project delivery is currently on track for the 22nd May 2023.</i></p>	31/05/23	Ch/Supt Bird

PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Delivery	It was established that there are currently no performance targets identified and set for the firearms licensing process. The introduction of performance targets would allow the Firearms Licensing Unit to better monitor applications received, progress, backlog and also identify which parts of the process may be the cause of any delays.	Key Performance Indicators be agreed and introduced to allow performance of the Firearms Licensing Unit to be monitored.	2	<p>Specific</p> <p><i>The introduction of the new case management system will facilitate the ability to produce much needed performance information to hold regular accountability over the FAL team. The metrics and indicators that will be used are a strand of work under the current project, overseen by Ch/Supt Bird</i></p> <p>Measurable</p> <p><i>The availability of performance data that is subsequently fed into the force governance arrangements will improve accountability and visibility for the performance of the unit.</i></p> <p>Achievable</p> <p><i>The work to create the metrics and agree the indicators is already in progress as a strand of the project delivery. The system is expected to be delivered 22nd May 2023.</i></p> <p>Realistic</p> <p><i>As above, work is already underway and will be delivered by the timescales indicated</i></p> <p>Timely</p> <p><i>This will be achieved by 31st July 2023. Once the system is delivered, there will</i></p>	31/07/23	Ch/Supt Bird

PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
					<i>need to be at least once month of operational use to provide a reporting data set. This data will be fed into the Operations Board in July 2023 and ever month thereafter for accountability.</i>		
4	Delivery	Discussions with the Firearms Licensing Manager noted that there is no formal reporting on the Unit's activities, for example applications received, approved, refused and backlog performance.	Reporting on the activities and performance of the Firearms Licensing Unit be introduced.	2	<p>Specific</p> <p><i>The accountability and governance of the FAL unit will be via bi-weekly SLT meetings in the SPI Command and into Operations Board (monthly) chaired by the ACC.</i></p> <p>Measurable</p> <p><i>The availability of performance data that is subsequently fed into the force governance arrangements will improve accountability and visibility for the performance of the unit. The minutes and actions recorded within the Op's board will be testament to that.</i></p> <p>Achievable</p> <p><i>The work to create the metrics and agree the indicators is already in progress as a strand of the project delivery. The system is expected to be delivered 22nd May 2023. The first opportunity to present the data will be in July's Operations Board</i></p> <p>Realistic</p>	31/07/23	Ch/Supt Bird

PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
					<p><i>As above, work is already underway and will be delivered by the timescales indicated</i></p> <p>Timely</p> <p><i>This will be achieved by 31st July 2023. Once the system is delivered, there will need to be at least once month of operational use to provide a reporting data set. This data will be fed into the Operations Board in July 2023 and ever month thereafter for accountability.</i></p>		

PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
There were no operational effectiveness matters identified.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Assignment Engagement Details

TIAA Auditors	Title	Contact Email	Telephone
Andrew McCulloch	Director of Audit	Andrew.McCulloch@tiaa.co.uk	07980787926
David Robinson	Audit Manager	David.Robinson@tiaa.co.uk	07766553339

Exit Meeting Date	17 th February 2023
Attendees	Karen Morland, Firearms licensing Manager

Director/Commander Comment	<p>I welcome this report and acknowledge the actions and recommendations raised. Many of the actions are already in progress as part of the project to deliver a new case management system to aid efficiency of process in addition to visible performance data to hold the function to account.</p> <p>I have updated the actions above to indicate how and when they will be delivered. As the actions are already in train and a plan to resolve, I see no reason to escalate the risks identified.</p>
Considered for Risk Escalation	No

Findings



Directed Risk:





Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	Partially in place	1, & 2	-
RM	Risk Mitigation The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	Compliance Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	In place	-	-

Other Findings

- The arrangements for Firearms Licensing are subject to Statutory Guidance published by the Home Office (Statutory Guidance for Chief Officers of Police on Firearms Licensing). Prior to the audit the most recent published guidance was in November 2021, however, a revision was issued during the fieldwork stage of the audit. The Firearms Licensing Manager was aware of the new guidance and an appropriate review was to be undertaken. The new guidance did not affect the testing undertaken during this audit.
- Cumbria Police has procedural guides that cover all aspects of the process, which include new grants, renewals, revocations, variations and other changes. Procedures are held in the form of process maps that set out each stage of the individual process required to be carried out.
- The risk that “lawfully held firearms are not sufficiently tracked and traced as per FAL APP and other national guidelines” was recently added to the Force's Strategic Risk Register. A Gold Group chaired by the Assistant Chief Constable has been set up and actions in relation to the backlog of applications, temporary certification and the new system are being progressed and monitored.
- Formal delegated authority documentation signed by the Chief Constable was evidenced for the issuing and signing of certification, passes and permits. It was noted that some of the job/role titles had changed since the documents were originally issued in 2012. This was corrected during the audit with new documents being issued to reflect the current roles and responsibilities.

Other Findings

-  A sample of five new licences issued was selected for review. The sample included three shotgun applications and two application for shotgun and firearms.
Documentation was confirmed as being held to support the receipt, processing and issuing of each application reviewed. This was held in hardcopy format in a secure building with electronic restricted access. All documentation for each application was held together and no issues were identified with the information retained to support each application. The Firearms Licensing Manager had signed off each of the licences/certificates reviewed in accordance with their delegated authority.
-  A sample of five renewal applications was selected for review. This included two Firearms renewal applications and three Shotgun renewal applications, one of which was co-terminus.
Hardcopy files were evidenced for each application that were readily available and held all of the relevant documentation to allow the renewal to take place.
It was identified that no formal record is held on the hardcopy files for approval, with the signing of the certificate acting as this. Following discussions with the Firearms Licensing Manager it was agreed that a hardcopy sign off would be introduced immediately as the new system would record this automatically when it goes live in May 2023. (A recommendation was not raised for this action)
-  A sample of five temporary licences issued due to the delays in processing caused by Covid restrictions was selected for review. All documentation was held for each temporary licence reviewed and accorded with the required process.
-  Two application refusals and one revocation of shotgun and firearms licences were reviewed. In each instance the appropriate checks had been undertaken and supporting documentation was held to support the decision. Each of the three cases reviewed was confirmed as having been presented to the Assistant Chief Constable for approval in accordance with the delegated authority levels.





Delivery Risk:


Failure to deliver the service in an effective manner which meets the requirements of the organisation.


Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	Partially in place	3, & 4	-
S	Sustainability The impact on the organisation's sustainability agenda has been considered.	In place	-	-
R	Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

Other Findings

- 

The current process relies heavily on paper records. These were found to be appropriately stored in a secure manner in a building that had restricted electronic access. A new online system is being introduced in May 2023 which will allow electronic storage of data, electronic approval, work queues to monitor application progress and a reporting function.
- 

As a result of Covid restrictions the Force was unable to process applications and renewals for significant periods over a prolonged period. Suitable actions were confirmed as being taken to undertake activity to allow extension permits to be issued. At the time of the audit there was backlog of circa 1,600 applications, which equates to approximately 11 months. It was confirmed that this had reduced by around one month over the previous six months and further progress is expected with the introduction of CycFirearms, the new electronic system.
- 

The existing process is heavily reliant on a paper/hardcopy submission and hardcopy records retention. CycFirearms will significantly reduce the volumes of paper being used for this process.
- 

The Firearms Licensing Unit's current structure is appropriate to the usual level of demand. It was, however, noted that additional work required to get existing documentation prepared for scanning for the new system and the backlog were utilising additional overtime to facilitate the need. The Gold Group referenced earlier in this report are considering resourcing as part of its monitoring and action plan.

EXPLANATORY INFORMATION

Appendix A

Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

2. The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Effectiveness of arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

In place	The control arrangements in place mitigate the risk from arising.
Partially in place	The control arrangements in place only partially mitigate the risk from arising.
Not in place	The control arrangements in place do not effectively mitigate the risk from arising.

Assurance Assessment

4. The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

6. The table below sets out the history of this report.

Stage	Issued	Response Received
Audit Planning Memorandum:	7 th February 2023	7 th February 2023
Discussions Draft Report:	3 rd March 2023	9 th March 2023
Final Report:	9 th March 2023	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	PCC Cumbria & Cumbria Constabulary		
Review:	Firearms Licensing		
Type of Review:	Assurance	Audit Lead:	Andrew McCulloch

Outline scope (per Annual Plan):	Recent incidents in England have highlighted the risk in relation to the licencing of firearms and the heightened associated reputational risk. In addition, new Statutory Guidance was introduced in November 2021.Scope The review will assess compliance with the Statutory Guidance that came into force in November 2021 and Force policy for Firearms Licensing.
	<p>The review will set out to provide assurance to JAC that the organisation has robust controls in relation to the firearms licensing arrangements, including:</p> <ul style="list-style-type: none"> • Policy and Procedures are up to date and clearly define the process and align with statutory guidance issued by the Home Office; • A robust audit trail of documentation is prepared and retained to support all actions and decisions; • Certification and Licence issuing is accordance with delegated authorities; • Regular performance monitoring of FL unit activities is reviewed and reported.; • Risks associated with licensing have been considered and appropriately mitigated.
Requested additions to scope:	(if required then please provide brief detail)
Exclusions from scope:	

Planned Start Date: Fieldwork	13/02/2023	Exit Meeting Date:	17/02/2023	Exit Meeting to be held with:	Karen Morland-Firearms Licensing Manager
--------------------------------------	------------	---------------------------	------------	--------------------------------------	--

SELF ASSESSMENT RESPONSE

Matters over the previous 12 months relating to activity to be reviewed	Y/N (if Y then please provide brief details separately)
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	N
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	N
Have there been any significant changes to the process?	N
Are there any particular matters/periods of time you would like the review to consider?	N



Internal Audit

FINAL

Police and Crime Commissioner Cumbria and Cumbria Constabulary

Assurance Review of Performance and Insight

2022/23

March 2023

Executive Summary

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

No strategic risk in Constabulary Strategic Risk register.
A new Performance and Insight Team is being put in place.

SCOPE

The review considered the way in which key performance data is collated to inform effective decision making, taking in to account the accuracy, integrity and consistency of data.

KEY STRATEGIC FINDINGS

- The latest PEEL inspection report from April 2022 contained comments regarding issues with operational governance and performance scrutiny.
- A presentation was delivered to HMICFRS in January 2023 that covered the intended new governance arrangements.
- A series of groups have been put in pace including the Strategic Management Board, Strategic Performance Board, Information Management Board and the Strategic Change Board.

GOOD PRACTICE IDENTIFIED

- Appropriate data and supporting commentary is included within the reporting provided to the Strategic Performance Board.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
No recommendations were made.							

PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
No operational effectiveness matters were identified.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Assignment Engagement Details

TIAA Auditors	Title	Contact Email	Telephone
David Robinson	Audit Manager	David.Robinson@tiaa.co.uk	07766553339
Andrew McCulloch	Director of Audit	Andrew.McCulloch@tiaa.co.uk	07980787926

Exit Meeting Date	1 st March 2023
Attendees	Mick Bird T/Chief Superintendent, Performance, Standards and Insight Command

Director/Commander Comment	I have read and welcome this report and the overall assessment of substantial assurance. A significant amount of work has been done to research, design, and implement a new performance framework and governance structure in a short space of time. Although there are no identified actions or recommendations arising from this report to address, the performance framework and governance arrangements will be reviewed annually to ensure they remain fit for purpose, with amendments or identified changes being presented to the Strategic Management Board for approval.
Considered for Risk Escalation	No

Findings



Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In place	-	-
RM	Risk Mitigation The documented process aligns with the mitigating arrangements set out in the corporate risk register.	Out of scope	-	-
C	Compliance Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	In place	-	-

Other Findings



The latest Police Effectiveness, Efficiency and Legitimacy (PEEL) inspection report, published in April 2022, rated the Constabulary, under the heading of Strategic Planning, Organisational Management and Value for Money, as “adequate”. However, a number of comments were made within the report, such as:

- Operational governance and performance scrutiny was less structured than strategic governance; and
- Performance scrutiny isn’t taking place consistently in all the territorial policing areas, and the force doesn’t have a performance framework in place for neighbourhood policing. The force recognises there is some work to do, and at the time of inspecting it was reviewing operational governance arrangements.

The Temporary Chief Superintendent (Performance, Standards and Insight Command) also stated that organisational plans did not align to the strategic assessment or Force Management Statement.



In order to address these issues and to provide assurance that these are being dealt with, a presentation was delivered to HMICFRS in January 2023. This covered the intended new governance arrangements with the Strategic Management Board at the top, through strategic and tactical areas to a number of operational delivery areas. This demonstrated that the new performance management framework extended down to incorporate local delivery, which was not previously in place.

A restructure was implemented during 2022 with a move to a geographical Basic Command Unit (BCU) composition to put in place clear lines of accountability.

In addition to the new Boards and performance meeting arrangements, as there was no structured organisational or business change management team in place, a Strategic Change Board (SCB) was created.

Other Findings



The required actions within the Corporate Governance - Project Delivery Schedule were placed into a Gant chart under the heading of internal consultation, communication briefings, review the 'as is', develop the required documentation, development of the intranet page and go live meetings. The T/Chief Superintendent Performance, Standards and Insight Command confirmed that these actions have been implemented.



Terms of Reference (ToR) have been developed for each of the boards and groups. Of particular note are the ToR of the:

Strategic Management Board. The purpose is to set the organisational vision and strategic intent. Objectives include to monitor critical aspects of performance and oversight of Governance Boards and exception reporting dashboards;

Strategic Performance Board, whose purpose is to drive organisational performance and delivery of outcomes and benefits, includes the objectives to drive organisational improvement and to understand thematic performance;

Information Management Board. The purpose is to provide governance in relation to data and information related matters. The objectives include to provide a forum to understand data and information related issues and a decision-making forum in relation to how data and information is treated.



A review of the agenda for a sample of meetings showed that topics discussed include:

Strategic Management Board

Updates relating to performance, HMICFRS and change management and a review of the Strategic Risk Register.

Strategic Performance Board

The focus of this group is to review and evaluate the performance of the constabulary. This includes data in relation to:

- The number of crimes recorded and a breakdown of crimes by offence group and comparisons against the previous year and national data;
- The number and percentage of recorded crime cases open, closed (not resolved) and resolved;
- A detailed breakdown of crime statistics;
- National outcomes and National Crime and Policing Measures;
- Positive outcome ratios;
- The level of police assaults;
- Custody data;
- Youth arrests;
- Control room performance;
- Service level and dispatch times; and
- Crime victim satisfaction.

A review of the Strategic Performance Board report for February 2023 showed that this contained appropriate commentary in support of the data.

Strategic Change Board

An overview of progress made in relation to current projects and programmes, incorporating exceptions, decisions that have been escalated to the SCB and a review of new project change requests and the benefits register.

HMIC Board.

This new Board meet monthly and review all recommendations, through the tracker, that were included in the latest HMICFRS inspection report.

Meeting agenda items include progress made in implementing the recommendations included within the HMICFRS report and the Forces Improvement Plan, national and local HMICFRS activity influencing or impacting upon the Constabulary and progress updates regarding any ongoing inspections.



Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	Out of scope	-	-
S	Sustainability The impact on the organisation's sustainability agenda has been considered.	Out of scope	-	-
R	Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

Other Findings



Performance management is more than just reporting information. It is concerned with setting clear objectives and priorities, carrying out a number of specific and targeted actions, monitoring performance in those areas, gaining management information and using this to highlight areas for improvement.

Establishing a governance structure surrounding the performance management system allows the Constabulary to ensure that performance insights are used to prompt action and information sharing across organisational levels.

In our opinion the revised performance management governance structure is appropriate and should assist in rectifying the issues noted in the latest PEEL report.

It should be noted that the new structure has only been in place for a short period of time and therefore only limited information and reporting that aligns to the new arrangements has been available for audit review and testing

EXPLANATORY INFORMATION

Appendix A

Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

2. The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Effectiveness of arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

In place	The control arrangements in place mitigate the risk from arising.
Partially in place	The control arrangements in place only partially mitigate the risk from arising.
Not in place	The control arrangements in place do not effectively mitigate the risk from arising.

Assurance Assessment

4. The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

6. The table below sets out the history of this report.

Stage	Issued	Response Received
Audit Planning Memorandum:	n/a – through discussions	n/a – through discussions
Draft Report:	3 rd March 2023	9 th March 2023
Final Report:	9 th March 2023	

AUDIT PLANNING MEMORANDUM (for dates, personnel only)

Appendix B

Client:	PCC Cumbria & Cumbria Constabulary		
Review:	Performance and Insight CC Assurance		
Type of Review:	Assurance	Audit Lead:	David Robinson

Outline scope (per Annual Plan):	A new Performance and Insight Team is being put in place. Scope. The review will consider the way in which key performance data is collated to inform effective decision making, taking in to account the accuracy, integrity and consistency of data.		
Detailed scope will consider:	Directed Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation. Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register. Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Delivery Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner. Sustainability: The impact on the organisation's sustainability agenda has been considered. Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	
Requested additions to scope:	(if required then please provide brief detail)		
Exclusions from scope:			

Planned Start Date:	26/01/2023	Exit Meeting Date:	01/03/2023	Exit Meeting to be held with:	T/Chief Superintendent Performance, Standards and Insight Command
----------------------------	------------	---------------------------	------------	--------------------------------------	--

SELF ASSESSMENT RESPONSE

Matters over the previous 12 months relating to activity to be reviewed	Y/N (if Y then please provide brief details separately)
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	N
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	N
Have there been any significant changes to the process?	N
Are there any particular matters/periods of time you would like the review to consider?	N



Internal Audit

FINAL

PCC Cumbria & Cumbria Constabulary

Assurance Review of Resource Planning

2022/23

March 2023

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Included in the audit plan 2022/23

SCOPE

The review considered the arrangements in place for the duty management system and the arrangements to identify demand and allocate appropriate resources to ensure the effective and efficient delivery of services.

KEY STRATEGIC FINDINGS

- The planning of response resources has been subject to substantial analysis and enhancement over the past year, with further improvements planned.
- Process improvements remain ongoing and are still to be fully embedded within the organisational culture, while some areas also need to be fully documented.
- Changes to shifts and reasonable service levels (RSL) remain in development and consultation for neighbourhood policing, CID and PCSOs.
- Staffing in relation to agreed service levels is monitored day-to-day by management, but performance data is not recorded regarding overall compliance levels.

GOOD PRACTICE IDENTIFIED

- A detailed review of planned and completed shifts found the only cases of unmet service levels to be due to short-notice absences.
- Extensive work has been undertaken to improve forward planning of resources around major events and training.

ACTION POINTS

Urgent	Important	Routine	Operational
0	2	1	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	<p>The process for resource co-ordination was confirmed to have undergone significant change over the year prior to this audit. The updated overarching process is documented within the Resource Coordination Principles, designed to define twenty different aspects of resource planning. Several of the elements recently introduced have yet to be documented due to the ongoing changes to the procedures. It is expected that these may continue to evolve as the new approaches become fully embedded across the Force and form part of its wider ongoing culture.</p> <p>The full documentation of these principles and procedures will be important in achieving this cultural change and long-term consistency in the process, including through any future changes in systems and personnel.</p>	<p>The Resource Co-ordination Principles document be completed and approved, to ensure a common understanding throughout the force of how these processes are to be managed. This document, as it evolves, can be used to underpin the continuing efforts to embed all aspects of resource coordination across the organisation and within its culture.</p>	2	<p><i>Recommendation agreed and accepted.</i></p> <p>Specific - <i>The Resource Coordination principles document is in the final stages of development following the peer review undertaken with Humberside.</i></p> <p>Measurable – <i>Will be seen in the daily application of the principles. This document will be used as the ultimate guide for resource coordination practices for the business.</i></p> <p>Achievable – <i>Yes, this document consolidates all current working practices.</i></p> <p>Relevant – <i>Because the force requires a guiding document. Once complete it will be updated as a reflexive document as and when required.</i></p> <p>Timeliness – <i>Complete by 31/03/23.</i></p>	31/03/23	Inspector Bradbury

PRIORITY GRADINGS

1 URGENT Fundamental control issue on which action should be taken immediately.

2 IMPORTANT Control issue on which action should be taken at the earliest opportunity.

3 ROUTINE Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	<p>The decision to prioritise the response function for updates in resource planning has resulted in significant improvements in that area (see further findings within this report). Management acknowledged that there remains similar work to be completed for other areas:</p> <ul style="list-style-type: none"> - New shift patterns for neighbourhood policing teams (NPT) were in the process of being agreed at the time of the audit, following substantial review and scrutiny. - PCSO shift patterns were confirmed as in need of updating following major staffing changes over recent years. At the time of the audit, proposals had been developed and were under discussion. - Inefficiencies had been identified with CID shift patterns, however it had been recognised that these cannot be addressed until CID staffing is increased. This will only be possible once response has achieved its target operating model, which will then allow for recruitment into other specialist areas. 	<p>The work undertaken to achieve improvements in resource planning for response officers be replicated where appropriate for other areas across the Force, including NPT, PCSO and CID. Where these initiatives are in progress, or envisaged for the future, target dates for implementation of improvements and subsequent monitoring of success criteria should be identified.</p>	2	<p><i>Recommendation agreed and accepted.</i></p> <p>Specific – NPT shift patterns are in the final stages of consultation with Community Beat Officers (CBOs) and Sergeants with go-live date of 17/06/23. NPT inspectors go-live date of 03/05/23. PCSO shift pattern model is currently with Finance for costing with go-live envisaged to coincide with CBOs and Sergeants. CID shift pattern review scheduled to commence upon achievement of full Response Target Operating Model (TOM).</p> <p>Measurable -Through the implementation of the duties via the Crown DMS.</p> <p>Achievable – 1/3 complete with dates scheduled for other areas.</p> <p>Relevant – Supports the new force structure and the work undertaken so far on the patrol structures; shift pattern, RSLs and annual leave criteria.</p> <p>Timely – Consecutive planning as detailed above.</p>	<p>NPT (CBO / Sergeant) 17/06/23</p> <p>NPT (Inspectors) 03/05/23</p> <p>PCSO still being consulted on, anticipate similar to CBO/Sergeant.</p> <p>CID target for agreement once Response TOM achieved (envisage late Summer 23).</p>	<p>NPT – D/Supt. StQuintin.</p> <p>CID – DI Lamb.</p>

PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.
---	---------------	--

2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.
---	------------------	--

3	ROUTINE	Control issue on which action should be taken.
---	----------------	--

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Delivery	<p>Progress on improvement work in resource planning is monitored via monthly review at the Workforce Silver meeting, and periodically at the Workforce Board. This provides an opportunity for updates from the Resource Coordination Team, along with the sharing of feedback received by other members of management.</p> <p>The Resource Coordination Team Inspector confirmed that there are no KPIs or metrics that are routinely reported specifically around RSLs and how often these are being met, but that this is monitored on a day-to-day basis within the daily meetings within the basic command units (BCUs). As RSLs and shift patterns continue to be refined for additional functions, the development of analysis and reporting of data in this area would provide management with valuable performance information, which could highlight areas of good practice or where intervention is required.</p>	<p>Performance metrics around resource planning be established once current process improvement work has been more widely embedded, so that assurance on the consistent achievement of RSLs can be routinely provided. This may be of particular value once the resource planning improvement work moves into a 'business as usual' phase, where progress may be monitored less closely.</p>	3	<p><i>Recommendation agreed and accepted.</i></p> <p><i>RSLs are discussed every morning (9am) across the force at pacesetter for that day.</i></p> <p>Specific – A Power BI reporting mechanism will be requested as a thematic information management tool.</p> <p>Measurable – Through the implementation and use of the metric.</p> <p>Achievable – Through agreement by Workforce Board with priority assigned to purpose, development and use.</p> <p>Relevant – Will allow the force to measure the achievement of RSLs on a thematic basis against the agreed Target Operating Model implemented with the new force structure.</p> <p>Timely – To be implemented within 12 months of the new structure going live (04/09/23).</p>	04/09/23	<p>Director of Corporate Support for gaining agreement for development.</p> <p>Inspector Bradbury to support development.</p>

PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.
----------	---------------	--

2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.
----------	------------------	--

3	ROUTINE	Control issue on which action should be taken.
----------	----------------	--

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
There were no operational effectiveness matters identified.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Assignment Engagement Details

TIAA Auditors	Title	Contact Email	Telephone
Stuart Whittingham	Principal Auditor	Stuart.Whittingham@tiaa.co.uk	07768888793
David Robinson	Audit Manager	David.Robinson@tiaa.co.uk	07766553339
Andrew McCulloch	Director of Audit	Andrew.McCulloch@tiaa.co.uk	07980787926

Exit Meeting Date	22 nd February 2023
Attendees	<p>Chief Inspector Charlotte Nutter; Diane Bradbury, Resource Coordination Team Inspector Karen Thompson and Anne Holme, Team Leaders Resource Coordination Team Written Comments/Email Stephen Kirkpatrick, Director of Corporate Support Assistant Chief Officer Nancie Shackleton</p>

Director/Commander Comment	<p>I welcome this report and fully accept the observations and recommendations made with SMART responses attached.</p> <p>The report observed the significant progress already made whilst recognising the further efforts required to embed and further improve practices.</p> <p>The key findings and good practices identified, together with the many other findings, detailed within the report demonstrate the excellent work undertaken within the resource Coordination team who have welcomed and embraced external review and challenge.</p> <p>I am confident that the Resource Coordination service will continue to effectively support and enable operational policing within Cumbria.</p>
Considered for Risk Escalation	No

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Findings



Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	Partially in place	1, & 2	-
RM	Risk Mitigation The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	Compliance Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	In place	-	-

Other Findings


- The Resource Coordination Team Inspector confirmed that there is a new role, added to the Resource Coordination Team, working alongside the two Resource Coordination Team Leaders and the wider team. The additional resource has enabled substantial process improvement work to be undertaken, while the existing team has been able to continue close management of the day-to-day resource planning process.
- The review of response resourcing needs was undertaken through Operation Catalyst in late 2021. This incorporated a combination of activity analysis (shadowing of officers), and detailed review of 501 incident logs covering all categories of incident and the total time required for each. Through a process of mathematical modelling, consultation and sense checking using experienced officers' professional judgement, reasonable service levels (RSLs) were established for each hour of the week in every quadrant.
- The established RSLs were analysed in combination with abstraction patterns, which were determined following analysis of scenarios such as training and absences from work. This process resulted in a far greater understanding of the true levels of abstractions and their impact on the front line, allowing for improved planning. This analysis provided a required number of response officers for each shift in each quadrant, allowing for expected abstraction rates.

It was noted that shifts are not staffed at levels that ensure 100% coverage at all times. Rather, it is understood that some shifts will be short-staffed and require additional cover to be identified, or occasionally a shift may be able to operate below the RSL following risk assessment by a local supervisor. This management by exception was confirmed as a cost-effective approach that balances the resources available with the need to deliver safe and effective service.

Management confirmed that RSLs are continually reviewed in response to feedback, including one quadrant where the RSL has been increased in response to safety concerns due to its remote geography.


Other Findings


- 

Through a process walk-through for planning of response resources, it was confirmed that resource coordinators monitor via the Crown Duty Management System the resourcing across teams in their areas up to a month in advance. Where a shift is identified with coverage below the RSL, this is addressed according to approved backfill hierarchies, including changing individuals' shifts, finding cover from other teams, or requesting the use of overtime. This is an ongoing process up to the shift start time, as additional abstractions may be added to the system at any point depending on operational requirements or personal circumstances. Close liaison between shift supervisors and resource coordinators is critical, to ensure a full understanding of staffing and any changes.
- 

A walk-through of the procedure for resourcing events was undertaken with the Resource Coordination Team. It was established that all events are captured on a Force events calendar, providing visibility and awareness at all levels.

Major events are closely coordinated with the Civil Contingencies Unit to establish which of these require a full Gold, Silver or Bronze command structure. Commanders are now identified on an annual basis where events are known well in advance, or as soon as possible where less notice is given. Commanders have responsibility for identifying the required resources and work with the Resource Coordination Team to ensure that these are fulfilled, working up to a year ahead of the event to aid planning.

Resource planning requirements and methodology were reviewed in detail for Appleby Fair and key football matches and found to be robust and clearly communicated, with ongoing use of intelligence to refine staffing requirements, specialist skills and leave restrictions, in order to appropriately balance the operational, financial, safety and welfare aspects.
- 

A comprehensive training calendar has been created, to enhance awareness for all colleagues around upcoming activities and associated abstractions. Through close collaboration between the Resource Coordination, Training, Chronicle and Occupational Health teams, a new process has been introduced for the approval of new training activities, where a performance needs analysis form is completed to identify the required timing, resources, staffing and other aspects of the proposed course. This facilitates a discussion between key staff and the Resource Coordination Team around how this can be scheduled with adequate notice, with due consideration of other scheduled training, major events and any other restrictions on availability. Data from the first months of the new process indicate increased attendance at public and personal safety training, from 55-70% during most of 2022, to 85% (December 2022) and 91% (January 2023)
- 

Workforce planning boards are in place with input and direction from ACO level, allowing for strategic consideration of changes in the establishment and their implications for resource planning. These meetings also allow for intelligence gained from management of RSLs to be fed into future workforce requirements. This joined up approach has provided greater insight into the timing of promotion rounds, understanding of student policing programmes, and the decision on delaying moving resource away from response teams to specialist functions until target operating models are achieved, so that this can be done without impacting compliance with RSLs. The Director of Corporate Support noted that there is substantial additional work required within the workforce planning area, with a focus on the skills and capability of the workforce and the future implications for training.
- 

The staffing of eight weeks of patrol shifts was reviewed, covering all four quadrants between December 2022 and February 2023 (a total of 168 shifts). 16 shifts (9.5%) were found to have been carried out with staffing lower than the RSL. From detailed review of records in Crown, there was evidence in each of these cases of short-notice absences (e.g. sickness), which could not have been planned for. It was confirmed that local supervisors would assess in these situations the risk of operating below the RSL against the cost of bringing in staff on overtime. This decision making is part of supervisors' constant and dynamic assessment of risks and as such is not formally documented, so could not be reviewed within the audit. It was noted, however, that a report is issued daily from Crown to BCU leadership providing details on staffing, allowing for any concerns or queries to be raised with local supervisors. It was therefore determined that there are adequate controls over ensuring appropriate response staffing levels on a day-to-day basis.
- 

The planned shifts for all four quadrants were reviewed for the two weeks following the audit (w/c 20th and 27th February), a further 168 shifts. Five shifts were found to be projected to be staffed below RSLs at the time of this data being extracted. Due to the ongoing monitoring process, however, four of these gaps had been filled by the time they were reviewed with the team leader. In the final case, the gap was shown to be for two hours on a weekday morning. It was confirmed that this would be discussed with the local supervisor for their risk assessment, with the likelihood that this would be deemed acceptable for that short period and not requiring additional overtime resource.
- 

It was noted that there were many shifts where staffing was considerably above the defined RSLs, in particular during night shifts. It was explained that this is due to the lower demand during those hours across much of the week. Various examples were provided of how additional officers are deployed in these cases, including bail checks, targeted patrols and specific interventions such as farm watch activity.





Delivery Risk:


Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	Partially in place	3	-
S	Sustainability The impact on the organisation's sustainability agenda has been considered.	In place	-	-
R	Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

Other Findings

- 

In 2022 the Force commissioned Humberside Police to undertake a review of resource planning, involving staff working in Humberside's Resource Coordination function. A detailed report and recommendations were produced, the majority of which were accepted and developed into an Action Plan to be led by the Resource Coordination Team Inspector from the second half of 2022. Detailed progress reports are maintained and presented to a core group on a weekly basis, with periodic updates to the Workforce Silver Board. It was noted that several additional actions have been added to the plan as the work has evolved, while other items have been removed as not being appropriate for Cumbria. A significant majority of items at the time of the audit were recorded as either Complete or On Track, with clear next steps identified for all outstanding actions.
- 

Management confirmed that overtime has been a significant cost to the Force in recent years, in particular since the COVID-19 pandemic. More effective planning of resources has enabled greater cost control, but there will be a continuing need for overtime until officers in training become fully operational and the target operating model is reached. The Director of Corporate Support noted that overtime is expected to reduce during 2023/24. Management of overtime will be subject to a dedicated upcoming audit review.
- 

It was confirmed that the methodology for demand analysis had been designed principally by one Chief Superintendent with specialist knowledge in this area. Through Operation Catalyst, a substantial amount of this knowledge has been shared with the Resource Coordination Team. Through the addition of the inspector role into this team and the inclusion of the team leaders in key planning and process improvement work, a deeper understanding of the resource planning process has been gained by a wider range of colleagues, providing greater long-term resilience for the Force.

EXPLANATORY INFORMATION

Appendix A

Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

2. The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Effectiveness of arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

In place	The control arrangements in place mitigate the risk from arising.
Partially in place	The control arrangements in place only partially mitigate the risk from arising.
Not in place	The control arrangements in place do not effectively mitigate the risk from arising.

Assurance Assessment

4. The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

6. The table below sets out the history of this report.

Stage	Issued	Response Received
Audit Planning Memorandum:	10 th January 2023	10 th January 2023
Draft Report:	6 th March 2023	10 th March 2023
Final Report:	10 th March 2023	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	PCC Cumbria & Cumbria Constabulary		
Review:	Resource Planning		
Type of Review:	Assurance	Audit Lead:	Stuart Whittingham

Outline scope (per Annual Plan):	Effective planning and identification of needs is key in ensuring the services are delivered in an efficient and cost appropriate manner. Scope The review will consider the arrangements in place for the duty management system and the arrangements to identify demand and allocate appropriate resources to ensure the effective and efficient delivery of services.
Detailed scope will consider:	<p>The review will set out to provide assurance to the Joint Audit Committee that the organisation has robust arrangements in place and operating for resource planning:</p> <ul style="list-style-type: none"> • The process is directed by appropriate policy and procedures. • Resourcing needs are identified through a robust process, to ensure sufficient, but not excessive headcount for operational requirements. • Planning is effective in minimising the need for unplanned overtime. • Planning systems are employed effectively and consistently across the force, with sharing of best practice to achieve a resilient service. • Appropriate authorisation is in place for exceptions, along with robust reporting and analysis.

Planned Start Date:	13/02/2023	Exit Meeting Date:	22/02/2023	Exit Meeting to be held with:	Resource Coordination Team Inspector
----------------------------	------------	---------------------------	------------	--------------------------------------	--------------------------------------

SELF ASSESSMENT RESPONSE

Matters over the previous 12 months relating to activity to be reviewed	Y/N (if Y then please provide brief details separately)
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	N
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	N
Have there been any significant changes to the process?	Y
Are there any particular matters/periods of time you would like the review to consider?	N



Office of the Police and Crime Commissioner for
Cumbria and Cumbria Constabulary

Indicative Audit Strategy 2023/26 and Annual Plan 2023/24

2023/24

March 2023

DRAFT



OVERVIEW

Introduction

The Audit Plan for 2023/24 has been informed by a risk assessment carried out across our police clients and by an updated audit risk assessment to ensure that planned coverage for the year is focussed on the key audit risks, and that the coverage will enable a robust annual Head of Internal Audit Opinion to be provided.

Key Emerging Themes

This year will continue to be another challenging year for police forces in terms of the macroeconomic and financial environment, spiralling costs and the labour market. We have identified a number of key areas which will individually and collectively affect the sector in various ways; these require consideration when planning internal audit coverage.

Macroeconomic and financial environment: The UK economy has experienced a sequence of significant events including Brexit, the pandemic and the conflict in Ukraine. Further challenges lie ahead as the government seeks to cut spending and raises taxes to plug the gap in the UK's finances. Rapid and increasingly prolonged inflation, rising interest rates, shortages in the labour market and continuing supply chain disruption are leading to increased costs and a challenging financial situation for many.

Increasing wage demands: One of the consequences of the economic situation is demands for significant pay increases to help combat the effect of inflation and a perceived lack of pay progression for over a decade. This has seen strike action taking place or planned by rail workers, postal workers, lecturers, bus drivers and nurses. This will put pressure on organisational budgets and present challenges in recruitment.

Cyber-security: This continues to be one of the highest ranked risks for organisations and shows no sign of going away. The widespread move to remote working and increased online service delivery has made organisations more vulnerable to phishing, malware, and ransomware attacks, particularly where there has been a lack of investment in infrastructure.

Climate change: Global warming can lead to physical, operational, financial and reputational risks arising. 'Loss and damage' - the phrase used to describe the destruction being wrought by the climate crisis - will remain high on the agenda. Aside from the obvious environmental impact, climate change can stress local economies, threaten business models and pose widespread disruption to organisations.

Vetting: HMICFRS' inspection into police vetting in the wake of the Sara Everard case found that it was falling well below the standards required. It identified that cultural shortcomings were prevalent in all of the forced inspected and warning signs that were not acted upon. The report is long and comprehensive and contains 43 recommendations and five areas for improvement. The deadlines for implementation of the recommendations are relatively tight, being April and October 2023.

Adequacy of the planned audit coverage

The reviews identified in the audit plan for 2023/24 support the Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of the Office of the Police and Crime Commissioner for Cumbria and Cumbria Constabulary's (OPCC and Chief Constable) framework of governance, risk management and control as required by TIAA's charter. The reviews have been identified from your assurance framework, risk registers and key emerging themes.

INTERNAL AUDIT PLAN

Audit Strategy Methodology

We adopt a proprietary risk-based approach to determining your audit needs each year which includes reviewing your risk register and risk management framework, the regulatory framework, external audit recommendations and previous internal audit work for the organisation, together with key corporate documentation such as your business and corporate plan, standing orders, and financial regulations. For 2023/24, we have conducted an analysis of the key risks facing the sector and client base more broadly to inform our annual planning. The Audit Strategy is based predominantly on our understanding of the inherent risks facing the OPCC and Chief Constable and those within the sector and has been developed with senior management and Committee.

Our approach is based on the International Standards for the Professional Practice of Internal Auditing which have been developed by the Institute of Internal Auditors (IIA) and incorporate the Public Sector Internal Audit Standards (PSIAS). In 2022, TIAA commissioned an External Quality Assessment (EQA) of its internal audit service. The independent EQA assessor was able to conclude that TIAA ‘generally conforms to the requirements of the Public Sector Internal Audit Standards and the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF).’ ‘Generally, conforms’ is the highest rating that can be achieved using the IIA’s EQA assessment model.

Risk Prioritisation

Each year an updated risk assessment is carried out to ensure the Audit Strategy remains fully aligned with the key risks facing the OPCC and Chief Constable. We take in to account any emerging or heightened risks that are facing the sector, to ensure that the work of internal audit remains appropriately focused. Links to specific strategic risks are also contained in the Internal Audit Strategy.

Internal Audit Strategy and Plan

Following the risk prioritisation review, the Audit Strategy has been produced (Appendix A) and the Annual Plan (Appendix B) sets out the reviews that will be carried out, the planned times and the high-level scopes for each of these reviews.

The Annual Plan will be subject to ongoing review and could change as the risks change for the organisation and will be formally reviewed with senior management and the Joint Audit Committee mid-way through the financial year or should a significant issue arise.

The overall agreed time for the delivery of each assignment within the Annual Plan includes: research; preparation and issue of terms of reference; site work; production and review of working papers; and reporting.

The Annual Plan has been prepared on the assumption that the expected controls will be in place.

The total number of days required to deliver the Audit Plan is as agreed in the contract between TIAA and the OPCC and Chief Constable. This number of days is fixed and it is TIAA’s responsibility to deliver the Audit Plan for this number of days. Where the OPCC and Chief Constable agrees additional work the required number of days and the aggregate day rate will be agreed in advance with the Chief Finance Officer/s and will be clearly set out in the terms of reference for the additional review(s).

Release of Report

The table below sets out the history of this plan.

Date plan issued:	23 rd February 2023
Date revised plan issued:	13 th March 2023

APPENDIX A: ROLLING STRATEGIC PLAN

Review Area	Entity	Type	2023/24	2024/25	2025/26
Governance					
Partnerships and LGR	OPCC	Assurance	✓		
Victim Support Service	OPCC	Assurance	✓		
Corporate Health and Safety	OPCC/CC	Assurance	✓		
Equality, Diversity and Inclusivity	OPCC/CC	Assurance		✓	
Commissioner's Grants	OPCC	Assurance		✓	
Police and Crime Plan	OPCC	Assurance		✓	
Financial Sustainability – Business Planning	CC	Assurance			✓
Performance & Insight	CC	Assurance			✓
Risk					
Risk –Mitigating Controls (Deep Dive)	OPCC/CC	Assurance	✓		
Business Continuity	CC	Assurance		✓	
Risk Management Framework	OPCC/CC	Assurance			✓
ICT					
Use of Social Media	OPCC/CC	Assurance	✓		
ICT – Disaster Recovery	OPCC/CC	Assurance		✓	
Cyber-Security Maturity Assessment	OPCC/CC	Assurance			✓
Finance					
Procurement	OPCC/CC	Assurance	✓		
Accounts Payable (Creditors)	OPCC/CC	Assurance	✓		
General Ledger	OPCC/CC	Assurance	✓		
Risk - Insurance	OPCC/CC	Assurance	✓		
Budgetary Control	OPCC/CC	Assurance		✓	

Review Area	Entity	Type	2023/24	2024/25	2025/26
Fixed Assets	OPCC/CC	Assurance		✓	
Payroll	OPCC/CC	Assurance		✓	
Pensions	OPCC/CC	Assurance			✓
Debtors	CC	Assurance			✓
Treasury Management and Banking	CC	Assurance			✓
Operational Performance and Infrastructure					
Fleet - Strategy and Management of Fleet	CC	Assurance	✓		
ANPR Camera	CC	Assurance	✓		
Body Worn Video	CC	Assurance		✓	
Fleet - Fuel Usage	CC	Assurance		✓	
Contractor Vetting	CC	Assurance		✓	
Firearms Licensing	CC	Assurance			✓
Estates – Buildings Health and Safety	OPCC/CC	Assurance			✓
Security of Seized Proceeds of Crime (Cash and Assets)	CC	Assurance			✓
Domestic Violence Protection Orders	CC	Assurance			✓
Workforce					
Vetting	CC	Assurance	✓		
Absence Management	CC	Assurance	✓		
Recruitment	CC	Assurance	✓		
Training	CC	Assurance		✓	
Grievance Reporting and Management	CC	Assurance		✓	
Workforce Planning	CC	Assurance		✓	
Force – Personal Safety Training	CC	Assurance			✓
Management of Overtime	OPCC/CC	Assurance			✓
Resource Planning	CC	Assurance			✓

Review Area	Entity	Type	2023/24	2024/25	2025/26
Follow Up					
HMICFRS Action Plan	OPCC/CC	Assurance			✓
Follow Up	OPCC/CC	Follow Up	✓	✓	✓
Management and Planning					
Annual Planning		Management	✓	✓	✓
JAC Preparation and Attendance		Management	✓	✓	✓
Annual Report		Management	✓	✓	✓
Audit Management		Management	✓	✓	✓
Total Days			190	180	180

APPENDIX B: ANNUAL PLAN – 2023/24

Quarter	Review	Type	Days	High-level Scope
1	Absence Management	Assurance	15	The review considers the arrangements for: recording, reporting and monitoring absence, including the identification of low level trends. The scope of the review will also consider the arrangements to promote wellbeing and reduce absence.
1	Vetting	Assurance	15	The review will consider the extent to which vetting procedures have been strengthened in line with recent guidance and whether national recommendations in this area have been adopted and implemented. The review will also consider what controls are in place to ensure that business interest, secondary employment and any declarations of interests are considered when undertaking vetting.
1	Fleet - Strategy and Management of Fleet	Assurance	12	The review will consider the strategy for the management and replacement of the fleet of vehicles and effectiveness of the delivery of the fleet management repairs and maintenance arrangements, including the planning of services and MOT's, responsive repairs and general maintenance.
1	Procurement	Assurance	15	The review considers procurement within the organisation, including setting and implementing the procurement strategy, the extent to which procurement practices are operated across the organisation, and how procurement meets legal and regulatory requirements. The review considers the arrangements for the identification of need, sourcing, approving and receipt of goods and services, including tendering arrangements, monitoring and how value for money and conflicts of interest are considered in the overall procurement arrangements. The review will also consider how social value is represented and evaluated within procurement exercises.
2	Corporate Health and Safety	Assurance	12	The review considers the adequacy of the arrangements for managing the health and safety requirements of the Police and Crime Commissioner and the force. The review considers the arrangements for compliance with key requirements of health and safety legislation but does not represent an exhaustive review of compliance with all health and safety legislation and cannot be relied upon as such.
2	Use of Social Media	Assurance	12	The review will consider policies in relation to the use of social media and how output is monitored and regulated. The audit will consider corporate use of social media platforms as well as misuse of social media by employees.
3	Risk - Insurance	OPCC	8	The review will also consider the insurance arrangements including the identification of need; sourcing; payment of premiums; procedures to ensure the organisation operates within the requirements of the policies; and the claims procedures. The scope of the review does not include consideration of the appropriateness of the levels of cover obtained or the levels of premiums payable.
3	Recruitment - Induction	Assurance	14	The objective of the audit is to ensure that there is a robust and consistent approach to the induction programme for police officers and staff. The review looks to ensure that appropriate planning and structure is in place to ensure that all aspects of the induction process can be provided at the appropriate moment in the process.
3	ANPR Cameras	Assurance	12	The National ANPR Standards for Policing (NASP) guidance detail the standards that are required to be met for the development and use of ANPR systems. Our review will confirm the deployment of ANPR systems is consistent with NASP guidance and key accountability and responsibilities have been established.

Quarter	Review	Type	Days	High-level Scope
3	Accounts Payable (Creditors)	Assurance	10	The review considers the arrangements for reviewing and authorising and paying costs incurred by the organisation and the arrangement for control of the organisation's cheques and automated payments. The review will consider the management of amendments to supplier standing data, including the verification of requests for change of bank details. The allocation and use of procurement cards will also be considered including the month end reconciliation to statements. The scope does not include providing an assurance that the expenditure was necessary or that value for money was achieved from the expenditure committed.
3	Risk –Mitigating Controls (Deep Dive)	Assurance	10	Two risks from the OPCC and three risks from the Force's risk registers will be selected and the effectiveness of the identified controls will be reviewed. The scope of the review does not include consideration of all potential mitigating arrangements or their effectiveness in minimising the opportunities for the identified risks to occur.
4	Partnerships and LGR	Assurance	10	The review will consider the forming of relationships and arrangements with the newly formed unitary authorities of Westmorland and Furness, and Cumberland. The full scope to be agreed but will include partnerships established for County Drugs, Safer Cumbria and Senior Violence.
4	Victim Support Services	Assurance	10	The review will review the commissioning and introduction of the new victim support service and will consider the steps taken to identify and deliver the new service, including market engagement, use of consultants and implementation of the service.
4	General Ledger	Assurance	6	The review considers the arrangements for providing an effective audit trail for data entered onto the financial ledgers and the appropriateness of the reports generated. The scope of the review does not extend to the budgetary control arrangements and bank reconciliations.
1 – 4	Follow-up	Follow up	7	Follow-up of implementation of agreed priorities one and two actions from audit reports, ensuring the organisation is implementing recommendations and providing reports to the Joint Audit Committee.
1	Annual Planning	Management	2	Assessing the organisation's annual audit needs.
4	Annual Report	Management	2	Reporting on the overall conclusions and opinion based on the year's audits and other information and providing input to the Annual Governance Statement.
1 – 4	Audit Management	Management	18	This time includes: meeting client management, overseeing the audit plan, reporting and supporting the Joint Audit Committee, liaising with External Audit and Client briefings (including fraud alerts, fraud digests and committee briefings).
Total days			190	

APPENDIX C: INTERNAL AUDIT CHARTER

The Need for a Charter

The Audit Charter formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within the OPCC and Chief Constable and defines the scope of internal audit activities. The establishment of the Audit Charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Joint Audit Committee.

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 Role of Internal Audit

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the framework of governance, risk management and control. TIAA is responsible for providing assurance to the OPCC and Chief Constable's senior management and governing body (being the body with overall responsibility for the organisation) on the adequacy and effectiveness of the risk management, control and governance processes.

Standards and Approach

TIAA's work will be performed with due professional care, in accordance with the requirements of the PSIAS and the IIA standards which are articulated in the International Professional Practices Framework (IPPF).

Scope

All the OPCC and Chief Constable's activities fall within the remit of TIAA. TIAA may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that the OPCC and Chief Constable's management has taken the necessary steps to achieve these objectives and manage the associated risks. It is not within the remit of TIAA to question the appropriateness of policy decisions; however, TIAA is required to examine the arrangements by which such decisions are made, monitored and reviewed.

As well as providing the required level of assurance, TIAA's may engage in consultancy activity that contributes to the overall assurance that can be delivered to the Joint Audit Committee.

TIAA may also conduct any special reviews requested by the Board, Joint Audit Committee or the nominated officer (being the post responsible for the day-to-day liaison with TIAA), provided such reviews do not compromise the audit service's objectivity or independence, or the achievement of the approved audit plan.

Access

TIAA has unrestricted access to all documents, records, assets, personnel and premises of the OPCC and Chief Constable and is authorised to obtain such information and explanations as they consider necessary to form their opinion. The collection of data for this purpose will be carried out in a manner prescribed by TIAA's professional standards, Information Security and Information Governance policies.

Independence

TIAA has no executive role, nor does it have any responsibility for the development, implementation or operation of systems; however, it may provide independent and objective advice on risk management, control, governance processes and related matters, subject to resource constraints. For day-to-day administrative purposes only, TIAA reports to a nominated officer within the OPCC and Chief Constable and the reporting arrangements must take account of the nature of audit work undertaken. TIAA has a right of direct access to the chair of the board, the chair of the Joint Audit Committee and the responsible accounting officer (being the post charged with financial responsibility).

To preserve the objectivity and impartiality of TIAA's professional judgement, responsibility for implementing audit recommendations rests with the OPCC and Chief Constable's management.

Conflict of Interest

Consultancy activities are only undertaken with distinct regard for potential conflict of interest. In this role we will act in an advisory capacity and the nature and scope of the work will be agreed in advance and strictly adhered to.

We are not aware of any conflicts of interest and should any arise we will manage them in line with TIAA's audit charter and internal policies, the PSIAS/IIA standards and the OPCC and Chief Constable's requirements.

Irregularities, Including Fraud and Corruption

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2002.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that TIAA can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.

Limitations and Responsibility

Substantive testing will only be carried out where a review assesses the internal controls to be providing 'limited' or 'no' assurance with the prior approval of the OPCC and Chief Constable and additional time will be required to carry out such testing. The OPCC and Chief Constable is responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.

Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management's use and are not prepared for any other purpose.

Liaison with the External Auditor

We will liaise with the OPCC and Chief Constable’s External Auditor. Any matters in the areas included in the Annual Plan that are identified by the external auditor in their audit management letters will be included in the scope of the appropriate review.

Quality Assurance

TIAA recognises the importance of Internal Audit being controlled at each stage to ensure that we deliver a consistent and efficient Internal Audit service that is fully compliant with professional standards and also the conditions of contract. We operate a comprehensive internal operational quality review process to ensure that all Internal Audit work is carried out in accordance with these standards. These quarterly reviews are part of our quality management system which has ISO 9001:2015 accreditation.

Joint Audit Committee Responsibility

It is the responsibility of the OPCC and Chief Constable to determine that the number of audit days to be provided and the planned audit coverage are sufficient to meet the Committee’s requirements and the areas selected for review are appropriate to provide assurance against the key risks within the organisation.

By approving this document, the Joint Audit Committee is also approving the Internal Audit Charter.

Reporting

Assignment Reports: A separate report will be prepared for each review carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of TIAA’s audit charter and PSIAS/IIA standards.

Progress Reports: Progress reports will be prepared for each Joint Audit Committee meeting. Each report will detail progress achieved to date against the agreed annual plan.

Follow-Up Reports: We will provide an independent assessment as to the extent that priority 1 and 2 recommendations have been implemented. Priority 3 recommendations are low-level/housekeeping in nature and it is expected that management will monitor and report on implementation as considered appropriate.

Annual Report: An Annual Report will be prepared for each year in accordance with the requirements set out in TIAA’s audit charter and PSIAS/IIA standards. The Annual Report will include a summary opinion of the effectiveness of the OPCC and Chief Constable’s governance, risk management and operational control processes based on the work completed during the year.

Other Briefings: During the year Client Briefing Notes, Benchmarking and lessons learned digests will be provided. These are designed to keep the organisation abreast of in-year developments which may impact on the governance, risk and control assurance framework.

Assurance Assessment Gradings

We use four levels of assurance assessments as set out below.

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Data Protection

TIAA has policies, procedures and processes in place to comply with all associated regulation and legislation on information security, which is underpinned by mandatory annual awareness training for all staff. To carry out our role effectively, we need to obtain information that is reliable, relevant and sufficient to support our findings and recommendations. The collection of data, particularly sensitive personal data, is minimised and is not shared with unauthorised persons unless there is a valid and legal requirement to do so. We have clear policies on the retention of data and its appropriate, controlled disposal. TIAA has a fully robust Information Security Management System that meets all the requirements of ISO27001:2013.

Disclaimer

The matters raised in this planning report, along with those raised in our audit and annual reports, are only those that came to the attention of the auditor during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management’s use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Performance Standards

The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan:

Performance Measure	Target
Completion of planned audits.	100%
Audits completed in time allocation.	100%
Draft report issued within 10 working days of exit meeting.	100%
Final report issued within 10 working days of receipt of responses.	100%
Compliance with TIAA’s audit charter and PSIAS/IIA Standards.	100%

The Police and Crime Commissioner for Cumbria and Chief Constable for Cumbria

Audit Progress Report and Sector Update

Year ending 31 March 2023

March 2023



Contents

Section	Page
Key Grant Thornton team members	03
Introduction & headlines	04
The auditor's statutory responsibilities	05
Progress at March 2023	07
2021/22 Deliverables	08
Sector Update	09

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Key Grant Thornton team members

Michael Green

Engagement Lead

T 0161 953 6900

E michael.green@uk.gt.com

Michael will have ultimate responsibility for the delivery of your audit service. Specifics of the role include:

- leading our relationship with the Police and Crime Commissioner and Chief Constable, ensuring you have access to Grant Thornton's full service offering;
- being a key contact for the Joint Chief Finance Officer and the Joint Audit Committee (JAC) meeting frequently with key members of management;
- taking overall responsibility for delivering high quality audits which meet professional standards;
- agreeing with you the annual joint audit plan, and a timetable for delivering the work;
- reviewing the audit file, giving particular focus to any key areas of risk or critical judgements exercised during the audits;
- reviewing and signing off all audit reports;
- attending JAC to discuss key issues arising from our work and any recommendations;
- acting as a 'sounding board' on key decisions relevant to our responsibilities as your auditors; and
- sharing good practice identified at other organisations.

Gareth Winstanley

Manager

T 0161 234 6343

E gareth.j.winstanley@uk.gt.com

Gareth will ensure that all work allocated is carried out on a timely basis in accordance with the firm's professional standards and to the satisfaction of clients and engagement lead.

As the key contact Gareth will be responsible for building and maintaining good working relationships with all colleagues and clients.

To support delivery of the testing strategy he will:

- assist the engagement lead in establishing audit objectives and overall scope;
- ensure key matters which arise during the audits which were not identified at the planning stage are properly assessed and dealt with;
- review the work of in-charge auditor and the wider fieldwork team;
- finalise our draft reports to management;
- manage, motivate and coach team members; and
- control the audits in relation to timescales, budgets and risk management procedures.

Edward Blackburn

Audit In-Charge

T 0141 223 0741

E edwrds.j.f.blackburn@uk.gt.com

Edward will work as part of the team, leading the on site audit team, providing a service which meets or exceeds client expectations and supports the engagement lead / manager team. Specifics of the role include:

- taking an active part in the audit planning discussions to identify audit risks and appropriate audit strategy;
- communicating any issues relating to the audit with the engagement manager or engagement lead;
- overseeing all aspects of audit fieldwork and completion;
- addressing and discussing queries in respect of technical and audit issues identified during the course of the audit;
- maintaining good working relationships with client staff; and
- delegating work to other members of the audit team, ensuring they understand their responsibilities and have received appropriate on-the-job training / coaching.

Introduction & headlines

This paper provides the Joint Audit Committee with a report on progress in delivering our responsibilities as your external auditors

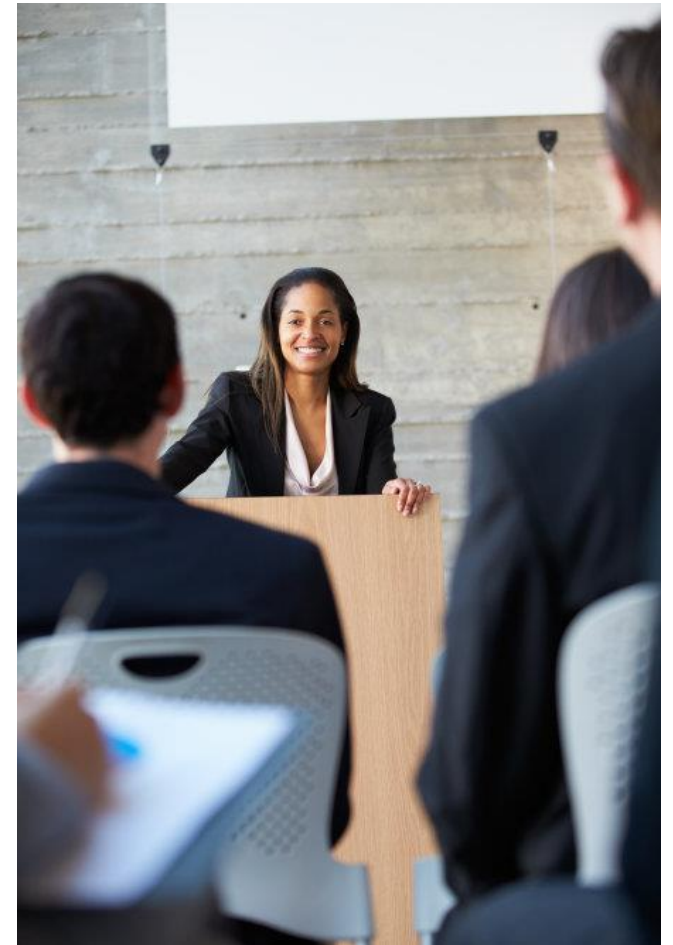
The paper also includes a summary of emerging national issues and developments that may be relevant to you.

Members of the Joint Audit Committee can find further useful material on our website where we have a section dedicated to our work in the public sector. Here you can download copies of our publications.

If you would like further information on any items in this briefing or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

We continue to bring specialists to our update conversations where appropriate to share any learning from our position as a leading audit supplier to the police sector.

You will also have access to our annual Chief Accountant Workshops and any other networking opportunities we create for the various stakeholders.



The auditor's statutory responsibilities

Opinion on the audited body's financial statements

Our work enables us to give an opinion as to whether the financial statements:

- give a true and fair view of the financial position of the audited body and its expenditure and income; and
- have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards and other directions.

Our planning documents our understanding of your key risks, your control environment and inform our testing strategy. This continues until we begin our final accounts testing.

Since we last reported we have:

- continued to have regular discussions with management discussing issues identified in previous audits, and emerging themes which are expected to impact on the current audits;
- reviewed meeting papers and the latest financial and operational performance reports ensuring we understand your current challenges;
- considered any reports from regulators regarding your operational effectiveness.

Work on value-for-money arrangements

Under the 2020 Audit Code of Practice, we are required to undertake sufficient work to satisfy ourselves that the Police and Crime Commissioner and Chief Constable “has made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.”

We will report our findings against the following reporting criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Our commentary will be within the Auditors' Annual Report and will include:

- a summary of our findings on any risks identified during our work;
- our judgements on the adequacy of the Police and Crime Commissioner and Chief Constable's arrangements for each of the three reporting criteria, as set out above;
- any recommendations made to management as a result of our work; and
- a follow up of progress against any recommendations raised in previous audits.

The auditor's statutory responsibilities

Other responsibilities

We are required to give an opinion on whether:

- other information published together with the financial statements is consistent with the financial statements.

We are also required to:

- consider whether the Annual Governance Statement complies with relevant disclosure requirements and whether it is consistent with the information we are aware of from our audit; and
- examine and report on the consistency of 'Whole of Government Accounts' consolidation schedules with the financial statements.

We will complete this work as part of our financial statements visit.

Other statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audits.

Our work to date has not required us to report any such matters to you.

Added value

Grant Thornton has a large Public Sector practice and is a key supplier to the market. As a valued audit client, you will receive:

- the opportunity to access support from experienced technical colleagues. This means you will be at the forefront of accounting developments. Through this relationship we also ensure that communication works both ways and feed issues back from our clients.;
- insight from our regular meetings within the sector where we discuss emerging developments. We will also raise any areas of concern that you have over policy, procedure, or regulation with your regulators; and
- technical and sector updates for the Joint Audit Committee.



2022/23 deliverables

2022/23 Deliverables

Planned Date

Accounts Joint Audit Plan

We are required to issue a detailed accounts joint audit plan to the Joint Audit Committee setting out our proposed approach in order to give our opinions on the 2022-23 financial statements.

June 2023

Joint Audit Findings (ISA260) Report

The Audit Findings Report summarising the findings and conclusions from the 2022/23 audit.

Sept/Nov 2023 TBC

Auditors Reports

These are the opinions on your financial statements and annual governance statements.

Sept/Nov 2023 TBC

Auditor's Annual Report

This report communicates the key outputs of the audit, including our commentary on your value for money arrangements.

Sept/Nov 2023 TBC

Sector Update

Policing services are rapidly changing. Increased demand from the public and more complex crimes require a continuing drive to achieve greater efficiency in the delivery of police services. Public expectations of the service continue to rise in the wake of recent high-profile incidents, and there is an increased drive for greater collaboration between Forces and wider blue-light services.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider Police service and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from sector specialists**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and police sections on the Grant Thornton website by clicking on the logos below:

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A dark purple rectangular button with the text "Police" in white, sans-serif font, centered within the button.

Police

Home Office February 2023



Home Office

Extra 1,420 police join forces across England and Wales in 3 months

An extra 1,420 officers have joined police forces across England and Wales in the past 3 months, as the government continues its unprecedented drive to recruit 20,000 additional police officers by March 2023.

Figures released on 25 January show that more than 16,700 additional police officers have joined the police since April 2020 as part of the government's pledge to get more police officers on our streets.

These figures mean that the government has met 84% of that target and is well on the way to recruiting 20,000 new officers by March.

The figures released today also show the number of police officers from an ethnic minority background is at an all-time high, as the government's recruitment campaign works to change the face and culture of policing.

There are also now 51,107 female officers in our 43 police forces in England and Wales, which is also at its highest point.

The full article can be found [here](#).

Home Office February 2023



Home Office

Review of police dismissals launched

A review to ensure that the police officer dismissal process is effective at removing those who are not fit to serve the public has been launched by the Home Office. The internal review will look at the effectiveness of the disciplinary system so the public can be confident it is fair but efficient at removing officers who fall far short of the high standards expected of them.

Baroness Casey's interim report into the culture and standards at the Metropolitan Police Service, published last year, raised concerns about the low number of police officers being dismissed and that those with multiple allegations of misconduct against them are still serving the public. She was also concerned that officers from ethnic minorities are disproportionately represented in the misconduct system.

As set out in the terms of reference published on GOV.UK Police officer dismissals review: terms of reference, Home Office officials will examine the consistency of decision making at misconduct hearings and disproportionality in dismissals, alongside reviewing the existing model of misconduct panels and the impact of legally qualified chairs (LQCs).

The review, which will be completed within approximately 4 months, will also ensure that forces are able to effectively use regulations that allow probationary officers who do not meet the required standard to be let go, and look at whether the current three-tier performance system is effective in being able to dismiss officers who fail to perform the duties expected of their rank and role.

The government has introduced significant reforms to the police complaints and discipline systems in recent years – from misconduct hearings in public and independent legally qualified chairs (LQCs) to the introduction of the barred list and the strengthening of powers for the Independent Office for Police Conduct (IOPC).

The full article can be found [here](#).

Home Office February 2023



Home Office

Policing to receive up to £287 million funding boost next year

The police sector will receive a nominal funding boost of up to £287 million next year to help victims feel safe and deliver more visible policing.

The rise will take total funding for policing up to £17.2 billion and mean police and crime commissioners across the 43 police forces in England and Wales will receive a nominal increase of up to £523 million from government grants and precept income to focus on getting the basics right.

The government is giving police crime commissioners in England the ability to raise up to £349 million, through a council tax precept limit of £15.

This provisional settlement will provide £1.1 billion towards national policing priorities, including tackling the scourge of serious violence, county lines, exploitation, abuse, fraud and cyber crime.

Funding for counter-terrorism policing will continue to total over £1 billion, including continued funding for armed policing and the Counter Terrorism Operations Centre.

Funding will also be given to maintain the 20,000 additional police officers recruited as part of the government's unprecedented campaign to put more police on the streets.

The full article can be found [here](#).

HMICFRS February 2023

A number of PEEL inspections relating to specific forces have been published in the past few months. These are published at the link provided below. Audit teams may wish to review for their specific force and include headline messages emerging from this.

[Publications - HMICFRS \(justiceinspectorates.gov.uk\)](https://justiceinspectorates.gov.uk)



HMICFRS February 2023

Police force reports on the effectiveness of vetting and counter-corruption arrangements

HMICFRS have published reports on the effectiveness of vetting arrangements in 12 police forces. Some of these also include findings on IT monitoring and counter-corruption.

The reports can be found [here](#).



Association of Police and Crime Commissioners February 2023

PCCs gain new responsibilities in bid to tackle serious violence

Police and Crime Commissioners (PCCs) and Deputy Mayors have gained new responsibilities from 31 January 2023, in a bid to tackle and prevent serious violence in communities.

The Serious Violence Duty is a new legal requirement which will see organisations working together to prevent and tackle serious violence, with PCCs and Deputy Mayors as the local conveners.

The Duty was introduced by the Government through the Police, Crime, Sentencing and Courts (PCSC) Act 2022 and places a duty on specific organisations such as the police, fire service, justice partners, health and local authorities to collaborate to prevent and tackle serious violence in their local area.

It intends to create the right conditions for authorities to collaborate and communicate regularly, using existing partnerships where possible and to share information and take effective coordinated action in local areas. Under the Duty, all statutory partners must work together to develop a strategic needs assessment of the unique causes of violence in their area and then publish a strategy on how they will tackle it.

Police and Crime Commissioners and Deputy Mayors play an important role in this and will take up responsibilities as the lead convener for local partners. Across England and Wales they will be responsible for monitoring the exercise of functions under the Duty and holding partners to account for their compliance and delivery.

See the full article [here](#).





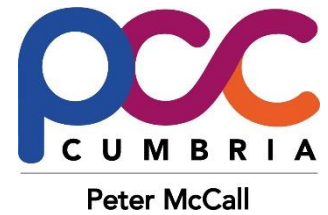
[grantthornton.co.uk](https://www.grantthornton.co.uk)

© 2021 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page has been intentionally left blank

Joint Audit Committee



Peter McCall

Title: OPCC Risk Management Monitoring

Date: 7 March 2023

Agenda Item No: 12(a)

Originating Officer: Joanne Head, OPCC Governance Manager

CC:

Executive Summary:

The Office of the Police and Crime Commissioner (OPCC) is responsible for providing policing services within Cumbria. This takes place in a constantly changing and challenging environment and the OPCC must ensure that it has robust systems and processes in place to monitor and react appropriately to risk.

Recommendation:

That, the committee notes the changes regarding the OPCC's strategic risk register, the oversight undertaken of the Constabulary's risk management; and the front sheet of the OPCC's operational risk register.

1. Introduction & Background

1.1 The Office of the Police and Crime Commissioner (OPCC) is responsible for providing policing services within Cumbria. To enable it to carry out this function effectively it must monitor and react appropriately to risks. The Joint Audit Committee as part of their role, ensures that the OPCC is actively managing strategic risks and one member of the committee has been appointed as the lead member for risk.

2. Issues for Consideration

Strategic Risk Register

2.1 Appended to this report at [Appendix 1](#) is the OPCC's strategic risk register, which has been reviewed and updated since the last meeting of the Committee. There are two identified risks, these being:

- R1 - Strategic Finance
- R2 - Fire and Rescue Service Corporate and Support Services

2.2 The scoring for R1 remains has increased to 12. The 2023/24 grant settlement was broadly in line with expectations although additional flexibility was afforded to Police and Crime Commissioner's to increase council tax by up to £15 was provided. However, the additional funding

was inadequate to cover the recent increases in inflation and as a result the savings requirement over the MTFF has increased significantly. Further development and refinement of savings options in conjunction with the Constabulary is being carried out. In response to the increased risk the Constabulary has committed to preparing an enhanced savings and efficiencies plan headed by the DCC.

- 2.3 A new strategic risk re Fire Corporate and Support Services has been added to the register. The OPCC has been informed that in principle the cost of a hosted service with the unitary authorities will be no more than the current costs recharged by Cumbria County Council to the Fire & Rescue Service. There will however be inflationary costs that need to be negotiated across the three new organisations due to the current global economic crisis. The OPCC/FRS is still awaiting confirmation of the final costs and these are expected in March 2023. This is being monitored through the OPCC weekly Legal & Governance Board.

Operational Risk Register

- 2.6 The OPCC has also reviewed its operational risk register, rationalising it to reflect the operational risks it faces. A review of the operational risk register is carried out on a quarterly basis with all staff being required to review their own risks and make any necessary changes and updates. The OPCC Executive Team consider both the strategic and operational risk registers every quarter as part of their meetings. A copy of the front sheet is attached at [Appendix 2](#). This illustrates whether the scores for the individual risks have risen, remained the same or decreased and assists the Committee to understand how the risks are managed.
- 2.7 A number of low scoring operational risks remain on the register, these being Risks 3 Financial Governance, Risk 4 Shared Services, and Risk 5 Asset management. They remain to show illustrated monitoring of these areas of business which are important to the OPCC's overall Governance regime.
- 2.8 In relation to Risk 13, all staff have been advised that should they contract COVID 19 then they is well enough they should work from home to avoid spread of the virus. The OPCC will ensure staff adhere to any updated recommendations or restrictions and its Business Continuity Plan would be invoked should a number of staff become ill at any one time. The percentage of staff who reported sickness as COVID-19 is less than 5%, therefore it is proposed to remove this risk from the register.
- 2.10 The OPCC Chief Executive met with the Constabulary's Lead for Risk Management on 6 March 2023. This was as part of the OPCC's quarterly oversight of the Constabulary's strategic risks.
- 2.11 Discussions took place in relation to the two separate risk registers, the risks identified therein and any risks that may impact upon the other organisation which may need to be recorded within the relevant strategic risk register if it does not already appear. Both the OPCC and Constabulary's strategic risk registers retained risks in relation to Strategic Finance with appropriate scoring. The Constabulary will report further on their strategic risk register at the meeting.

3. Implications

- 3.1 Financial - the inability of the OPCC to successfully identify and manage its organisational and strategic risks could impact financially on not only the OPCC but Cumbria Constabulary and other partner organisations which are financially dependent.
- 3.2 Legal - the OPCC could face legal challenge on some areas of its business, therefore it is essential that these are identified at an early stage and effectively mitigated and managed.
- 3.3 Risk - if the OPCC does not identify and mitigate risks then it may mean that the OPCC cannot carry out its statutory function efficiently and effectively.

This page has been intentionally left blank

OFFICE OF THE POLICE & CRIME COMMISSIONER – STRATEGIC RISK REGISTER

Risk Mitigation Strategies:	
Avoid	Stop the risk completely or stop it having an impact.
Reduce	Reduce the likelihood and/or impact of the risk
Transfer	Outsource, use contractors or insure against things going wrong
Accept	The risk is tolerable/accepted

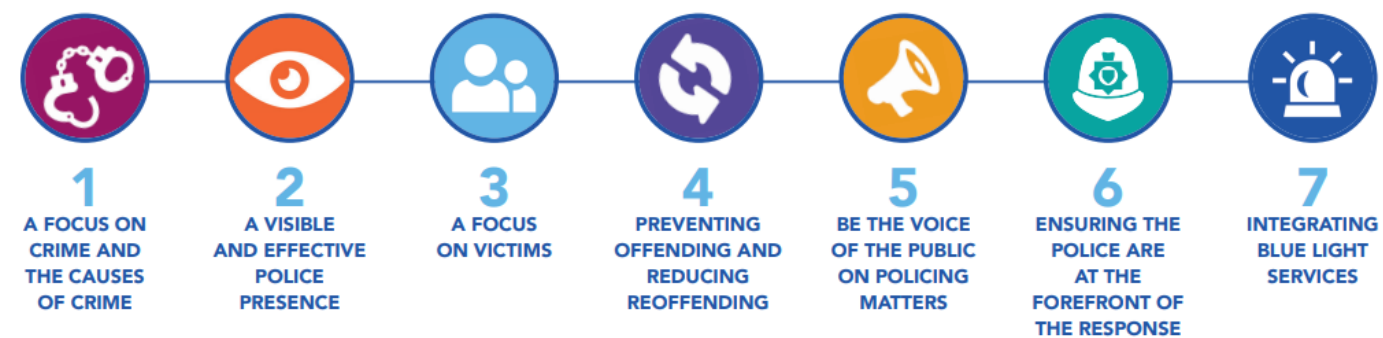
Risk Score	Impact	Likelihood – over the next 4 years
1	Low	Not expected to happen, but is possible
2	Medium	May happen occasionally
3	High	Will probably happen, but not a persistent issue
4	Very High	Will undoubtedly happen, possibly frequently

Scores:

8 – 16	Review within 3 months
4 - 6	Review within 6 months
3 or less	Review within 12 months

		Risk Owner		Actions		Reviews	
Risk No.	Risk Title	Total Score	Risk Owner	Action Owner	Any outstanding actions YES/NO	Actions to be completed	Date of next review
R1	Strategic Finance	12	Chief Executive	Joint Chief Finance Officer	No	In response to the increased risk the Constabulary has committed to preparing an enhanced savings and efficiencies plan headed by the DCC.	September 2023
R2	Fire & Rescue Service Corporate and Support Services	16	OPCC Chief Executive Team and Chief Fire Officer	Chief Executive & Joint Chief Finance Officer	On-going		June 2023

POLICING AND CRIME OBJECTIVES



Risk No: R1	Risk Title: STRATEGIC FINANCE	The Police and Crime Commissioner is required to set a balanced budget. Resources from central Government formula grant provide the significant majority of funding to deliver police services. Real term reductions in that funding will have a substantial impact on the level of policing that can be provided and on the potential to deliver the Commissioner's wider responsibilities. Police & Crime Plan Objectives – 1 Focus on Crime & Causes of Crime; 2 Visible & Effective Police Presence; 3 Focus on Victims; 4 Prevent Offending & Reduce Reoffending; 6 Ensuring the Police are at the Forefront of the Response; 7 Integrating Blue Light Services
------------------------------	--	---

Risk Mitigation Strategies:	
Avoid	Stop the risk completely or stop it having an impact.
Reduce	Reduce the likelihood and/or impact of the risk
Transfer	Outsource, use contractors or insure against things going wrong
Accept	The risk is tolerable/accepted

Risk Score	Impact	Likelihood – over the next 4 years
1	Low	Not expected to happen, but is possible
2	Medium	May happen occasionally
3	High	Will probably happen, but not a persistent issue
4	Very High	Will undoubtedly happen, possibly frequently

What is the cause of the risk? (Lack offailure to.....)	What is the consequence of the described risk? (Results in.....leads to.....)	Unmitigated Score			Mitigated Score			Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Current Controls in Place to Mitigate the Risk	Actions			Action Owner(s)	Next Review Date
		Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score			Assurances	Future or further actions to be taken			
Reduction in real term resources within the medium term time horizon to provide sufficient funding for the Commissioner and Constabulary to deliver current levels of policing service. Current government funding protection is only provided in cash terms, requiring the Commissioner to meet inflation and other service pressures from increased precept or savings. This risk may be impacted as a result of the announcement that the Home Office intends to undertake a review of the Police Funding Formula for implementation in 2023/24, but as the make-up of the formula are unknown at this stage the risk score has not been amended.	This risk may lead to a reduction in the level of police services and/or result in Cumbria Constabulary not being viable as an independent force. Alternative options for delivering a police service in Cumbria may have to be considered. This may impact on the extent to which services respond to local needs in Cumbria. During the period of change there may be reductions in public assurance/confidence.	4	4	16	3	3	9	Chief Executive (Reduce)	The budget and medium term financial forecast (MTFF) are reviewed and updated on a regular basis. The budget has been balanced in the short term and reserves provide additional security. The 2023/24 grant settlement was broadly in line with expectations although additional flexibility was afforded to PCCs to increase council tax by up to £15 was provided. However, the additional funding was inadequate to cover the recent increases in inflation and as a result the savings requirement over the MTFF has increased significantly.	Budget monitoring processes and internal controls are in place to manage financial commitments. The financial control environment is tested annually by internal and external audit. HMIC Peel inspections and external auditors review overall financial resilience and the track record of delivering savings. The most recent audit review of preparedness for funding cuts provided reasonable assurance.	Continued review of the MTFF as part of the budgeting process. Further development and refinement of savings options in conjunction with the Constabulary. In response to the increased risk the Constabulary has committed to preparing an enhanced savings and efficiencies plan headed by the DCC.	Chief Finance Officer	June 2023	

Risk No: R2	Risk Title: Fire Corporate & Support Services	Police & Crime Plan Objective 7 – Integrate Blue Light Services <ul style="list-style-type: none"> Continue to build relationships between blue light services (Police, Fire and Ambulance services) to ensure they are run as efficiently as possible Understand the implications of Local Government Reorganisation for policing and other local services
------------------------------	--	--

Risk Mitigation Strategies:	
Avoid	Stop the risk completely or stop it having an impact.
Reduce	Reduce the likelihood and/or impact of the risk
Transfer	Outsource, use contractors or insure against things going wrong
Accept	The risk is tolerable/accepted

Risk Score	Impact	Likelihood – over the next 4 years
1	Low	Not expected to happen, but is possible
2	Medium	May happen occasionally
3	High	Will probably happen, but not a persistent issue
4	Very High	Will undoubtedly happen, possibly frequently

What is the cause of the risk? (Lack offailure to.....)	What is the consequence of the described risk? (Results in.....leads to.....)	Unmitigated Score			Mitigated Score			Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Actions				
		Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score		Current Controls in Place to Mitigate the Risk	Assurances	Future or further actions to be taken	Action Owner(s)	Next Review Date
At present it is still unclear how much the unitary authorities will charge for a hosted service. Strategic Risk – February 2023	This will have an impact on the amount of revenue budget available for the Fire & Rescue Service.	4	4	16	4	4	16	Reduce	The OPCC has been informed that in principle the cost of a hosted service with the unitary authorities will be no more than the current costs recharged by Cumbria County Council to the Fire & Rescue Service. There will however be inflationary costs that need to be negotiated across the three new organisations due to the current global economic crisis. The OPCC/FRS is still awaiting confirmation of the final costs, which are expected in March 2023.	The OPCC weekly Legal & Governance Board are monitoring the progress and development of the service level agreements for the hosted services.	Chief Executive Team and the Chief Fire Officer will escalate the issues to the Chief Executive of Cumbria County Council	OPCC Chief Executive Team	June 2023

This page has been intentionally left blank

OFFICE OF THE POLICE & CRIME COMMISSIONER – OPERATIONAL RISK REGISTER

Risk Mitigation Strategies:	
Avoid	Stop the risk completely or stop it having an impact.
Reduce	Reduce the likelihood and/or impact of the risk
Transfer	Outsource, use contractors or insure against things going wrong
Accept	The risk is tolerable/accepted

Risk Score	Impact	Likelihood – over the next 4 years
1	Low	Not expected to happen, but is possible
2	Medium	May happen occasionally
3	High	Will probably happen, but not a persistent issue
4	Very High	Will undoubtedly happen, possibly frequently

8 – 16	Review within 3 months
4 - 6	Review within 6 months
3 or less	Review within 12 months

			Risk Owner		Actions		Reviews
Risk No.	Risk Title	Total Score (direction of travel)	Risk Owner	Action Owner	Any outstanding actions YES/NO	Actions and dates to be completed	Date of Next Review
FINANCE							
01	Budget Management	6 ↔	Joint Chief Finance Officer	Deputy CFO	No	Current forecasts indicate expenditure for 2021/22 is broadly on budget.	May 2023
02	Investment Counterparty Risk	3 ↔	Joint Chief Finance Officer	Deputy CFO	No	None	May 2023
03	Financial Governance	2 ↔	Joint Chief Finance Officer	Deputy CFO	No	None	May 2023
04	Shared Services	2 ↔	Chief Executive	Deputy Chief Executive	No	Governance agreements will be reviewed on an on-going basis.	May 2023
05	Asset Management	2 ↔	Chief Executive	Chief Finance Officer	No	None	May 2023
06	Insurance	4 ↔	Chief Executive	Chief Finance Officer	No	None	May 2023
PARTNERSHIPS & COMMISSIONING							
08	Partnerships & Collaboration	6 ↔	Chief Executive	Partnerships and Strategy Manager	Yes	Focus on managing the impact and securing future funding: Engagement with Safety Net to manage the impact of the funding reduction. Involving the ICBS where possible to develop an approach to commissioning for future. Plans to engage with key Councillors in relation to Bridgeway and DA funding in spring 2023 to support recommissioning of services.	September 2023
COMMUNICATION AND BUSINESS SERVICES							
13	OPCC Business Disruption	3 ↔	Chief Executive	Governance Manager	No	The percentage of staff who reported sickness as COVID-19 is less than 5%. If well enough they worked from home and therefore it is proposed to remove this risk from the register.	Remove

POLICING AND CRIME OBJECTIVES





Joint Audit Committee

TITLE OF REPORT: Constabulary Risk Management Update

DATE OF MEETING: 22nd March 2023

ORIGINATING OFFICER: Claire Griggs, Standards, Insight and Performance Command

PART 1 or PART 2 PAPER: PART 1 (OPEN)

Executive Summary:

The purpose of this paper is to provide the Joint Audit Committee with an update on the Constabulary's risk management arrangements, including a review of the current strategic risk register.

As part of this process, quarterly quality assurance checks of all departmental and operational risk registers are completed, to ensure that risk is effectively managed across the organisation. The Strategic Risk Register was reviewed by the Strategic Management Board on 2nd March 2023.

At this meeting the Board agreed the following changes to the Constabulary's Strategic Risk Register:

- | | |
|---------------------------------|---------------------------|
| • Risk 28 (Finance) | Increase likelihood score |
| • Risk 2 (Vision 25) | Change of action owner |
| • Risk 42 (Covid) | CLOSE |
| • Risk 47 (analytical resource) | CLOSE |
| • Risk 54 (Firearms Licensing) | Reduce likelihood score |
| • Risk 55 (Negotiator Model) | NEW RISK |

Recommendations:

That the Joint Audit Committee:

Note the progress made in managing the Constabulary's current strategic risks.

MAIN SECTION

1. Introduction and Background

1.1 Strategic Risks

Risk is the threat that an event or action will affect the Constabulary's ability to achieve its organisational aim and objectives.

Each risk is managed at the level where the control to manage the risk resides. Strategic risks are managed by the Strategic Management Board, significant operational risks are managed by the Operations, Scrutiny and Oversight Board, and significant strategic business risks are managed in the relevant directorate or by nominated senior managers. Projects and programmes also have their own risks that are managed by the project / programme teams.

Strategic risks are those affecting the medium to long term objectives of the Constabulary and are the key, high level and most critical risks that the Constabulary faces. Best practice indicates that the number should be between 5 and 10. Currently the Constabulary has 9 strategic risks.

The Constabulary's mission is to deliver an outstanding police service to Keep Cumbria Safe. The Constabulary's overarching purpose is:

1. Tackling criminality
2. Helping those in need
3. Connecting with communities

The strategic risks identified by the Constabulary are concerned with:

1. The implications of longer-term reduction in budget and the level of savings required.
2. Failure to deliver Cumbria Vision 25 and its associated efficiency plan.
3. Serious Crime within the Constabulary will not be investigated by trained and accredited PIP 2 detectives.
4. ESMCP and ESN potentially breaching the Constabulary's risk capacity, the lack of timelines, costs, and solution creates significant difficulty to manage the risk.
5. Local Government Reform.
6. Resourcing unable to meet demand levels.
7. Lack of deployable AFO resilience – wellbeing of officers.
8. Firearms Licensing - lawfully held firearms are not sufficiently tracked and traced as per FAL APP and other national guidelines.
9. The Constabulary is occasionally operating outside the National Negotiator Deployment Model – NEW

The table on page three outlines the Constabulary's nine strategic risks and provides the RAG rating (Red, Amber, and Green) for each risk (**RAG risk rating = impact x likelihood**). It also indicates which of the Constabulary's core policing objectives the risks link to.

Strategic Risk Register

Risk Ref No	Responsible Officer(s)	Risk Description	Initial Score			Latest Score			Link to Strategic Objectives	Summary of mitigating actions already taken - update
			Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score		
28	Chief Financial Officer / Director of Corporate Support	<p>There may be a detrimental and significant impact on the available budget and a requirement for substantially increased savings, as a result of:</p> <ul style="list-style-type: none"> a combination of the inflationary pressures on police budgets particularly pay the lack of provision for inflation in Government grant allocation proposed changes to police pension contributions the impact of national projects and initiatives such as ESN and PEQF, and potential changes to the police funding formula (including the removal of damping funding) <p>This would result in a compromise to public safety, significant loss of public confidence and serious damage to the Constabulary's reputation.</p>	5	5	25	4	5	20	All	<p>The grant settlement was as anticipated, although there was increased flexibility for PCCs to increase council tax. However, the increase in funding is inadequate to cover inflationary pressures. Although the budget for 2023/24 has been balanced by short-term measures, such as borrowing, the savings requirement over the medium term is forecasted to increase and the savings options are constrained by the Government's requirement to maintain Op Uplift officer numbers.</p> <p>Likelihood score increased from 4 to 5.</p>
2	Director of Corporate Improvement & Director of Corporate Support	<p>The Constabulary may not have the capacity to deliver the Cumbria Vision 25 and its associated Efficiency Plans. If this risk occurs the Constabulary would have to find further savings.</p>	5	2	10	4	4	16	All	<p>Efficiency planning now incorporated into the governance of the Strategic Change Board chaired by the DCC. Standards, Insight & Performance Command coordinating development of an updated savings & efficiency. All commands asked to scenario plan for 1/3/5/8% savings with review by Chief Officers on</p>

Risk Ref No	Responsible Officer(s)	Risk Description	Initial Score			Latest Score			Link to Strategic Objectives	Summary of mitigating actions already taken - update
			Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score		
										09/02/23. Refreshed plan to be presented to COG 13/02/23 for review. Risk owner changed to reflect that the work is now being led by Standards, Insight, and Performance Command.
46	Det Supt Crime	Serious Crime within the Constabulary might not be investigated by trained and accredited PIP 2 detectives, caused by an insufficient number, which may result in a poor service to victims, staff welfare concerns, and reputational damage.	4	3	12	3	3	9	All	Current situation is different depending which BCU CID is being discussed. Westmorland & Furness as things stand have a higher risk in regards to PIP 2 detectives but the situation overall has been compounded by embargos as we are unable to recruit effectively until this is lifted. The issue being it takes around 2 years to train a PC to full DC status. However, at this time the risk remains the same as there is a lift to the embargo pending.
48	ESMCP Programme Executive	ESMCP and ESN have the potential to breach the Constabulary's risk capacity, caused by unknowns around the device security, device availability, H&S concerns, and the availability of in-building coverage.	3	3	9	3	2	6	All	The North West ESN disbanded on 31/01/23. Locally, a premature end project report will be presented at Digital Transformation Board on 07/02, proposing the project is closed in Cumbria. If accepted, a spin off project for coverage will be stood up.
51	DCC	As a result of local government reform multi-agency / partnership working will need to be redefined; existing relationships could be lost, and mismanagement of information may occur during the changeover period. This is the realigning of council boundaries in	4	5	20	2	1	2	All	Work is progressing well with partners and the current score reflects the situation. To remain on the Strategic Risk Register until after the 1 st April when the impact of LGR Go-Live will be known.

Risk Ref No	Responsible Officer(s)	Risk Description	Initial Score			Latest Score			Link to Strategic Objectives	Summary of mitigating actions already taken - update
			Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score		
		moving to 2 unitary authorities and could result in lack of information sharing and vulnerable people being exposed to an increased risk of harm.								
52	ACO	Resourcing is unable to meet demand levels with the potential that we fail to resource calls for service. This is caused by PEQF abstraction rates; high numbers of movements to other departments; mutual aid requests; increased training abstractions; organisational restructure. It could result in loss of public confidence, and reputational damage to the Constabulary. Damage to officer wellbeing and organisational risk around retention of officers. Financial cost in increased overtime payments. Reduction in performance and compliance. Restricted capability in neighbourhood policing. Increased pressure on duties management and reduced levels of service to the public and partners.	4	4	16	4	3	12	All	Levels of resources across various strands of the organisation are robustly managed by the ACC/ACO/DCC in the various governance routes. Future intake routes being chosen to reduce the university abstraction issue. Envisage that risk score will reduce in Q1 of 2023/24. Significant work being undertaken around officer wellbeing and resource levels in Occupational Health Unit extended to support this.
53	Supt Operations	There is a risk of a detrimental effect on officer wellbeing, caused by regular variations on shift patterns to ensure the Constabulary has consistent and robust resources to maintain adequate Armed Response Vehicle provision in line with STRA.	4	4	16	2	3	6	All	Wording of the risk has been amended to reflect officer wellbeing. AFO course commencing in Feb 23 with 10 candidates. To be reviewed once course has finished.

Risk Ref No	Responsible Officer(s)	Risk Description	Initial Score			Latest Score			Link to Strategic Objectives	Summary of mitigating actions already taken - update
			Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score		
54	T/Ch Supt Standards, Insight & Performance	That lawfully held firearms are not sufficiently tracked and traced as per FAL APP and other national guidelines. Caused by legacy staffing shortages in the department which is exacerbated by records currently being held on a paper based system, and compounded by the Covid pandemic. This has led to insufficient resource at present to remedy demand.	4	5	20	4	4	16	All	<p>Digitalisation is progressing well with Single Online Home go-live for our unit planned now for 8th March 2023 and the current go-live date for the Firearms Licensing Case Management system (CycFirearms) is 22 May 2023. A significant amount of work has already been undertaken to resolve the data risks and support digitalisation, with 8220 files having been reviewed and indexed and sent to supplier for scanning as of 1 February 2023. Staff in the unit have all received their laptops in advance of the new systems and have received training. Additional training linked to operating the new case management system is all planned in the project timeline and is on track.</p> <p>The force still has a high number of temporary permits issued for renewals and is returning data to the HO and policing minister on a monthly basis. Whilst these have reduced slightly, overtime is being worked to reduce further. Now that all the files are sifted, indexed and sent for scanning, all our attention will now turn to reducing this backlog. In addition, a review of the capacity and capability of the unit has been completed and a paper submitted to COG for additional resources for their consideration.</p>

Risk Ref No	Responsible Officer(s)	Risk Description	Initial Score			Latest Score			Link to Strategic Objectives	Summary of mitigating actions already taken - update
			Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score		
					9			9		<p>Whilst much has been progressed in the last 3 months, and backlog numbers are starting to reduce, this is based on unsustainable resourcing (OT) and is not yet complimented by either the benefits of digitalisation, or an additional increase in resource. It is anticipated that the risk will be reduced significantly by the next updating period, assuming all elements remain on-track.</p> <p>Likelihood score reduced from 5 to 4.</p>
55	Supt (Westmorland & Furness)	There is a risk that the Constabulary is occasionally operating outside the national negotiator deployment model caused by a series of retirement / resignations of experienced negotiators, and inexperienced new cadre base and the availability of national courses.	3	3	9	3	3	9	All	<p>NEW RISK</p> <p>A paper went to the Nov 22 Ops Board to raise awareness at Chief Officer level.</p> <p>Negotiator recruitment campaign undertaken during Jan 2023 with 7 successful candidates.</p> <p>2 successful completions of Negotiator Co-ordinator courses during Feb 2023 have increased resilience.</p> <p>2 further Negotiator Co-ordinator places in April.</p> <p>National Negotiator course places secured in Sept and November 2023. On numerous cancellation lists if other courses become available.</p> <p>Budget agreed with finance.</p>

Risk Tolerance Levels

<p><u>Risk Score 1-4</u> Acceptable. No action is required but continue monitoring.</p>	<p><u>Risk Score 5-12</u> Tolerable risks but action is required to avoid a Red status. Investigate to verify and understand underlying causes and consider ways to mitigate or avoid within a specified time period.</p>	<p><u>Risk Score 15-25</u> Unacceptable. Urgent attention is required. Investigate and take steps to mitigate or avoid within a specified short term.</p>
--	--	--

1.2 Drivers for Change

Effective risk management is a key component of effective corporate governance. Managing risk will contribute towards delivery of the strategic priorities. There are potential significant consequences from not managing risk effectively.

Robust risk management will help improve decision-making and drive corporate activity that represents value for money. Effective risk management will help protect the reputation of the Constabulary and the Office of the Police and Crime Commissioner, safeguard against financial loss and minimise service disruption.

1.3 Consultation processes conducted or which needs to be conducted

Individual risk owners have been consulted as part of the standard risk management arrangements.

1.4 Impact assessments and implications on services delivered

Not applicable- described in the risk register where appropriate.

1.5 Timescales for decision required

Not applicable to this report.

1.6 Internal or external communications required

None.

2. Financial Implications and Comments

Any financial implications are described in the relevant risks outlined within this report.

3. Legal Implications and Comments

Any legal implications are described in the relevant risks outlined within this report.

4. Risk Implications

The Constabulary's risks are described in section one of this report.

5. HR / Equality Implications and Comments

Any HR / Equality implications are described in the relevant risks outlined within this report.

6. ICT Implications and Comments

Any ICT implications are described in the relevant risks outlined within this report.

7. Procurement Implications and Comments

Any procurement implications are described in the relevant risks outlined within this report.

8. Supplementary Information

8.1 List any relevant documents and attach to report

Appendix 1	Risk Scoring Matrix
-------------------	---------------------

8.2 List persons consulted during the preparation of report

- All Departmental risk owners.
- Territorial Policing and Crime Command risk owners.
- Chief Officer Group.

Risk Scoring Matrix

Impact Score	Description					
		IMPACT ON SERVICE PROVISION	FINANCIAL IMPACT	IMPACT ON PEOPLE	DURATION OF IMPACT	IMPACT ON REPUTATION
5	Very High	Unable to function, inability to fulfil obligations	Severe financial loss > £3M	Multiple fatalities	In excess of 2 years	Highly damaging, severe loss of public confidence or being declared a failing Force
4	High	Significant impact on service provision	Major financial loss £1M to £3M	Fatality	Between 1 year - 2 years	National publicity, major loss of confidence or serious IPCC complaint upheld
3	Medium	Service provision is disrupted	Significant financial loss £500k to £1M	Serious injury, RIDDOR reportable	Between six months to 1 year	Some adverse local publicity, legal implications, some loss of confidence
2	Low	Slight impact on service provision	Moderate financial loss £100k to £500k	Slight medical treatment required	2 to 6 months	Some public embarrassment, or more than 1 complaint
1	Very Low	Insignificant impact, no service disruption	Insignificant financial loss < £100k	First Aid treatment only No obvious harm/injury	Minimal - up to 2 months to recover	No interest to the press, internal only

Likelihood Score	Tolerance Levels – Likelihood Assessment	
5	Very High	A risk has a very high score if there is a 90% or more chance of it happening every year. This means that it is almost certain to happen regularly.
4	High	A risk has a high score if there is a 65% to 90% likelihood of it happening at some point over the next 3 years. Basically, it probably will happen but it won't be too often.
3	Medium	A risk has a medium score if the likelihood of it happening is between 20% and 65% over the next 10 years. This means it may happen occasionally.
2	Low	A risk has a low score if the likelihood of it happening is between 5% and 25% at some point in the next 25years. This means it is not expected to happen but it is possible.
1	Very Low	A risk has a very low score if the likelihood of it happening is less than 5% over 100 years. Basically, it could happen but it is most likely that this would never happen.

		Impact	Impact	Impact	Impact	Impact
		Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Likelihood	Very High (5)	5	10	15	20	25
Likelihood	High (4)	4	8	12	16	20
Likelihood	Medium (3)	3	6	9	12	15
Likelihood	Low (2)	2	4	6	8	10
Likelihood	Very Low (1)	1	2	3	4	5
		Impact	Impact	Impact	Impact	Impact

Joint Audit Committee



Title: OPCC Risk Management Strategy

Date: 6 March 2023

Agenda Item No: 13(a)

Originating Officer: Joanne Head

CC:

Executive Summary:

The Office of the Police and Crime Commissioner provides policing services for Cumbria in a constantly changing and challenging environment. The Risk Management Strategy sets out the OPCC responsibility for risk management and how risks are managed.

Recommendation:

That the Joint Audit Committee review and provide comment to inform the final version of the strategy to be approved by the Police and Crime Commissioner.

1. Introduction & Background

1.1 The risk management strategy sets out the governance arrangements in respect of the management of risk including arrangements for holding to account the Chief Constable for the management of risks within the force. The strategy is currently reviewed on an annual basis.

2. Issues for Consideration

2.1 The strategy sets out the commissioner's objectives in respect of risk management and the arrangements in place for meeting those objectives through a risk management framework. The framework incorporates clear roles and responsibilities for risk management and a methodology for assessing risk and mitigating actions. The strategy provides the framework to enable the Commissioner to achieve the requirements within the approved financial rules and financial regulations.

2.2 The Risk Management Strategy is reviewed on a three-year cycle, which aligns with similar review periods for other OPCC policies and strategies. Should there be any significant changes either within the OPCC or external influences the strategy would be reviewed and updated out with the three-year cycle. The risk registers would continue to be reviewed at the appropriate intervals denoted by their risk scores.

- 2.3 From 1 April 2023 the Police and Crime Commissioner will also become the Cumbria Commissioner Fire and Rescue Authority with a responsibility for the provision of fire services within Cumbria. With this in mind the Risk Management Strategy has been updated to reflect this new legal entity.
- 2.4 The OPCC currently provides strategic risk register updates to the Joint Audit Committee three times during the year, this being March, September and November in line with the committee's work programme. This has resulted in the November update reporting no significant changes from the September update, as it is only a few weeks later. As the reporting cannot be spread more equally across the year the OPCC is proposing to report twice a year in March and September; which will allow for meaningful updates to be provided. All OPCC risks will continue to be monitored and where necessary updated on a quarterly basis to ensure informed oversight by the OPCC Executive Team. Should it be necessary in exceptional circumstances the OPCC can provide ad-hoc updates to the committee on risk issues.
- 2.5 Following any comments by the Joint Audit Committee the Police and Crime Commissioner will review the Risk Management Strategy and approve it. The updated strategy will be implemented from 1 April 2023.

3. Implications

3.1 Financial

Effective risk management practices supports the reduction of risks that may have financial implications.

3.2 Legal

Risk management strategy supports the overall arrangements for governance and is underpinned by strategic and operational risk registers that seek to manage the risks pertaining to legal and governance within operational practice.

3.3 Risk

The risk management strategy ensures risks are identified, assessed and managed with clear ownership of the risk and activity to mitigate its impact. The strategy seeks to encourage risk taking where this has clear positive benefits.

3.4 HR / Equality

Key staff roles are identified within the strategy with responsibility for areas of risk management.

4. Supplementary information

Appendix 1 – OPCC Risk Management Strategy



Police, Fire and Crime Commissioner for Cumbria

Delivering to the Public

RISK MANAGEMENT STRATEGY

2023-2026

Document control

This policy applies to all employees of the Office of the Police, Fire and Crime Commissioner for Cumbria.

Date of last review	March 2023
Date of next review	March 2026
Owner	Head of Communications and Business Services
Equality Impact Assessment	January 2023

Version Control

Plan Approval	
Approved By	OPCC Executive Team
Signature	Vivian Stafford, OPCC Chief Executive
Date	25 March 2020
Equality Impact Assessment reviewed	Date: 09.03.2020

Version .02	Created March 2014
Department	Office of the Police and Crime Commissioner
Contact	Joanne Head, Governance Manager

Version .03	Created March 2015
Department	Office of the Police and Crime Commissioner
Contact	Joanne Head, Governance Manager

Version .04	Created March 2016
Department	Office of the Police and Crime Commissioner
Contact	Joanne Head, Governance Manager

Version .05	Created March 2017
Department	Office of the Police and Crime Commissioner
Contact	Joanne Head, Governance Manager

Version.06	Created March 2020
Department	Office of the Police and Crime Commissioner
Contact	Joanne Head, Governance Manager

Version.07	Created March 2023
Department	Office of the Police, Fire and Crime Commissioner
Contact	Joanne Head, Governance Manager

Contents

Page

- 3.** Introduction
- 4.** Our Approach to Risk Management
- 5.** Risk Management Objectives
- 6.** Risk Management Framework
- 11.** Risk Management Methodology
- 14.** Risk Management Responsibilities
- 17.** Strategic Risk Register Template

Introduction

The Police, Fire and Crime Commissioner for Cumbria (Commissioner) is committed to providing the highest quality of policing and fire services to the people of Cumbria; which takes place in a constantly changing and challenging environment. This strategy is about the approach and arrangements - the Office of the Police, Fire and Crime Commissioner (OPFCC) has in place to manage the risks we encounter in doing this.

Risk management involves the identification, assessment and prioritisation of risks and taking action to control, minimise and monitor them. Risks are threats that have potential to impact on our organisation and the delivery of our objectives and services. Sometimes they can be positive as well as negative. Risk management activity ensures we protect against negative threats whilst recognising and taking advantage of positive opportunities.

Our strategy sets out responsibilities for risk management, what we do and how we do it. It incorporates a number of key objectives and what we aim to achieve from the arrangements we have in place. In doing so our strategy provides assurance and contributes to the overall arrangements we have for governance.

Cumbria Constabulary and Cumbria Fire and Rescue Service have their own risk management processes which enables them to identify, monitor and deal with risks which relate to their individual organisations and areas of business. This strategy will identify how the Commissioner and the Office of the Police, Fire and Crime Commissioner (OPFCC) has oversight of such risks.

Our Approach to Risk Management

Police, crime reduction and fire services are delivered in a high-risk environment. Like many public service organisations we are continually challenged to change the way we do things, to improve and to reduce cost. In doing this the level of risk we take as an organisation increases. Our approach to risk management recognises this by seeking to ensure we have a structured approach to manage those risks.

ISO 31000:2018, *Risk management – Guidelines*, provides principles, a framework, and a process for managing risk. It can be used by any organisation regardless of its size, activity or sector. Using ISO 31000 can help organisations increase the likelihood of achieving objectives, improve the identification of opportunities and threats, and effectively allocate and use resources for risk treatment.

Risks affecting organisations can have consequences in terms of economic performance and professional reputation, as well as environmental, safety and societal outcomes. Therefore, managing risk effectively helps organisations to perform well in an environment full of uncertainty

Our approach seeks to ensure that our people and organisation are protected without stifling innovation or adversely restricting the taking of risks where we can see there are positive benefits from doing so. We describe this as being risk aware. This strategy sets out the things we have in place to embed a risk aware culture. These are:

- **Risk Management Objectives:** Our overall aims that set out what we want to achieve from the arrangements we have in place for risk
- **Risk Management Methodology:** The way we review our risks to understand their impact and decide how we will manage them
- **Risk Management Framework:** The specific things we have in place that supports the delivery of our objectives
- **Risk Management Responsibilities:** Specific responsibilities for different areas of risk for which our Commissioner, senior managers, staff, committees and auditors are accountable

The rest of this strategy sets out more information on our objectives, framework, methodology, responsibilities and sets out how we record our risks on our risk register.

Risk Management Objectives & Opportunities

Risk management is not always solely about eliminating risk as this would limit the availability of the Commissioner to develop and deliver their ambitions. Its purpose is to recognise the issues that could affect the achievement of the Commissioner's objectives, realise the opportunities that this brings and develop actions to control or reduce those risks. The Commissioner has an agreed appetite for risk which is explained later. Acknowledgement of potential problems and preparing for them is an essential element of risk that will enable the Commissioner to rapidly respond to change and develop innovative responses to challenges and opportunities.

Risk management makes an important contribution in helping to achieve our aims and deliver better services. Through being aware of risk and having an understanding of its impact we can make better decisions about what and how we do things. Risk management works best when we have a culture that is risk aware. Our strategy aims to achieve this by providing a framework that helps to integrate and embed risk management into our day-to-day business. To do this we have identified a number of objectives that we are committed to. This section of our strategy sets out what they are and what we will do to achieve them.

Objective 1: We will ensure that risk management is part of the process for delivering in Cumbria policing and crime reduction through the Constabulary; and fire services through Cumbria Fire and Rescue Service; and for our wider Partners. We will do this by:

- Maintaining an effective risk management strategy, a framework through which the strategy is implemented and a risk register to manage risks
- Holding the Constabulary, Fire and Rescue Service and wider Partners to account in respect of their arrangements for risk management

Objective 3: We will ensure that there is clear ownership and accountability for risks. We will do this by:

- Establishing clear roles and responsibilities in relation to risk management within our strategy
- Ensuring all risks on our risk register has a risk owner and an action owner

Objective 2: We will ensure that our organisation is risk aware and that arrangements for risk management comply with best practice. We will do this by:

- Providing communications and guidance through our website to spread good practice
- Ensuring our officers are appropriately trained in risk management practice
- Subjecting our risk management arrangements to annual review

Objective 4: We will provide a framework for evaluating and responding to risks that is easy to understand and supports decision making. We will do this by

- Setting out a framework for risk management
- Including within the framework a methodology for scoring risks and timescale for risk review based on the risk score.

Risk Management Framework

Our risk management framework sets out the things we have in place to manage risk and who is responsible for them. They form the substantive part of what we do to achieve our risk management objectives. The framework comprises:

RISK MANAGEMENT FRAMEWORK

Identifying Risks

The first stage of risk management is to identify risk issues. These can be categorised into three areas:

- **Demand** – risk issues will arise in relation to volume, type and complexity of demands on policing, fire, the Commissioner and the OPCC. The main demands are its statutory roles and responsibilities as a body of governance and as an organisation.
- **Capacity** – risk issues will arise in relation to the capacity and capability of the Commissioner/OPCC to meet the demands placed upon it. Capacity and capability includes people, money, buildings and relevant areas of business.
- **Governance** - governance is about ensuring that things are done the right way for the right people in a timely, open, honest and accountable manner. It comprises of the systems, processes, culture and values by which the Commissioner is directed and controlled; and through which they engage with, are accountable to and where appropriate lead the communities of Cumbria.

RISK MANAGEMENT FRAMEWORK

Risk Registers

Risks for the Office of the Police, Fire and Crime Commissioner and **Cumbria Commissioner Fire and Rescue Authority** are recorded on risk registers. The registers holds key information about each risk including a description of the risk, a score for the risk, what we are doing to manage the risk currently and any further actions we plan to take. It identifies the risk owner and the score determines how frequently that owner will review the risk to ensure we are taking appropriate action.

RISK MANAGEMENT FRAMEWORK

Risk Classification

Risks are grouped on our risk register into one of three classifications. The classification determines who is responsible for managing the risk and how those risks are managed. The classifications are:

- **Strategic Risks** – risks that threaten the achievement of strategic objectives such as those in our policing plan, fire plan and other core strategies. These tend to be medium to long-term but some may feature for a shorter period of time due to a significant event or planned business activity.
- **Operational Risks** – these are risks which relate to the day-to-day business of ~~to~~ our operating systems, service delivery and the objectives in our business plans. Operational risks will also be identified as part of the business continuity process.

- **Project Risks** – risks identified as being significant to the projects being undertaken by the Commissioner. These risks are managed very dynamically due to the more limited timescale across which projects are typically delivered. They are reviewed prior to each project board and presented to each meeting. This means that the pace of the project and the frequency of meetings are aligned to the review of risks. The terms of reference for all project boards includes responsibility for managing project risks.

RISK MANAGEMENT FRAMEWORK

Risk Assessments

Our strategy sets out a consistent way to score risks taking into account the impact of the risk and likelihood of it occurring. The higher the risk score the more frequently we will assess the actions that we have in place to mitigate the risk. We score both the inherent risk and the mitigated risk. The inherent risk score tells us what the impact of the risk could be if we took no action whilst the mitigated score tells us how much we have reduced the risk as a result of things we do to manage it.

RISK MANAGEMENT FRAMEWORK

Police & Crime Plan

The Police, the Office of the Police, Fire and Crime Commissioner; and how policing will be delivered in Cumbria. The development of the plan informs our work in relation to strategic risks. Strategic risks are incorporated within the strategic risk register which is approved by the OPFCC Executive Team and presented to the Joint Audit Committee for scrutiny. Operational risks are included within the operational risk register and are actively managed through the Commissioner's Office under the direction of the Executive Team. **Cumbria Constabulary will actively identify and manage their own risks which are also presented to the Joint Audit Committee for scrutiny.**

RISK MANAGEMENT FRAMEWORK

Fire & Rescue Plan

As Cumbria Commissioner Fire and Rescue Authority, the Police and Crime Commissioner agrees a Fire and Rescue Plan with the Chief Fire Officer. This identifies how fire services will be delivered within Cumbria and informs our work in relation to strategic risks. Where operational risks impact upon Cumbria Commissioner Fire and Rescue Authority these will be entered into the OPCC strategic or operational risk registers and actively managed through the Commissioner's Office under the direction of the Executive Team. Cumbria Fire and Rescue Service will actively identify and manage their own risks which are presented to the Joint Audit Committee for scrutiny.

RISK MANAGEMENT FRAMEWORK

Partnership Risks

Partnership Risks may be identified through the collaboration or commissioning work undertaken by the Commissioner and their office when holding partners to account. Where either are the lead or commissioning body and which impact upon the OPCC or require mitigation these would be added to the strategic, operational or project risk register as appropriate.

RISK MANAGEMENT FRAMEWORK

Risk Arrangements Review

Our overall arrangements for risk are reviewed annually by the OPCC Executive Team as part of the review of wider governance arrangements. The review is reported in the Annual Governance Statement alongside our Statement of Accounts, which is approved by the Commissioner. The statement is subject to external audit and presented with the Accounts to our Joint Audit Committee.

RISK MANAGEMENT FRAMEWORK

Risk Appetite & Tolerance

Risk appetite is developed in the context of the organisation’s risk management capability. It is not a single, fixed concept and there will be a range of appetites for different risks which need to align. Risk appetite must take into account differing views at a strategic and operational level and these may vary over time. If a level of risk is not acceptable then it must be managed accordingly. Risk tolerance allows for variations in the amount of risk the OPCC is prepared to tolerate for a particular activity or project. How the OPCC will deal with risk tolerance for all its risks is addressed within the risk management methodology section of this strategy.

The OPCC will strive to manage strategic, operational and project risks to a level which is acceptable or where it is negated, taking into account the costs of any mitigations which are required. Depending upon the circumstances it may be necessary to set a different risk appetite for a particular area of business or project but the general default position for the OPCC will be medium/cautious.

The OPCC has a Risk Matrix which illustrates assessments of the likelihood and impact scores which are plotted onto a (4 x 4) Risk Matrix. This determines the level of inherent risk and, later, to demonstrate the residual position after the application of controls to mitigate and reduce risk

LIKELIHOOD	Very High	4	4	8	12	16
	High	3	3	6	9	12
	Medium	2	2	4	6	8
	Low	1	1	2	3	4
			1 Low	2 Medium	3 High	4 Catastrophic
Magnitude of Impact						

Key

Risk Management Action Level	Low Priority No additional action needed Maximum review time frame 12 months	Some additional activity may be necessary Maximum review time frame 6 months	Activity required in current year Maximum review time frame 3 months
-------------------------------------	---	--	--

RISK MANAGEMENT FRAMEWORK

Risk Responsibility

Our strategy allocates specific roles and responsibilities to officers within the OPFCC for Risk Management. This ensures there is clarity and accountability for ensuring our practices are embedded and our objectives are achieved. Responsibility for the risk management is identified later within this framework.

RISK MANAGEMENT FRAMEWORK

Fraud Risk Assessment

Fraud risk assessment is used to assist staff to identify and deal with any suspected risk of fraud and ensure that adequate and effective internal control arrangements are in place. As part of the preparation process for the financial statements of accounts, evidence and assurances are provided for scrutiny to the external auditors. This information is then assessed and incorporated into the final statement of accounts. Our independent Joint Audit Committee is provided with a copy of the final statement of accounts for consideration and can monitor any fraud issues which are raised.

We have an Anti-Fraud and Corruption Policy which provides staff with information on identifying and dealing with fraud and corruption including contact details for the reporting of any concerns. Our Joint Audit Committee reviews the policy on a cyclical basis and ensures that it meets recommended practices. Also, in place is a Confidential Reporting (Whistleblowing) Policy which provides effective mechanisms for 'open' and 'confidential' reporting of wrongdoing.

RISK MANAGEMENT FRAMEWORK

Internal Audit

Our arrangements for risk management, those of Cumbria Constabulary and Cumbria Fire and Rescue Service are subject to internal audit. The service has adopted the Public Sector Internal Audit Standards (PSIAS) which ensures that they undertake risk based internal auditing. This methodology is used to help our organisation accomplish its objectives. Our Joint Audit Committee receives the findings of audit work and monitors the implementation of actions following any audit recommendations.

RISK MANAGEMENT FRAMEWORK

Decision Making and Risk

Our reporting formats include a section on the risk implications of any decision and potential course of action. This ensures that decisions are taken on an informed basis and agreement can be reached on how risks should be managed.

RISK MANAGEMENT FRAMEWORK

Lead Officer for Risk

Our Governance Manager is designated as lead officer for risk. This means that one of our staff has specific responsibility for maintaining an up-to-date awareness of risk management practices and

ensuring we embed a risk aware culture. Our lead officer attends risk management meetings with Cumbria Constabulary and Cumbria Fire and Rescue Service to assure their arrangements and that our risk registers are aligned where it is appropriate. This is one of the ways we hold Cumbria Constabulary and Cumbria Fire and Rescue Service to account for their risk management arrangements.

RISK MANAGEMENT FRAMEWORK

Accountability & Governance

The Police, Fire and Crime Commissioner has an Accountability Framework which aims to:

- Provide a robust system for holding the Chief Constable and Chief Fire Officer to account for policing and fire services respectively within Cumbria.
- Provide information on performance in delivering the Police and Crime Plan and the Fire Service Plan.
- Focus on the priority developments whilst still maintaining oversight of key outcomes and day-to-day business.
- Provide a balance between the services provided, the quality of those services and value for money.

Collectively the risk management framework ensures that we have a systematic approach to managing our risks. It facilitates proper consideration of the implications of decisions and actions and provides a mechanism through which we can evaluate how well our approach is working in practice. Internal and external audit provide a further layer of validation and scrutiny of our arrangements.

The Chief Executive/Deputy Chief Executive/Head of Communication and Business Services meets quarterly with the Constabulary's Strategic Lead for Risk to ensure both organisation's strategic risk registers reflect the purpose and key objectives of their respective organisations and that the identified strategic risks are being effectively managed. This is replicated for Cumbria Fire and Rescue Service. In the first instance this will be done through the Legal and Governance Board

Risk Management Methodology

This strategy adopts a risk management methodology to assess the impact of a risk should it materialise and the likelihood of this happening. This methodology plays an important part in determining how much attention we need to give to managing specific risks through helping us to consider the implications should they arise. The methodology involves scoring risks based on the likelihood of the risk happening and the impact, using a 4x4 matrix that produces a risk score of between 1 and 16.

RISK MATRIX: LIKELIHOOD		
Likelihood Score	Description of likelihood over the next 4 years	
4	Very High	Will undoubtedly happen, possibly frequently (90% probability)
3	High	Will probably happen, but not a persistent issue (65% - 90% probability)
2	Medium	May happen occasionally (20% - 65% probability)
1	Low	Not expected to happen, but is possible (5% - 20% probability)

RISK MATRIX: IMPACT						
IMPACT SCORE		IMPACT ON SERVICE OBJECTIVES	FINANCIAL IMPACT	IMPACT ON PEOPLE	DURATION OF IMPACT	IMPACT ON REPUTATION
4	Very High	Unable to function or fulfil obligations – total failure of at least 2 areas of activity	Severe financial impact (Above £5m / budget implications)	Internally – wholesale or part resignation; unable to staff OPCC Externally – service provision withdrawn or unable to fund.	In excess of 1 year to recover pre- event position	Severe damage to reputation Sustained and prolonged national media interest Legal implications PCC resignation
3	High	Significant impact on service provision – total failure of at least 1 area of activity with impact across all areas of business	Significant financial impact (over £1m)	Internally – increased staff turnover/ shortage Externally – general/systemic poor user experience or unable to provide services (eg to victims)	Between 6 months to 1 year to recover to pre-event position	Significant damage to reputation Short term national / longer-term local media interest Legal implications
2	Medium	Material impact on service objectives – at least 2 areas of business / several personal objectives	Material financial impact (over £250k - £1m)	Internally – high level of staff absences Externally – multiple poor service user experience; reduced service provision	Between 2 to 6 months to recover to pre-event position	Adverse publicity, noticeable damage to reputation. Short term local media interest Complaints received
1	Low	Some impact on service objectives – single area of business/ individual objectives	Some financial impact (up to £250k)	Internally - low morale Externally – some poor service user experience	Up to 2 months to recover	Some damage to reputation 1-day local media interest Complaints received

RISK MANAGEMENT METHODOLOGY

Using the Methodology

It is important that the OPFCC manages its risks effectively. Risks can have consequences in terms of economic, performance, professional reputation and public confidence. By managing risk effectively it enables the organisation to fulfil its obligations to the communities of Cumbria and partners.

There are a number of steps to using our methodology to ensure that risks are considered effectively and appropriate controls are put in place to manage them. By identifying the OPFCC's risk appetite or tolerance will enhance the ability to score and RAG rate each identified risk.

Firstly, the inherent or base risk score is calculated. This is the risk score that would result if no action were taken to manage the risk. Using the matrix above a score would be calculated by multiplying the likelihood score with the impact score. It is important to understand this base risk as it helps us to assess what might happen if the measure we put in place to manage the risk fails; or if we put nothing in place. It supports decision making on the level of effort that should be directed towards reducing the risk.

Once the base risk has been scored, consideration is given to what we can do and what we are doing to reduce the risk. These are our risk control measures. The risk is then scored again, taking into account the effects of our actions. This produces a mitigated risk score against which we can then decide to do one of four things:

- Tolerate** We decide to accept the risk and take no further measures
- Transfer** We transfer all or part of the risk, for example through insurance or to other agencies/contractors
- Treat** We introduce additional control measures to reduce the risk
- Terminate** We aim to eliminate (avoid) the risk, for example by ceasing to provide a service or by doing something a different way

If we choose to transfer, treat or terminate the risk we then update our mitigated risk score once these actions have been taken. The overall inherent and mitigated risks scores are reviewed cyclically with the score determining how often we do the review. On a quarterly basis the OPFCC risk registers are monitored and reviewed to ensure they are kept up to date. Risks with scores of between 8 and 16 are reviewed and updated on a quarterly basis; those scoring between 4 and 6 every 6 months; all other risks are reviewed and updated at least annually. The exception is project risks that are reviewed at each project board meeting due to the limited life of project activity and the impact of risk on project delivery. The inherent and mitigated risk score, control measures and any additional planned control measures are documented within our risk register. We assign a 'RAG' rating to all our risks as follows:

- RED** Unacceptable with urgent action - high risks with a risk score from 8 to 16
- AMBER** Tolerable with Actions – medium risks with risk scores from 4 to 6
- GREEN** Acceptable - low risks with risk scores from 3 or less

This RAG rating assists in the easy identification of those risks which require urgent attention or close monitoring to those which can be reviewed on a less frequent basis.

The register identifies the review frequency and the officer responsible for managing the risk. Strategic risks under the direction of Police and Crime Commissioner are presented to the Joint Audit Committee **three times** during the year in **March, September and November**. This will provide the

Commented [HJ1]: See covering report.

opportunity for the Committee to review both registers at the same time. An annual risk management monitoring report will also be presented which includes the arrangements for holding the Chief Constable to account for Constabulary risk management.

Risk Management Responsibilities

Our strategy allocates specific responsibilities to key individuals, and any OPCC committees and boards to ensure clear lines of accountability for managing risk. This section of our strategy sets out those responsibilities.

RISK MANAGEMENT RESPONSIBILITIES

The Police and Crime Commissioner

The Police and Crime Commissioner has strategic responsibility for the overall arrangements for risk management. An Annual Governance Statement is approved annually by the Commissioner which includes a commentary on the effectiveness of risk management arrangements by the Commissioner's Chief Internal Auditor.

The Commissioner is responsible for strategic risks as identified within the strategic risk register and for understanding and challenging risks as part of their processes for developing policy and decision making.

The Commissioner has responsibility for holding Cumbria Constabulary, **Cumbria Fire and Rescue Service** and wider partners to account for their arrangements in respect of risk management and providing public assurance of such.

RISK MANAGEMENT RESPONSIBILITIES

Risk Oversight for Policing and Fire

As well as risks related to the Office of the Police, Fire and Crime Commissioner, the Commissioner, through his office and the Joint Audit Committee, deliver oversight and holding to account for strategic risks associated with Cumbria Constabulary and Cumbria Fire and Rescue Service. This enables them to ensure risks are being appropriately identified, managed and mitigated. Where risks within Cumbria Constabulary or Cumbria Fire and Rescue Service impact upon the Commissioner, these will be entered onto the OPFCC registers and monitored.

RISK MANAGEMENT RESPONSIBILITIES

OPCC Executive Team

The OPCC Executive Team has responsibility for maintaining comprehensive systems of internal control including risk management processes and approval of the risk management strategy. They also have responsibility for ensuring a strategic and operational risk register is maintained to support the management of those risks that may impact on the delivery of the OPFCC business plan.

The Chief Executive/Executive Team reports on the effectiveness of arrangements for risk management within the Annual Governance Statement to the Commissioner and to the Joint Audit

Committee. The ~~Joint~~ Chief Finance Officer has responsibility for ensuring appropriate internal audit arrangements are maintained and for insurance in respect of those risks which are to be treated.

Commented [HJ2]: As the strategy comes into force from 1 April 2023 do we want to update it for the new CFO coming in rather than having a document for 3 years which is out of date?

RISK MANAGEMENT RESPONSIBILITIES

OPCC Managers and Staff

Managers and staff - have responsibility for the strategic and operational risks arising in their service areas. Managers must ensure teams carry out risk assessments to inform control measures and mitigating action. Staff are responsible for ensuring risks that may impact on the delivery of their business objectives are recorded in the strategic and operational risk register and actively managed.

Where a risk is identified by a manager or member of staff which affects another part of the OPCC's business then this will be highlighted to the appropriate manager or member of staff for inclusion within the register.

A risk which is considered to have a significant effect on medium to long term objectives can be escalated to the Executive Team at any time for consideration, inclusion within the strategic risk register and appropriate action identified and instigated. Following their consideration, it may be reported to the Commissioner to appraise them of the issues.

OPCC staff are able to receive direction and instruction regarding their responsibilities for operational risk from a number of sources. These include – information contained within policy/strategy and procedure manuals; as part of their induction process; from their line manager; the lead officer for risk, **information sessions at extended team meetings** and specific training courses where required.

RISK MANAGEMENT RESPONSIBILITIES

Project Managers

Project managers are responsible for ensuring any project risks are actively recorded on a project risk and issues log. All risks should be scored in line with the agreed risk methodology within this risk strategy and reported to the project board to ensure appropriate action is taken. As part of updates or project reports any identified risks should be reported upon, with particular attention to those which may disrupt or halt the project.

RISK MANAGEMENT RESPONSIBILITIES

Joint Audit Committee

The Office of the Police, Fire and Crime Commissioner, Cumbria Constabulary and Cumbria Fire and Rescue Service have in place a Joint Audit Committee which has independent membership.

The Committee will examine evidence provided by internal and external audit and other governance areas to ensure that we demonstrate we are actively managing our risks. This provides independent assurance to the Commissioner, Executive Team and **OPFCC Chief Finance Officer**.

The relevant terms of reference of the Joint Audit Committee are:

- Monitor the effective development and operation of risk management, review the risk profile, and monitor progress of the Police, Fire and Crime Commissioner, the Chief Constable **and the Chief Fire Officer** in addressing risk-related issues reported to them.

- Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- Review arrangements for the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter-fraud strategy, actions and resources.
- Consider the framework of assurance and ensure that it adequately addresses the risks and priorities of the OPCC, Cumbria Constabulary and Cumbria Fire and Rescue Service.

RISK MANAGEMENT RESPONSIBILITIES

Internal and External Audit

Internal Audit are responsible for periodically reviewing the effectiveness of risk management processes including the verification that controls are operating as intended. This source of independent assurance is a fundamental part of the evidence used to discharge our accountability for reviewing the effectiveness of our governance arrangements. External auditors review the annual governance statement that sets out how we have complied with our arrangement for risk management and will test a number of financial controls that mitigate against financial risks as part of their audit work on the financial statements.

RISK MANAGEMENT RESPONSIBILITIES

Lead Officer for Risk

The OPCC Governance Manager is the lead officer for risk. This responsibility includes:

- Pro-actively driving forward the management of risk
- Liaison with the Constabulary, other partners and major contractors to monitor compliance with and the effectiveness of their risk management arrangements and reporting thereon to the Police and Crime Commissioner
- Monitoring the implementation of the risk management action plans of the OPCC Cumbria Constabulary and Cumbria Fire and Rescue Service.
- Bring to the attention of the Commissioner and/or Joint Audit Committee any concerns about the arrangement for risk management
- The provision of a risk register system to aid the recording, review, analysis and reporting of strategic and operational risks
- Maintaining an up-to-date awareness of risk management practice and leading on communications and guidance to support the embedding of a risk aware culture

Risk Register Template

Risk No:	Risk Title:	Description: Police & Crime Plan Objectives: Fire Service Plan:
-----------------	--------------------	--

Risk Mitigation Strategies:	
Avoid	Stop the risk completely or stop it having an impact.
Reduce	Reduce the likelihood and/or impact of the risk
Transfer	Outsource, use contractors or insure against things going wrong
Accept	The risk is tolerable/accepted

Risk Score		Likelihood – over the next 4 years
1	Low	Not expected to happen, but is possible
2	Medium	May happen occasionally
3	High	Will probably happen, but not a persistent issue
4	Very High	Will undoubtedly happen, possibly frequently

What is the cause of the risk? (Lack offailure to)	What is the consequence of the described risk? (Results in.....leads to.....)	Unmitigated Score			Mitigated Score			Risk Owner & Mitigation Strategy (Avoid, reduce, transfer, accept)	Actions			Action Owner	Review Date
		Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score		Current Controls in Place to Mitigate the Risk	Assurances	Future or further actions to be taken		

This page has been intentionally left blank



Joint Audit Committee

TITLE OF REPORT: Constabulary Risk Management Policy

DATE OF MEETING: 22nd March 2023

ORIGINATING OFFICER: Claire Griggs, Standards, Insight and Performance Command

PART 1 or PART 2 PAPER: PART 1 (OPEN)

Executive Summary:

The purpose of this paper is to provide the Joint Audit Committee with an overview of the Constabulary's Risk Management Policy.

The Policy sets out how risk is managed within the Constabulary, and includes:

- Terms and definitions
- Accountability and governance structure.
- Constabulary procedure, which details the various types of risk, risk appetite, and risk tolerance. It also explains the process for identifying and escalating a risk, as well as specifying the roles and responsibilities everyone in the Constabulary has in regard to risk management.

The following supporting information is also embedded within the Policy:

- Risk Management Toolkit
- Assurance Landscape in Policing
- How we manage risk – summary of risk control mechanisms utilised in the Constabulary
- College of Policing Ten Risk Principles
- Constabulary Information Risk Appetite Statement

The Policy is reviewed whenever new legislation or guidance which may have an impact on it is introduced. As a minimum the Risk Management Policy is reviewed on a three yearly basis to ensure it remains effective. It was last updated in October 2022.

Recommendations:

That the Joint Audit Committee:

Note the revised Risk Management Policy which sets out the Constabulary's processes for identifying and managing risk.

MAIN SECTION

1. Introduction and Background

1.1 Risk Management Policy

The challenging environment the Constabulary operates in requires it to not only consider the context for managing risk but to continually identify new risks that emerge and make allowances for those risks that no longer exist.

The policy, together with the supporting toolkit, communicates the Constabulary's overall approach to risk management and sets out what is already in place to embed a risk aware culture.

This policy also recognises that effective risk management requires widespread understanding of and commitment to risk management principles.

1.2 Drivers for change

Effective risk management is a key component of effective corporate governance and contributes towards delivery of the strategic priorities. There are potential significant consequences from not managing risk effectively.

Robust risk management helps improve decision-making and drives corporate activity that represents value for money. Effective risk management also helps protect the reputation of the Constabulary and the Office of the Police and Crime Commissioner, safeguard against financial loss and minimise service disruption.

The Risk Management Policy and supporting documentation form the bedrock of this process, by equipping all Constabulary employees with the information they need to ensure they both understand how risk management works, the part they play in this process, and how they can identify, and flag any potential risks to the organisation.

1.3 Consultation processes conducted or which needs to be conducted

- The Diversity Unit Manager was consulted when completing the Equality Analysis.
- The portfolio holder for risk was continuously updated during the policy refresh.
- The revised policy was taken to the Operations Scrutiny & Oversight Board for approval and sign off.
- The policy is located within the Constabulary's policy library which all employees have easy access to.

1.4 Impact assessments and implications on services delivered

An equality analysis was carried out when reviewing this policy.

1.5 Timescales for decision required

Not applicable to this report.

1.6 Internal or external communications required

Not applicable to this report.

2. Financial Implications and Comments

Effective risk management practices support the reduction of risks that may have financial implications.

3. Legal Implications and Comments

The Risk Management Policy supports the overall arrangements for governance and is underpinned by strategic, operational, departmental, and project risk registers that seek to manage the risks pertaining to legal and governance within operational practice.

4. Risk Implications

The Risk Management Policy ensures risks are identified, assessed and managed with clear ownership of the risk and activity to mitigate its impact. The strategy seeks to encourage risk taking where this has clear positive benefits.

5. HR / Equality Implications and Comments

Key staff roles are identified within the strategy with responsibility for areas of risk management.

6. ICT Implications and Comments

Effective risk management practices support the reduction of risks that may have ICT implications.

7. Procurement Implications and Comments

Effective risk management practices support the reduction of risks that may have procurement implications.

8. Supplementary Information

8.1 List any relevant documents and attach to report

Appendix 1	Risk Management Policy
-------------------	------------------------

OFFICIAL



Risk Management Toolkit 2021-2024

OFFICIAL

Contents	Page
Introduction	3
What is Risk?	4
Why Manage Risk?	4
How to Manage Risk.	4-6
How to Identify Risks including Flow charts and PESTELO.	7-8
Risk Profiling / Risk Registers. – How to assess risks.	8
Estimating Likelihood.	9
Estimating Impact.	10
Risk Evaluation.	11
Risk Assessment Final Scoring Matrix	12
Risk Treatment and The Bow Tie Method	13-19
Monitor and Review.	19-20
How to make it work - Embedding Risk Management.	20-21
Examples of risk management failures	22-23
Appendix 1 – Constabulary Risk Register Template & information on updating your risk register	24
Appendix 2 - Business Continuity	25-27

Introduction

Every organisation has an overall aim that it seeks to achieve, be it to make money for its shareholders or keep the public safe from harm. In order to achieve this aim a set of agreed actions are carried out, and assuming all goes according to plan, its goals are met. However, any number of future internal or external events may occur, which could impact upon these goals.

In order to mitigate the risk of this happening most organisations produce a risk register, including Cumbria Constabulary. This document lists all potential issues that might occur, which could affect the organisation's objectives being met. It also records the actions, if any, that the organisation may choose to take to mitigate the consequences of this risk occurring.

The Constabulary's Risk Management Policy was updated in **May 2019**, and risks are considered as part of the decision-making process at Extended COG, Board, Area, and Departmental level. This toolkit has been designed to pull together key recommendations made by Gallagher Bassett International Ltd, who are specialists in this field.

This toolkit is intended to compliment the Risk Management Policy, which outlines how the Constabulary intends to use two categories for risk known as "Strategic" and "Operational".

- "Strategic" risks affect the medium to long term objectives of the Constabulary and represent the key, top level, most critical risks it faces.
- "Operational" risks are encountered in the day to day operational and administrative procedures we use to deliver policing services.

Both are equally important and can be dealt with using the recommendations from within this toolkit.

If you have not seen your area or departmental Risk Register, please ask your line manager for a copy. If you wish to see a copy of the Cumbria Constabulary Risk Register, please contact the Insight and Performance Department.

What is risk?

Risk is the chance that a future event or action will affect the Constabulary's ability to achieve its organisational aim and objectives.

In our case the risks to keeping people safe and the successful delivery of Vision 25.

Why manage risk?

Risks affecting organisations can have consequences in terms of economic performance and professional reputation, as well as environmental, safety and societal outcomes. Therefore, managing risk effectively helps organisations to perform well in an environment full of uncertainty.

Effective risk management enhances the Constabulary's ability to:

- Deliver strategic and operational objectives successfully.
- Safeguard the Constabulary's assets.
- Protect the Constabulary's reputation.
- Improve planning and prioritisation of resources to combat those risks.
- Anticipate the impact of problems before they occur and plan appropriate action.
- Ensure that relevant staff, have the skills to identify and manage risk within their services.
- Take a proactive approach to uncertainty that avoids knee-jerk reactions.
- Increase stakeholder confidence.
- Identify and take advantage of opportunities.
- Improve efficiency and value for money by streamlining processes whilst remaining risk aware.
- Improve reputation and public perception due to positive government inspections.

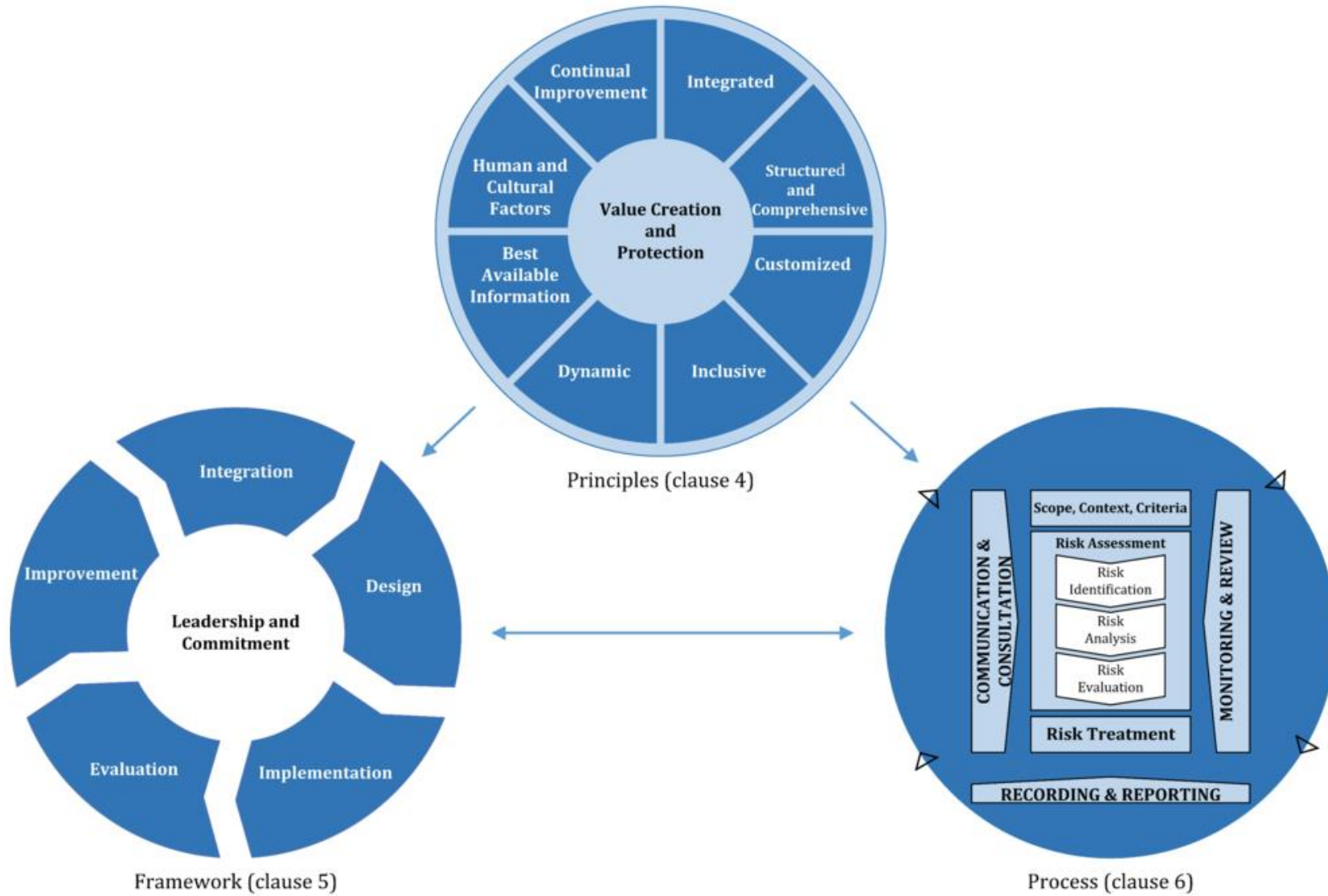
It must be embedded into the culture and ethos of the business, if it is to succeed.

How to manage risk

ISO 31000:2018, *Risk management – Guidelines*, provides principles, a framework, and a process for managing risk (see page 5). It can be used by any organisation regardless of its size, activity or sector. Using ISO 31000 can help organisations increase the likelihood of achieving objectives, improve the identification of opportunities and threats, and effectively allocate and use resources for risk treatment.

All elements of the guidelines with regards process are examined in further detail throughout the remainder of this document.

Principles, framework and processes



1. Communication and consultation with stakeholders is vital to risk management as not everyone will share your view and risks will be perceived by individuals in different ways. This consultation should be undertaken early in the process and again at each subsequent stage of the risk management process. Remember the wider the discussion is spread, the better chance you have of all the risks being identified.

Evidence suggests that individuals do not always evaluate risk in a rational manner, in terms of likelihood and severity of impact. A range of other factors may influence how they perceive risk or judge its acceptability. This affects how the risk is assessed and the behaviours and decisions, that flow from the assessment.

2. Establishing the context

Organisations apply risk management in different ways to fit its culture. It may include or exclude certain departments or functions; may include or exclude partnership organisations. Roles, responsibilities and assessment methodologies may be defined.

Examples of the internal environment are: funding, ICT, people, processes, culture, organisation and business objectives.

Examples of the external environment are: local communities, social trends, competitors, economic environment, partners, politics, external stakeholders, local government, legislation, demographics and regulation.

This is not an exhaustive list but gives an idea of the breadth of view required to assist at this point.

Within the Constabulary a Strategic Risk Register exists, which captures all strategic risks to the organisation and is overseen by the Chief Officers Group. This is supported by risk registers which exist TPA & Crime Command, and each Department in the Constabulary. Please see the risk management policy for further information.

3. Risk assessment consists of three specific phases:

- * Risk Identification - What might happen (the event).
- * Risk Analysis - How likely is it to happen and what the impact might be.
- * Risk Evaluation - So what? Is it within our risk tolerance threshold?

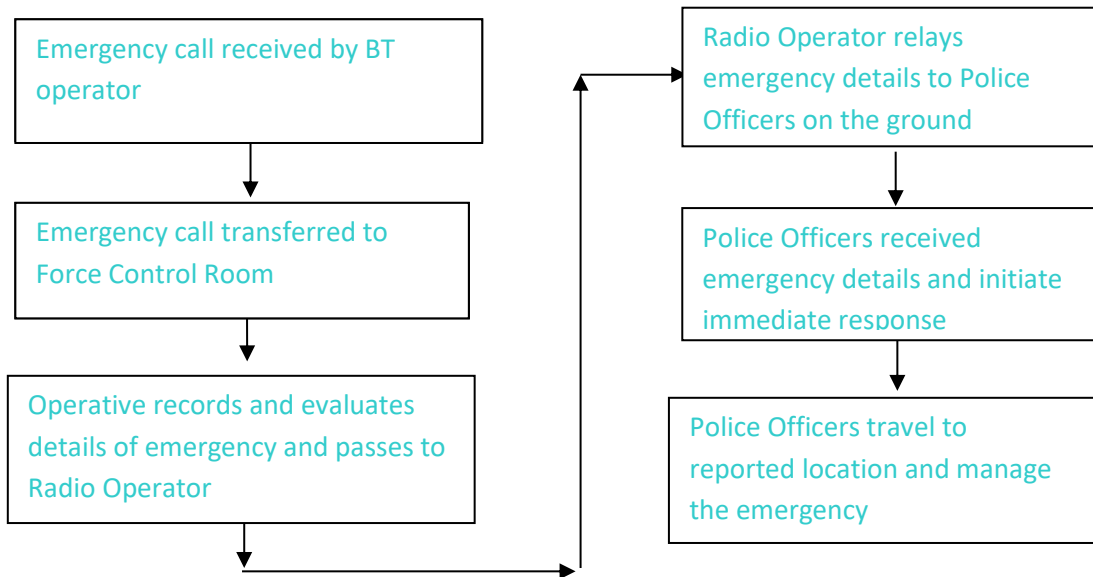
There are many techniques available for risk assessment. How useful they are will depend upon the type of risk and type of organisation.

3.1 Risk identification

Group discussions and team meetings are excellent opportunities to identify risks. Consultation with stakeholders is also crucial. Everyone will have their own ideas on what constitutes a risk to their area or department and therefore as a result, a much broader view will be achieved. A similar approach is adopted to compile the area, department and Constabulary Business Continuity Plans, which is mentioned briefly in Appendix 2.

The following Flow Chart and PESTELO analysis are just two of the tools frequently used to help identify risks.

Flowcharts



This is a simple technique that enables any "flow" to be broken down into its component parts. Take this example of a police emergency response.

This allows us to examine the process in greater detail to identify events with the potential to disrupt the flow or achieve the objective.

What risks could happen?

Examples: delay answering the call, wrong location provided by emergency caller, location incorrectly recorded by Control Room Operative, vehicle problems, driver gets lost, location of emergency cannot be found, etc.

PESTELO Analysis

Assessing and understanding the following factors can help identify potential risks. The following headings can help to categorise both strategic and operational risks:

- **Political:** New government and police reforms (such as the introduction of the police and crime commissioners.) Confusion over governance and accountability during the transitional period as mentioned on the Force Strategic Risk Register.
- **Economic:** Recession, unemployment and a budget deficit leading to the risk of Cumbria Constabulary not being able to function.
- **Social:** Population changes, community changes, social unrest, strikes and the risk of higher levels of crime.
- **Technological:** Cybercrime, risk of inability to keep pace with criminals, IT cuts in support and development.
- **Environmental:** Geography, storms floods and pollution etc.
- **Legislative:** New laws introduced, ensure compliance and that customer expectations are still met.
- **Organisational/Management/Human Factors:** Risks arising from inadequate adoption of management practices or lack of operational support.

When describing a risk, it is important to be specific and not to pitch the problem at too high a level, where it can lose its meaning. This can make it difficult to fully evaluate the potential impact and the likelihood of risk. Another common problem is to describe the risk entirely in terms of consequence, rather than the events or actions that would lead to the consequence.

3.2 Risk Analysis

After you have identified potential risks, it is then important to analyse the risk and decide whether any mitigating actions should be taken. There are a number of tools that can help you to do this.

Risk Profiling / Risk Registers (Risk Assessment Scoring Matrix)

This is a technique described as a likelihood / impact matrix. It is a framework process that has emerged, to assist organisations conduct a systematic identification and assessment of significant risks, to identify control measures and to monitor their effectiveness. Risk profiling is closely associated with the development of risk registers, now common across the private, public and third sectors.

Estimating Likelihood – Criteria

Level of risk can be expressed as the likelihood of the risk event happening and the severity of the impact if it does.

As the likelihood and impact increase, so does the level of risk. To start, the level of risk should be assessed assuming that NO risk control measures are currently in place. This is called an assessment of the GROSS or INHERENT risk.

It is important that the gross risk is evaluated to enable an understanding of the true nature of the underlying inherent risk. Often the really big risks are well controlled, and we forget the threat they pose. By identifying the gross risk, it highlights the importance of the controls that are needed to modify the most potentially damaging risks. This is a largely qualitative judgement and therefore it helps to have some form of organisational standardisation to estimate likelihood and impact like the two templates on the next two pages.

Risk Assessment **Likelihood** Scoring Matrix

Likelihood Score	Tolerance Levels – Likelihood Assessment	
5	Very High	A risk has a very high score if there is a 90% or more chance of it happening every year. This means that it is almost certain to happen regularly.
4	High	A risk has a high score if there is a 65% to 90% likelihood of it happening at some point over the next 3 years. Basically, it probably will happen but it won't be too often.
3	Medium	A risk has a medium score if the likelihood of it happening is between 20% and 65% over the next 10 years. This means it may happen occasionally.
2	Low	A risk has a low score if the likelihood of it happening is between 5% and 20% at some point in the next 25years. This means it is not expected to happen but it is possible.
1	Very Low	A risk has a very low score if the likelihood of it happening is less than 5% over 100 years. Basically, it could happen but it is most likely that this would never happen.

Risk Assessment Impact Scoring Matrix

Impact Score	Description					
		IMPACT ON SERVICE PROVISION	FINANCIAL IMPACT	IMPACT ON PEOPLE	DURATION OF IMPACT	IMPACT ON REPUTATION
5	Very High	Unable to function, inability to fulfil obligations	Severe financial loss > £3M	Multiple fatalities	In excess of 2 years	Highly damaging, severe loss of public confidence or being declared a failing Force
4	High	Significant impact on service provision	Major financial loss £1M to £3M	Fatality	Between 1 year - 2 years	National publicity, major loss of confidence or serious IPCC complaint upheld
3	Medium	Service provision is disrupted	Significant financial loss £500k to £1M	Serious injury, RIDDOR reportable	Between six months to 1 year	Some adverse local publicity, legal implications, some loss of confidence
2	Low	Slight impact on service provision	Moderate financial loss £100k to £500k	Slight medical treatment required	2 to 6 months	Some public embarrassment, or more than 1 complaint
1	Very Low	Insignificant impact, no service disruption	Insignificant financial loss < £100k	First Aid treatment only No obvious harm/injury	Minimal - up to 2 months to recover	No interest to the press, internal only

3.3 Risk evaluation

Risk evaluation is where you assess the likelihood of the event happening and the impact BUT THIS TIME WITH CONTROL MEASURES IN PLACE AND IMPLEMENTED. (See your area/Dept risk register for information). This gives a measure of the **NET** or **RESIDUAL RISK**.

It is a measure of the risk as it stands today, with current control measures in place.

It is very common for the results of the risk assessment to be expressed as:

RED - for high risk with risk scores from 15 to 25

AMBER - for medium risk with risk scores from 4 to 12

GREEN - for low risk with risk scores from 1 to 4

A matrix table is normally used for this process, and it is very important to be clear if the risks displayed are the **GROSS RISK** (before control measures) or **NET RISK** (after controls are in place).

Cumbria Constabulary uses a **LIKELIHOOD and IMPACT matrix** score from 1 to 5, in order of 1 being very low, 2 being low, 3 being medium, 4 being high and finally 5 being very high. A final score is then calculated to include as part of the Risk Register Summary Table. These are detailed in the Risk Management Policy.

By this stage we have evaluated how likely it is to happen and the potential impact on our business objectives if it does. We have measured/scored the risk in its GROSS (inherent) and its NET (residual) state. We have a good idea of what the key controls are and how effective they are. It is sometimes called the “so what?” or “am I bothered?” stage of the process.

Now we must consider if we need or choose to take any action to further modify the risk. It is at this stage that the risk profiling process most clearly interacts and should be integrated with resource and business planning activities. If the risk is within our risk tolerance, we may decide to do little more than monitor the situation for changes. If the risk exceeds our risk tolerance, we may decide to take further actions and allocate resources accordingly to reduce the likelihood or impact. If it is well within our risk tolerance, we may decide we have a greater appetite for risk and relax some controls thus saving on resources.

To help make and steer decisions, an action planning grid can be overlaid upon the risk matrix. The location of a risk on the matrix, can also be tied into the risk communication and reporting process. Currently this is required four monthly and submitted to the Chief Officer Group.

Many organisations require that a risk which falls in the top right-hand quadrant of this grid (Final Scoring Matrix), or indeed all “net red risks” be reported or escalated for consideration at a higher level within the organisation.

Risk evaluation is primarily the continual activity used to monitor, whether the actions put into place to manage risks have worked or not.

Risk Assessment Final Scoring Matrix

		Impact	Impact	Impact	Impact	Impact
		Very Low (1)	Low (2)	Medium (3)	High(4)	Very High (5)
Likelihood	Very High (5)	5	10	15	20	25
Likelihood	High (4)	4	8	12	16	20
Likelihood	Medium (3)	3	6	9	12	15
Likelihood	Low (2)	2	4	6	8	10
Likelihood	Very Low(1)	1	2	3	4	5
		Impact	Impact	Impact	Impact	Impact
Risk Management Action Level	Accepted risks that can be tolerated but still require monitoring	Low likelihood high impact risks are viewed as much more severe than high likelihood low impact risks. Both types require relevant and proportionate action(s) to reduce or mitigate them		Immediate and sustained action is required to reduce or mitigate them		

4. Risk Treatment

The purpose of risk management is NOT to eliminate all risk. It is about gaining a better understanding of the nature and scale of risks that could impact on business objectives and then taking actions to reduce or mitigate downside threats and maximise upside opportunities. Risk treatment involves selecting options for modifying risk.

It is important however to strike the right balance between too little treatment or control and over control. Successful risk taking can reap rewards in terms of innovation and creativity leading to improved products and services. Organisations should be able to accept risk, the important thing is to take the risk knowingly having assessed the consequences and judged these to be acceptable, rather than be unwittingly exposed to risk.

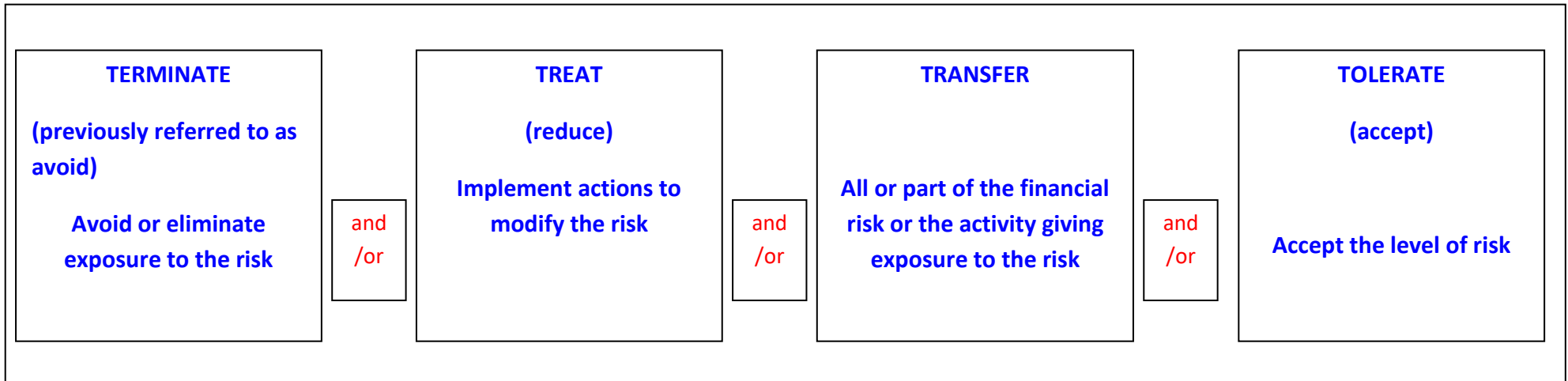
Effective risk management requires that a balance be struck between the two extremes:

- Too little control or ignorance of risk results in the organisation being exposed to damaging level of loss, unnecessary waste and being ill-prepared for events that may take it by surprise.
- Too much control or obsession with risk stifles innovation and creativity, will result in lost opportunities and over-investing in control measures that bring no additional cost benefit.

The cost of risk control must be balanced against the benefit of controlling the risk. Organisations must take care to ensure that they do not invest more in the control measure than the cost of the risk it is designed to control. E.g. It is pointless spending £10,000 to manage a risk that will only cost you £5,000 if it occurs!

When deciding on options to treat or modify a risk the classic approach is to consider the 4 T's.

The 4 T's of Risk Treatment



4.1 TERMINATE

This may be the rarest of options taken as the primary purpose of risk management is not to stop us doing things, rather to make us more successful in our business activities.

However, there may occasionally be circumstances when the assessment of the net or residual risk is beyond the risk tolerance of the organisation and so consideration may need to be given to terminating the activity giving rise to the risk or changing operations to terminate the risk.

Example:

Cumbria Constabulary stopped taking into custody, drunk and incapable members of the public to sleep off intoxication due its risk to the organisation. A similar approach was adopted for people with head injuries, who were taken straight to hospital or seen by the custody nurse and if necessary, sent to hospital to avoid possible risk.

4.2 TREAT

When deciding to treat the risk, it is important to consider and identify control measures that impact on both sides of the risk equation - i.e. likelihood and impact.

First consider measures that can reduce the likelihood of a threat or increase the likelihood of the opportunity.

Next consider risk controls or responses that help mitigate against the impact of a risk event with negative consequences or that can help support / maximise positive consequences of an opportunity.

The implementation of policies and procedures assist, but the control is not the policy or procedure, it is the steps taken to make sure the policy / procedure is being followed.

There are no hard and fast rules for controls, but we know that:

Effective Controls are:

- Less reliant on people.
- Designed in.
- Easy to do.
- Well communicated and understood.
- Supported by managers.
- (Often) more expensive to implement than less effective solutions.

Less Effective Controls are:

- Highly reliant on people.
- Difficult to do / conflicts with other priorities.
- Poorly communicated and misunderstood.
- Lack management support.
- (Usually) cheaper to implement than more effective solutions.

Where the consequence of failure is high you would expect to see very high levels of engineered controls.

Example:

In order to reduce the likelihood of increased sickness in the workplace, the staff have been given flu vaccinations and received stress management training days. In order to reduce the impact if there were sudden bouts of flu, every department has a business continuity plan with prioritised services identified.

Risk Treatment Technique – Bow Tie Method

Bow ties are best constructed in a facilitated workshop and the “Risk Event” is placed in the centre. The bow tie is then constructed to the left and right.

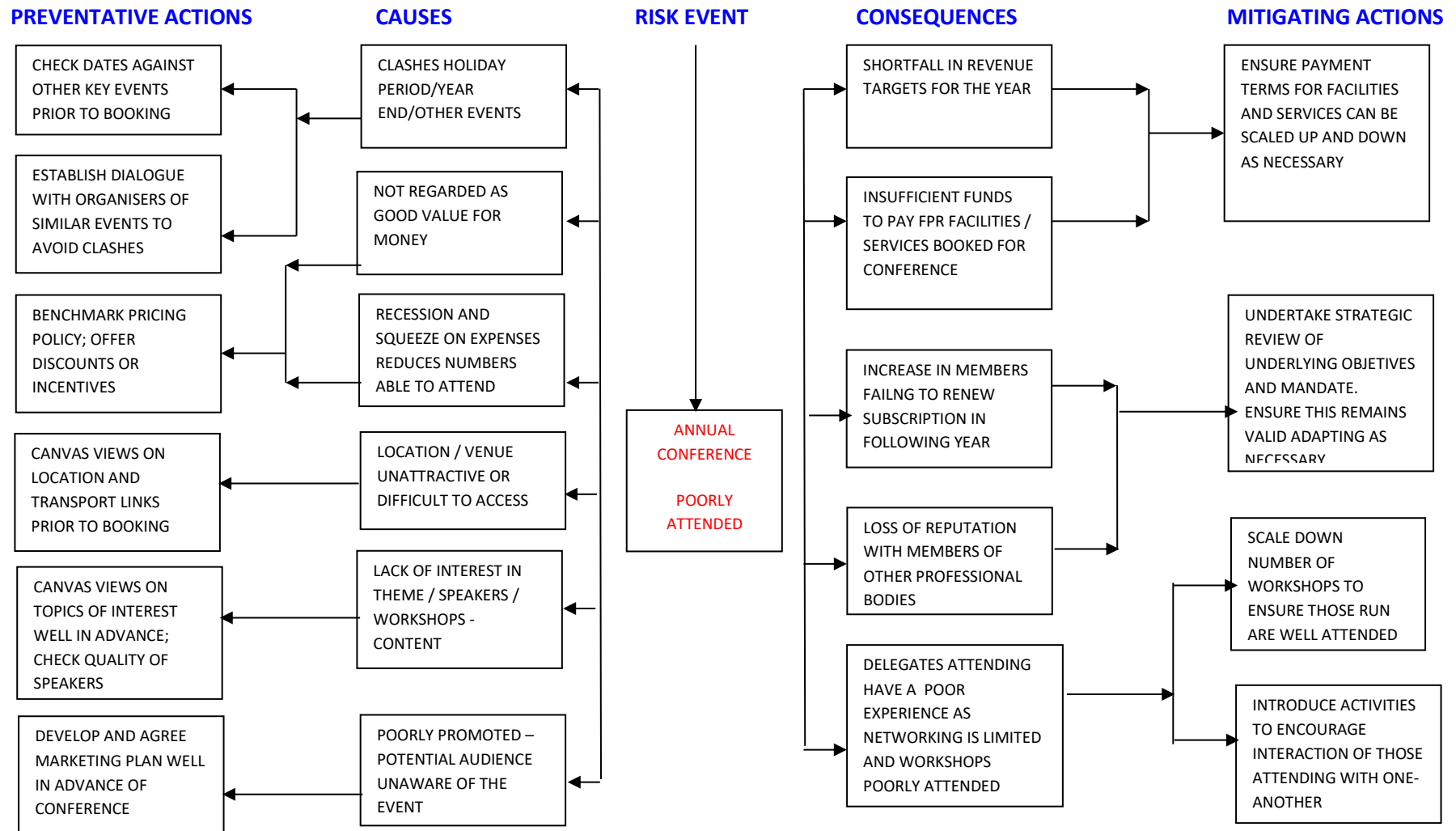
To the left of the risk event, we identify all the activities and events that could cause risk to the event. For each of these causes we then consider and document actions that can help to prevent or reduce the likelihood of the event.

On the right hand side, we identify the impact or consequences of the risk event. For each of these we then consider and document actions that can help to mitigate or reduce the impact of the event.

BENEFITS OF BOW TIES

- Visual nature appeals to many.
- Encourages a thorough exploration of the issue.
- Can be applied to both strategic and operational situations.
- Assists creative and innovative thinking.
- Clearly establishes links between control actions and the risk event.
- Can be mapped to a traditional risk register / risk matrix.

RISK BOW TIE – EXAMPLE



4.3 TRANSFER

The transfer of risk can be done by way of a financial transfer or by an activity transfer as follows:

FINANCIAL TRANSFER - This is a standard condition of contract in a wide range of business agreements including leasing and hiring agreements. Contract conditions may include devices such as indemnity agreements, waivers, hold harmless agreements etc. Although in common use, problems can arise in that contract terms may be unenforceable; the transferee may not be equipped to effectively manage the risk and may be unaware of their financial and contractual responsibility.

Example:

Insurance is taken out to reduce the risk of the repair costs of damage or destruction to our estate premises, which is provided by Gallagher Bassett.

ACTIVITY TRANSFER - This can be a useful tool, but care must be taken to ensure that the organisation to which the activity is transferred is equipped to effectively manage and control the risk. In many cases both the activity and financial controls are transferred.

Example:

Cleveland Police have outsourced its Communications Centre to a third party, who subsequently takes responsibility for the effective running of that service.

Although the transfer takes place successfully, if something goes wrong, your customers / members of the public will still hold you to account, not your contractor. It is very difficult to transfer the risk to your reputation.

Also, health and safety legislation places a responsibility on the client to assure themselves of the competence of their contractors. There have still been examples in both criminal and common law where the client has been successfully prosecuted or sued as a direct result of the actions of its contractor, even where contract terms would appear to have transferred all responsibilities.

Insurance is a mechanism for providing financial protection against specified contingencies, but policy terms and conditions must be carefully scrutinised as the cover must match the needs of the business. Only some of the financial loss is transferred, as if a loss is suffered there will still be a possible damage to reputation, injury to people and any uninsured loss to contend with.

It is generally considered to be smoothing device to protect against financial disruption in the short to medium term.

4.4 TOLERATE

Risk tolerance is described as the maximum risk that can be taken before distress.

Organisations may be prepared to tolerate different levels of risk depending on the type of impact or consequence.

For example, an organisation may be able to tolerate a financial risk that would be categorised in the red zone, whereas it would declare it is not prepared to tolerate any safety risk with a impact greater than medium i.e. not prepared to tolerate any risk that might result in a fatality or serious disabling injury to a member of staff.

There is a subtle difference between risk tolerance (how much risk you can take) and risk appetite (how much risk you want to take).

Risk appetite is described as the amount of risk an organisation is prepared to take for reward.

It is vital that the risk appetite of an organisation does not exceed its risk tolerance.

5. Monitor and Review

It is important that risks and their controls are continuously monitored. It is also important to monitor the environment to identify emerging risks. (Cumbria Constabulary, currently do this at a force level.)

Over time all systems and processes will deteriorate unless subject to regular monitoring and review.

The main purpose is to ensure that lessons are learnt and that changes are monitored to ensure the system and processes in place remain relevant.

As risk management becomes embedded and integrated, an important step is for the organisation to determine and monitor a set of:

- Key Risk Indicators – Indicators which monitor and detect changes that may alter the likelihood or impact of a key risk.
- Key Control Indicators – Indicators which monitor and detect changes in the performance of control measures in place to modify key risks.

Responsibilities should be clearly defined showing risk owners, control owners and those responsible for the overall process review. The frequency of the reviews will depend on the type of risk involved and it is strongly recommended to benchmark the stage of maturity against other similar organisations.

How to Make it Work – Embedding Risk Management

What benefits should we expect?:

- Achievement of objectives.
- Reduced wastage.
- Improved performance.
- Reassurance.
- Enable compliance with legislation and regulations.
- Improved efficiency / savings.
- Improved productivity / profitability.
- Improved reputation.

It provides a framework for control: i.e.

- A consistent approach to risk identification, internal control and reporting.
- A tool for tracking the status of key risks.
- Informs newly appointed managers about key risks within their area.
- Enables identification of cross-organisational risks and opportunities.

Better informed decision making:

- Ensures nature and scale of threats and opportunities are better understood.
- Informed decisions on allocation of resource to avoid problems and support success.
- Improved confidence to exploit opportunities, as risk and capability to address the risk is better understood.

GOOD RISK MANAGEMENT HELPS YOU TAKE MORE RISK (SUCCESSFULLY)

It provides reduced volatility:

- Raises awareness of events that could impact on objectives.
- Improves communication of threats and opportunities across the organisation.

REMEMBER FORWARNED IS FORARMED

It provides improved stakeholder relationships:

- Supports communication on the risks associated with activities with internal and external stakeholders.
- Improved stakeholder confidence as you are able to demonstrate awareness of risk but also your capability to manage.
- Satisfies regulatory requirements and pressures.

It protects the organisation:

- Enhances control of events which might threaten or damage the human, financial or physical resources of the organisation.
- Enhances control of events that might damage the reputation of the organisation.
- Helps to ensure compliance with legal and regulatory requirements.
- Improves organisational resilience.

BUT FAILURES STILL HAPPEN – WHY?

- SEEN AS BUREAUCRATIC!
- SEEN AS WE DO THIS ALL THE TIME! (BUSINESS AS USUAL)

JUST SOME EXAMPLES OF RISK MANAGEMENT FAILURES:

- CAPSIZE OF THE HERALD OF FREE ENTERPRISE 1987.
- PIPER ALPHA OIL PLATFORM EXPLOSION 1988.
- THE DOWNFALL OF BARINGS BANK 1995.
- LEGIONNAIRES DISEASE IN BARROW 2002.
- BABY P – VICTORIA CLIMBE 2007
- COLLAPSE OF THE ICELANDIC BANKS 2008.
- LEHMAN BROTHERS 2008
- NEWS OF THE WORLD 2011.
- NORTHERN ROCK 2012.
- BHS 2016
- THOMAS COOK 2019

Key Factors to Make It Work!

Visible commitment from the top:

- Articulated and endorsed through a policy and framework for managing risk.
- Lead through actions – risk-based decision making, aligned with strategic objectives.
- Clear understanding of the risks to the business. Set risk tolerance and risk appetite.

- Active support and adequate resource for risk management initiatives.
- Assurance on status of key risks indicators (KRI's) and key control indicators (KCI's) sought and followed through.

An organisational framework to ensure:

- Clearly defined responsibility and accountability.
- Training for all relevant stakeholder groups to raise awareness of benefits, establish responsibilities and improve skills in management of risk.
- Ownership clearly established for risks and key controls.
- Clearly defined lines for reporting and communication.

Integration into management processes:

- Ensure the benefits for business and resource planning are clearly established through integration with the “normal” business planning processes.
- Integrate into performance management system and establish Key Performance Indicators.
- Integrate with reporting and review systems, including internal audit.
- Include development of risk management skills within leadership and management development programmes.

APPENDIX 1 – Risk Register Template



Risk Register
Template.docx

Updating your risk register

Initial Score means Gross Risk (before controls are in place), whilst Latest Score means Net Risk (after controls are put in place).

When an update takes place, please amend the Latest Score, Net Risk section of the Risk Register. This will show a continual comparison against the gross risk and if your actions are being effective.

It is also essential that when a Risk Register is updated, the version control number is changed, to provide a paper trail showing progress against the risks identified and avoid the potential for errors. This will also assist in the four monthly updates submission to Insight and Performance and make it clearly identifiable which is the latest version.

If progress has been successful and you wish to withdraw an item from your register, please do so.

APPENDIX 2

Business Continuity

Business Continuity Management is a huge subject area in its own right and forms an essential part of risk management. It is important to recognise the developing contingency plans and improving resilience of an organisation is one of the key measures for mitigating the impact of many risks.

Studies have shown that:

- 43% of companies suffering a disaster never re-open.
- 80% of organisations without a Business Continuity Plan fail within 18 months of a disaster.
- 53% of firms recover 25% or less of total losses through insurance.
- Coping well with disaster improves customer and stakeholder confidence.

Do not believe it will never happen to you!

Developing a BCP

1.

- **Understand the organisation and know the business.**
- What are the mission critical activities?
- How long can they be suspended before significant harm or hardship is encountered?
- Consider the options.
- Range from “do nothing” to “recovery within hours”.

2.

- **Develop and document plans.**
- Plan for loss of key resources needed to perform critical tasks.
- May need short / medium / long term plan.

3.

- **Command Control and Communication**
- Consider how the plan will be activated.
- Consider by whom and how decisions will be made.
- Develop robust communication plans for staff, customers and other key stakeholders.
- Exercise and test the plans to ensure that they work.
- The above helps educate and inform key players.
- Lessons learned will improve the plans.

The Civil Contingencies Act was introduced in November 2004. Risk Management and Contingency Planning are mostly covered in Part 1 of the Act, whilst Part 2 allows for special temporary legislation to deal with the most serious emergencies. For Part 2 to be invoked, the scale of the emergency must pose a threat to one of the regions of the UK or constituent parts.

All BCU's and departments have a Business Continuity Plan - do you know what's in yours?

All Force level plans have been tested.

Critical Services for Cumbria Constabulary have been determined for the provision of a minimum level of operational response, and have been agreed by Chief Officers as follows:

- Preserving Life.
- Preventing serious injury.
- Responding to and investigating situations where there is genuine concern for a vulnerable person.
- Responding to and investigating incidents involving suspicious, accidental or unnatural deaths.
- Responding to other priorities articulated within associated Gold Strategy (for example the strategy set by the Local Resilience Forum SCG in responding to a multi-agency emergency.)
- Responding to and investigating incidents involving substantial loss of/damage to/theft of property.

Critical Activities involving the key Directorates and business responsibilities are listed below, but the list is intended to be illustrative and not definitive. It is suggested that these are essential in delivering a flexible operational service in the event of foreseeable disruptive threats (e.g. fuel shortage, severe weather, pandemic illness):-

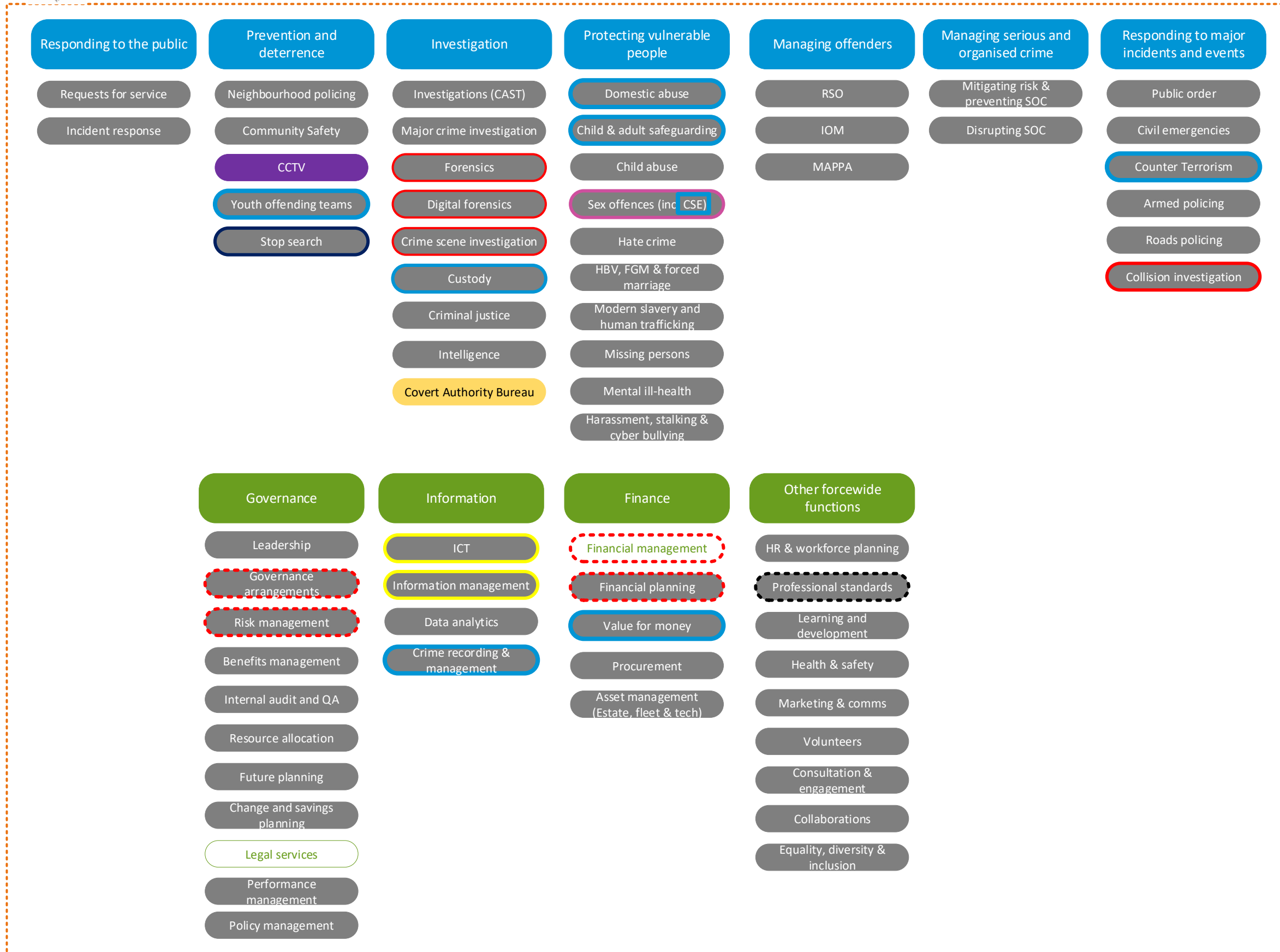
- Finance (salaries, agreeing expenditure, insurance)
- Marketing & Communications (public/ staff/ partners information)
- ICT (networks/ telephony/ radios/ computers/ data-sharing)
- Fleet (maintaining operational response & transport)
- Estates (utilities, buildings, subsistence)
- Procurement (supplies for operational staff)
- Personnel (staff policies, dynamic staff movement, skills, Occupational Health / Welfare)
- Legal Services (strategic risk management, contracts)

For more information on Cumbria Constabulary's Business Continuity arrangements visit the Civil Contingencies page on the intranet.



Cumbria Constabulary: Assurance Landscape for Policing

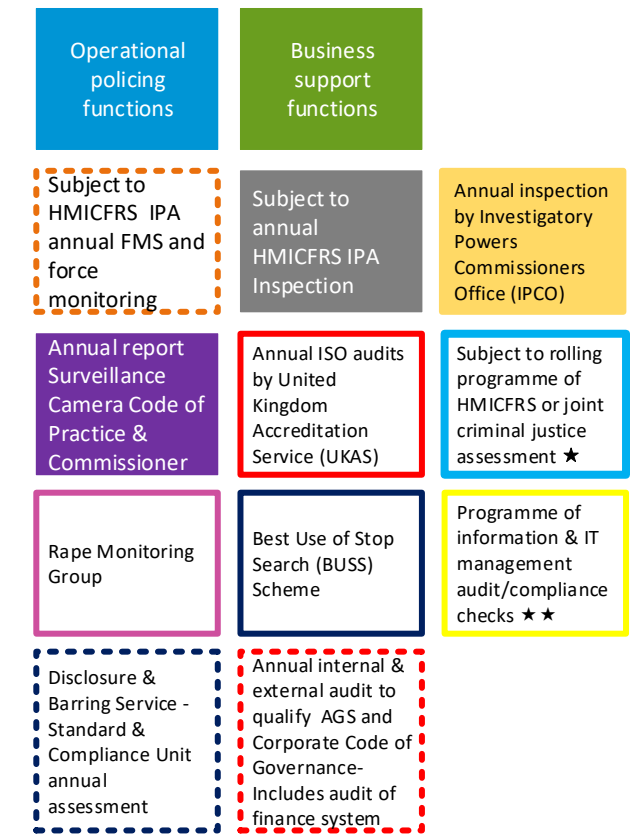
(Regular and proactive inspections, audits and compliance checks undertaken by external and regulatory bodies)



HMICFRS PEEL is an annual assessment of each police force in England and Wales. Forces are assessed on their effectiveness, efficiency and legitimacy. They are judged as outstanding, good, requires improvement or inadequate on these categories (or pillars) based on inspection findings, analysis and Her Majesty's Inspectors' (HMIs) professional judgment across the year.

- The Integrated PEEL Assessment (IPA) comprises 3 elements:
1. Annual Force Management Statements to inform risk assessment and inspection programme
 2. Two-stage force monitoring (scan and engage) which takes place 3 times a year to identify emerging problems with a formal escalation process if there is a low prospect of resolution
 3. Annual inspections against the 3 pillars

KEY:



Partnership safeguarding arrangements inspected by OFSTED

Approach to PEQF means subject to OFSTED inspection as an education provider

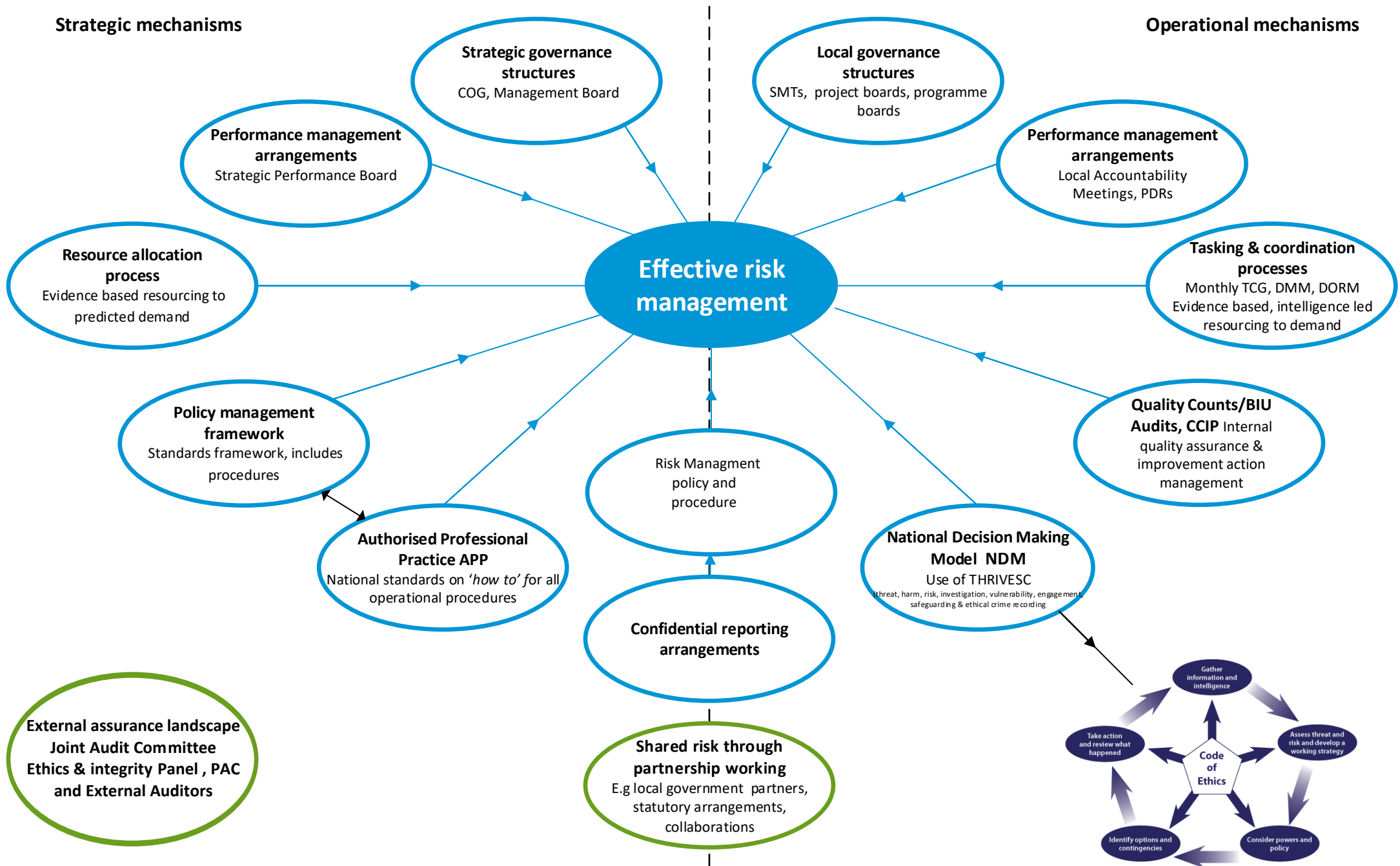
NOTES:

- ★ Includes: Joint criminal justice inspectorate for child protection; crime data integrity; value for money annual reports; unannounced inspections of custody;
- ★★ Includes - GIRR is the GOVERNANCE AND INFORMATION RISK RETURN submitted to NPIRMT (National Police Information Risk Management Team) part of the Home Office, annually. It sets out both technical and non-technical security controls which we are mandated to comply with and report on.
- NIST National Institute of Technology is a security risk management framework (SRM) with which we seek to comply as part of our migration to the core National Enabling Programme services. We are visited/reviewed/audited by Deloitte as part of a continuing programme
- Several technical IT Health Checks by CHECK team accredited pen-testers are commissioned by us each year, including a main annual ITHC of all key technical network architecture components.
- CTU physical intrusion pen-tests of our estate, arranged by CTU or PSD
- Three-yearly audits of crypto assets (mainly focused on crypto custodian by CESG (UK government national technical authority for information assurance.)



Cumbria Constabulary: How we manage risk

(Summary of risk control mechanisms utilised in the Constabulary)



Risk

This page is from APP, the official source of professional practice for policing.

First published 23 October 2013 Updated 23 October 2013

Written by College of Policing

26 mins read

This authorised professional practice (APP) presents ten principles related to taking and reviewing risk.

Risk principles

The approval of ten risk principles is a first step towards the police service encouraging a more positive approach to risk by openly supporting decision makers and building their confidence in taking risks.

The ten principles convey strong and consistent messages about the nature and consequences of risk taking and should provide reassurance to the public and the police service. When police officers and staff use the [national decision model \(NDM\)](#) and the principles, they have a more flexible policing environment where they are better equipped and supported in exercising professional judgement.

When responding to an incident which involves partners from other agencies, one of the key principles is having a joint understanding of risk and the use of the joint decision model (JDM). Further information can be found within the [Joint Emergency Service Interoperability Principles \(JESIP\)](#).

Principle 1

The willingness to make decisions in conditions of uncertainty (that is, risk taking) is a core professional requirement of all members of the police service.

Uncertainty is an inherent feature of operational decision making.

- By definition, decisions involve uncertainty, that is, the likelihood and impact of possible outcomes cannot be totally predicted, and no particular outcome can be guaranteed.

- Operational incidents are by their nature dynamic. Decision making in dynamic situations often has to take place on the basis of incomplete or inaccurate information, and can be exacerbated by ambiguity, confusion, contradictions, ill-defined problems, blurred boundaries and other factors affecting the amount of control that can be applied.

Making decisions in an operational context is a form of risk taking.

- Risk relates to anything uncertain in the future. It is everywhere – at work, at home, at play, in both activity and inactivity.
- If everything was known about a situation, or there was complete control over it, there would be no risk. Thus, every operational problem awaiting a decision can be restated as a risk.
- Viewing decision making as risk taking allows the police service to focus on controlling and improving the quality of decision making.

Risk taking offers the possibility of harm but also the chance of success.

- As a natural part of life risk should not be feared, yet the term has assumed negative connotations, that is, that something is a risk only when the chance of harm and criticism is high.
- As a result, making risk decisions has become associated with blame, fear, internal and external inquiries and, therefore, something to be avoided. Despite the inherent uncertainty, however, operational decision making provides the opportunity for success as well as the possibility of harm.

As professional risk takers, members of the police service must be willing to take risks rather than avoid them.

- Using their special legal authority and access to resources, police officers are expected to respond to risks and act in the face of uncertainty.
- Avoiding making a decision because of the level of uncertainty, or simply to avoid the possibility of harm, is unprofessional and could have disastrous consequences both for the public and the police. Although the risk of harm always exists, more often than not police operational decisions are successful and harm does not occur.
- Officers must take risks in order to learn to be a good risk taker.

Principle 2

Maintaining or achieving the safety, security and wellbeing of individuals and communities is a primary consideration in risk decision making.

The police have a duty to confront risks and to make risk decisions on behalf of the communities they serve.

- Protection of the public (directly and indirectly) is the primary consideration for all decisions made by police officers and staff.

Fear of being criticised if harm results from a risk decision should not distract the police from their duty to protect the public.

- Even though making a decision involves the risk of criticism if harm occurs, this risk to the reputation of a police force or an individual member is secondary to the primary responsibility to protect life.

Although there is a duty to protect life, this duty is not absolute.

- Court judgments have consistently said there can be no rigid standard regarding the positive obligation to protect life. They emphasise that police officers are entitled and expected to take other considerations into account. See, for example, re Officer L [2007] UKHL 36, para 21 (in relation to the positive obligations on authorities under Articles 2 and 3 of the European Convention on Human Rights).

The standard is based on reasonableness, which brings in consideration of the circumstances of the case, the ease or difficulty of taking precautions and the resources available. In this way, the state is not expected to undertake an unduly burdensome obligation – it is not obliged to satisfy an absolute standard requiring the risk to be averted, regardless of all other considerations.

Principle 3

Risk taking involves judgement and balance. Decision makers are required to consider the value and likelihood of the possible benefits of a particular decision against the seriousness and likelihood of the possible harms.

Risk takers should consider and compare the value of the likely benefits and the possible harms of their proposed decision.

- Decision makers must be able to exercise sound judgement in coming to an appropriate decision. They should consider how to make the benefits more likely and valuable, and the harms less likely and less serious.
- Practitioners may be unused to identifying potential benefits but they can do this simply by identifying and assessing the short, medium and long-term benefits of their proposed risk decisions. In the event of subsequent scrutiny, practitioners should be prepared to communicate (to judges and others) the perceived importance and likelihood of those beneficial outcomes.
- In the face of uncertainty the object is to think clearly and rigorously to obtain the best possible picture, without pretending that the comparison can ever be exact.
- If it becomes apparent that a decision cannot be justified because the seriousness of the likely harm exceeds the potential value of the possible benefits, an alternative decision should be considered.

Greater consideration and mitigating action should be directed at serious risks where the likelihood of harm is high.

- Risks relating to minor offences need consideration and appropriate action, particularly as repeating a particular risk decision (for example, to stop and search someone) can affect the public's perception of the police.
- Greater effort should go into addressing the risks that may cause the most harm (for example, offences which result in people being killed or seriously physically and emotionally injured).
- The seriousness of a risk should be determined by examining both the gravity of the outcome and its likelihood. For example, something may be extremely serious if it happens, but highly unlikely to occur at a particular time. A person can be killed crossing a road but this does not – and should not – stop people from crossing roads. If the potentially serious outcome is unlikely to happen, then it can be a wise risk to take.
- This approach (that is, determining the likely seriousness and degree of possible harm):
 - enables efforts to be focused on reducing the risk posed by those considered to represent or be at highest risk
 - takes account of the need for a proportionate, cost effective and practical response
 - allows the police to target resources where most needed and to improve the security of the community even further

The rigour of operational decision making must be proportionate to the seriousness of the risks involved and be supported by appropriate, considered and robust systems.

- Effective risk taking relies on decision makers being able to make quality decisions, that is, recognising risks, thinking through possible solutions (at the same time weighing up the likely benefits and possible harms of each) and then managing the risk while implementing the chosen solution (often but not always in fast time).
- Forces are responsible for ensuring officers and staff are able to apply a range of risk-related knowledge, skills and techniques when dealing with operational incidents. This includes:
 - inserting risk into national, regional and local plans, training courses and audit processes
 - using validated formal risk models, wherever possible, to address specific types of offences and situations (such as domestic abuse)
 - establishing partnerships between the police and others, eg, multi-agency public protection arrangements (MAPPA) and multi-agency risk assessment conferences (MARAC)
 - providing appropriate equipment for operational activities, and training in its use
 - enabling senior officers – through training, assessment and monitoring – to provide effective leadership when commanding operational situations

Principle 4

Harm can never be totally prevented. Risk decisions should, therefore, be judged by the quality of the decision making, not by the outcome.

It is in the nature of risk taking that harm, including serious harm, will sometimes occur.

- The task of identifying, assessing and managing risk is challenging, yet many people judge risk decisions simply by examining the end result, that is, whether the decisions led to success or failure, to benefits or harm. The law, however, recognises that harm will sometimes occur irrespective of the quality of the decision making, and does not require that all risks are eliminated.
- If it becomes apparent that a decision cannot be justified because the seriousness of the likely harms exceeds the potential value of the possible benefits, an alternative decision should be considered.

The fact that a good risk decision sometimes has a poor outcome does not mean the decision was wrong.

- Even when all the right and appropriate precautions have been taken, injuries and deaths may still occur. Good risk management should increase the likelihood of successful decisions but will not, in itself, guarantee that harm will not occur.

Similarly, it cannot be assumed that a decision was right just because no harm occurred.

- Although the risk of harm always exists when a decision is made, more often than not the decision is successful and harm does not occur. Some successful outcomes, however, may happen in spite of poor decision making or management.

A risk decision should be judged by how it was made, implemented and managed rather than by the outcome.

- Rather than focusing on the outcome, assessments of decisions should concentrate on whether they were reasonable and appropriate for the circumstances existing at the time. If they were, the decision maker should not be blamed for a poor outcome.

Good risk management can help to reduce potential harms and increase potential benefits.

- Officers and staff should not focus exclusively on risk identification and risk assessment but consider also the potential for risk management. Whereas risk management (for example, the use of skills and resources) can remedy a poor risk assessment, the converse does not apply.
- All documents concerned with risk decision making should address the potential contribution of improved:
 - risk identification
 - risk assessment
 - risk management
 - risk procedures
 - management of resources
 - learning from experiences (positive and negative)
 - coordination of risk taking with partner agencies

Good risk-making tools can help to ensure quality decision making.

- Formal risk identification (RI), assessment (RA) and management (RM) processes and tools are a useful aid to decision making in relation to:
 - reducing the risk posed by serious offenders
 - increasing the protection available to vulnerable people
 - improving the identification and management of 'risky' locations
- The Association of Chief Police Officers (ACPO) has approved a small number of RI, RA and RM tools for use by the police. These include RM Matrix 2000, OASys, ASSET and DASH (a model developed specifically for domestic abuse).
- Care is needed in using other risk-assessment tools, particularly clinical models, as they may require more specialist knowledge, experience and training than the police can supply. While other disciplines (for example, psychology and medicine) have valid claims to expertise in some forms of risk assessment, the police are the authorities on risk management.
- The police service should continue to research, develop, validate and maintain RI, RA and RM processes and instruments.

All risk assessment is affected to some degree by imprecision and subjectivity.

- Expectations about risk assessments, decisions and management must be realistic. No matter how good they appear to be, it is impossible to use the information derived from a formal risk instrument to predict with certainty the behaviour of an individual or the outcome of a particular situation.
- RI, RA and RM tools should be regarded as an excellent, but limited, means of improving the likelihood of identifying and preventing future offending or victimisation. They can enhance professional judgement but not replace it.
- Risk assessment necessarily involves value judgements when assessing the importance or seriousness of different outcomes (for example, how valuable it is to convict a suspected paedophile, or how serious it is to put a child through the trauma of a court appearance while pursuing a conviction). The police service and other agencies can legitimately disagree on these topics but should avoid imposing personal opinions by calling on professional values whenever possible. No values, however, are involved when predicting the likelihood of different outcomes occurring. The duty is to obtain the most reliable, scientific assessment possible.

Principle 5

Making risk decisions, and reviewing others' risk decision making, is difficult. This needs to take into account whether they involved dilemmas or emergencies, were part of a sequence of decisions or might appropriately be taken by other agencies.

The quality of risk decisions is inevitably affected by the many influences that decision makers are subjected to.

- In their daily professional lives, police decision makers are subjected to numerous influences. These can impact individually or in some combination on how an officer reacts to and manages a given situation, and can have a profound effect on the likelihood of harm or benefit arising from a decision.
- While many of these influences are formal (for example, legislative, hierarchical, policy and procedural constraints) others are intangible or much less formal, but no less powerful.

When a risk decision is being reviewed, the full conditions and influences existing at the time should be identified and examined to determine whether the action taken was reasonable in those circumstances.

Risk decisions do not occur in a vacuum. Influences on risk decisions include the following.

- The dynamic nature of risks in the policing environment – risks are seldom static. Situations alter, sometimes undergoing rapid and frequent change. Constant monitoring is needed to reassess and manage risks.
- The context within which a decision is made – this is multilayered and multifaceted, and has the potential to increase or reduce a particular threat.
- Previous decisions – it is unfair to take a risk decision out of the context of those that preceded it, as they will have formed part of the reasoning that went into the final action taken.
- Organisational factors – factors to be taken into account include the availability of resources, the effect of time constraints, the existence of suitable policies and processes, access to effective information systems, the effects of workload and shift work, the example set by managers, the nature and extent of supervision and the effects of the police culture.
- Personal factors – in reacting to and managing a risk situation, a decision maker is influenced by many personal factors including their own knowledge, experience, skills, characteristics, values, preferences and emotions.

- External factors – decision making can be affected to varying degrees by factors such as knowledge of government statements and policies on crime, the outcomes of official reviews, and public expectations. Difficulties can be exacerbated in situations where the decision maker faces direct aggression or abuse, deals with highly-charged incidents or meets a lack of respect or cooperation from the community.

Decision makers have legitimate constraints on the scope of their action to investigate crime and bring offenders to justice.

A relevant consideration in assessing risk decisions is that the police must exercise their powers to control and prevent crime in a manner which fully respects the due process and other guarantees which legitimately place limitations on the actions they can take.

Decision-making strategies that can be used in real-life, dynamic, high-stake situations may be significantly different from those that can be applied when the risk can be anticipated and controlled.

- The quality of decision making can be affected by the amount of time available to make a risk decision. Dealing with an emergency, for example, (where action cannot be delayed to obtain more information or wait for assistance) places greater demands on a police decision maker than where there is time to plan ahead.
- The shortage of harm-free options may also have a bearing on the quality of decision making. For example, in situations involving dilemmas, the decision maker is faced with choosing between solutions, all of which may lead to harm.
- In situations such as emergencies and dilemmas, officers are still required to act reasonably and professionally, but the normal standards of decision making cannot be expected and, in law, are not expected.

The police service is not responsible for all forms of risk.

- The police should not assume, directly or indirectly, responsibility for all forms of risks. They may have no legal right or power to do so and could compromise their reputation by exceeding their role. Other agencies may have more appropriate skills (for example, in risk assessment), resources (for example, ability to provide long-term interventions) and legal powers.

- Officers should consider whether it is appropriate for them to accept, or to continue to accept, responsibility for a risk when there are more appropriate agencies or methods of tackling the problem. They should not encourage the public to think automatically of the police as the first or most appropriate port of call for every problem. The police must work with partner agencies rather than take on their responsibilities.

Being helpful may create other risks for police.

Assisting other agencies to meet their responsibilities can set up other risks for the police, for example, police officers helping ambulance staff to lift heavy patients downstairs when other calls of more direct relevance to the police may be going unanswered.

Principle 6

The standard expected and required of members of the police service is that their risk decisions should be consistent with those a body of officers of similar rank, specialism or experience would have taken in the same circumstances.

Total agreement between all members of the police service on the most appropriate solution in a risk situation is neither possible nor required.

- People have different levels of experience, knowledge and skills that inevitably affect the decisions they make.
- Similarly, all those involved in a risk situation, whether creating it, attempting to resolve it, or merely observing it, will perceive it in different ways. Recognising these differences and taking them into account is crucial in judging risk decisions.
- The objective is to create the conditions where risk-based decision making can flourish, that is, allow officers to identify and assess risks, and make balanced and proportionate decisions in response to them.
- Officers and staff will often feel that they lack the knowledge, skills or experience necessary for making particular risk decisions. That should not be considered a problem because policing involves such a diverse range of competencies. They should, provided it is safe to do so, refer the decision to someone who does have the appropriate knowledge and authority. If, of course, they or someone else might be harmed before that can occur, the police officer or staff member must act in that emergency to, at least, contain the threat.

- Many cases will involve, or require, a sequence of risk decisions. This has advantages because it is easier to predict likelihood and to contain what happens over short periods. Other decisions taken before a particular decision should always be taken into account when reviewing outcomes.

A risk decision does not have to be one that even the majority of officers would make.

- The standard expected of police decision makers requires only that the risk decision was comparable to one that a similarly experienced body of the decision maker's peers would have made in the same circumstances.

Police forces can use policies, plans, guidelines, checklists and rules to help with decision making but none of these can cover every eventuality.

- Official documentation can be the cornerstone of effective risk taking. These kinds of documents:
 - facilitate decisions
 - ensure legal and other requirements are met
 - help officers to know what other officers would do (although they must always think for themselves and consider the particular circumstances of their decision)
 - help both police and non-police readers to identify what current professional practice involves
- As perceptions of a risk emerge (for example, an increase in a specific type of crime) or following a specific high-profile incident, police forces typically respond by producing new and often prescriptive rules, policies or other official documents. This has led to accusations of risk aversion, whereby the police service's attitude to risk is said to have become defensive and disproportionate, with staff relying too heavily on being told what to do rather than thinking for themselves. The courts only require professionalism, as explained below.

Rules, policies or guidelines should be as light as possible while still likely to achieve what is intended.

- Where official guidelines are created, the police service should seek to be clear about their purpose, the risk to be managed, the costs, trade-offs and options considered, and how results will be achieved.
- Policies and other guidance should help rather than hinder decision makers, that is, allow them to make a balanced decision based on all the factors and then take action in a calculated and proportionate way, neither overdone nor inadequate.

Police officers and staff must, when taking risks, act reasonably.

- This is not a concession to the police. It reflects reality and is the same standard as applies to all professions. Perfection – recalling that it is a risk because all the desirable knowledge for decision making is not available – is not required.
- It is also the law. While many areas of law relate to risk taking (for example, health and safety at work) they all reflect this basic requirement. It is the basis of the law of negligence. Police officers and staff can only be sued for negligence if:
 - they owed the injured person a duty of care
 - they failed to comply with the standard of care which applies to that duty
 - the breach caused losses which the courts compensate
- The standard of care is that which a reasonable police officer would take in the particular circumstances. Even if the police officer or staff member is not being sued for negligence (for example, he or she is facing disciplinary proceedings or an inquiry has been established) he or she can refer to the standard of care in the law of negligence.
- Police officers and staff must make reasonable risk decisions. A decision cannot be unreasonable just because harm results, or reasonable because no harm results. The question is whether other officers or staff of a similar rank, specialism and experience would have made a similar decision in those particular circumstances. If a responsible body of such officers or staff would have made that decision and harm resulted, the standard of care will still have been met.
- In addition, the courts have demonstrated that they will take into account the difficulties of policing, such as competing objectives, limited resources and different practices in different places. They also recognise the influence and effects of emergencies and dilemmas.

The police service should ensure that officers and staff as well as non-police individuals and groups understand the standard of care that underpins acceptable professional risk taking.

- The problem is not the law, which supports professional risk taking. The problem, in some cases, is proving what the standard of care is. Whenever the current professional standards and practices are clear, both officers and the public 'know where they stand'. The officers know what is acceptable practice and the public know when they do, and do not, have legitimate grounds for complaint. When there is uncertainty, however, officers and staff are insufficiently supported and the public can be expected to continue with their complaints.

- Prevention is better than litigation. The police, both nationally and within individual forces, should help themselves by recognising existing risk policies. These are any documents (such as policies and guidance, and force policies and orders) which identify acceptable practice. They can be quoted to any court or inquiry as evidence of current professional standards.

For further information, see Carson D and Bain A. (2008). Professional Risk and Working with People: Decision-Making in Health, Social Care and Criminal Justice.

Decisions must be judged against the standard that existed at the time they were made, not the standard that may exist at the time of a review.

- While professional standards should naturally improve over time as new ideas, practices and forms of equipment are introduced, if a decision is being reviewed (for example, by an Independent Office for Police Conduct (IOPC) investigation) it is always the standard at the time the incident occurred that must be applied. The police have nothing to fear if they can show that their practices were professional at the time they were taken.
- Forces should ensure that they are up-to-date with practices and procedures approved by ACPO.

Risk decisions made by members of one agency may, quite properly, differ from those made by members of another.

- Risk decisions inevitably involve value judgements over which there can be legitimate differences of opinion. In a situation, for example, where two agencies are considering how best to resolve a child abuse case, one agency might favour prosecuting the alleged abuser whereas another may prefer to shield the child witness from a potentially harmful criminal justice experience.
- These differences (which can arise from organisational values, policies and philosophies) need to be acknowledged, and agreement sought on how they will be managed.

Principle 7

Whether to record a decision is a risk decision in itself which should be left to professional judgement. The decision whether or not to make a record, and the extent of that record, should be made after considering the likelihood of harm occurring and its seriousness.

It is impossible to record all decisions.

- Recording a risk decision has numerous benefits, for example, it can help the decision maker work through the issues and demonstrate at a later point that various matters were rigorously considered. A need to record every single decision, however, would leave little or no time to do anything else. If harm occurs from a risk decision and an officer has contemporaneous documents to show that he or she did contemplate a list of possible benefits and/or did consider a possible outcome highly important and/or unlikely, he or she will be in a much better position in an inquiry or trial.
- Predicting which decisions will be scrutinised (whether because they went particularly well or catastrophically badly) is seldom possible. In some circumstances the need to record a decision is prescribed by statute. In other circumstances strategies, policies or local practices demand documentation or some other type of record and in others, deciding whether or not to record is left to the decision maker's discretion.

Not all risk decisions need to be recorded.

- According to Sir Ronnie Flanagan (Review of Policing – Interim Report, 2007, p 8) 'Distinction must be made between necessary and unnecessary bureaucracy and there must be greater discretion allowed for the exercise of professional judgement in making this distinction'.
- The term professional judgement refers to a finding, determination or decision that is consistent with the facts of the situation the professional goal, evidence-based practice, applicable laws, and the organisation's values, policies and non-prescribed procedures.
- Professional judgement requires that police officers have available, and can professionally apply, the most appropriate, accurate and up-to-date knowledge.
- Given the need to reduce the time spent on documentation and other aspects of bureaucracy, forces need to think carefully about which decisions should be documented or otherwise recorded. They may, for example, relate to situations:
 - of a particular type (for example, all 'hate' crimes)
 - that are liable to become critical
 - that could affect community attitudes and reflect badly upon the police
 - where the degree or likelihood of potential harm is high (for example, domestic abuse, threats to life and other public protection matters)
 - where the values involved are controversial (for example, honour-based violence)
 - where the decision is complex (for example, the number of issues involved)

- that officers believe represent a dilemma rather than a mere risk (there appear to be no harm-free options)

For further information on improving the quality of professional judgements about documenting decisions, see [Information management](#).

A record of decisions and their rationale will assist in ensuring risk decisions are defensible.

- Practitioners may be called on to justify their decisions to audiences both within and external to the organisation. If so, a written or electronic record is more reliable than memory alone. The following elements, if present, are likely to make a decision defensible.
 - All available information has been collected, recorded and thoroughly evaluated.
 - Policies and procedures have been followed.
 - Reliable assessment methods have been used where available.
 - All reasonable steps have been taken and any information acted on.
 - Practitioners and their managers have communicated with each other and with other agencies, been effective and proactive, and have adopted an investigative approach.
 - Decisions have been recorded (and subsequently carried out).
- A written record of the rationale for particular decisions (that is, being explicit about which benefits and harms were identified, and how important and how likely they were considered to be) enables others to judge the decision maker's actions appropriately and will therefore help to resolve complaints and appeals. A decision aid, such as outlined above, will not only help a decision maker think through the risk but provide evidence of what they considered and that they did so carefully. Note, however, that decision-making records completed after harm has occurred may be interpreted as an attempt to influence the record in a certain direction, or even falsify it.
- An individual police officer's discretion can be justifiably restricted or directed by the organisation. For example, in order to promote a deterrent effect (and because research shows that warnings do not work) a force may say that officers are to issue tickets rather than warnings to all motorists apprehended for speeding. If individual officers decide to use their discretion and issue a warning rather than a ticket, it would be advisable to document that decision and its rationale. Otherwise it could appear that they were improperly influenced in their decision.

Principle 8

To reduce risk aversion and improve decision making, policing needs a culture that learns from successes as well as failures. Good risk taking should be identified, recognised and shared.

More valuable lessons can be learned from examples of successful decisions rather than from the much rarer ones that lead to loss or harm.

- Most risk decisions have successful outcomes, and experience shows that people learn more useful lessons from what works than from what does not work.
- Rather than focus on poor decisions, therefore, (especially where harm has occurred) a risk management approach needs decision makers to have access to lessons learned and good practice.

A selection of risk decisions, both those leading to benefits and to harm, should be examined openly and regularly to assist future decision makers.

- If risk taking is to improve further, however, the police service needs to foster a culture that:
 - helps decision makers and the organisation learn from experience
 - gives decision makers access to lessons learned from both good and poor practice
 - avoids finger pointing and blame
 - allows confidential reporting and discussion of near misses

Identifying and learning from successful and good risk decisions will help the police service move from a culture of risk aversion.

- There is a need to ensure that transferable lessons are learned and communicated to those who can benefit from them.
- Current policies and procedures should be examined and extended, where applicable, to ensure that lessons from both successful and adverse incidents are collated, analysed, disseminated and implemented.
- As people learn more about risk, try things out and develop experience, a more positive and professional attitude to risk should take shape.

Principle 9

Since good risk taking depends on quality information, the police service will work with partner agencies and others to share relevant information about those who pose risk or those who are vulnerable to the risk of harm.

Sharing information about individuals between public authorities is essential to keeping people safe.

- Good quality information exchange and shared risk assessment and risk management planning between government agencies, non-government organisations, community groups and service providers is essential to managing risk effectively. This requires relevant agencies to work collaboratively in relation to people who pose a risk of harm to others, or are deemed to be at risk of harm.
- Good risk management may involve briefing victims or potential victims (for example, where a woman does not know that her new partner has a history of domestic abuse) about risks that the police have reason to think they face so that they can take steps to protect themselves.
- The anticipated benefits of effective information sharing can be summarised as:
 - better decision making
 - improved protection of individuals at risk
 - reduction in crises through taking earlier effective action
 - improved inter-agency working
 - better profiling of individual need or risk
 - more effective intervention, support and targeting of resources

All information sharing must be conducted in accordance with a relevant legal power or duty.

- The principal legislative instruments that control the exchange of information in the fulfilment of public sector responsibilities are the:
 - [Data Protection Act 1998](#)
 - [Human Rights Act 1998](#)
 - [Freedom of Information Act 2000](#)
 - common law duty of confidence
- Numerous other statutes bestow a power or a duty on public authorities to share information in specific circumstances.

- If there is no other power, then the [Crime and Disorder Act 1998 s 115](#) authorises disclosure of information – provided it is necessary or expedient for the purposes of that Act – to any ‘relevant authority’.

Sharing information with other agencies should be consistent with agreed guidelines.

- ACPO approved guidance on information sharing is contained in [Information management](#). It covers principles on the duty to obtain and manage information, the grading and recording of police information, the protection of sensitive information and sources, the sharing of information both inside and outside the police service, and the obligations of those receiving information from the police.
- Information management requires forces to implement information sharing agreements (ISAs) as a means of facilitating confidence in the way information is shared. An ISA must cover access and usage, necessity, recording, security, accuracy, accountability, authorisation and approval.
- Information must always be accurate and confidential if public trust is to be deserved and maintained.

Principle 10

Members of the police service who make decisions consistent with these principles should receive the encouragement, approval and support of their organisation.

Where their decisions can be shown to be defensible, decision makers deserve to be actively supported by their organisation.

- Good decision making is central to good policing. Decision makers deserve to receive the support and approval of their organisation in all instances where they can demonstrate that their decisions were assessed and managed well in the circumstances existing at the time, and were consistent with existing risk management processes, standards and documentation.
- Identifying good decision makers helps managers to identify and promote good police officers and staff.

This principle applies even if harm results from risk decisions.

- The uncertainty inherent in risk taking means that some harm may result from a decision or series of decisions, even where all the appropriate guidelines are followed, precautions taken and

circumstances taken into consideration.

Case law recognises the difficulties involved in policing modern societies.

- Case law demonstrates that the courts will support reasonable and defensible risk taking (see Chief Constable of the Hertfordshire Police v Van Colle [2008] UKHL 50).
- Case law also makes it clear that the preventive operational measures expected to be taken by the police to protect individuals must not impose an impossible or disproportionate burden on the police (see re E (a child) (AP) (Appellant) (Northern Ireland) [2008] UKHL 66).

Tags

Risk

Cumbria Constabulary -Information Risk Appetite Statement

My purpose in determining and publishing an Information Risk Appetite is to set out the Constabulary's attitude to information risk, and thereby support Constabulary personnel to take appropriately balanced risk decisions which will, in turn, enable us to fulfil our legal obligations, maximise the value of the information we hold, and share it as appropriate, to improve service delivery and achieve good policing outcomes.

What is an Information Risk Appetite?

Risk Appetite describes where an organisation's senior management board considers itself on a spectrum ranging from a willingness to take or accept risk (High) through to an unwillingness or aversion to taking risks (Low). Within the police service there are 5 levels of Risk Appetite ranging from Averse (Low), Minimalist (Medium/Low), Cautious (Medium), Open (Medium/High) to Hungry (High).

Averse	Avoidance of risk and uncertainty is a key organisation objective.
Minimalist	Preference for ultra-safe options that are low risk and only have a potential for limited reward.
Cautious*	Preference for safe options that have a lower degree of risk and may only have limited potential for reward.
Open**	Willing to consider all potential options and choose the one most likely to result in successful delivery, while also providing an acceptable level of reward and value for money.
Hungry	Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.

* This is in line with the risk appetite set by the National SIRO for national policing systems that hold citizens' data

** More applicable to local systems that enable service delivery

Cumbria Constabulary Risk Appetite

On the above basis, Cumbria Constabulary's Information Risk Appetite at this time has been set at **Cautious**.

Risk Appetite in Practice

Our Risk Appetite should be viewed as part of the organisation's security culture. In practice, understanding and adhering to the CC Risk Appetite is achieved by simply understanding and adhering to the decisions set out and explained in the 'Cumbria Constabulary Information Security Policy Supporting Procedures' ('Information Security, Accreditation, and Risk Management Policy').

The Constabulary's overall Risk Appetite being set at 'Cautious' also recognises that the majority of data we handle is citizens' personal information and in the case of investigations and convictions includes sensitive personal data as defined by the Data Protection Act. It is therefore prudent to exercise some caution when handling such information and considering possible risks that could cause harmful compromise.

In practice, precise measurement of risk is rarely possible, and, in some circumstances, it will be appropriate to adapt our business processes and look at the options (including those made possible by new technologies) most likely to result in successful delivery of the business purpose. This would appear to reflect a more 'open' Risk Appetite within the above definitions, accepting a higher level of risk in order to carry out some tasks depending on the context and the potential benefits, and this is correct. However, this does not change our core Risk Appetite, as the approach in those cases still requires balancing the benefits against potential harm and controlling the processes accordingly.

The Information Security, Accreditation, and Risk Management Policy recognises the need for flexibility in order for risk management to work effectively in this way and supports and sets out the principle of 'Risk Tolerance' to meet this purpose. It works both ways. For example, on one hand, it could involve a need for more risk to be tolerated around protecting confidentiality of information in order to prevent harm or protect life. Conversely, some aspects of police business will demand additional controls to reduce risk, for example protecting identities of victims, witnesses or sources.

Factors to Consider

Information risk is considered in terms of the potential harmful impact that could arise resulting from breach of confidentiality, integrity and availability of the information.

- ✓ Confidentiality
Protecting information is important for operational reasons as well as satisfying statutory responsibilities or to maintain public confidence. However, systems should not be so secure as to frustrate the purpose for which the information is held and CC's 'CAUTIOUS' approach recognises the need to find the right balance, preserving confidentiality whilst using the information that we hold as effectively as possible. In particular, neither business processes nor technological constraints should disproportionately inhibit the ability to deliver good policing outcomes. Technology is just a tool, and must be adapted to fit the mission, not the other way around.
- ✓ Integrity
Information held on our systems must be accurate and capable of standing up to scrutiny, particularly information held for investigation and evidential purposes. A risk appetite of 'Cautious' recognises that our business processes, and the exercise of controls to manage the information, reflects the needs of CC personnel to be able to rely on it.
- ✓ Availability

The ability to access information promptly is important for ensuring effective and efficient decision-making and service delivery. The risk appetite in relation to availability should be more 'open' where this delivers effective policing outcomes.

Summary

As noted above, CC Information Security, Accreditation, and Risk Management Policy sets out Constabulary decisions as to how business should ordinarily be conducted.

However, this includes latitude to take dynamic risk decisions where the tools and means are available to maximise the benefits of the information that we hold, without occasioning undue risk, where this helps to serve and protect the public.

Risk is a function of probability and impact, where impact is measured firstly in terms of personal harm, and secondly financial, reputational, operational and legal compliance. Ultimately, in most instances, it will be for the Information Asset Owners to decide on the level of acceptable risk and any mitigation that they require to be implemented across our business processes. Where necessary, or in cases of doubt, or where a process exists such that the level of risk cannot be mitigated to an acceptable level, reference should be made to myself, as SIRO.

.....

Deputy Chief Constable Robert Carden

Date.....



Office of the Police and Crime Commissioner Report

Joint Audit Committee 22 March 2023

Title: Capital Strategy 2023/24

Report of the Joint Chief Finance Officer

**Originating Officers: Michelle Bellis, Deputy Chief Finance Officer;
Lorraine Holme, Financial Services Manager**

1. Purpose of the Report

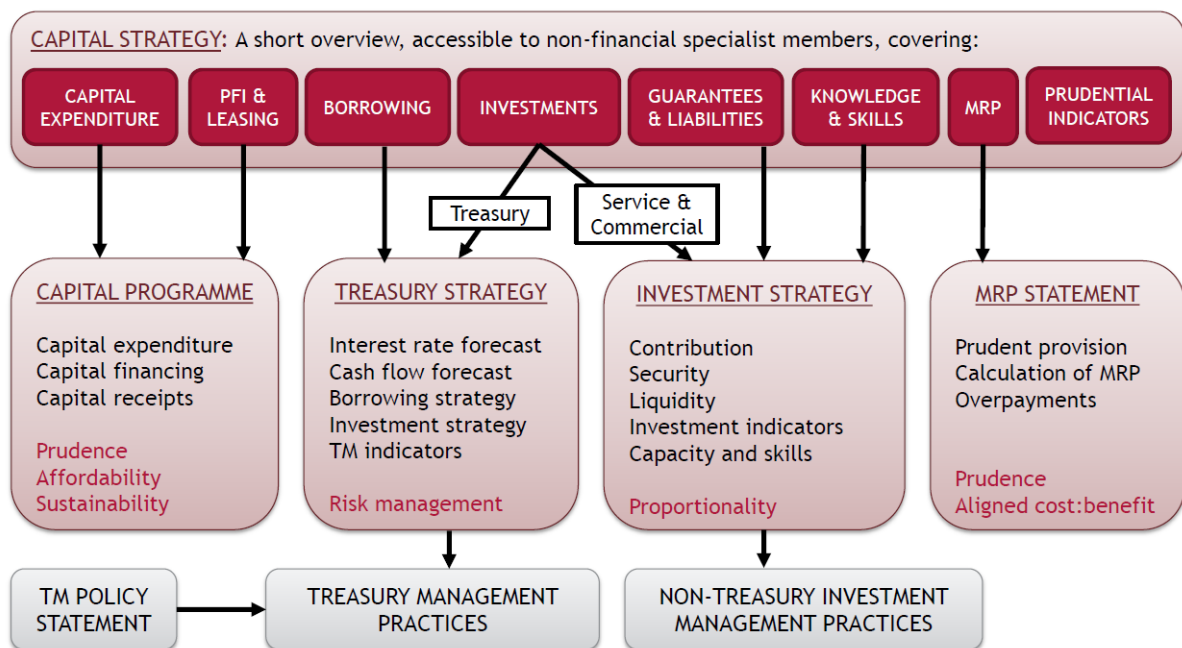
- 1.1. This capital strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 1.2. The aim of this report is to provide enough detail to allow non-financial decision makers to understand how stewardship, value for money, prudence, sustainability and affordability will be secured without repeating in detail the information that is contained in other documents presented as part of this suite of capital and treasury management reports (agenda items 08b & 08c).
- 1.3. These reports meet the reporting requirements of the Chartered Institute of Public Finance and Accounting (CIPFA) Prudential Code for capital finance in Local Authorities 2021 updated guidance.

2. Recommendations

- 2.1. The Joint Audit Committee are asked to note the contents of the report.

3. Introduction

- 3.1. The CIPFA Prudential Code (the code) and guidance notes were originally issued in 2002 and were later fully revised in 2009, 2011, 2017 and again in 2021. This code requires the Commissioner to look at capital expenditure and investment plans in light of the overall strategy and resources and ensure that the decisions are being made with sufficient regard to the long run implications and potential risks to the Commissioner. The changes around commercialisation strategies are not relevant to the Police and Crime Commissioner and all other changes must be adopted for the 01 April 2023.
- 3.2. This capital strategy report summarises the purpose and governance over a range of activities associated with capital investment and financing, which are reported on in detail elsewhere on this agenda item. The diagram below provides an overview of the scope of these activities, their inter-dependencies and reporting structures:



*The MRP Statement, Investment Strategy and the Prudential Indicators of the Commissioner are encompassed into the Treasury Management Strategy.

4. Capital Expenditure and Financing

- 4.1. Capital expenditure is the term used to describe expenditure on assets, such as property, vehicles and ICT equipment, that will be used (or have a life) of more than 1 year. There is some limited discretion on what is to be treated as capital expenditure and assets costing less than £25k will be charged to the revenue account in accordance with the Financial Rules and Regulations (this is known as the deminimis level).

4.2. Capital expenditure plans are under-pinned by asset strategies, which are developed by respective service leads linked to delivery of the Commissioner’s Police and Crime Plan and the Constabulary’s overall Vision 2025. The principal asset strategies and their objectives are:

- The Digital, Data and Technology Strategy, which has six key themes
 - On-going provision of trusted and reliable ICT services. Business as Usual
 - A cost effective and affordable ICT service
 - Actively supporting the delivery of Cumbria Vision 25
 - To implement national ICT systems
 - To meet local demand to renew and replace Core Systems and Applications
 - Collaboration
- The Estates Strategy, which aims to maintain an Estate which is fit for purpose whilst reducing overhead expenditure and maximising and exploiting existing assets.
- The Fleet Strategy, which aims to satisfy the Constabulary’s vehicle needs within a sustainable financial model.

4.3. A workplan is developed annually to support delivery of each strategy. The updated financial implications are distilled early in the financial planning process and subsequently consolidated to produce a ten year capital programme. The overall capital programme is then subject to a process of financial scrutiny in the context of both available capital funding resources and the overall revenue budget position. The final capital programme and associated asset strategies are subject to approval by both the Constabulary Chief Officer Group and the Commissioner at his Public Accountability Conference.

4.4. The capital expenditure estimates for the current year and five year medium term are shown below:

Capital Expenditure	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Capital Expenditure	5.37	6.70	7.95	4.03	2.68

4.5. The profile of capital expenditure fluctuates annually. Across the current five year programme, annual average expenditure typically comprises £1.5m to replace fleet vehicles, £0.8m on estate schemes (although by their nature these investments tend to be more lumpy) and around £2.7m for replacement of ICT systems and equipment.

- 4.6. The 2023/24 capital programme includes ICT expenditure on development and roll out of mobile technology and smartphones, consideration of options for ICT infrastructure and a move to more cloud based systems. In addition, preparatory work on the national programme to replace the Police Radio System (Airwave) with an Emergency Services Network (ESN) will continue, in advance of significant expenditure to implement the system in future years. Investment in the on-going replacement of vehicles in accordance with the Fleet Strategy will continue. Expenditure on Estates schemes over the 5 years is dominated by the need to evaluate options and provide a territorial headquarters in the west of the County upon the expiry of the existing PFI arrangement in 2026.
- 4.7. Before the commencement of each financial year the schemes for that year are revisited to be assigned an approval category. Large schemes which have previously been approved by the Commissioner following submission of a business case and the smaller rolling replacement schemes are approved on a firm basis, meaning that they can be progressed without further scrutiny. Schemes which have been approved in principle but need some detailed work may be delegated to the CC Chief Finance Office for future approval. Schemes requiring business cases, option appraisals and financial appraisals are given the status of indicative until they have been thoroughly scrutinised by all relevant business leads before being passed to the Constabulary Chief Officer Group and the Police and Crime Commissioner for final approval.
- 4.8. The capital programme must be financed from a combination of capital grants, capital receipts, reserves, direct support from the revenue budget and, unlike the revenue budget, borrowing is permitted. Whilst it is a statutory requirement that the Commissioner agrees a balanced revenue budget, the Prudential Code requires the capital programme to be demonstrated as 'Affordable, Prudent and Sustainable', it is up to each authority how it determines these criteria. Cumbria has previously defined an 'Affordable, Prudent and Sustainable' programme as being fully funded (from the sources outlined above) for the medium term financial forecast (MTFF) period of 5 years. The estimates for 5-10 years are built on a number of assumptions, which, particularly in rapidly changing sectors such as ICT, are difficult to accurately predict. This means that projected costs in the later years of the capital programme become increasingly indicative and should be treated with caution. As the capital programme is fully funded over ten years, it meets the test of being Affordable, Prudent and Sustainable. The revenue budget and MTFF must also fully reflect any revenue implications of the capital programme including servicing costs of borrowing.
- 4.9. The difficulty facing Cumbria is that capital grants have been reduced to zero, the potential to generate future capital receipts is low and capital reserves are likely to have been fully utilised by 2028/29. This means that the only viable options in future to fund capital expenditure are directly from the revenue

budget or through borrowing, which itself has implications for the revenue budget. The challenge for the PCC and Constabulary will need to find an appropriate balance between capital and revenue expenditure, which is sustainable.

- 4.10. In the context of requiring significant revenue savings to balance the revenue budget in 2023/24 and beyond primarily due to increased inflation, the decision has been taken to fund £3m p.a. of capital expenditure on short lived assets from borrowing rather than directly from the revenue budget in 2022/23 and 2023/24. This will deliver short term revenue savings, but will spread the financing costs over subsequent years.
- 4.11. When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debts. Capital financing assumes that all capital receipts will be used to finance new assets rather than reduce existing debt.
- 4.12. Full details of the 10 year programme and associated financing can be found in the separate report 'Capital Programme 2023/24 to 2032/33 (item 08b on this agenda).

5. Treasury Management

- 5.1. Treasury management is concerned with keeping sufficient but not excessive cash available to meet spending needs while managing the risks involved. Surplus cash is invested until required while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Police and Crime Commissioner is generally cash rich in the short term due to the level of reserves currently held and revenue grants being received in advance of spend, but cash poor in the long term due to capital expenditure being incurred in advance of being financed.
- 5.2. Treasury Management involves the management of large sums of money and is therefore inherently risky. Accordingly, treasury activities are strictly controlled and managed in accordance with CIPFA's Prudential Code. The Treasury Management Strategy is approved annually by the Commissioner at his Public Accountability Conference, with activities being reported upon a periodic basis through the same meeting. The Joint Audit Committee also provides scrutiny of treasury management activities. Responsibility for treasury activities is delegated to the PCCs Chief Finance Officer, who delegates responsibility for day to day management to the CCs Chief Finance Officer. The Treasury Management Strategy incorporates subsidiary investment and borrowing strategies, which are summarised below.
- 5.3. **Investment strategy** - Treasury investments arise from receiving cash before it is paid out again. The Commissioner makes investments because he has a cash surplus as a result of his day-to-day activities, for example when income is received in advance of expenditure (known as treasury management

investments). The Commissioner does not make investments to support local public services by lending to or buying shares in other organisations (service investments), or to earn investment income (known as commercial investments where investment income is the main purpose).

The Commissioner's policy on treasury investments is to prioritise **security** and **liquidity** over **yield**; that is to focus on minimising risk rather than maximising returns. The risk that an investment counter-party defaults is very real as illustrated by the BCCI and, more recently, Icelandic Banks scandals, which impacted on public sector bodies. The investment strategy seeks to mitigate this risk by only investing in high quality, trusted counter-parties and spreading the investment portfolio across organisations. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy (subject to strict criteria) and the Commissioner may request his money back at short notice.

Whilst the Commissioner has historically held significant investments, these balances are being reduced as the Commissioner has undertaken internal borrowing to support the capital programme (see below) and reserves are drawn down to support the revenue budget.

Further details on treasury investment strategy are on pages 10 to 13 of the treasury management strategy (agenda item 08c).

- 5.4. **The Borrowing Strategy** – As indicated the Commissioner currently holds no external debts, other than a PFI arrangement described in section 6 of this report, with all external borrowing with the PWLB (Public Works Loans Board) having been repaid during 2012/13. However, there is an underlying need to borrow, known as the Capital Financing Requirement (CFR), arising from historical decisions to finance capital expenditure from borrowing within prudent limits. To date this has been met from internal borrowing.
- 5.5. The capital financing requirement (CFR) is a measure of the amount of capital spending that has not yet been financed by capital receipts, grants or contributions, it is in essence the amount of internal debt finance of the Police and Crime Commissioner. The CFR increases each time there is new capital expenditure financed by debt and decreases with MRP repayments, capital receipts assigned to repay debt or by making additional voluntary contributions. The CFR for the 31 March 2023 is forecast to be £24.83m.

Internal Borrowing – the practice of using reserves and provisions that have been set aside for future use to fund capital expenditure plans now. External borrowing comes with interest payments of currently around 4.5% where investments are currently making around 4% return in terms of interest, therefore there is an incremental cost to borrow in advance of need (known as cost of carry). This is therefore discouraged if there are cash reserves available that can be drawn down as an alternative to borrowing.

- 5.6. The main objectives when borrowing is to achieve a low but certain cost of finance, while retaining flexibility should plans change in future. These objectives are often conflicting, and the Commissioner would therefore have to strike a balance between low cost short-term loans (currently available at around 4%) and long-term fixed rate loans where the future cost is known but higher (currently 4.5%+). Current forecasts show that a small amount of short term borrowing, probably from other local authorities, may be required at the start of 2023/24 to bridge a shortfall in cash in advance of receipt of the new financial year's revenue grants.

Given the current spike in borrowing costs it is unlikely that the Commissioner will actually exercise long term external borrowing until these reduce. As such financing decisions have long term consequences and should be taken in this context, long term interest rates will be carefully monitored with the aim of deciding the most advantageous time to take on long term liabilities.

Liability Benchmark - The 2021 code requires Authorities to define their own 'Liability Benchmark' which will provide a future basis for developing a strategy for managing interest rate risk. This has been included in the TMSS for the first time.

As an assurance that borrowing is only undertaken for capital purposes and is sustainable, the Commissioner is required to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with the statutory guidance a lower 'operational boundary' is also set as a warning level should debt approach the limit.

Further details on the borrowing strategy are on pages 8 to 9 of the treasury management strategy (agenda item 08c).

6. Other Liabilities

- 6.1. In relation to other external liabilities the Commissioner's balance sheet currently shows debt of £4.198m in relation to a private finance initiative (PFI) scheme for the provision of the Territorial Police HQ in West Cumbria. This debt is scheduled to reduce gradually through annual unitary charge payments met from the revenue account, until 2026 when the primary arrangement comes to an end. At this point a decision on the provision of future policing facilities in West Cumbria will need to be made. Options are currently being evaluated.
- 6.2. The Commissioner's balance sheet also shows long term liabilities totalling £1.521bn in respect of the Local Government and Police Officer Pension Scheme deficits. These will be met through a combination of payments from the revenue budget over a long period and support from central Government. A sum of £1.596m has been set aside to cover risks from legal claims and insurance liabilities. The Commissioner is also at risk of having to pay for an unlawful discrimination claim arising from the transitional provisions in the Police pension Regulations 2015 but has not put aside any money because there is no clarity of the scale of the claim and no certainty over who will bear the costs at this time.
- 6.3. The risk of these pension liabilities crystallising and requiring payment is monitored by the Finance Services team. Further details on liabilities and guarantees are on page 96 of the 2021/22 statement of accounts.

7. Prudential Indicators

- 7.1. Both capital expenditure plans and treasury management are supported by a range of Prudential Indicators, whose purpose is to act as an early warning system that these activities are falling outside prescribed limits and may no longer be affordable, prudent or sustainable. Prudential Indicators, other than those using actual expenditure taken from audited statements of accounts must be set prior to the commencement of the financial year to which they relate. Indicators may be revised at any time, and must, in any case, be revised for the year of account when preparing indicators for the following year. The PCCs Chief Finance Officer has a prescribed responsibility under the Code to ensure that relevant procedures exist for monitoring and reporting of performance against the indicators. The Prudential Indicators when initially set and whenever revised, must be approved by the body which approves the budget, i.e. The Commissioner at his Public Accountability Conference. Details of Prudential indicators are set out on pages 15-21 of the treasury management strategy (agenda item 08c).

8. Revenue Budget Implications

- 8.1. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable.
- 8.2. The Commissioner is also required to set aside a sum each year from the revenue budget to repay borrowing, which is linked to the life of the asset being financed. This is known as the minimum revenue payment (MRP) and can be likened to the minimum repayment on a credit card debt. The estimates for the repayment of internal borrowing from the revenue budget is shown below:

Minimum Revenue Provision	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Minimum revenue provision for the financial year	0.63	0.65	1.31	1.94	1.98

- 8.3. The net annual charges to the revenue account are collectively known as financing costs; which are compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants as a key prudential indicator of the affordability, prudence and sustainability of capital expenditure plans see below.

Ratio of Financing Costs to Net Revenue Stream	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Investment income	0.01	0.38	0.40	0.15	0.06
MRP	0.63	0.65	1.31	1.94	1.98
Financing Costs	0.62	0.27	0.91	1.79	1.92
Net Revenue Stream	124.08	128.63	133.97	137.58	137.58
Ratio	0.50%	0.21%	0.68%	1.30%	1.39%

The financing costs are forecast to increase from 2022/23, reflecting the decision to borrow £3m pa for 2 years from 2022/23 in lieu of direct revenue highlighted earlier in the report. Nonetheless, the ratios of financing costs to the revenue budget above are considered sustainable.

Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred over the MTFF period may extend for up to 50 years into the future. The Joint Chief Finance Officer is satisfied that the proposed capital programme is **prudent, affordable and sustainable**.

9. Knowledge and Skills

- 9.1. The Commissioner employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.

- 9.2. Where employees do not have the knowledge and skills required, use is made of suitably qualified external advisers. The Commissioner currently employs Link Asset Services Limited as treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Commissioner has access to knowledge and skills commensurate with his risk appetite.

This page has been intentionally left blank

Cumbria Office of the Police and Crime Commissioner

Title: Capital Programme 2023/24 & Beyond

Joint Audit Committee 22 March 2023

Report of the Joint Chief Finance Officer

Originating Officers: Michelle Bellis, Deputy Chief Finance Officer
Sarah Walker Financial Services Officer

1. Purpose of the Report

- 1.1. The purpose of this report is to provide information on the proposed capital programme for 2023/24 and beyond, both in terms of capital expenditure projections and the financing available to fund such expenditure. The capital programme is developed in consultation with the Constabulary who are the primary user of the capital assets under the ownership of the Commissioner.

2. Recommendations

- 2.1. The Joint Audit Committee are asked to note the proposed capital programme for 2023/24 and beyond as part of the overall budget process for 2023/24.

3. Capital Funding and Expenditure

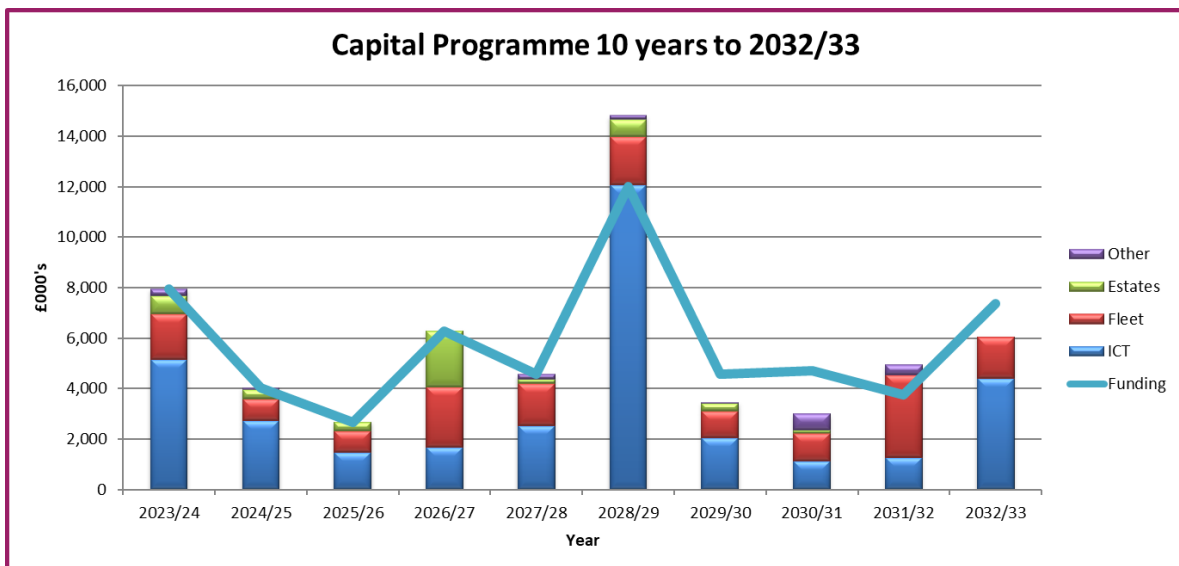
- 3.1. Local Authorities (including Police and Crime Commissioners) determine their own programmes for capital investment in non-current (fixed) assets that are essential to the delivery of quality public services. The Commissioner is required by regulation to have regard to The Prudential Code when

carrying out his duties in England and Wales under part 1 of the Local Government Act 2003. The Prudential Code establishes a framework to support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure: “within a clear framework, that the capital investment plans of local authorities are **affordable, prudent and sustainable**”. The test applied to meet these requirements states that all schemes, within the 5-year medium term capital programme, are only approved on the basis that they are fully funded either through capital grants, capital reserves, capital receipts, revenue contributions or planned borrowing.

- 3.2. There are three main recurring elements to the Commissioner’s capital programme namely: Fleet Schemes, Estates Schemes and ICT Schemes. In addition to these, there are currently a small number of “other schemes” which do not fall into the broad headings above and include the replacement of firearms equipment, such as tasers and CCTV.
- 3.3. The profile of capital expenditure fluctuates annually. Across the current ten-year programme, annual average expenditure typically comprises £1.7m to replace fleet vehicles and around £3.4m for replacement of ICT systems and equipment. The profile of Estates schemes is ‘lumpier’, with peaks of expenditure when major buildings are replaced. ICT Expenditure reflects the Constabulary Strategy to invest in digital technology.
- 3.4. The table below provides a high-level summary of the proposed capital programme and associated capital financing over the five-year timeframe of the medium-term financial forecast (2023/24 to 2027/28).

Capital Expenditure		Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
		£	£	£	£	£	£
ICT Schemes		3,779,303	5,147,718	2,721,681	1,467,018	1,658,824	2,539,263
Fleet Schemes		1,865,073	1,821,000	873,528	848,640	2,405,947	1,657,389
Estates Schemes		909,807	713,695	366,040	360,000	2,219,765	170,000
Other Schemes		147,275	267,829	67,829	0	0	200,000
Total Capital Expenditure		6,701,457	7,950,242	4,029,078	2,675,658	6,284,536	4,566,651
Capital Financing		Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
		£	£	£	£	£	£
Capital Receipts		0	0	0	0	0	0
Revenue Contributions		(261,825)	(581,006)	(3,205,189)	(2,615,658)	(3,715,448)	(3,843,903)
Revenue Reserves - DRC		(218,537)	(643,006)	(517,849)	0	0	0
Capital Grants		(2,833,937)	(1,708,561)	0	0	(333,825)	0
Capital Reserves		(20,000)	(1,997,669)	(286,040)	0	(1,235,263)	(722,748)
Borrowing		(3,367,158)	(3,020,000)	(20,000)	(60,000)	(1,000,000)	0
Total Capital Financing		(6,701,457)	(7,950,242)	(4,029,078)	(2,675,658)	(6,284,536)	(4,566,651)
(Excess)/Shortfall		0	0	0	0	0	0

3.5. The diagram below shows the composition of the capital programme over 10 years. The large block of Estates work in 2026/27 relates to the purchase and modernisation of the deployment centre in West Cumbria at the end of the current PFI contract. The large increase in ICT expenditure in 2028/29 shows indicative costs relating to the radio replacement as part of the national Emergency Services Network scheme (ESN) (£5m) and potential renewal of the command and control system with a new product (£4m).



- 3.6. The 10 year total of the capital programme has decreased by £10.6m since the last capital strategy was agreed by the Commissioner in February 2022, from £68.4m to £57.8m. This change is largely as a result of a change in assumptions with regards to the estate provision in West Cumbria following the end of the current PFI contract in 2026, a reduction of £10.6m.
- 3.7. Historically, the capital programme has been financed through a combination of capital grants, capital receipts, capital reserves, borrowing and contributions from the revenue budget. Reserves and accumulated capital grants will be largely exhausted by 2028/29. In addition, the Government's grant settlements over recent years had successively reduced the amount of capital grant to the point where it was removed altogether in 2022/23, although the Policing Minister has made it clear that the additional revenue funding for Operation Uplift has included a capital element to support the infrastructure costs required to equip the additional officers in their roles.
- 3.8. As a result of the reducing funding sources described above, the choices for future financing of the capital programme are largely limited to contributions from the revenue budget or borrowing. In the past borrowing has been confined to long life assets such as Estates and as a result the capital programme has become increasingly reliant on contributions from the revenue budget to finance capital expenditure. Historically, the annual contribution from the revenue budget was set at £1.2m.

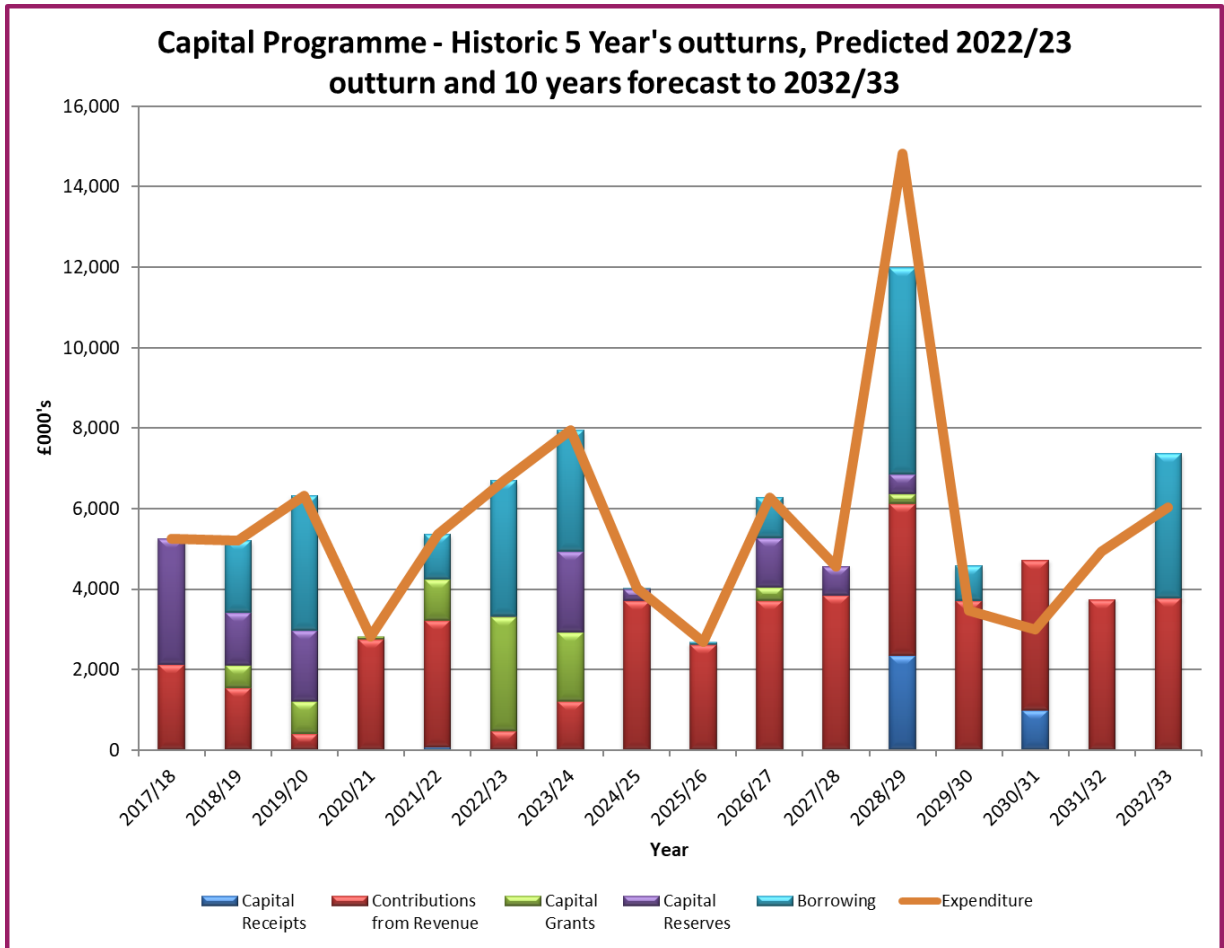
The following increases have been approved since then

- PCP Jan 2017 - Increase of £0.48m to £1.68m for 2018/19 and 2019/20
- PCP Jan 2017 – Increase of £1.3m to £2.98m for 2020/21 onwards - as accumulated capital reserves and grant are fully extinguished.
- PCP Jan 2019 – Increase £0.3m to £3.28m from 2020/21.
- PCP Feb 2020 – Increase £0.27m to £3.56m from 2021/22

- 3.9. As a result of the current inflationary pressure on the revenue budget the decision has been taken to reduce revenue contributions in both 2022/23 and 2023/24 by £3m p.a. and to replace this with borrowing as a means of balancing the revenue budget in the short term.
- 3.10. A summary of the 10-year capital programme is provided for information at **Appendix 1**. The appendix shows that the capital programme is fully funded over the medium-term five-year period to 2027/28. The appendix also shows that in years 5-10 of the programme there are some shortfalls and deficits but overall the budget is balanced (£160k over). This has been achieved by assumed borrowing of £13.7m over the 10 year MTF. The estimates for 5-10 years are built on a number of assumptions, which, particularly in rapidly changing sectors such as ICT, are difficult to accurately predict. This means

that project costs in the later years of the capital programme become increasingly indicative and should be treated with caution.

3.11. The chart below illustrates capital expenditure and funding over a historic five-year period and forecast for ten-year period which illustrates how the capital programme will become almost entirely dependent upon revenue funding and borrowing in the future.



3.12. ICT Schemes

The ICT Capital Programme primarily provides for the cyclical replacement and improvement of the full range of ICT equipment, hardware and application software to meet the strategic and operational needs of the Constabulary. However, over the period of the medium term financial forecast it also supports the Constabulary strategy to invest in technology to modernise the police service that is delivered to our communities. The Policing Vision 2025 issued by the APCC and NPCC seeks to transform the delivery of policing services and positions ICT as a key enabler of change. These plans for the future will be developed and managed locally within the work streams of Cumbria Vision 2025.

The ICT capital programme supports the delivery of the Constabulary's Digital Strategy.

The ICT Capital Programme also makes provision for a large number of national ICT programmes, which include changes of major strategic importance, in particular, the programme to replace the Police Radio System (Airwave) with an Emergency Services Network (ESN). The ESN scheme is included in the capital programme at an estimated cost of £9.6m over 10 years. The scheme has been re-scheduled later in the programme, due to national delays on the project, with £5.5m expenditure planned in 2028/29 and a further £3.6m in 2032/33, having previously been scheduled to commence in 2026/27. Details of requirements are still emerging, and it won't be clear as to the financial commitment needed locally until the Home Office release further information and devices are developed. The timescales for the project are constantly changing and it is likely to be the new financial year before we get any further clarity.

The pandemic has provided the Constabulary with an opportunity to assess the current agile working and look at how this will affect future working arrangements. This will help determine the ICT infrastructure that is needed to support a more agile future. The infrastructure is currently a consolidation of server hardware in an on-site data center. The desire is to move away from this expensive hardware and towards cloud storage; £5.2m has been set aside over the 10 year strategy to implement this.

The ICT programme also covers local and mandated national police systems such as the main crime and intelligence system, command and control, forensics management, prisoner information systems, case and custody, including digital files for sharing with criminal justice partners and the police national data base that supports the sharing of information between forces.

Work has commenced in partnership with a company (Mark 43) to facilitate the development of a replacement record management system, allowing us to keep ahead of the evolving complexities of policing technologies and join all information in one place. Originally £3m of capital funding was set aside for this project, however this has been reduced to £1.1m due to some of the costs being funded from the revenue budget.

The current contract for the command and control system comes to an end in 2028/29, options are being considered for the future and £4m has been placed indicatively in the programme in 2028/29 to cover this work.

If these large schemes are discounted, the programme shows that the ICT capital programme presented remains broadly flat over the 10 years at an average of £1.5m per annum. This provides for the cyclical replacement and improvement of the full range of ICT services: the networks and security and that ensures information can be moved securely between the different systems and device end points through which it is entered, processed, and stored. Over recent years significant investment in mobile and digital ICT has been undertaken and was successful in allowing the Constabulary to work effectively from home during the pandemic. The capital strategy presented provides for the subsequent replacement of existing mobile devices as they reach end of life. Budgets for devices also provide for the costs of all the different technology used to access systems, including traditional desktop computers, laptops, tablets as well as the smartphones that use application technology (police apps), but importantly provide end user access to all systems and applications.

Appendix 2 provides a high-level analysis of the ICT capital programme.

3.13. Fleet Schemes

The Constabulary fleet replacement programme consists of 294 vehicles. The capital programme provides for the replacement and kit out of these vehicles on a periodic basis at the end of their useful life. The fleet schemes are supported by the fleet strategy, an update of which was presented to the Commissioner as part of the budget setting process in the autumn. The fleet strategy sets out the Constabulary fleet requirements over the coming years. The main aim of the fleet strategy is to provide a cost effective fleet service to meet the needs of operational policing. The majority of vehicles are procured through a national framework agreement which ensures value for money is achieved.

During 2022/23, 61 vehicles were planned for replacement (including 27 where delivery had been delayed from 2021/22) at an estimated cost of £1.86m. The pandemic delayed delivery of a large number of vehicles in 2020/21 and this is still having a knock-on effect for deliveries in 2022/23. Of the



34 vehicles in the programme for 2022/23, 25 have been ordered and only 2 of those received, it is hoped the remaining 23 will be delivered by the end of March 2023. The remaining nine vehicles are awaiting decisions on the most suitable models to purchase and replacement is likely to be re-profiled into future years.

A review of pool car usage and the type of replacement vehicles required has taken place and 4 electric vehicles have been purchased. The effects of Brexit and the pandemic are still being felt, and as a result of high inflation levels the prices of vehicles are still rising. This is also influencing lead times for delivery, given that only 2 vehicles ordered this financial year have been received. Accordingly, approval has been given to pre-order vehicles from the 2023/24 programme; 12 Ford Transits and 10 Volvo XC90's have been ordered for delivery in April 2023.

There has been a new scheme added in 2023/24 for the introduction of vehicle telematics costing £130k. This will provide in car data recording to improve vehicle utilisation and it is anticipated that the detailed data provided will result in efficiencies in future years.

The plan for 2023/24 is to replace 55 vehicles with a budget of 1.691m. This is made up with a mix of operational vehicles for territorial policing and two vehicles for Sellafield policing unit (Sellafield reimburse the full cost of these vehicles). The budget has been created on pricing from current frameworks and recent purchases with a caveat that prices are volatile & rapidly increasing, and there is potential that the budget requirement will increase.

Appendix 3 provides a high-level analysis of the fleet capital programme.

3.14. Estates Schemes

The Commissioner's estate currently consists of 30 premises (including police headquarters, larger police stations/Territorial Policing Area HQ, which include custody suites, smaller police stations, leased in and leased out property together with surplus assets subject to disposal). The estates schemes are supported by the estates strategy, an annual update of progress against this was presented to the Commissioner as part of the budget setting process for 2023/24. The estates strategy aims to provide a link between the strategic objectives of the organisation and priorities for the estate. The strategy outlines the current and future requirements of the estate and documents the changes that are required to meet these.

The main focus of the strategy in recent years (following the development of the new Learning &



Development Centre (LDC) and replacement hostel accommodation on the HQ site at Penrith) has been on smaller life cycle replacements at various premises, including roof repairs, enhancing the LDC, heating and ventilation and improvements to the uninterrupted power supply.

The emphasis shifts for the coming years to focus on improved premises in the west of the county in response to major flooding incidents in previous years, including a review of options for the West Cumbria deployment centre which is currently part of a PFI arrangement. Options will continue to be developed over 2023/24, however, the budget has been reduced significantly from £13m to £2m based on the assumption that the current premises will be purchased and renovated rather than undertaking a new build.

In response to local government reorganisation in Cumbria from 01/04/2023, the Constabulary have restructured during 2022 to better align with the two new unitary authorities. The Constabulary has moved to a Basic Command Unit (BCU) model with 2 BCU's; Cumberland and Westmorland and Furness. As a result of the changes there has been a requirement to bolster policing resources in Eden, to facilitate this a new scheme has been added for Hunter Lane improving facilities to the site £800k. If these specific pieces of work are excluded, the estates programme averages £200k per year for replacement schemes.

Appendix 4 provides a high-level analysis of the estates capital programme.

3.15. Other Schemes

Other schemes include cross cutting or operational programmes of work and include the replacement of Tasers and Firearms, works to expand and replace the Countywide CCTV system.

Appendix 5 provides a high-level analysis of the 'other' schemes.

4. Capital Receipts

- 4.1. **Appendix 7** provides details of property disposals and the proceeds of those sales over recent years. The table shows total property receipts of £5.026m. At 31 March 2022 there was a balance of property receipts unapplied of £2.349m, this means that £2.677m have already been applied to the capital programme. The majority of the sales resulted from an estates rationalisation programme and those sale proceeds were used to finance the South Area Headquarters in Barrow.
- 4.2. The remainder of the capital receipts will be applied to the capital programme from 2028/29 as reserves and grants are fully utilised.

5. Supplementary information

Attachments

- | | |
|------------|--|
| Appendix 1 | Capital Expenditure and Financing 10 years 2023/24 to 2032/33 |
| Appendix 2 | ICT Schemes |
| Appendix 3 | Fleet Schemes |
| Appendix 4 | Estates Schemes |
| Appendix 5 | Other Schemes |
| Appendix 6 | Analysis of the change in Capital Strategy between February 2022 and February 2023 |
| Appendix 7 | Capital Receipts Breakdown 2009/10 to 2022/23 |

Capital Expenditure and Financing 10 years 2023/24 to 2032/33

Capital Expenditure	Yr 0 2022/23 £	Yr 1 2023/24 £	Yr 2 2024/25 £	Yr 3 2025/26 £	Yr 4 2026/27 £	Yr 5 2027/28 £	Yr 6 2028/29 £	Yr 7 2029/30 £	Yr 8 2030/31 £	Yr 9 2031/32 £	Yr 10 2032/33 £	Yr 1-10 Total £
ICT Schemes	3,779,303	5,147,718	2,721,681	1,467,018	1,658,824	2,539,263	12,063,144	2,033,504	1,115,184	1,262,686	4,415,119	34,424,142
Fleet Schemes	1,865,073	1,821,000	873,528	848,640	2,405,947	1,657,389	1,921,700	1,065,120	1,120,050	3,276,027	1,626,534	16,615,934
Estates Schemes	909,807	713,695	366,040	360,000	2,219,765	170,000	685,000	320,000	105,000	0	0	4,939,500
Other Schemes	147,275	267,829	67,829	0	0	200,000	150,000	43,000	650,000	400,000	0	1,778,659
Total Capital Expenditure	6,701,457	7,950,242	4,029,078	2,675,658	6,284,536	4,566,651	14,819,844	3,461,624	2,990,234	4,938,713	6,041,654	57,758,235
Capital Financing	Yr 0 2022/23 £	Yr 1 2023/24 £	Yr 2 2024/25 £	Yr 3 2025/26 £	Yr 4 2026/27 £	Yr 5 2027/28 £	Yr 6 2028/29 £	Yr 7 2029/30 £	Yr 8 2030/31 £	Yr 9 2031/32 £	Yr 10 2032/33 £	Yr 1-10 Total £
Capital Receipts	0	0	0	0	0	0	(2,348,985)	0	(1,000,000)	0	0	(3,348,985)
Revenue Contributions	(261,825)	(581,006)	(3,205,189)	(2,615,658)	(3,715,448)	(3,843,903)	(3,778,029)	(3,711,926)	(3,710,693)	(3,743,649)	(3,777,754)	(32,683,256)
Revenue Reserves - DRC	(218,537)	(643,006)	(517,849)	0	0	0	0	0	0	0	0	(1,160,855)
Capital Grants	(2,833,937)	(1,708,561)	0	0	(333,825)	0	(249,412)	0	0	0	0	(2,291,797)
Capital Reserves	(20,000)	(1,997,669)	(286,040)	0	(1,235,263)	(722,748)	(486,375)	0	0	0	0	(4,728,096)
Borrowing	(3,367,158)	(3,020,000)	(20,000)	(60,000)	(1,000,000)	0	(5,138,589)	(864,202)	0	0	(3,602,163)	(13,704,954)
Total Capital Financing	(6,701,457)	(7,950,242)	(4,029,078)	(2,675,658)	(6,284,536)	(4,566,651)	(12,001,390)	(4,576,128)	(4,710,693)	(3,743,649)	(7,379,917)	(57,917,943)
(Excess)/Shortfall	0	0	0	0	0	0	2,818,454	(1,114,505)	(1,720,459)	1,195,064	(1,338,263)	(159,708)

A more detailed analysis of capital expenditure is provided at Appendices 2-5.

ICT Schemes

ICT Summary	Yr 0 2022/23 £	Yr 1 2023/24 £	Yr 2 2024/25 £	Yr 3 2025/26 £	Yr 4 2026/27 £	Yr 5 2027/28 £	Yr 6 2028/29 £	Yr 7 2029/30 £	Yr 8 2030/31 £	Yr 9 2031/32 £	Yr 10 2032/33 £	Yr 1-10 Total £
ICT End User Hardware Replacement (002x)	1,086,279	1,125,300	790,224	404,635	853,408	1,957,793	756,614	629,624	461,674	845,582	527,301	8,352,156
ICT Core Hardware Replacement (003/004x)	530,637	1,752,308	835,239	660,000	525,000	525,000	2,057,849	883,703	924,142	791,424	1,002,753	9,957,418
ICT ESN Radio Replacement (Airwave)	817,083	19,200	0	45,000	0	0	622,178	0	0	0	0	686,378
ICT Core Infrastructure Replacement	0	581,094	0	0	0	0	5,138,589	864,202	0	0	3,602,163	10,186,048
ICT Infrastructure Solution Replacement (Projects)	1,345,304	1,669,816	1,096,218	357,383	280,416	56,469	4,017,542	142,875	59,749	60,885	62,042	7,803,396
Savings	0	0	0	0	0	0	(529,628)	(486,901)	(330,381)	(435,205)	(779,139)	(2,561,254)
Total ICT Summary	3,779,303	5,147,718	2,721,681	1,467,018	1,658,824	2,539,263	12,063,144	2,033,504	1,115,184	1,262,686	4,415,119	34,424,142

Status - The ICT schemes within the capital programme above consolidate a significant number of complex and interrelated projects. The status of schemes is subject to agreement between the Commissioner and Constabulary. It is recommended that delegated approval is given to the Constabulary's Chief Finance Officer to agree the status of schemes based on the following principles:

Firm Schemes

- Schemes that are either routine cyclical upgrade of existing systems/hardware/software
- Schemes which have been approved by the Commissioner following submission of a business case/decision report

Delegated Schemes

- Schemes agreed in principle by decision report, where the detail of the financial profile/procurement/implementation plans are still to be developed
- Schemes within the Constabulary's Chief Finance Officer's virement authorisation limits for which there is a clear business case
- Schemes above the Constabulary's Chief Finance Officer's virement authorisation limits, but which are nationally mandated and supported by a business case.

Schemes not meeting the principles for firm or delegated schemes will be classed as indicative and will require a business case or decision report to the Commissioner before approval is given to commence with the scheme. The status of schemes applies to the funding for the four years 2023/24 to 2026/27.

Fleet Schemes

Fleet Summary	Status	Number of Vehicles in Category	Yr 0 2022/23 £	Yr 1 2023/24 £	Yr 2 2024/25 £	Yr 3 2025/26 £	Yr 4 2026/27 £	Yr 5 2027/28 £	Yr 6 2028/29 £	Yr 7 2029/30 £	Yr 8 2030/31 £	Yr 9 2031/32 £	Yr 10 2032/33	Yr 1-10 Total £
Covert	Firm	14	68,000	91,000	142,800	29,120	60,235	52,137	100,100	156,800	31,920	65,917	33,365	763,393
Neighbourhood Policing	Firm	94	580,344	420,000	0	124,800	1,676,746	657,012	462,000	0	0	1,938,170	717,846	5,996,573
Specialist Vehicles	Firm	31	264,196	140,000	73,440	228,800	128,896	116,640	332,200	219,520	108,300	224,576	184,080	1,756,452
Dog Vehicles	Firm	14	78,094	176,000	20,400	8,320	100,488	212,760	92,400	197,120	22,800	49,880	111,864	992,032
Motor Cycles	Firm	8	0	0	0	127,920	0	0	0	0	17,100	0	0	145,020
Pool Cars	Firm	27	214,000	74,000	37,128	18,720	64,342	14,040	45,100	204,960	84,360	42,224	21,240	606,114
Protected personnel Carriers	Firm	9	240,000	0	0	0	159,000	0	247,500	0	342,000	0	0	748,500
Roads Policing Vehicles	Firm	25	70,000	415,000	382,500	239,200	106,000	448,200	412,500	257,600	114,000	481,400	442,500	3,298,900
Crime Command	Firm	41	41,000	255,000	121,380	71,760	110,240	27,000	16,500	29,120	336,300	126,440	46,020	1,139,760
Crime Scene Investigators	Firm	10	294,637	0	0	0	0	0	0	0	23,370	313,200	0	336,570
Garage	Firm	6	0	0	0	0	0	0	148,500	0	0	0	0	148,500
	Firm			0	0	0	0	0	0	0	0	0	0	0
VIP	Firm	1	0	0	35,700	0	0	0	0	0	39,900	0	0	75,600
Partnership Vehicles	Firm	14	0	120,000	60,180	0	0	129,600	64,900	0	0	34,220	69,620	478,520
Telematics	Delegated		0	130,000	0	0	0	0	0	0	0	0	0	130,000
General underspend b/fwd Contingency			14,801	0	0	0	0	0	0	0	0	0	0	0
Total Fleet Summary		294	1,865,073	1,821,000	873,528	848,640	2,405,947	1,657,389	1,921,700	1,065,120	1,120,050	3,276,027	1,626,534	16,615,934
Number of Vehicles Replaced Each Year			62	45	29	32	91	34	41	34	42	94	42	

Status - Fleet Replacement - It is recommended that all fleet vehicle replacement schemes are approved as firm for 2023/24 only. This provides authority to procure on the basis of the currently approved fleet strategy. The strategy will be reviewed during 2023/24 to inform the status of the capital programme in future years.

It is recommended that the scheme to introduce a Telematics vehicle information system be delegated to the Constabulary Chief Finance Officer for final approval.

Estates Schemes

Appendix 4

Estates Summary	Status	Yr 0 2022/23 £	Yr 1 2023/24 £	Yr 2 2024/25 £	Yr 3 2025/26 £	Yr 4 2026/27 £	Yr 5 2027/28 £	Yr 6 2028/29 £	Yr 7 2029/30 £	Yr 8 2030/31 £	Yr 9 2031/32 £	Yr 10 2032/33 £	Yr 1-10 Total £
Existing Schemes													
Roof Repairs - Various													
Roof Repairs - Kendal Police Station	Firm	56,249	0	0	0	120,000	0	0	25,000	0	0	0	145,000
Roof Repairs & Glazing - Durranhill		0	0	0	0	75,000	0	0	0	0	0	0	75,000
Heating, Ventilation & Cooling Plant - Various													
Police Headquarters HVAC		0	0	0	300,000	0	0	0	200,000	0	0	0	500,000
Barrow HVAC		0	0	0	0	0	60,000	0	0	0	0	0	60,000
Comms Centre Cooling plant		0	0	0	0	0	0	0	70,000	0	0	0	70,000
UPS													
UPS Durranhill		0	0	60,000	0	0	0	0	0	0	0	0	60,000
UPS HQ		0	0	0	0	0	0	30,000	0	0	0	0	30,000
UPS Kendal		0	0	0	0	0	0	30,000	0	0	0	0	30,000
UPS Barrow		0	0	0	0	0	60,000	0	0	0	0	0	60,000
CCTV and Cell Call													
Durranhill CCTV system and cell call	Indicative	0	50,000	0	0	0	0	0	0	0	0	0	50,000
Kendal CCTV and Cell Call		0	0	0	0	0	50,000	0	0	0	0	0	50,000
Barrow CCTV camera replacement		0	0	0	0	0	0	35,000	0	0	0	0	35,000
Other Existing Schemes													
Garage Provision		0	0	0	0	0	0	500,000	0	0	0	0	500,000
Cell Call & CCTV -	Firm	100,000	0	0	0	0	0	0	0	0	0	0	0
West Estate Purchase	Indicative	20,000	20,000	20,000	60,000	1,000,000	0	0	0	0	0	0	1,100,000
HQ Static inverter		0	0	0	0	0	0	50,000	0	0	0	0	50,000
HQ window conservation		0	0	0	0	50,000	0	0	0	0	0	0	50,000
Learning and Development Centre life cycles		0	0	0	0	0	0	0	0	25,000	0	0	25,000
Gas suppression cylinder replacements		0	0	0	0	0	0	0	25,000	0	0	0	25,000
Kendal M&E plant		0	0	0	0	0	0	20,000	0	0	0	0	20,000
Kendal - yr 10 electrical and plant		0	0	0	0	0	0	0	0	50,000	0	0	50,000
Carlisle M&E plant (area 2)	Firm	60,000	0	0	0	0	0	20,000	0	0	0	0	20,000
Learning and Development - ground floor	Firm	306,400	0	0	0	0	0	0	0	0	0	0	0
Dog Section - Wreay	Firm	367,158	0	0	0	0	0	0	0	0	0	0	0
Durranhill curtain walling life cycles		0	0	0	0	0	0	0	0	30,000	0	0	30,000
Sub Total Existing Estates Schemes		909,807	70,000	80,000	360,000	1,245,000	170,000	685,000	320,000	105,000	0	0	3,035,000
New Estates Schemes 2023/24													
Hunter Lane	Indicative	0	513,695	286,040	0	0	0	0	0	0	0	0	799,735
Estate Modernisation		0	0	0	0	974,765	0	0	0	0	0	0	974,765
Brampton Boiler	Firm	0	50,000	0	0	0	0	0	0	0	0	0	50,000
Cockermouth Paving	Firm	0	80,000	0	0	0	0	0	0	0	0	0	80,000
Sub Total New Estates Schemes		0	643,695	286,040	0	974,765	0	0	0	0	0	0	1,904,500
Total Estates Schemes		909,807	713,695	366,040	360,000	2,219,765	170,000	685,000	320,000	105,000	-	-	4,939,500

Estates Scheme Status Recommendations*

It is recommended that the scheme to update premises at Hunter Lane be agreed in principle as an indicative scheme, and subject to a business case being approved by the Commissioner.

*scheme status applies to the financial profile of 2023/24 only unless otherwise stated.

Appendix 5

Other Schemes

Other Schemes	Status	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 1-10
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2031/32	Total
		£	£	£	£	£	£	£	£	£	£	£	£
CCTV	Indicitive	0	0	0	0	0	0	150,000	0	450,000	400,000	0	1,000,000
Taser CED migration (T60 package /T7 * 79)	Firm	67,829	67,829	67,829	0	0	200,000	0	0	0	0	0	335,659
X26 taser fleet replacement	Firm	0	200,000	0	0	0	0	0	0	200,000	0	0	400,000
Glock Pistol Replacement	Firm	45,167	0	0	0	0	0	0	0	0	0	0	0
Portable Ballistic Protective Equipment	Delegated	0	0	0	0	0	0	0	43,000	0	0	0	43,000
Laser Scanning	Firm	4,158	0	0	0	0	0	0	0	0	0	0	0
Operation Uplift	Firm	30,121	0	0	0	0	0	0	0	0	0	0	0
Total Other Schemes		147,275	267,829	67,829	0	0	200,000	150,000	43,000	650,000	400,000	0	1,778,659

Other Scheme Status Recommendations*

*scheme status applies to the financial profile of 2023/24 only with the exception of the Taser CED migration scheme which is a five year Home Office Programme.

Analysis of change in Capital Programme between February 2022 and the February 2023 proposal.

EXPENDITURE	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	1-5 Year
	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £	TOTAL £
Capital Strategy - Approved (February 2022)	7,219,088	12,275,960	12,225,892	3,709,879	9,689,689	3,502,048	41,403,469
Capital Strategy - Proposed (February 2023)	6,701,457	7,950,242	4,029,078	2,675,658	6,284,536	4,566,651	25,506,165
Difference (decrease)/Increase	(517,631)	(4,325,718)	(8,196,814)	(1,034,221)	(3,405,153)	1,064,603	(15,897,303)
Difference by Type							
- ICT Schemes	(750,817)	255,427	(1,047,166)	(921,361)	(4,590,161)	472,964	(5,830,297)
- Fleet Schemes	674,073	605,160	124,312	27,140	(589,757)	741,639	908,493
- Estates Schemes	(296,442)	(4,836,305)	(7,073,960)	60,000	1,974,765	0	(9,875,500)
- Other Schemes	(144,445)	(350,000)	(200,000)	(200,000)	(200,000)	(150,000)	(1,100,000)
Difference (decrease)/Increase	(517,631)	(4,325,718)	(8,196,814)	(1,034,221)	(3,405,153)	1,064,603	(15,897,303)
Explanation of the Difference by Type							
- ICT Schemes							
2021/22 outturn Qtr 4	495,530	0	0	0	0	0	0
Renewal added	63,935	351,500	500,000	278,000	200,000	0	1,329,500
Airwaves Handsets B/F from 23/24 to 22/23	50,000	(50,000)	0	0	0	0	(50,000)
Reprofile	(2,057,091)	(50,209)	(1,032,684)	(259,525)	362,725	(531,944)	(1,511,637)
Newly approved	335,149	42,000	0	0	0	0	42,000
Removed	(316,045)	517	(63,056)	(58,650)	(279,823)	(100,709)	(501,720)
Transferred from 'Other section'	372,320	298,403	0	0	0	0	298,403
Police Works - HMICFRS work added	(33,400)	60,000	0	0	0	0	60,000
Print Room Closure/ Impact on MFPs	(292,765)	350,000	0	0	0	(50,870)	299,130
ESN Refresh	0	0	(200,000)	(543,000)	(4,452,778)	0	(5,195,778)
Updated estimates	(854,613)	216,000	134,379	(383,719)	(390,449)	(502,558)	(926,347)
Smartphone Spec decision / ESN delays	(295,073)	157,919	(335,122)	14,835	(49,000)	14,792	(196,576)
Surface Pro / desktop Update	781,236	(120,703)	(50,682)	30,697	19,163	1,298,777	1,177,252
Savings Target removed	0	0	0	0	0	345,476	345,476
- Fleet Schemes							
Qtr.4 delivery delays	633,729	0	0	0	0	0	0
Re-profile	0	0	0	(29,000)	(77,075)	(6,725)	(112,800)
2nd hand car increase	15,000	0	(5,000)	15,000	0	(5,000)	5,000
Write off B/Fwd	95,344	0	0	0	(90,400)	95,344	4,944
Extended Life	(26,000)	0	28,000	0	0	(26,000)	2,000
New Approval	41,000	0	0	0	0	0	0
CSD est reduced moved to area elec	0	0	0	60,000	(53,000)	0	7,000
Late commission - pushed back	0	0	0	(30,000)	30,000	0	0
Correction to life	(85,000)	123,000	0	0	(29,500)	104,500	198,000
Price Increase	0	(42,000)	103,000	43,000	(114,064)	93,000	82,936
Ops Command reschedule (ontop of those previously identified)	0	418,000	10,000	(18,000)	(170,000)	447,000	447,000
Inflation	0	(23,840)	(11,688)	(13,860)	(85,718)	39,520	(95,587)
Telematics		130,000					
- Estates Schemes							
Garage Provision	0	(500,000)	0	0	0	0	(500,000)
Cell Call	100,000	0	0	0	0	0	0
West Estate	(580,000)	(4,980,000)	(7,360,000)	60,000	1,000,000	0	(11,280,000)
Learning and Development - ground floor	16,400	0	0	0	0	0	0
Dog Section	167,158	0	0	0	0	0	0
Estate Modernisation	0	513,695	286,040	0	974,765	0	0
Brampton Boiler / Cockermouth Paving		130,000					
- Other Schemes							
CCTV	(173,890)	(350,000)	0	0	0	(150,000)	0
New CED migration (T60 package /T7 * 79)	0	0	0	0	0	200,000	0
X26 taser fleet replacement	0	0	(200,000)	(200,000)	(200,000)	(200,000)	0
Glock Pistol Replacement	45,167	0	0	0	0	0	0
Laser Scanning	4,158	0	0	0	0	0	0
Barrow - custody services to support digital roll out	(50,000)	0	0	0	0	0	0
Operation Uplift	30,121	0	0	0	0	0	0
Difference (decrease)/Increase	(517,631)	(4,325,718)	(8,196,814)	(1,034,221)	(3,405,153)	1,064,603	(15,897,303)

Appendix 7

Property Disposals – Details of Sale Proceeds

Year	Premises Sold	Sale Proceeds £	Costs of Disposal £	Net Capital Receipts £
2022/23	at the time of writing there has been no funds received for any premises sold			
2021/22	Police House - 16 Hillswood Avenue	258,750	1,240	257,510
2020/21	There were no property sales	-	-	-
2019/20	There were no property sales	-	-	-
2018/19	Police House -39 Liddle Close Carlisle	159,000	2,546	156,454
2018/19	Ulverston Police Station	500,000	9,037	490,963
2017/18	Cleator Moor Police Station	105,000	1,939	103,061
2017/18	Barrow Police Station	450,000	10,361	439,639
2016/17	Police House - 21 Thornleigh Road	266,200	5,570	260,630
2016/17	Maryport Police Station	80,500	1,995	78,505
2015/16	Police House 11-12 The Green, Penrith	60,000	2,006	57,994
2015/16	Wigton Police Station	187,500	4,545	182,955
2015/16	Ambleside Police Station	321,500	6,131	315,369
2013/14	Dalton in Furness Police Station	121,000	2,756	118,244
2013/14	Keswick Police Station	327,000	0	327,000
2012/13	Kirkby Stephen Police Station & House	150,000	857	149,143
2012/13	Police House - 3 Centurians Walk, Carlisle	175,500	2,827	172,673
2012/13	Police House - 4 Allan Court, Workington	173,500	2,100	171,400
2012/13	Alston Police Station	166,000	1,123	164,877
2012/13	Ambleside Police Station	141,000	1,753	139,247
2012/13	Cockermouth Police Station	241,000	2,613	238,387
2012/13	Millom Police Station	45,600	1,644	43,956
2012/13	Milnthorpe Police Station	140,500	1,260	139,240
2012/13	Sedbergh Police Station	90,000	1,328	88,672
2011/12	Police House - Durdar	150,000	2,070	147,930
2011/12	Police House - 12 Derwent Drive Kendal	183,500	1,943	181,557
2011/12	Police House - 10 Clifton Court, Workington	125,000	1,320	123,680
2010/11	Police House - 52 Whitestiles, Seaton	115,500	1,924	113,576
2010/11	Police House - 6 Helsington Road, Kendal	216,000	2,668	213,332
2009/10	Police House - 3 Derwent Drive, Kendal	155,000	4,857	150,143
Please note there were no property disposals in 2014/15				0
Total		5,104,550	78,415	5,026,135



Public Accountability Conference
16 February 2023
Agenda Item No 08c

Joint Audit Committee
16 March 2023
Agenda Item No 14c

Office of the Police and Crime Commissioner Report

**Title: Borrowing, Treasury Management, Investment and MRP
Strategies 2023/24 (including Prudential Indicators)**

Report of the Joint Chief Finance Officer

**Originating Officers: Michelle Bellis, Deputy Chief Finance Officer;
Lorraine Holme, Financial Services Manager**

Purpose of the Report

The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in the Public Services (the CIPFA TM Code) and the Prudential Code require Local Authorities (including PCCs) to determine the Treasury Management Strategy Statement (TMSS) on an annual basis.

These codes were originally issued in 2002, revised in 2009, 2011, 2017, and again in 2021. The TMSS presented here complies with the 2021 codes and accompanying guidance notes. The TMSS also incorporates the Investment Strategy which is a requirement of the Ministry of Housing, Communities and Local Government's Investment (MHCLG) Investment Guidance 2018.

This report proposes a strategy for the financial year 2023/24.

Treasury Management in Local Government continues to be a highly important activity. The Police and Crime Commissioner (“The Commissioner”) adopts the CIPFA definition of Treasury Management which is as follows:

Treasury Management Definition

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

Recommendations

The Commissioner is asked to:

1. Approve the Borrowing Strategy for 2023/24 as set out on pages 8-9.
2. Approve the Investment Strategy for 2023/24 as set out on pages 10-13.
3. Approve the Treasury Management Prudential Indicators as set out on pages 15-17.
4. Approve the other Prudential Indicators set out on pages 17 to 21.
5. Approve the Minimum Revenue Provision Policy Statement for 2023/24 as set out on page 22.
6. Note that the detailed Treasury Management Practices (TMPs) have been reviewed and updated as required by the Code of Practice and will be published alongside the TMSS on the Commissioner’s website. The updated TMPs are also provided on the agenda at item 08d.
7. Delegate to the PCCs Chief Finance Officer any non-material amendments arising from scrutiny of the strategy by the Joint Audit Committee.

The Joint Audit Committee are asked to review the Treasury Management Strategy Statement and Treasury Management Practices to be satisfied that controls are satisfactory and provide advice as appropriate to the Commissioner.



Peter McCall



Borrowing, Treasury Management, Investment, and MRP Strategies 2023/24 (Including Prudential Indicators)

Treasury Management Strategy Statement 2023/24

Contents

Treasury Management Strategy Statement - General Principles	Page 3
Treasury Management Cash Flow Forecast	Page 5
Interest Rate Forecast	Page 7
Borrowing Strategy	Page 8
Investment Strategy	Page 10
Treasury Risk and Treasury Management Practices	Page 14
Treasury Management Indicators	Page 15
Other Prudential Indicators	Page 17
Minimum Revenue Provision (MRP) Strategy	Page 22
Appendix A – Counterparty List and Selection Criteria	Page 23

Key Messages

Approval of an annual Treasury Management Strategy is a statutory requirement of the Commissioner.

This Strategy aims to provide the Commissioner with a low risk, yet suitably flexible, approach to Treasury Management.

General Principles

The Commissioner is required to approve an annual Treasury Management Strategy Statement in accordance with the CIPFA Code of Practice on Treasury Management, which also incorporates an Investment Strategy as required by the Local Government Act 2003 and which is prepared in accordance with the Ministry of Housing, Communities and Local Government's Investment Guidance 2018. Together, these cover the financing and investment strategy for the forthcoming financial year.

The Treasury Management Strategy has been prepared in line with the model guidance produced by Link Asset Services Ltd, who provide specialist treasury management advice to the Commissioner. However, it should be noted that all treasury management decisions and activity are the responsibility of the Commissioner and any such references to the use of these advisors should be viewed in this context.

Treasury management activities involving, as they do, the investment of large sums of money and the generation of potentially significant interest earnings have inherent risks. The Commissioner regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks. The main risks to the Commissioner's treasury activities are outlined below:

- Credit and Counterparty Risk (security of investments)
- Liquidity Risk (inadequate cash resources)
- Market or Interest Rate Risk (fluctuations in interest rate levels)
- Re-financing Risks (impact of debt maturing in future years)
- Legal and Regulatory Risk
- Fraud, Error and Corruption Risk

Details of the control measures the Commissioner has put in place to manage these risks are contained within the separate Treasury Management Practices (TMPs).

Key Messages

The Commissioner's priority for investments will **always** be ranked in the order of:



General Principles (Continued)

The Commissioner acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management. However, the high profile near failure of major banks in 2008 highlighted that this objective must be sought within a context of effective management of counterparty risk. Accordingly, the Commissioner will continue to search for optimum returns on investments, but at all times the **security** of the sums invested will be paramount. This is a cornerstone of the CIPFA Code of Treasury Management Practice which emphasises “**Security, Liquidity, Yield** in order of importance at all times”. The security of the sums invested is managed by tight controls over the schedules of approved counterparties, which are continually reviewed to take account of changing circumstances, and by the setting of limits on individual and categories of investments as set out at **Appendix A**.

The strategy also takes into account the impact of treasury management activities on the Commissioner's revenue budget. Forecasts of cash balances, interest receipts and financing costs are regularly re-modelled. The revenue budget for 2023/24 and forecasts for future years have been updated in light of the latest available information as part of the financial planning process.

The guidance under which this strategy is put forward comes from a variety of different places. Principally, however, the requirement to produce an annual Treasury Management Strategy is set out in the CIPFA Code of Practice on Treasury Management published in 2011, 2017 and 2021. There is, in addition, a further requirement arising from the Local Government Act 2003 (Section 15) and the 2018 Ministry of Housing, Communities and Local Government's Investment Guidance, to produce an investment strategy as part of the wider Treasury Strategy. This is set out below, starting at page 10. Finally, the Commissioner's current treasury advisors, Link Asset Services Ltd, have provided some advice about possible future trends in interest rates and advice on best practice in relation to the format of the TMSS.

In accordance with The Code of Practice for Treasury Management, the Commissioner will approve the Annual TMSS, receive a quarterly summary of treasury activity, a mid-year update on the strategy and an annual report after the close of the financial year.

Key Messages

Scrutiny of the Commissioner's treasury activities is the responsibility of the Joint Audit Committee, including:

- Quarterly Reports
- Year End Report
- Treasury Risk Management
- Review of Assurances

As a minimum a rolling 12-month cash flow forecast is maintained and is audited as part of the statutory accounts to support the principle that the Commissioner is operating as a 'going concern'.

General Principles (Continued)

The Joint Audit Committee will be responsible for the scrutiny of treasury management policy and processes. The Joint Audit Committee terms of reference in relation to treasury management are:

- Review the Treasury Management policy and procedures to be satisfied that controls are satisfactory.
- Receive regular reports on activities, issues and trends to support the Committee's understanding of Treasury Management activities; the Committee is not responsible for the regular monitoring of activity.
- Review the treasury risk profile and adequacy of treasury risk management processes.
- Review assurances on Treasury Management (for example, an internal audit report, external or other reports).

The MHCLG Guidance on investments states that publication of strategies is now formally recommended, the full suite of strategy documents will be published on the Commissioner's website once approved.

The Commissioner complies with the provisions of section 32 of the Local Government Finance Act 1992 to set a balanced budget. This report fulfils the legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and MHCLG Guidance.

Treasury Management Cash Flow Forecast

Treasury Management activity is driven by the complex interaction of expenditure and income flows, but the core drivers within the Commissioner's balance sheet are the underlying need to borrow to finance its capital programme, as measured by the capital financing requirement (CFR), which is explored in detail on page 8 of this report, and the level of reserves and balances. In addition, day-to-day fluctuations in cash flows due to the timing of grant and council tax receipts and outgoing payments to employees and suppliers have an impact on treasury activities and accordingly are modelled in detail. The Commissioner's level of debt and investments is linked to the above elements, but market conditions, interest rate expectations and credit risk considerations all influence the Commissioner's strategy in determining exact borrowing and lending activity.

Key Messages

Investment returns and borrowing rates are likely to peak by mid-2023 and start to fall by the end of 2023. Further rate cuts are expected through 2024 and 2025. However, many factors can impact that forecast.

The Commissioner continues to utilise reserves in place of new borrowing to fund the capital programme.

Treasury Management Cash Flow Forecast (Continued)

The estimated treasury position at 31st March 2023 and for the following financial years are summarised below:

Estimated Treasury Position	Estimate 2023/24 £m	Estimate 2024/25 £m	Estimate 2025/26 £m	Estimate 2026/27 £m
External Borrowing	0.00	0.00	0.00	0.00
Interest Payments	0.00	0.00	0.00	0.00
Investments (average)	12.209	5.771	2.460	0.800
Interest Receipts	0.400	0.150	0.063	0.020

The figures in the table above are based on the approval of the proposed revenue budget and capital programme presented to the Commissioner elsewhere on this agenda and are based on the interest rate assumptions as outlined on page 7 below. The estimate for interest receipts in 2023/24 is £400k (latest forecast for 2022/23 is £380k). The timing of future external borrowing is currently not known and decisions regarding the end of the PFI contract are still to be made.

The Commissioner's underlying need to borrow, as measured by the Capital Financing Requirement (CFR), is estimated to be £24.83m at the start of the 2023/24 financial year. This includes £3.96m which is the capital value of the PFI contract as required by changes to proper accounting practices introduced in The Code of Practice on Local Authority Accounting 2009. The capital programme paper elsewhere on this agenda (see item 08b) indicates that the Commissioner will need to borrow to deliver the agreed capital programme, specifically to provide a fit for purpose territorial policing HQ in the west of the county. This investment is still indicative and would be subject to a full business case decision process.

Under current market conditions, where short term interest rate forecasts are frequently changing, and there are continuing general uncertainties over the creditworthiness of financial institutions, it is assumed that the most prudent borrowing strategy for the present is to meet the capital funding requirement from within internal resources. This has the effect of reducing the cash balances available for investment. Advice will continue to be sought from our treasury advisors as to the most opportune time and interest rate to undertake external borrowing.

Key Messages

CPI inflation may have peaked. The Bank of England is forecasting inflation to fall to 4% by the end of 2023.

The Bank Rate is forecast to rise further in 2023, peaking in the summer and starting to fall by the end of the year, ahead of further reductions during 2024 and 2025.

Treasury Management Interest Rate Forecast

- GDP in November rose by 0.1% month on month which was better than expected driven by growth in the services sector. It is expected that the UK economy will be in recession throughout 2023 and Q1 of 2024.
- The CPI inflation figure fell slightly from 10.7% in November to 10.5% in December. Fuel inflation has fallen dramatically from 17.2% in November to 11.5% in December and may fall to 0% in the coming months. Inflation also fell in clothing and footwear, and recreation and culture. However, this was offset by increases in prices for hotels and restaurants, and food and drink.
- The labour market remains tight as the 3myy rate of average earnings growth (excluding bonuses) increased from 6.1% in October to 6.4% in November. However, despite the increase in the supply of workers, the sharp rise in single-month employment in November kept the unemployment rate unchanged at 3.7%.

Over recent weeks, there has been a more upbeat feel to markets after a tumultuous 2022. The Bank of England has slashed the size of the recession it is forecasting from a 2.9% peak fall in real GDP over eight quarters, as it predicted in November, to a fall of just 1.0% over five quarters. Furthermore, forecasts now have inflation falling from 10.5% to 4.0% by the end of this year, to 1.0% by the end of 2024 and to just above 0% by the end of 2025.

The Monetary Policy Committee (MPC) has increased the Bank Rate 375bps over the past twelve months, taking rates to a 14 year high of 4.00%. At the February meeting a 7-2 majority saw it rise by 0.50%, with two members preferring to leave the rates unchanged. The Bank has implied that rates are close to their peak but lingering domestic inflation pressures are likely to result in further rate increases taking rates to a peak of 4.50% in mid-2023. Rates are expected to start to reduce by the end of the year and fall steadily over the medium term.

Base Rate Estimates	2023/24	2024/25	2025/26	2026/27
Quarter 1	4.50%	3.75%	2.75%	2.50%
Quarter 2	4.50%	3.25%	2.50%	2.50%
Quarter 3	4.25%	3.00%	2.50%	2.50%
Quarter 4	4.00%	2.75%	2.50%	2.50%

Key Messages

The Commissioner has an increasing Capital Financing Requirement due to the capital programme, but has modest investments (after deducting the pension grant receipt), and will therefore need to borrow in the near future.

Borrowing Strategy

Long Term Borrowing

The Commissioner's underlying need to borrow for capital purposes is measured by reference to the Capital Financing Requirement (CFR), which is one of the Prudential Indicators and represents the cumulative capital expenditure of the Commissioner that has not been financed from other sources such as capital receipts, capital grants, revenue contributions or reserves. To ensure that this expenditure will ultimately be financed, authorities are required to make a provision from their revenue accounts each year for the repayment of debt. This sum known as the Minimum Revenue Provision (MRP) is intended to cover the principal repayments of any loan over the expected life of a capital asset. The CFR together with Usable Reserves, are the core drivers of the Commissioner's Treasury Management activities.

Actual borrowing may be greater or less than the CFR, but in order to comply with the Prudential Code, the Commissioner must ensure that in the medium term, net debt will only be for capital purposes. Therefore, the Commissioner must ensure that except in the short term, net debt does not exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. In compliance with this requirement the Commissioner does not currently intend to borrow in advance of spending need.

The table below shows the Commissioner's projected capital financing requirement for 2023/24 and beyond.

Capital Financing	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Balance B/fwd	21.60	22.11	24.82	26.53	24.61
Plus Capital Expenditure financed from borrowing	1.13	3.37	3.02	0.02	0.06
Less MRP for Debt Redemption	-0.63	-0.65	-1.31	-1.94	-1.98
Balance C/Fwd	22.10	24.83	26.53	24.61	22.69

The above table shows only capital expenditure that is required to be financed from borrowing. The full capital programme and associated financing is reported in summary within the capital programme elsewhere on the agenda (see item 08b).

Key Messages

Diversification of investments continues to provide a level of liquid cash that is suitable for the Commissioner's expenditure profile whilst total investment balances remain high. This will continue to be monitored as levels of investments fall and if necessary, a minimum level of liquid cash to be maintained will be set.

Short term borrowing from other Local Authorities may be needed in the future to manage short term cash flow shortfalls.

Borrowing Strategy (Continued)

The Commissioner is not expected to have any external borrowing at the start of 2023/24. Given that the CFR is forecast to be £24.83m this effectively means that the Commissioner will be funding over £20.87m of capital spend from internal resources (CFR £24.83m less £3.96m in relation to the PFI).

The Bank Rate rises over recent months have pushed up the cost of long term finance to over 4%. Borrowing rates are expected to start falling in the second half of 2023 and to continue over the medium term. Consequently, undertaking long term borrowing at this time is likely to fix higher costs into the revenue account and commit the Commissioner to costs for many years in the future. It is critical that a long term view is taken regarding the timing of such transactions.

It should also be recognised that by funding internally, there is an exposure to interest rate risk at the point that actual borrowing is undertaken. Accordingly, the Commissioner, in conjunction with its treasury advisor, will continue to monitor market conditions and interest rate prospects on an ongoing basis, in the context of the Commissioner's capital expenditure plans, with a view to minimising borrowing costs over the medium to long term.

The Commissioner's predecessors had previously raised all of its long-term borrowing from the PWLB (Public Works Loans Board) but other sources of finance are now available and being investigated, such as local authority loans and bank loans, that may be available at more favourable rates.

Short Term Borrowing

Short term loans will be used to manage day to day movements in cash balances, or over a short-term period to enable aggregation of existing deposits into longer and more sustainable investment sums. Short term borrowing would probably be from another Local Authority.

Key Messages

The Investment Strategy for 2023/24 remains broadly the same as in previous years as there has been little change in the markets or counterparties.

The updated investment guidance emphasises “Security, Liquidity, Yield in order of importance at all times”.

The appropriate balance between risk and return is sought but with returns so low there is little to be gained from exposing the Commissioner to extra risk.

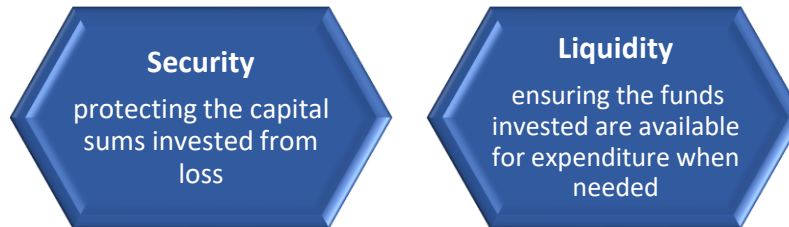
Investment Strategy

Local Authorities (which include the Commissioner) invest their money for three broad purposes:

- because they have surplus cash as a result of their day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
- to support local public services by lending to or buying shares in other organisations (service investments), and
- to earn investment income (known as commercial investments where this is the main purpose).

The Local Government Act 2003, Section 15(1) (a) requires the Commissioner to approve an investment strategy which must also meet the requirement in the statutory investment guidance issued by the Ministry of Housing, Communities and Local Government in January 2018. The Commissioner does not currently have, and does not intend to invest in, service investments or commercial investments so the detail below focuses on a Treasury Management Investment Strategy.

The CIPFA Code requires funds to be invested prudently, and to have regard for:



The generation of yield is distinct from these prudential objectives. Once proper levels of security and liquidity are determined, it is then reasonable to consider what yield can be obtained consistent with these priorities. The objective when investing surpluses is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the aim would be to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

The treasury management investment strategy operates criteria based on credit ratings to determine the size and duration of investments it is willing to place with particular counterparties. The credit worthiness of counterparties is reviewed on an ongoing basis in conjunction with the Commissioner’s treasury advisors.

Key Messages

In accordance with guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Commissioner applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

The key ratings used to monitor counterparties are the Long Term ratings.

Investment Strategy (Continued)

The Commissioner holds significant balances of invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2022/23, the Commissioner's investment balance has ranged between £4.76m and £30.97m. The larger sum was due to the receipt in July 2022 of £19.85m pension top up grant from the Home Office, which is drawn down steadily over the remainder of the year. Balances in 2023/24 are forecast to slowly reduce as expenditure on large capital schemes continues. It is anticipated that, at the peak, when the pensions grant is received in July, balances for investment could approach £27m.

Credit Rating - Investment decisions are made by reference to the lowest published long-term credit rating from credit agencies such as, Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. In addition to credit ratings, the Commissioner and its advisors, select countries and financial institutions after analysis and ongoing monitoring of:

- Economic fundamentals (e.g., net debt as a % of GDP)
- Credit default swap prices (a CDS is a financial derivative or contract that allows an investor to "swap" or offset credit risk with that of another investor)
- Sovereign support mechanisms
- Share prices
- Corporate developments, news, articles, market sentiment and momentum
- Subjective overlay – or, put more simply, common sense.

The investment strategy for 2015/16 was opened up slightly to include some additional classes of investment to allow more flexibility and diversification. The strategy for 2023/24 remains the same. The decision to enter into an approved class of investment is delegated to the PCC Chief Finance Officer. The strategy allows for investments in pooled funds such as money market funds or property funds. The use of property funds would further diversify the Commissioners' portfolio, provide a longer-term investment and increase yield whilst maintaining security. However, given current economic volatility arising from high inflation it is unlikely that they will be pursued.

A full explanation of each class of asset is provided in **Appendix A** together with a schedule of the limits that will be applied.

Key Messages

The Joint Chief Finance Officer (subject with consultation with the Commissioner) will be granted delegated authority to amend or extend the list of approved counterparties should market conditions allow.

No plans to use derivatives – this would require explicit approval.

Investment Strategy (Continued)

The Treasury Management Strategy is designed to be a dynamic framework which is responsive to prevailing conditions with the aim of safeguarding the Commissioner's resources. Accordingly, the Commissioner and his advisors will continuously monitor corporate developments and market sentiment with regards to counterparties and will amend the approved counterparty list and lending criteria where necessary. Whilst credit ratings are central to the counterparty risk evaluation process, other factors such as the prevailing economic climate are taken into consideration when determining investment strategy. It is proposed to continue the policy, adopted in 2017/18 that the PCC Chief Finance Officer, subject to consultation with the Commissioner, be granted delegated authority to amend or extend the list of approved counterparties should market conditions allow.

The Joint Audit Committee will be updated on any changes to policy. The performance of the Commissioner's treasury advisors and quality of advice provided is evaluated prior to the triennial renewal of the contract. Meetings with the advisors to discuss treasury management issues are held on a regular basis.

The use of Financial Instruments for the Management of Risks

Currently, Local Authorities (including PCC's) legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Act is not sufficiently explicit.

In the absence of any explicit legal power to do so, the Commissioner has no plans to use derivatives during 2023/24. Should this position change, the Commissioner may seek to develop a detailed and robust risk management framework governing the use of derivatives, but this change in strategy will require explicit approval. A derivative is a financial security with a value that is reliant upon or derived from, an underlying asset or group of assets. The derivative itself is a contract between two or more parties, and the derivative derives its price from fluctuations in the underlying asset.

Liquidity of investments

The investment strategy must lay down the principles which are to be used in determining the amount of funds which can prudently be committed for more than one year i.e. what MHCLG's defines as a long-term investment.

Key Messages

The cash flow forecast is maintained for a minimum rolling 12 months. This allows assessment of the ability to invest longer term and identifies areas where short term borrowing may be required.

Investment Strategy (Continued)

The Financial Services team uses a cash flow forecasting spreadsheet to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Commissioner being forced to borrow on unfavourable terms to meet his financial commitments. For the Commissioner, the total of investments over one year in duration are limited to £2m with a maximum duration of three years. This policy balances the desire to maximise investment returns, with the need to maintain the liquidity of funds.

Under current market conditions there is still little opportunity to generate significant additional investment income by investing in longer time periods over one year. However, as always, investment plans should be flexible enough to respond to changing market conditions during the year. The estimate of investment income for 2023/24 amounts to £400k (£380k 2022/23) and actual investment performance will be reported regularly to the Commissioner and will be provided to members of the Joint Audit Committee as background information to provide guidance and support when undertaking scrutiny of Treasury Management procedures.

Key Messages

The 'Treasury Management Practices' statement is updated for each year, scrutinised by the Joint Audit Committee and published on the Commissioner's website alongside this strategy.

Treasury Risk and Treasury Management Practices

The Commissioner's approach to risk is to seek optimum returns on invested sums, taking into account at all times the paramount security of the investment. The CIPFA Code of Practice and Treasury Management Practices sets out in some detail defined treasury risks and how those risks are managed on a day to day basis. The CIPFA Code of Practice on Treasury Management recommends the adoption of detailed Treasury Management Practices (TMPs). As outlined above, the Treasury Management Code and Prudential Code were updated and additional guidance notes have now been received. The TMP's have been updated. The guidance from CIPFA recommends that TMPs should cover the following areas:

- Risk Management
- Performance Management
- Decision Making and Analysis
- Approved Instruments
- Organisation, Segregation of Duties and Dealing Arrangements
- Reporting and Management Information Requirements
- Budgeting, Accounting and Audit
- Cash and Cash Flow Management
- Money Laundering
- Training and Qualifications
- Use of External Service Providers
- Corporate Governance

Treasury Management is a specialised and potentially risky activity, which is currently managed on a day-to-day basis by the Financial Services Team under authorisation from the PCC Chief Finance Officer as part of a shared service arrangement for the provision of financial services. The training needs of treasury management staff to ensure that they have appropriate skills and expertise to effectively undertake treasury management responsibilities is addressed on an ongoing basis. Specific guidance on the content of TMPs is contained within CIPFA's revised code of Practice for Treasury Management. Accordingly, the TMPs have been reviewed in detail and where necessary amendments have been made to bring the TMPs into line with The Code.

The PCC currently has no external debt and does therefore not need to set limits on the maturity of debt in each period.

Treasury Management Prudential Indicators

The key objectives of The Code are to ensure, within a clear framework, that Capital investment plans are affordable, prudent and sustainable (or to highlight, in exceptional cases, that there is a danger this will not be achieved so that the Commissioner can take remedial action). To demonstrate that Authorities have fulfilled these objectives, the Prudential Code sets out the Indicators that must be used. The indicators required by The Code are designed purely to support local decision making and are specifically not designed to represent comparative performance indicators.

The treasury management Indicators are not targets to be aimed at but are instead limits within which the treasury management policies of the Commissioner are deemed prudent. These cover three aspects:

1. Maturity Structure of Borrowing

It is recommended that upper and lower limits for the maturity structure of borrowings are calculated as follows:

Period of Maturity	Upper Limit %	Lower Limit %
Under 12 months	100.00	0
12 months and within 24 months	100.00	0
24 months and within 5 years	100.00	0
5 years and within 10 years	100.00	0
10 years and above	100.00	0

This indicator is primarily applicable to organisations, which have undertaken significant levels of borrowing to finance their capital programmes in which case it is prudent to spread the profile of repayments to safeguard against fluctuations of interest payments arising from having to refinance a large proportion of the debt portfolio at any point in time. During 2012/13 the Commissioner repaid all outstanding external borrowing and as a result there is currently no requirement to apply stringent limits to the maturity profile of existing debt.

Treasury Management Prudential Indicators (Continued)

2. Principal sums invested for periods longer than a year

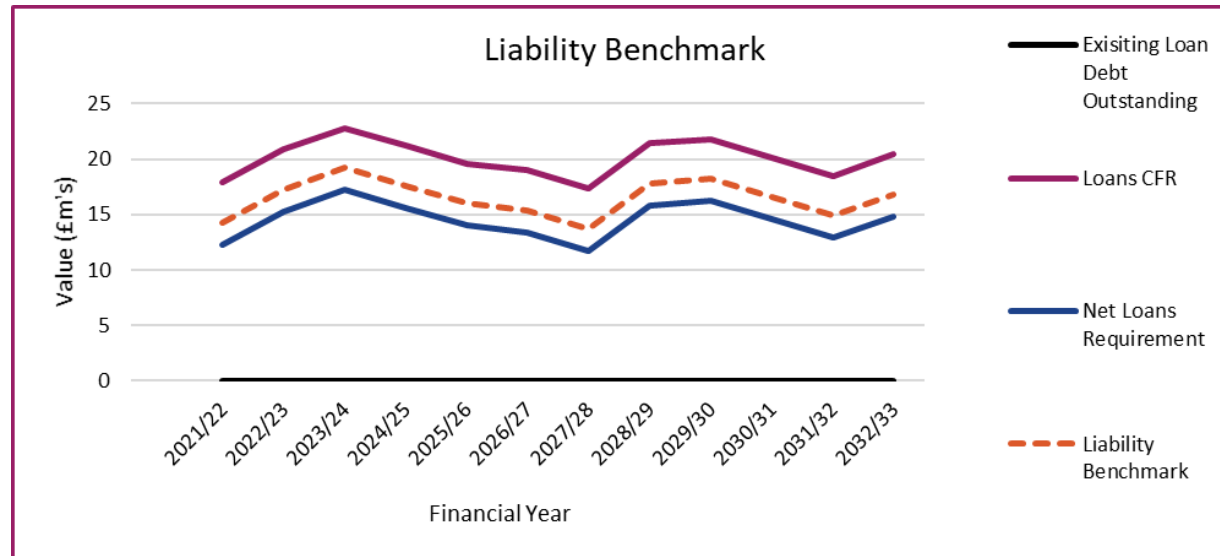
The purpose of this indicator is to contain the Commissioner’s exposure to the possibility of loss that might arise as a result of having to borrow short term at higher rates or losses by seeking early repayment of its investments.

Price Risk Indicator	2022/23	2023/24	2024/25	2025/26	2026/27
Limit on principal invested beyond one year	£2m	£2m	£2m	£2m	£2m

3. Liability Benchmark

The 2021 code requires Authorities to define their own ‘Liability Benchmark’ which looks at the net management of the PCC’s overall treasury position. The aim of the indicator is to support in the management of treasury risks, namely refinancing risk, interest rate and credit risk. It does this through profiling the borrowing portfolio close to the plotted liability benchmark position.

The graph below shows that the current position for the Police and Crime Commissioner is one of no external debt but a loan requirement just below the capital financing requirement. The gap to the external loans of zero represents the under borrowed position / internal borrowing undertaken.



Compliance with the indicators will be presented to the PCC Public Accountability Conference and the Joint Audit Committee in the quarterly Treasury Activities report.

Setting, Revising, Monitoring and Reporting

Prudential Indicators, other than those using actual expenditure taken from audited statements of accounts must be set prior to the commencement of the financial year to which they relate. Indicators may be revised at any time, and must, in any case, be revised for the year of account when preparing indicators for the following year. The PCC Chief Finance Officer has a prescribed responsibility under The Code to ensure that relevant procedures exist for monitoring and reporting of performance against the indicators. The Prudential Indicators when initially set and whenever revised, must be approved by the body which approves the budget, i.e. The Commissioner at his Public Accountability Conference.

Other Prudential Indicators 2023/24

As per the 2021 CIPFA Prudential Code for Capital Finance and the accompanying guidance notes the Commissioner is required to produce a number of indicators to assist understanding and to evaluate the prudence and affordability of the capital expenditure plans and the borrowing and investment activities undertaken in support of this.

Capital Expenditure and Capital Financing

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on council tax.

Capital Expenditure	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Capital Expenditure	5.37	6.70	7.95	4.03	2.68

Capital Financing	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Capital Receipts	0.08	0.00	0.00	0.00	0.00
Government Grants	1.01	2.83	1.71	0.00	0.00
Revenue Contributions	3.14	0.50	3.22	4.01	2.62
Total Financing	4.23	3.33	4.93	4.01	2.62
Borrowing*	1.13	3.37	3.02	0.02	0.06
Total Funding	1.13	3.37	3.02	0.02	0.06
Total Financing and Funding	5.36	6.70	7.95	4.03	2.68

Key Messages

Capital Finance Requirement – ‘The mortgage you are yet to take’.

Minimum Revenue Provision – ‘Annual Mortgage repayments’.

The Authorised Limit is a statutory limit (Local Government Act 2003) above which the Commissioner has no authority to borrow.

Other Prudential Indicators 2023/24 (Continued)

Capital Financing Requirement

The Capital Financing Requirement (CFR) shows the difference between the capital expenditure and the revenue or capital resources set aside to finance that spend. The CFR will increase where capital expenditure takes place and will reduce with the Minimum Revenue Provision (MRP) made each year from the revenue budgets.

Capital Financing	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Balance B/fwd	21.60	22.11	24.82	26.53	24.61
Plus Capital Expenditure financed from borrowing	1.13	3.37	3.02	0.02	0.06
Less MRP for Debt Redemption	-0.63	-0.65	-1.31	-1.94	-1.98
Balance C/Fwd	22.10	24.83	26.53	24.61	22.69

Authorised Limit

The represents a control on the maximum level of external debt. Whilst not desired it could be afforded by the authority in the short term but is not sustainable in the longer term. The Authorised Limit gauges events that may occur over and above those transactions which have been included in the Operational Boundary. The Authorised Limit must not be breached.

Authorised Limit for External Debt	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
External Borrowing	24.41	27.36	29.33	27.70	26.12
Other Long Term Liabilities	4.20	3.96	3.70	3.40	3.06
Total Authorised Limit	28.61	31.32	33.03	31.10	29.18

Key Messages

The Operational Boundary limit is not an absolute limit of external debt and may be exceeded temporarily.

Currently the Commissioner has no external borrowing.

Other Prudential Indicators 2023/24 (Continued)

Operational Boundary

The Operational Boundary is a limit beyond which external debt is not normally expected to exceed. This limit is not an absolute limit but it reflects the expectations of the level at which external debt is not normally expected to exceed.

Occasionally, the Operational Boundary may be exceeded (but still not breach the Authorised Limit) following variations in cash flow. Such an occurrence would follow controlled treasury management action and may not have a significant impact on the prudential indicators when viewed all together. Consistent with the Authorised Limit, the PCC Chief Financial Officer has delegated authority, within the total Operational Boundary, to effect movement between the separately identified and agreed figures for External Borrowing and Other Long-term Liabilities. Any such changes will be reported to the Commissioner and the Joint Audit Committee meeting following the change.

Operational Boundary for External Debt	2021/22 £m	2021/22 £m	2022/23 £m	2024/25 £m	2025/26 £m
External Borrowing	22.91	25.86	27.83	26.20	24.62
Other Long Term Liabilities	4.20	3.97	3.70	3.40	3.06
Total Operational Boundary	27.11	29.83	31.53	29.60	27.68

Actual External Debt

The Commissioner's actual external debt as at 31 March 2023 will be £3.96m, comprising only of other long-term liabilities of £3.96m in relation to the PFI. It is unlikely that the Commissioner will actually exercise external borrowing until there is a change in the present structure of investments rates compared to the costs of borrowing. It should be noted that all previous external borrowing with the PWLB (Public Works Loans Board) was repaid during 2012/13.

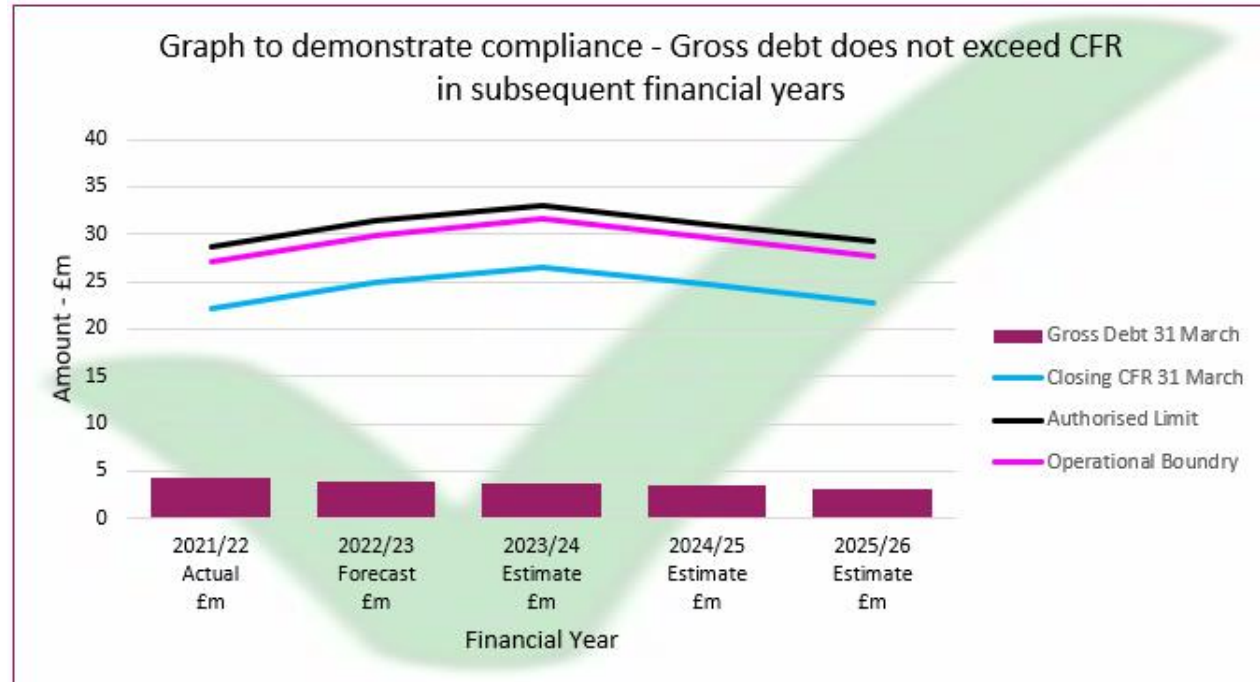
Other Prudential Indicators 2023/24 (Continued)

Gross Debt and the Capital Financing Requirement

The Commissioner should only borrow to support a capital purpose, and borrowing should not be undertaken for revenue or speculative purposes. Gross debt, except in the short term, should not exceed CFR in the preceding year plus the estimates for CFR for the three subsequent years.

Gross Debt and Capital Financing Requirement	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Closing CFR 31 March	22.11	24.82	26.53	24.61	22.69
Gross Debt 31 March	4.20	3.96	3.70	3.40	3.06

Using the figures from the above stated indicators the graph below demonstrates compliance as gross debt remains below CFR, authorised and operational limits for all years presented:



Other Prudential Indicators 2023/24 (Continued)

Ratio of financing costs

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.

Financing Costs include the amount of interest payable in respect of borrowing or other long-term liabilities and the amount the Commissioner is required to set aside to repay debt, less interest and investments income. The Commissioner's financing costs can be both positive and negative dependent on the relative level of interest receipts and payments.

The actual Net Revenue Stream is the 'amount to be met from government grants and local taxation' taken from the annual Statement of Accounts, budget, budget proposal and medium-term financial forecast. These figures are purely indicative and are in no way meant to indicate planned increases in funding from Council Tax.

Ratio of Financing Costs to Net Revenue Stream	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Investment income	0.01	0.38	0.40	0.15	0.06
MRP	0.63	0.65	1.31	1.94	1.98
Financing Costs	0.62	0.27	0.91	1.79	1.92
Net Revenue Stream	124.08	128.63	133.97	137.58	137.58
Ratio	0.50%	0.21%	0.68%	1.30%	1.39%

Key Messages

The broad aim of the Minimum Revenue Provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

In relation to the Commissioner this would be over 50 years as borrowing is only used to finance Land and Building schemes.

Calculation will be based on Option 1 for pre 2008/9 debt and option 3 thereafter.

The Commissioner is also permitted to make additional voluntary payments if required (voluntary revenue provision VRP) although there are no plans to make any in the medium-term forecasts.

Annual MRP Statement for 2023/24

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on authorities to make a prudent provision for debt redemption, this is known as the Minimum Revenue Provision (MRP). The Local Government Act 2003 requires the Authority to “have regard” to The Ministry of Housing, Communities and Local Government’s Guidance on Minimum Revenue Provision most recently issued in 2018. This sum known as the MRP is intended to cover the principal repayments of any loan over the expected life of a capital asset.

The Ministry of Housing, Communities and Local Government’s Guidance recommends that before the start of the financial year, The Commissioner approves a statement of MRP policy for the forthcoming financial year. This is now by agreement encompassed within the TMSS. The broad aim of the policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure, which gave rise to the debt, provides benefits.

The four options available for calculating MRP are set out below:

- Option 1 – Regulatory Method based on 4% of the CFR after technical adjustments.
- Option 2 – CFR Method, based on 4% of the CFR with no technical adjustments.
- Option 3 – Asset Life Method, spread over the life of the asset being financed.
- Option 4 – Depreciation Method, based on the period over which the asset being financed is depreciated.

It is proposed that The Commissioner’s MRP policy for 2023/24 is unchanged from that of 2022/23 and that the Commissioner utilises option 1 for all borrowing incurred prior to the 1st April 2008 and option 3 for all borrowing undertaken from 2008/09 onwards, irrespective of whether this is against supported or unsupported expenditure. This policy establishes a link between the period over which the MRP is charged and the life of the asset for which borrowing has been undertaken. It is proposed that a fixed instalment method is used to align to the Commissioner’s straight-line depreciation policy. MRP in respect of PFI and leases brought on to the balance sheet under the 2009 accounting requirements will match the annual principal repayment for the associated deferred liability. This will not result in an additional charge to the Commissioner’s revenue budget as this is part of the capital repayment element of the PFI unitary charge. There have been some additional voluntary contributions of MRP made in previous years that are available to reduce the revenue charges in later years. No such overpayments or withdrawals are planned for 2023/24.

Counterparty Selection Criteria and Approved Counterparties

The lending criteria set out below are designed to ensure that, in accordance with The Code of Practice, the security of the funds invested is more important than maximising the return on investments. Following consultation with the Commissioner's treasury advisors there are no amendments to the criteria used in determining approved investment counterparties for 2023/24 compared to those in operation for 2022/23.

Counterparty Selection Criteria

The agreed changes to the selection criteria for investment counterparties for 2015/16 included changes to the investment categories, a reduction in the maximum amount and duration lengths for investments. This was to encourage diversification and to increase the security of those funds invested. These principles apply to the 2023/24 strategy. The investment limits and duration are linked to the credit rating and type of counterparty at the time the investment is made.

The credit worthiness of counterparties is monitored on an ongoing basis in conjunction with the Commissioner's treasury management advisors, Link Asset Services Ltd, who provide timely updates and advice on the standing of counterparties. Whilst credit ratings are central to the counterparty risk evaluation process, other factors such as the prevailing economic climate are taken into consideration when determining investment strategy and at the time when individual investment decisions are made. If this ongoing monitoring results in a significant change to counterparty selection during the year, the Commissioner and the Joint Audit Committee will be advised through the quarterly activities report.

The approved investment counterparties for the 2023/24 investment strategy are summarised as follows:

Category	Description	Comments
Category 1	Banks Unsecured	Includes building societies
Category 2	Banks Secured	Includes building societies
Category 3	Government	Includes other Local Authorities
Category 4	Registered Providers	Includes providers of social housing e.g. Housing Associations
Category 5	Pooled Funds	Includes Money Market Funds and property funds

A more detailed explanation of each of these counter party groupings is provided in Schedule B (page 26).

Key Messages

Whilst these limits also apply to the Commissioner's own bankers in the ordinary course of business, if that bank's lowest rating falls below 'A-' balances will be maintained for operational purposes only and minimised on a daily basis. A non-investment limit of £1m will apply in such circumstances.

Changes to accounting rules mean that certain financial instruments need to be valued at year end and paper gains / losses at the balance sheet date charged to the Statement of Comprehensive Income and Expenditure Account. Such instruments are not currently key to this strategy.

Counterparty Groupings / Limits

The criteria for approving investment counterparties have been devised, grouped, graded and investment limits attached as detailed in Schedule A (page 25). The limits are based on a percentage of the potential maximum sums available for investment during the year of up to £40m. The counterparty limits for 2023/24 are the same as the limits for 2022/23. Pooled funds are in essence the same as AAA money market funds but they require 3 days' notice for the return of our funds. This slight reduction in cash flow is rewarded by a slightly increased interest rate. Link Asset Services Ltd suggest that these funds are used for longer term investments and the ordinary money market funds to manage cash flow.

Description of Credit Ratings

As outlined above the credit worthiness of counterparties is monitored on an ongoing basis in conjunction with the Commissioner's treasury management advisors, Link Asset Services Ltd.

The UK Government is considered the safest place to invest as it has never defaulted and therefore minimum credit ratings do not apply.

The Commissioner has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA.

All investments are Sterling. Therefore, the Commissioner is not exposed to any foreign exchange / currency risk.

Schedule A – Counterparty Groupings and Associated Limits

Investment Limits						
Credit Rating	Maximum	1	2	3	4	5
		Banks Unsecured	Banks Secured	Government	Registered Providers	Pooled Funds
<u>Category Limit 2020/21</u>	<i>Amount Duration</i>	£20m	£20m	Unlimited	£10m	£20m
<u>Individual Institution/Group Limits</u>						
UK Government	<i>Amount Duration</i>	N/A	N/A	£ unlimited 50 Years	N/A	N/A
AAA	<i>Amount Duration</i>	£2m 5 years	£4m 20 years	£4m 50 years	£2m 20 years	£4m per fund (Pooled funds are generally not rated but the diversification of funds equate to AAA credit rating)
AA+	<i>Amount Duration</i>	£2m 5 years	£4m 10 years	£4m 25 years	£2m 10 years	
AA	<i>Amount Duration</i>	£2m 4 years	£4m 5 years	£4m 15 years	£2m 10 years	
AA-	<i>Amount Duration</i>	£2m 3 years	£4m 4 years	£4m 10 years	£2m 10 years	
A+	<i>Amount Duration</i>	£2m 2 years	£4m 3 years	£2m 5 years	£2m 5 years	
A	<i>Amount Duration</i>	£2m 13 months	£4m 2 years	£2m 5 Years	£2m 5 years	
A-	<i>Amount Duration</i>	£2m 6 months	£4m 13 months	£2m 5 years	£2m 5 years	
None	<i>Amount Duration</i>	N/A	N/A	£2m 25 years	£2m 5 years	

Note, individual, group and category limits for 2023/24 are based on the potential maximum available for investment during the year of up to £40m. It should also be noted that as outlined on page 23 above, counterparty credit rating is not the only factor taken into consideration at the time of placing investments. The maximum of all investments with outstanding maturities greater than one year will be £2m.

Schedule B – Explanation of Counterparty Groupings

The Commissioners priority for investments will **always** be ranked in the order of



Class of Investment

Category 1 - Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Category 2 - Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank’s assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Category 3 - Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Category 4 - Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Category 5 - Pooled Funds: Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority’s investment objectives will be monitored regularly.

This page has been intentionally left blank

Public Accountability Conference
16 February 2023
Agenda Item 08d

Joint Audit Committee
22 March 2023
Agenda Item 14d



Peter McCall



Joint Treasury Management Practices 2023/24

The Commissioner and Members are asked to note that any changes in wording from the previous document have been highlighted in green.

On 1 April 2023, the Police and Crime Commissioner takes on responsibility for Fire and will become the **Cumbria Commissioner Fire and Rescue Authority**. The Police and Crime Commissioner for Cumbria and Cumbria Commissioner Fire & Rescue Authority are separate legal entities with no group accounting relationship and as such treasury management activities will be kept separate. However, the decision has been taken for the PCC/Constabulary shared Financial Services Team to carry out treasury management activities on behalf of both organisations. On an annual basis a separate treasury management strategy statement (TMSS) will be produced for both organisations. The TMSS and all treasury management activity is covered by a set of overarching principles contained within this document of Treasury Management Practices. This Treasury Management Practices document is a Joint document covering both organisations. Throughout this document, reference will be made to 'The Commissioner', for the purposes of this document, this is intended to refer to responsibilities in relation to the separate responsibilities of **The Police and Crime Commissioner for Cumbria (PCC)** and **Cumbria Commissioner Fire and Rescue Authority (CCFRA)**.

From 01 April 2023 the Joint Chief Finance Officer will be replaced with Separate Chief Finance Officers for the PCC/Fire (PCC CFO) and the Constabulary (CC CFO).

Local Authorities (which include the Commissioner) invest their money for three broad purposes:

- because they have surplus cash as a result of their day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
- to support local public services by lending to or buying shares in other organisations (service investments), and
- to earn investment income (known as commercial investments where this is the main purpose).

Service investments and Commercial investments are classed as non- treasury investments.

The Commissioner does not currently have, and does not intend to invest in, non-treasury investments so the detailed Treasury Management Practices below relate to Treasury Investments only.

Treasury Management Practices – Treasury Investments

Contents

Section	Detail	Page
Schedule 1	Summary Identifying risks of Treasury Management, with specific reference to relevant TMP's	4
Schedule 2	Individual TMP's employed within the PCC and CCFRA	15
TMP 1	Risk management	15
TMP 2	Performance measurement	18
TMP 3	Decision making and analysis	19
TMP 4	Approved instruments, methods and techniques	20
TMP 5	Organisation, clarity, segregation of responsibilities and dealing arrangements	21
TMP 6	Reporting requirements and management information arrangements	25
TMP 7	Budgeting, accounting and audit arrangements	27
TMP 8	Cash and cash flow management	27
TMP 9	Money laundering	28
TMP 10	Training and qualifications	28
TMP 11	Use of external service providers	29
TMP 12	Corporate governance	30

Finance Staff The Financial Services Team have authority to undertake transactions on instruction from the Joint PCCs Chief Finance Officer as part of the arrangements for shared financial services.

Schedule 1

Summary Identifying Risks of Treasury Management

The “**Treasury Management in the Public Services: Code of Practice and cross sectoral guidance notes**” (the Code) identifies twelve areas where statements of Treasury Management practices (TMPs) should be developed to implement the full requirements of the Code.

TMP 1 Risk Management

The **PCCs Joint** Chief Finance Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. They will report at least annually on the adequacy / suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation’s objectives in this respect, all in accordance with the procedures set out in TMP6 ‘Reporting requirements and management information arrangements’. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule 2.

1. Credit and Counterparty Risk Management

The risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty’s diminished creditworthiness, and the resulting detrimental effect on the organisation’s capital or current (revenue) resources.

The Commissioner regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 ‘Approved instruments, methods and techniques’ and listed in schedule 2 of this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financial or derivative arrangements.

To ensure this it will maintain a defined list of authorised counterparties and the group deposit limits. In conjunction with The Commissioner’s treasury advisors (Link Treasury Services Limited) the creditworthiness of counterparties is reviewed on an ongoing basis. Where such monitoring results in significant changes to the approved counterparty list, this will be reported to the Commissioner and the Joint Audit Committee through

the quarterly treasury management activities report. The treasury advisory service provided by Link Treasury Services Limited gives daily updates on credit worthiness which allows immediate action where necessary. Any amendments are subsequently put to the Commissioner for ratification. A weekly statement will be presented to the Deputy CC Chief Finance Officer for approval detailing all the week's investment activity and a summary of all amounts deposited at any one time by counterparty and category together with details of any borrowings undertaken or repaid in the week and the total outstanding at close of business for the week. Copies of this information are also provided to the Joint-PCCs Chief Finance Officer and the Director of Corporate Support. Where exceptional circumstances make it necessary to deviate from the approved lending list limits this will be approved by the Joint-PCCs Chief Finance Officer (or in his/her absence by the Deputy CC Chief Finance Officer) in advance of the transaction being undertaken and will be reported to the Commissioner at the earliest opportunity.

Policy on environmental, social and governance (ESG) considerations

The CIPFA TM Code 2021 requires ESG considerations to be incorporated into TMP1 from 1st April 2023. The Commissioner is supportive of the Principles for Responsible Investment (www.unpri.org) and will seek to bring ESG (environmental, social and governance) factors into the decision-making process for investments.

Within this, the Commissioner is also appreciative of the Statement on ESG in Credit Risk and Ratings which commits signatories to incorporating ESG into credit ratings and analysis in a systemic and transparent way. The Commissioner uses ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties. Each of these rating agencies is a signatory to the ESG in credit risk and ratings statement, which is as follows:

"We, the undersigned, recognise that environmental, social and governance (ESG) factors can affect borrowers' cash flows and the likelihood that they will default on their debt obligations. ESG factors are therefore important elements in assessing the creditworthiness of borrowers. For corporates, concerns such as stranded assets linked to climate change, labour relations challenges or lack of transparency around accounting practices can cause unexpected losses, expenditure, inefficiencies, litigation, regulatory pressure and reputational impacts.

At a sovereign level, risks related to, inter alia, natural resource management, public health standards and corruption can all affect tax revenues, trade balance and foreign investment. The same is true for local governments and special purpose vehicles issuing project boards. Such events can result in bond price volatility and increase the risk of defaults.

In order to more fully address major market and idiosyncratic risk in debt capital markets, underwriters, credit rating agencies and investors should consider the potential financial materiality of ESG factors in a strategic and systemic way. Transparency on which ESG factors are considered, how these are integrated, and the extent to which they are deemed material in credit assessments will enable better alignment of key stakeholders.

In doing this the stakeholders should recognise that credit ratings reflect exclusively an assessment of an issuer's creditworthiness. Credit rating agencies must be allowed to maintain full independence in determining which criteria may be material to their ratings. While issuer ESG analysis may be considered an important part of a credit rating, the two assessments should not be confused or seen as interchangeable.

*With this in mind, we share a common vision **to enhance systematic and transparent consideration of ESG factors in the assessment of creditworthiness.***

2. Liquidity Risk Management

The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business / service objectives will be thereby compromised.

The Commissioner considers that the prospect of ongoing liquidity problems is remote due to the nature and timing of its main income sources and the substance of major items of expenditure. However, it will ensure that the **PCC/Constabulary Policing Body** and **CCFRA** have adequate, though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business / service objectives. This will be achieved through the use of a proven cash flow forecasting model. This is updated annually to include all known major income streams (e.g. Home Office Grant, precepts, pension grant etc.) and all major payments (e.g. payroll, HMRC, weekly payment run estimates, etc.).

The Commissioner will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities. There are currently no plans to borrow in advance of need.

3. Interest Rate Risk Management

The risk that fluctuations in the level of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

The Commissioner will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 'Reporting requirements and management information arrangements'.

The Commissioner will achieve this by the prudent use of approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to consideration and, if required, approval of any policy or budgetary implications.

The Commissioner will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy. There are currently no plans to utilise such instruments.

Revised interest forecasts for both the current and forward years are incorporated within the Commissioner's and Cumbria Commissioner Fire and Rescue Authority budget and medium term financial forecasts on a regular basis. An appropriate limit will also be defined in the annual strategy setting out the maximum amount of variable rate debt to be incurred. However, security of principal will always take precedence over interest returns in decisions over investment of our cash.

4. Exchange Rate Risk Management

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

The Commissioner will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income / expenditure levels. However, this is not considered to be an issue for the Commissioner at the moment, as all treasury transactions are currently undertaken in pounds sterling.

5. Inflation Risk Management

The risk that inflation will erode the future value of and / or yield from an investment.

The Commissioner will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

6. Refinancing Risk Management

The risk that maturing borrowings, capital, projects or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for refinancing, both capital and current (revenue), and / or that the terms are inconsistent with prevailing market conditions at the time.

The Commissioner will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured, documented and the maturity profile of the monies raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Commissioner as can be reasonably achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

7. Legal and Regulatory Risk Management

The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements and that the organisation suffers losses accordingly.

The Commissioner will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1(1) 'Credit and counterparty risk management', it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

An Investment Strategy, as required in Section 15 of the Local Government Act 2003 will be put to the Commissioner annually for ratification as part of the treasury management strategy statement.

The Commissioner recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

Regular scanning of the internal and external regulatory framework will be undertaken by the Deputy CC Chief Finance Officer to aid the above.

8. Fraud, Error and Corruption and Contingency Management

The risk that the organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

The Commissioner will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

9. Market Risk Management

The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

The Commissioner will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

Only very secure instruments and institutions are chosen with strict limits placed on the value of deposit that can be made with each institution (including group limits) thus limiting its exposure.

TMP 2 Performance Measurement

The Commissioner is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in schedule 2.

TMP 3 Decision Making and Analysis

The Commissioner will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and the processes and practices to be pursued in reaching decisions are detailed in Schedule 2.

TMP 4 Approved Instruments, Methods and Techniques

The Commissioner will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in Schedule 2 and within the limits and parameters defined in TMP1 Risk Management.

Where the Commissioner intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Commissioner will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products. There are currently no plans to utilise such instruments.

TMP 5 Organisation, Clarity, Segregation of Responsibilities and Dealing Arrangements

The Commissioner considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times clarity of treasury management responsibilities. A separate statement of responsibilities exists to facilitate this and is set out in Schedule 2.

The principle on which this will be based is a clear distinction, as far as is feasible between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions and the audit and review of the treasury management function.

The **Joint PCCs** Chief Financial Officer has overall responsibility for the treasury management activities but delegates day-to-day management of the function to the **Deputy CC** Chief Finance Officer.

If and when the Commissioner intends, as a result of lack of resources or other circumstances, to depart from these principles, the Joint PCCs Chief Finance Officer will ensure that the reasons are properly reported in accordance with TMP6 'Reporting requirements and management information arrangements', and the implications properly considered and evaluated.

On behalf of the Joint PCCs Chief Finance Officer, the Deputy CC Chief Finance Officer will ensure that:

- there are clear written statements of the responsibilities for each post engaged in treasury management.
- there are appropriate arrangements for absence cover.
- that at all times, those engaged in treasury management will follow the policies and procedures set out.
- there is proper documentation for all deals and transactions.
- that procedures exist for the effective transmission of funds.

The present arrangements are detailed in schedule 2.

The delegations to the Deputy CC Chief Finance Officer in respect of treasury management are set out within schedule 2 of this document. The Deputy CC Chief Finance Officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the "Standard of Professional Practice on Treasury Management".

TMP 6 Reporting Requirements and Management Information Arrangements

The Commissioner will ensure that regular reports are prepared and considered on the implementation of treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum the Commissioner, will receive:

- an annual report on the strategy and plan to be pursued in the coming year (before 31 March).
- A rolling three year statement of treasury Indicators, combining those required by the prudential code and by the treasury management code.
- A mid-year review.
- A quarterly summary of treasury management activity.
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Commissioner's treasury management policy statement and TMPs. (Reported to both the Commissioner's Public Accountability Conference and the Joint Audit Committee).

In addition to the above, the **Joint Audit Committee** will receive:

- regular (no less than quarterly) monitoring reports on treasury management activities and risks. In addition, where ongoing monitoring of the credit worthiness of approved counterparties has revealed a significant change, this will also be reported to the Joint Audit Committee.
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Constabulary's treasury management policy statement and TMPs. (Reported to both the Commissioner's Public Accountability Conference and the Joint Audit Committee).

The Joint Audit Committee will have responsibility for the scrutiny of treasury management strategy, policies and practices.

The present arrangements and the form of these reports are detailed in schedule 2.

TMP 7 Budgeting, Accounting and Audit Arrangements

The **Joint PCCs** Chief Finance Officer will recommend and the Commissioner will approve and if necessary, from time to time will amend an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 'Risk management', TMP2 'Performance measurement' and TMP4 'Approved instruments, methods and techniques'. The **Joint PCCs** Chief Finance Officer will ensure the effective exercise of controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 'Reporting requirements and management information arrangements'.

The Commissioner will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force at that time.

The Commissioner will ensure that its auditors and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles. The Commissioner will also ensure that such information and papers demonstrate compliance with external and internal policies and approved practices.

TMP 8 Cash and Cash Flow Management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Commissioner will be under the control of the **Joint PCCs** Chief Finance Officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the **Joint PCCs** Chief Finance Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1(2) 'liquidity risk management'. The present arrangements for preparing cash flow projections, and their form, are set out in Schedule 2.

TMP 9 Money Laundering

The Commissioner is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and for reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in schedule 2.

TMP 10 Training and Qualifications

The Commissioner recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. The Commissioner will therefore seek to appoint individuals who are both capable and experienced and will also provide training to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The **Deputy CC** Chief Finance Officer will on behalf of the **Joint PCCs** Chief Financial Officer recommend and implement the necessary arrangements.

The **Joint PCCs** Chief Finance Officer will ensure that Joint Audit Committee members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure they have the necessary skills to complete their role effectively.

The present arrangements are detailed in schedule 2.

TMP 11 Use of External Service Providers

The Commissioner recognises that responsibility for treasury management decisions remains with the organisation at all times. It recognises that there may be potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed as consistent with the Joint Procurement Regulations. The monitoring of such arrangements rests with the Joint PCCs Chief Finance Officer, and details of the current arrangements are set out in schedule 2.

The Commissioner has a formal contract with Link Treasury Services Limited, to provide a range of technical advice and information covering the treasury business.

TMP 12 Corporate Governance

The Commissioner is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Commissioner has adopted and implemented the key principles of the CIPFA Code of Practice on Treasury Management. This, together with the other arrangements detailed in Schedule 2, are considered vital to the achievement of proper corporate governance in treasury management, and the Joint PCCs Chief Finance Officer will monitor, and if and when necessary, report upon effectiveness of these arrangements.

Treasury Management Practices

TMP 1 Risk Management

Liquidity Risk

In its day to day operations the Commissioner experiences wide fluctuations in its receipts and payments, although, the majority of its cash streams are known at least three days in advance. The policy will be to maintain the minimum cash balance hence make best use of potential income streams.

A minimum investment balance of £250k should be held to cover unforeseen expenditure; this should be placed on treasury deposit overnight, within the liquidity select/business reserve account or within instantly accessible money market funds.

Standby Facilities

- The Deputy CC Chief Finance Officer will ensure that the daily investment function has adequate cover. On a day to day basis treasury management tasks are performed on rotation by two Financial Services Officers, under the guidance of the Financial Services Manager (Treasury Technical) in the event of their absence, there is a clear order of personnel designated for cover and that order is communicated to all involved (see below).
 - 1) Financial Services Manager (Treasury Technical)
 - 2) Deputy CC Chief Finance Officer
- All programs and systems are held within the main body of the Commissioner's IT systems and are therefore backed up daily. A weekly record of the daily transactions will be kept at least until External Audit has reviewed the statutory accounts.
- In the event that the Bankline system is not operational balances and transaction details can be obtained from the Nat West Corporate Office.
- Temporary borrowings / overdrafts will only be used in exceptional cases to manage day to day movements in cash balances.

Interest Rate Risk

Details of approved interest rate exposure limits / Minimum / Maximum proportions of variable rate debt / interest.

Previously The Commissioner is required to approve a series of Prudential Indicators, which includes recommended setting of limits for upper limits on exposure to fixed and variable interest rates. The 2021 code encourages requires Authorities to define their own 'Liability Benchmark' which will provide a basis for developing a strategy for managing interest rate risk. On the basis the Commissioner's advisors are not forecasting significant interest rate movements in the short term and that the Commissioner has no plans to make any long term external borrowing decisions over the next financial year, because of the 'cost of carry', development of a liability benchmark at this point would not provide added value. However, the Commissioner will actively develop indicators to manage interest rate risk in due course once there is more clarity over borrowing intentions.

Policies concerning the use of financial derivatives and other instruments for interest rate management.

Forward Dealing – forward dealing will not normally form part of the day to day activities other than arranging deposits to cover periods when signatory cover is limited and will be subject to approval by the Deputy CC Chief Finance Officer on behalf of the Joint PCCs Chief Finance Officer.

Forward Borrowing – would be considered as part of the long-term debt authorisation process and in each case will be looked at on its own merits. The Commissioner will only progress when prudent to do so.

It should be noted that the current strategy does not approve the use of such derivatives.

Inflation Risk

The Commissioner's treasury advisors, Link Treasury Services Limited provide regular updates on the financial markets and the wider UK economy to inform the treasury management team. The PCCs Chief Finance Officer and CC Chief Finance Officer will consider inflationary pressures when reviewing the performance of the treasury function.

Exchange Rate Risk

This is currently not a concern to the Commissioner as all receipts are presently in sterling.

Credit and Counterparty Risk

Criteria to be used for creating / managing approved Counterparty lists / limits – the Joint PCCs Chief Finance Officer and the Deputy CC Chief Finance Officer will formulate suitable criteria for assessing and monitoring investment

counterparties and shall construct a lending list comprising time, type, and specific Counterparty limits. An Investment strategy will be submitted to the Commissioner detailing selection procedures. Compliance with these limits and any significant changes to the approved counterparty list as a result of the ongoing review of the creditworthiness of counterparties will be included in the regular monitoring reports provided to the Commissioner and the Joint Audit Committee.

Environmental, social and governance issues: for short term investments with counterparties, the Commissioner utilises the ratings provided by Fitch, Moody's and Standard & Poor's to assess creditworthiness, which do include analysis of ESG factors when assigning ratings. The Commissioner will continue to evaluate additional ESG-related metrics and assessment processes that it could incorporate into its investment processes and will update accordingly.

Refinancing Risk; Debt / Other Capital Financing Maturity Profiling, Policies and Practices.

The Prudential Code requires that:

“In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Commissioner should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next three financial years”.

To that end the Commissioner will set annual prudential indicators and then proceed to operate within those boundaries, thus showing that all decisions taken adhere to the above.

Fraud, Error, Corruption and Contingency Management

Policy on Delegated Powers – members of staff undertaking day to day management of cash are identified in TMP 5. There will always be complete segregation of duties between staff involved in carrying out transactions in the Money Market and those authorised to transfer cash (any amendments to these policies will be reviewed by Management / Internal Audit prior to implementation).

Policy on the use of Internet Systems – The Bankline system operated by NatWest for obtaining balances and making payments is an internet based system. In addition to this counterparties are increasingly providing services via the internet from checking rates to viewing details of investments. Prior to using such facilities, an assessment will be made of the security of such arrangements and, when satisfied, approval will be obtained from the Joint PCCs Chief Finance Officer.

Emergency and Business Continuity Arrangements – the following standby facilities will be maintained.

- All staff involved in the treasury management function will have designated absence cover (see Policy).
Corporate Support / Financial Services / AME

- All local programmes and systems will be backed up on a daily basis and also printed weekly records are maintained.
- Bank balances can be manually obtained from the bank in the event of a Bankline Systems failure.
- Evidence of any error or discrepancy will be notified to the Joint PCCs Chief Finance Officer and the Deputy CC Chief Finance Officer as soon as identified.
- Computer Systems are backed up on a daily basis by the IT department.
- Business Continuity Planning is actively managed, and includes all areas of finance and treasury.
- All staff involved in Treasury Management have mobile tablets which allow access to the treasury management records from another location if they are unable to operate from HQ (provided HQ systems are in operation).
- The Bankline system is internet based and as such bank account information can be accessed by appropriate staff from any location with internet access.

Treasury management is recognised as high priority for Financial Services and as such arrangements in the event of a business continuity event are detailed in the Financial Services Business Continuity Plan.

Insurance Cover Details – Fidelity Guarantee insurance is held for staff involved in treasury management processes at a suitable level and is reviewed annually.

Market Value of Investments

The investment strategy, whilst principally centred around investments with a fixed value such as cash fixed term deposits and AAA rated Money Market Funds has been extended to include AAA rated Money Market Funds with a variable net asset value (VNAV). The use of VNAV funds will be limited to longer term investments to minimise the risk of incurring a loss in value as a result of adverse market conditions funds and will be subject to advice and closely monitoring in conjunction with the Commissioner’s treasury advisors, Link Treasury Services Limited.

TMP 2 Performance Measurement

Frequency and Processes for Tendering

Banking Services - Arrangements for banking services will be reviewed every 5 years to ensure that the level of prices and service delivery reflect efficiency savings achieved by the supplier and current pricing trends.

Money Broking Services - In the main, the Commissioner deals directly with financial institutions although, from time to time investments are placed with institutions facilitated by a broker. Usage of Brokers is monitored to ensure that

investments placed through brokers are proportional and that overreliance on any one broker is avoided. There are currently two brokers approved for use by the Commissioner:

- RP Martin, Edinburgh
- King and Shaxson, London

Consultants/Advisors - The Commissioner has appointed Link Treasury Services Limited as its treasury advisors for the financial year 01 April 2023 to 31 March 2024.

Methods to be Employed for Measuring the Performance of the Commissioner’s treasury management activities -

Benchmarks will be used to assess the performance of the Treasury Management function in the following areas:

- Investments – the yield on investments for over three months in duration will be measured against the average Bank of England base interest rate over the period of the investment.
- Annual investment performance against budget.
- Long term borrowing against budget.
- Temporary borrowing against budget.
- Borrowing against the liability benchmark
- **These Statistics** will be reported to the Commissioner and the Joint Audit Committee on an appropriate basis.

Benchmarking and Calculating Methodology - The Commissioner will continue to search for appropriate benchmarks which effectively compare investment performance.

TMP 3 Decision Making and Analysis

Funding, Borrowing, Lending and New Instruments & Techniques

In respect of every decision made the Commissioner will:

- Above all, be clear about the nature and extent of the risks to which it may be exposed.
- Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained.
- Be content that the documentation is adequate both to deliver its objectives and protect its interests, and to deliver good housekeeping.
- Ensure that counterparties are judged satisfactory in the context of the organisation’s credit worthiness policies, and that limits have not been exceeded.
- Be content that the terms of any transactions have been benchmarked against the market, and have been found to be competitive.

In respect of borrowing and other funding decisions, the Commissioner, in consultation with the **Joint PCCs** Chief Finance Officer, will:

- Consider the ongoing revenue liabilities created, and the implications for the Commissioner's future plans and indicative budgets.
- Evaluate the economic and market factors that might influence the manner and timing of any decisions to fund.
- Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing, and private partnerships.
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use and, if relevant, the opportunities for foreign currency funding.

In respect of investment decisions, the Commissioner will:

- Consider the optimum period, in light of cash flow availability and prevailing market conditions.
- Consider alternative investment products and techniques available, especially the implications of using any which may expose the Commissioner to changes in the value of its capital.
- Ensure that asset security is always considered paramount in any investment.

TMP 4 Approved Instruments, Methods and Techniques

Approved Activities of the Treasury Management Function

- Borrowing.
- Lending.
- Debt repayment and rescheduling.
- Consideration, approval and use of new financial instruments and treasury management techniques.
- Managing the underlying risk associated with the capital financing and surplus funds.
- Managing cashflow.
- Banking activities.
- Leasing.
- Forecasting interest receipts and payments arising as a result of treasury activities.

Approved Instruments for Investment

- Deposits with banks and building societies or local authorities up to 365 days.
- Non-specified deposits with banks and building societies or local authorities up to 5 years.

- Pooled Funds (including Triple A rated Money Market Funds both with a constant and variable net asset value).
- Registered Providers (including providers of social housing).
- Deposits with Government (including HM Treasury, Debt Management Office and Local Authorities).

Investment in any new instrument can only be undertaken following consultation with and approval by the **Joint PCCs** Chief Finance Officer.

Approved Methods and Sources of Raising Capital Finance

Borrowing will only be undertaken in keeping with the contents of the Prudential Code and within the limits determined through the approved Prudential Indicators and Treasury Management Strategy and, in respect of any long term borrowings, following consultation with the **Joint PCCs** Chief Finance Officer.

TMP 5 Organisation, Clarity, Segregation of Responsibilities and Dealing Arrangements.

Policy on Delegation, Review and Reporting Arrangements

The Commissioner will receive and review reports on its treasury management strategy, policies and practices, including as a minimum, an annual strategy and plan in advance of the year and an annual report after its close. They will also:

- Approve amendments to the treasury management policy statement and treasury management practices.
- Approve the division of responsibilities and delegation within the treasury management function.
- Endorse relevant Codes of Practice on treasury business.
- Receive a quarterly summary of treasury management activities.

Assurance with regards to monitoring of treasury management policies and practices is a function of the Joint Audit Committee. The Commissioner delegates overall arrangements for the treasury management function including determining appropriate strategy and procedures to the **Joint PCCs** Chief Finance Officer. The **Joint PCCs** Chief Finance Officer delegates to the **Deputy CC** Chief Finance Officer the undertaking of day to day treasury management activities in accordance with the strategies and procedures. All officers undertaking treasury management activity will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

The Commissioner nominates the Joint Audit Committee to be responsible for assurance in respect of effective scrutiny of the treasury management strategy and policies.

The **Joint Audit Committee** will:

- Receive and review regular monitoring reports in relation to treasury management activities which will include any significant changes to the approved counterparty list as a result of the ongoing review of the creditworthiness of counterparties.
- Review the treasury management policy and procedures and make recommendations to the Commissioner.
- Receive and review external and internal audit reports in relation to treasury management.

The **Joint PCCs Chief Finance Officer** will:

- Review the policy statement and annual strategy statement and present to the Commissioner.
- Review periodic treasury management reports and present to the Commissioner.
- Review the annual treasury management report and present to the Commissioner.
- Review compliance with relevant treasury Codes of Practice.
- Ensure that there is a written statement of responsibilities covering the complete treasury management function.
- Delegate the operation of the treasury management function to the **Deputy CC** Chief Finance Officer.
- Ensure the adequacy of internal audit, and liaising with external audit.
- Approve any long or short term borrowings.

The **Deputy CC Chief Finance Officer** will:

- Ensure arrangements are in place for the preparation of periodic treasury management policy statements and an annual strategy statement.
- Hold the Financial Services Manager (**Treasury Technical**) to account for the day to day management of the treasury function.
- Review the periodic reports on treasury management activities.
- Review the annual report on treasury management as soon as possible after the end of a financial year.
- Review compliance with relevant treasury codes of practice.
- Ensure that all staff who deal in treasury matters understand and have access to the Non Investments Product Code and the CIPFA Code of Practice.
- Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Oversee and approve investments made for periods greater than three months.
- Review the performance of the treasury function at least twice each financial year.
- Ensure adequate separation of duties.
- Institute a range of performance measures for treasury management.
- Recommend the appointment of external service providers.

- Prepare an annual report on Treasury Management as soon as possible after the end of a financial year.
- Ensure compliance with relevant Treasury Codes of Practice.
- Document and maintain 'Treasury Management Practices' as set out in the Code of Practice.
- Review alternative methods of investment.
- Provide advice to the **Joint PCCs** Chief Finance Officer in respect of any borrowings.

The **Financial Services Manager (Treasury Technical)** will:

- Have overall responsibility for the daily treasury management activities.
- Prepare periodic reports on treasury management activities.
- Review treasury systems documentation.
- Prepare and keep up to date cash flow projections for a 12 month rolling period.
- Liaise with the **Deputy CC** Chief Finance Officer for any investment over three months.
- Deal with counterparties and make a record of such.
- Comply with the Non Investments Product Code and the CIPFA Code of Treasury Management.
- Ensure creditworthiness and maintain lending list.
- Ensure the training of those listed for absence cover is kept up to date.
- Monitor performance of brokers and ensure a spread of brokers are used.
- Supply the **Deputy CC** Chief Finance Officer with a weekly report on treasury activities for authorisation and supply an electronic copy to the **Joint PCCs** Chief Finance Officer and the Director of Corporate Support.

Absence Cover for Daily Dealing Arrangements

In the absence of the two designated Financial Services Officers the absence cover is to cascade thus:

- 1) Financial Services Manager (**Treasury Technical**)
- 2) **Deputy CC** Chief Finance Officer

Each treasury deal transacted via the Bankline system requires a second individual to authorise the deal. The following posts will have responsibility for authorising Bankline deals:

- 1) Financial Services Officer – (5.6 FTE used subject to availability)

Before any planned absence all staff will be notified of their required responsibilities.

The **Financial Services Trainee/Apprentice** will:

- Reconcile treasury deals in the Commissioner cash book.
- Receive and verify confirmation of treasury deals.
- Reconcile general ledger entries in relation to treasury activity.

- Produce management information for reporting treasury activities.

Internal/Management Audit will:

- Complete periodic checks on the treasury management function and make recommendations where appropriate.
- Review compliance with agreed policies, procedures and Codes of Practice and make recommendations for improvement where appropriate.

Principles and Practices Concerning Segregation of Duties

The activities of the Treasury function will be carried out in accordance with the duties and responsibilities detailed above. In particular, day to day duties will be split to ensure that no one person can both initiate and then authorise payment.

Other than in the event of a technical failure all deposits will be initiated through the Bankline software – complete segregation of duties. It will be a disciplinary offence for individuals to release their personal operator cards or passwords. If a card is lost or stolen then the system administrator (Financial Services Manager (Systems) or Financial Services Assistant) must be immediately informed - who will then immediately change all relevant computer access codes.

Dealing Limits

Approved dealers have the delegated power to enact transactions on a day to day basis within the constraints of the treasury management practice schedules and the procedure manual. They can, in particular operate within the limits laid down within the Counterparty Selection Criteria and Approved Counterparty List.

Policy on Broker's Services

In the main, the Commissioner deals directly with financial institutions, from time to time investments are placed with institutions facilitated by a broker. Usage of Brokers is monitored to ensure that investments placed through brokers are proportional and that overreliance on any one broker is avoided. There are currently two brokers approved for use by the Commissioner:

- RP Martin, Edinburgh
- King and Shaxson, London

Policy on Taping of Conversations

The Commissioner does not tape conversations with brokers.

Direct Dealing Practices

Direct deals will if appropriate be undertaken with anyone on the agreed counterparty list. Approved dealers have the delegated power to enact transactions and all transactions require independent authorisation by an approver before funds are transferred via Bankline.

Settlement Transmission Procedures

Once a deal has been agreed, either with a broker or direct with a third party, funds will be transferred in accordance with Bankline procedures.

Documentation Requirements

All transactions will be recorded on a daily basis on the Investments spreadsheet.

Arrangements Concerning the Management of Counterparty Funds

The Commissioner will not undertake transactions on behalf of other organisations.

TMP 6 Reporting Requirements and Management Information Arrangements

Annual Treasury Management Strategy Statement

The treasury management strategy will set out the broad parameters of the treasury function for the forthcoming financial year. The strategy will be submitted to the Commissioner for approval, alongside the budget, capital strategy, capital programme and prudential indicators before commencement of each financial year.

The treasury management strategy will cover the following elements:

- The prospects for interest rates, long and short term.
- An investment strategy as set out in the Local Government Act 2003.
- The expectations for debt rescheduling.
- The treasury approach to risk management.
- Any extraordinary treasury issue.
- Any borrowing requirement under the Prudential Code.
- Annual statement on MRP.

Policy on Interest Rate Exposure

The **Joint PCCs** Chief Finance Officer is responsible for incorporating the authorised borrowing limit determined as part of the Commissioner's Prudential Indicators into the annual treasury management strategy, and for ensuring compliance with the limit. Should it prove necessary to amend this limit, a report will be submitted for approval to the Commissioner.

Annual Report on Treasury Management Activities

An annual report will be presented to both the Commissioner and the Joint Audit Committee at the earliest practicable meeting after the end of the financial year. This report will include the following:

- A comprehensive picture for the financial year of all treasury policies, plans, activities and results.
- Transactions executed and their revenue (current) effects.
- Monitoring of compliance with approved policy, practices and statutory / regulatory requirements.
- Monitoring of compliance with delegated powers.
- Indication of performance especially for returns against budget, and performance against other like Authorities.
- Comment on CIPFA Code requirements.

In addition, a mid-year review will be presented to the Commissioner and regular updates on Treasury Management activities will be presented to the Joint Audit Committee throughout the year.

Management Information Reports

Management information reports will be prepared weekly by the Financial Services Manager (**Treasury Technical**), and will be presented to the **Deputy CC** Chief Finance Officer, **Joint PCCs** Chief Finance Officer and the Director of Corporate Support.

These reports will contain the following:

- An analysis of all investment decisions made during the week and by whom these decisions were made.
- An analysis of all investments currently placed by category.
- The current month's earned interest report, this will also show year to date and forecast budget.
- The current quarter's cashflow analysis.
- Any new borrowings or repayments in the week.
- The amount of outstanding borrowings.

Control reconciliation reports will be prepared monthly by the Financial Services Trainee/Apprentice, which will be presented to the Financial Services Manager (Treasury Technical).

These reports will contain:

- Balance per the financial systems – this will be obtained after the monthly reconciliation of the bank
- Balance per the investment analysis as above.
- Explanation of any variance.

If for any reason any member of the treasury management team has reason to suspect any type of fraud or misappropriation he or she will this report directly to the Joint PCCs Chief Finance Officer or in his/her absence to the Deputy CC Chief Finance Officer or the Internal Auditor.

TMP 7 Budgeting, Accounting and Audit Arrangements

Accounts

The cost of the treasury management function amounts, in the main, to the salaries of those involved. If any external costs are to be incurred these will be reported separately during the budget monitoring process.

External Auditors

All records will be made available to both internal and external audit as and when required. As a minimum annual check external audit will gain third party confirmation of all year end balances on deposit.

TMP 8 Cash and Cash Flow Management

Cashflow Statements

A cashflow statement will be prepared before the beginning of each financial year to include all known elements of income from the revenue budget. The cash flow forecasts during the year will be maintained for a rolling 12 month period. Spending profiles will also be set out based on payroll projections and estimates of other payments. The cashflow statement will also be updated during the year on a daily basis to include major variations as or when they become known. The weekly activity report will also show the current quarter's cashflow projections.

A debt liability benchmark will be created and monitored on a quarterly basis to inform a long term view of liquidity requirements.

TMP 9 Money Laundering

Policy for Establishing Identity/Authenticity of Lenders

No borrowing is currently undertaken other than with the Public Works Loan Board (PWLB), which is part of the UK Debt Management Office, an executive agency of HM Treasury. PWLB loans were taken out to replace equivalent debt transferred from Cumbria County Council upon the creation of freestanding police forces in 1995. The Prudential Code now provides a framework for additional borrowing, subject to that borrowing being prudent, sustainable and affordable. Any additional borrowing will properly recognise the potential for money laundering and will only be undertaken from lending instructions of the highest repute.

Methodology for Identifying Sources of Deposit

The Commissioner only lends to organisations that appear on the Financial Services Authority's (FSA's) Prudential Regulation Authority's list of authorised banks and financial institutions, other local authorities and the Governments through treasury bills or the Debt Management Office (DMO).

The Commissioner's Financial Regulations require the Joint PCCs Chief Finance Officer to be responsible for ensuring compliance with the Money Laundering Regulations 2007.

The Joint PCCs Chief Finance Officer will:

- Implement internal reporting procedures.
- Ensure relevant staff receive appropriate training in the subject.
- Establish internal procedures with respect to money laundering.
- Obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken.
- Report their suspicions.

TMP 10 Training and Qualifications

Statement of Professional Practice (SOPP)

The Joint PCCs Chief Finance Officer is a member of CIPFA, and has a professional responsibility through both personal compliance and by ensuring that relevant staff are appropriately trained.

The Deputy CC Chief Finance Officer is also a member of CIPFA and as such has the same duty of care in the provision of any financial information. Other staff employed in the treasury management function will be qualified to the level that is appropriate to their post (as per the job description). All staff are required to undertake basic training prior

to undertaking day to day treasury business and will, in addition, be expected to undertake continuous training as appropriate to enable them to keep up to date with all aspects of treasury management within their responsibility.

All CIPFA members are required to abide by CIPFA's Ethics Standard on Professional Practice (SOPP) which includes a section in relation to treasury management.

Training courses run by CIPFA and other training providers will form the major basis of ongoing staff training. Records will be kept of all courses and seminars attended by staff in their personal training records file.

The **Joint PCCs** Chief Finance Officer will ensure that members charged with governance in relation to treasury management will receive appropriate training and that records of such training received will be maintained. Training may be provided internally or externally.

TMP 11 Use of External Service Providers

The Commissioner recognises that responsibility for treasury management decisions remains with the organisation at all times.

The use of any external service providers will, at all times, be subject to the Procurement Regulations / Financial Regulations of the Commissioner. The use of external services is currently restricted to banking services and treasury advice (investments and borrowing).

Advisers - The Commissioner has a formal contract with Link Treasury Services Limited, to provide a range of technical advice and information covering the treasury business. The contract is awarded following consultation with the **Joint PCCs** Chief Finance Officer.

Banking – Banking services will be reviewed every 5 years to ensure that the level of prices and service delivery reflect efficiency savings achieved by the supplier and current pricing trends.

Brokers - In the main, the Constabulary deals directly with financial institutions, from time to time investments are placed with institutions facilitated by a broker. Usage of Brokers is monitored to ensure that investments placed through brokers are proportional and that overreliance on any one broker is avoided. There are currently two brokers approved for use by the Commissioner:

- RP Martin, Edinburgh
- King and Shaxson, London

TMP 12 Corporate Governance

The Commissioner is fully committed to the CIPFA Code of Practice in Treasury Management and believes he has secured a framework for demonstrating openness and transparency of his treasury management function.

Free access to all information on our treasury management function will be given to all relevant interested parties.

Clear policies have been devised which outline the separation of roles in the treasury management function and the proper management of relationships both within and outside the Office of the Police and Crime Commissioner. All staff are fully appraised of their individual role and where the segregation of duty lies. Clear reporting lines also exist to report any breaches in procedure. This is further supported by well-defined treasury management responsibilities and job specifications.

The Commissioner seeks to ensure a fair distribution of business between brokers. The **Joint PCCs** Chief Finance Officer receives a weekly report to evidence this.

On an annual basis, a treasury strategy is approved prior to the year, by the Commissioner and a year-end summary of treasury activities is reported to the Joint Audit Committee.

Regular treasury management activity updates are submitted to the Commissioner and the Joint Audit Committee during the year.

The Annual Governance Statements which are published each year and accompany the Statutory Statement of Accounts outlines details of the Commissioner's and Constabulary's governance and risk management processes which are applicable to treasury management activities.



Joint Audit Committee Proposed Annual Work Programme 2023/24

Joint Audit Committee: 22 March 2023

Originating Officer: Michelle Bellis, Deputy CFO

1. Introduction & Purpose of the Report

1.1. On an annual basis the Joint Audit Committee agrees a work programme that informs the reports and information received by the committee to ensure that members fulfil their terms of reference and advisory role. The updated terms of reference for the committee were approved at the meeting of 17 November 2021 as part of the cyclical review of governance documents. The document is aligned with the CIPFA guidance on Audit Committees. The guidance makes specific reference to the role of committees within the governance framework for policing. This report translates the terms of reference into a proposed work programme and includes a number of proposed development sessions.

1.2. Members will recall that at the November meeting a report was provided setting out the implications for the Committee of the Commissioner taking responsibility for governance of Fire from 01 April 2023. This report for the first time includes the work required by the committee in its expanded role as a Joint Audit Committee covering the three separate legal entities of:

- The Police and Crime Commissioner For Cumbria (PCC),
- The Chief Constable of Cumbria Constabulary (Constabulary),
- Cumbria Commissioner Fire and Rescue Authority (Fire).

- 1.3. Members are asked to note that in this first year of operation of the Cumbria Commissioner Fire and Rescue Authority many governance arrangements are still being put in place and the arrangements will evolve and become clear as we move through the year. This proposed work programme is an initial plan that may need to be adapted.

2. Report

- 2.1. This report presents to members an annual work programme. The programme is presented in two formats:

- The first format sets out each of the terms of reference and the reports/activity that it is proposed the committee would undertake to fulfil the terms (**Appendix A**). It therefore aims to present an assurance framework in line with CIPFA guidance that identifies the key documents and information that the committee requires to fulfil its purpose.
- The second format aligns the work programme against each committee meeting (**Appendix B**). The alignment is managed to ensure wherever possible that meetings are balanced in terms of volume of work and that governance themes are aligned.

- 2.2. In relation to the statutory reporting deadlines for the financial statement for 2022/23, the deadlines for publication of draft and audited statement of accounts have reverted back to their pre-covid deadlines of 31st May and 30th September respectively, for this reason the meeting originally scheduled for 21st June 2023 has had to be brought forward to 30th May in order to meet the deadlines and comply with best practice by allowing JAC to comment on the draft accounts before they are published.

- 2.3. It is proposed that for 2023/24 there will be four meetings as follows:

- The meetings in May, September, November and March will each receive, cyclical monitoring reports and the strategic risk registers. Audit reports will be issued to members at the point they have been finalised and will be listed on the meeting agenda. Members may request the full report to be tabled at any of the above meetings.

- The meeting in May will focus on annual reports that review the governance arrangements for the previous financial year. This will include the biennial review of effectiveness for the Committee, the review of the effectiveness of internal audit and reviews of the effectiveness of arrangements for anti-fraud and corruption and risk management. The committee will also receive the annual report of the Ethics and Integrity Panel setting out the work of the panel and assurances regarding arrangements for ethics and integrity. The agenda includes the annual opinion of the Director of Audit and ensures members have all relevant information ahead of considering the Annual Governance Statement and Code of Corporate Governance prior to their publication with the unaudited financial statements. It is also intended that at the meeting in May, members will receive a copy of the Draft Statement of Accounts (subject to audit). It should be noted that, due to the tight timescales for the production of the statements, and the timing of the meeting, it may not be possible to issue hard copies of the accounts with the meeting papers in advance of the meeting. The meeting will provide an opportunity for members to meet privately with the internal auditors. Members should note that for 2023/24 this will not include the statement of accounts for fire which will be prepared as part of Cumbria County Council for the final time.
- The agenda for the September meeting will cover the standard cyclical reports and will also include the annual report of the committee, following the consideration of the committee's review of effectiveness in May. The September meeting will also consider the Audited Statement of Accounts and the Audit Findings Report of the External Auditor, setting out their opinion on the financial statements (excluding the value for money conclusion which will be presented in November). The financial statements are presented with an assurance document. This provides members with advice on the wider financial governance arrangements supporting the production of financial statements. The committee will also receive the updated annual governance statement prior to publication with the financial statements. The meeting will provide an opportunity for members to meet privately with the external auditors.

- The November meeting will focus on governance arrangements with a cyclical review of one or two of the core elements of the governance framework. A schedule outlining the review schedule for governance documents is included at **Appendix C**.
- The meeting in March will consider relevant annual strategies and plans for the following financial year. This includes the proposed internal audit plan, charter and an update on the quality assurance programme; the external audit plan, the scheme of delegation, the risk management and treasury management strategies. The external auditors will provide their annual report. Members will also receive an annual report on value for money within the Constabulary including HMICFRS VFM profile data benchmarking costs with most similar group (msg). The meeting includes an annual development session on treasury management, the medium term financial strategy and change programme for both OPCC/Policing and Fire. This aims to inform the committee of the financial climate going forward and any resulting operational change and risks in advance of the year.
- Ad-hoc HMICFRS/Inspection and other reports appropriate to the committee's terms will be circulated to members as they are published and listed on the agenda to provide the opportunity for questions and discussion.
- All meetings provide for a corporate update facilitating briefings from Chief Officers in respect of any issues of a corporate nature that are relevant to the remit of the committee or helpful as background/contextual information.
- A minimum of two development sessions will be held annually with members. The Commissioner's treasury management advisors will meet with members at a minimum annually to provide an update on treasury strategy and developments for both OPCC/Policing and Fire.
- Before every meeting members hold a pre-meeting where they discuss and monitor progress against the JAC action plan and other topical matters.

3. Recommendations

3.1. Members are recommended to:

- Consider the proposed annual work programme and development sessions as a basis for fulfilling the terms of reference and assurance responsibilities of the committee.
- Approve the work programme subject to any proposed changes.

Joint Audit Committee: Annual Work Programme Assurance Format

Terms of Reference	Meeting	Work Programme Assurance Activity
Terms of Reference: Governance, Risk and Control		
2.1) Review the corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance. Note - Underlined governance documents are scheduled for review in 2023/24.	May (Ethics and Integrity Annual Report)	ETHICS AND INTEGRITY GOVERNANCE: To receive an annual report from the Chair of the Ethics and Integrity Panel, advising the Committee of the work of the Panel over the previous year and matters pertaining to governance in respect of the arrangements for ethics and integrity.
	November: (All governance reviews excluding ethics and integrity) March: Risk Management Strategies, Scheme of Delegation/Consent	
2.2) Review the Annual Governance Statements prior to approval and consider whether they properly reflect the governance, risk and control environment and supporting assurances and identify any actions required for improvement	May	ANNUAL GOVERNANCE STATEMENT <ul style="list-style-type: none"> ▪ Effectiveness of Governance Arrangements: To receive a report from the PCC CFO on the effectiveness of the PCC, Chief Constable's and Chief Fire Officer's arrangements for Governance. ▪ Codes of Corporate Governance: To consider the PCC, Constabulary and Fire Codes of Corporate Governance ▪ Annual Governance Statements: To consider the PCC, Constabulary and Fire Annual Governance Statements for the financial year and to the date of this meeting
	November	ANNUAL GOVERNANCE STATEMENT DEVELOPMENT AND IMPROVEMENT PLAN UPDATE: To receive an update on progress against the development and improvement plan within the annual governance statements for the PCC, Constabulary & Fire.

Joint Audit Committee: Annual Work Programme Assurance Format

Terms of Reference	Meeting	Work Programme Assurance Activity
Terms of Reference: Governance, Risk and Control		
2.3) Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements	Every meeting	INTERNAL AUDIT REPORT: To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee <i>(NB audit work in compliance with PSIAS will cover a specific control objective on 'value: the effectiveness and efficiency of operations and programmes'. Specific audit recommendations will be categorised within audit reports under this heading.)</i>
	March	To receive an annual report on Value for Money within both the Office of the Police and Crime Commissioner and the Constabulary.
	September	AUDIT FINDINGS REPORT: To receive from the external auditors the Annual Audit Findings Report incorporating the External Auditor's Value for Money Conclusion.
2.4) Consider the framework of assurance and ensure that it adequately addresses the risks and priorities of the OPCC and Constabulary	March	ANNUAL WORK PROGRAMME: ASSURANCE FORMAT: To review and approve an annual work programme covering the framework of assurance against the Committee's terms of reference.
	September	FRAMEWORK OF ASSURANCE: STATEMENT OF ACCOUNTS: To receive a report from the PCC CFO in respect of the PCC, Constabulary and Fire framework of assurance.
2.5) Monitor the effective development and operation of risk management, review the risk profile, and monitor progress of the Police and Crime Commissioner and the Chief Constable in addressing risk-related issues reported to them	March	RISK MANAGEMENT STRATEGY: To provide the cyclical (3yr) review of the PCC, Constabulary and Fire Risk Management Strategies. (NB. Next due in March 2026 for PCC/Constabulary, March 2024 for Fire)
	May	RISK MANAGEMENT MONITORING: To receive an annual report from the Chief Executive on Risk Management Activity including the Commissioner's arrangements for holding the CC to account for Constabulary Risk Management.
	September, November & March meetings	STRATEGIC RISK REGISTER: To consider the OPCC and Constabulary strategic risk register as part of the Risk Management Strategy.
2.6) Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions	Every meeting	INTERNAL AUDIT REPORT: To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee.
		MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS: To receive an updated summary of actions implemented in response to audit and inspection recommendations.

Joint Audit Committee: Annual Work Programme Assurance Format

Terms of Reference	Meeting	Work Programme Assurance Activity
Terms of Reference: Governance, Risk and Control (Continued)		
2.7) Review arrangements for the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter-fraud strategy, actions and resources	November – cyclically when updated	ARRANGEMENTS FOR ANTI-FRAUD AND CORRUPTION: To receive the PCC, Constabulary and Fire strategy, policy and fraud response plan.
	May	ANTI-FRAUD AND CORRUPTION ACTIVITIES: To receive an annual report from the Chief Executive on activity in line with the arrangements for anti-fraud and corruption.
2.8) To review the governance and assurance arrangements for significant partnerships or collaborations.	Ad-hoc	To receive reports on proposed governance arrangements when significant new partnerships or collaborations are entered into.
Terms of Reference: Internal Audit		
3.1) Annually review the internal audit charter and resources	March	INTERNAL AUDIT CHARTER: To receive a copy of the internal audit charter from the Internal Auditors.
3.2) Review the internal audit plan and any proposed revisions to the internal audit plan	March/Ad-hoc	PROPOSED INTERNAL AUDIT PLAN: To receive a report from the Internal Auditors on the proposed Internal Audit Annual Plan and any proposed revisions.
3.3) Oversee the appointment and consider the adequacy of the performance of the internal audit service and its independence	March	QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME: To receive from the Internal Auditors a report setting out the arrangements for quality assurance and improvement.
	May	EFFECTIVENESS OF INTERNAL AUDIT: To receive a report from the Constabulary Chief Finance Officer in respect of the effectiveness of internal audit.
	Every meeting	INTERNAL AUDIT PERFORMANCE: To receive from the Internal Auditors quarterly reports on the performance of the service against a framework of performance indicators <i>(provided within the internal audit progress reports and annual report.)</i>
	May	PRIVATE INTERNAL AUDIT MEETING: Confidential meeting of Committee members only and the Internal Auditors
3.4) Consider the Head of Internal audit's annual report and opinion, and a regular summary of the progress of internal audit activity against the audit plan, and the level of assurance it can give over corporate governance arrangements	May	INTERNAL AUDIT –ANNUAL REPORT: To receive the Head of Internal Audit's Annual Report including the Annual Audit Opinion and details of compliance with PSIAS and LGAN.
	Every meeting	INTERNAL AUDIT – PROGRESS REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan.

Joint Audit Committee: Annual Work Programme Assurance Format

Terms of Reference	Meeting	Work Programme Assurance Activity
Terms of Reference: Internal Audit (Continued)		
3.5) To consider the Head of Internal Audit's statement of the level of conformance with the Public Sector Audit Standards (PSIAS) and Local Government Application Note (LGAN) and the result of the Quality Assurance and Improvement Programme (QAIP) that support that statement - these will indicate the reliability of the conclusions of internal audit.	March	QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME: To receive from the Internal Auditors a report setting out the arrangements for quality assurance and improvement.
	May	INTERNAL AUDIT –ANNUAL REPORT: To receive the Head of Internal Audit's Annual Report including the Annual Audit Opinion and details of compliance with PSIAS and LGAN.
3.6) Consider summaries of internal audit reports and such detailed reports as the Committee may request from the Police and Crime Commissioner and the Chief Constable, including issues raised or recommendations made by the internal audit service, management response and progress with agreed	Every meeting	INTERNAL AUDIT REPORTS: To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee.
3.7) Consider a report on the effectiveness of internal audit to support the Annual Governance Statement	May	EFFECTIVENESS OF INTERNAL AUDIT: To consider a report of the Constabulary Chief Finance Officer reviewing the effectiveness of Internal Audit.
3.8) To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Internal Audit. To make recommendations on safeguards to limit such impairments and periodically review their operation.	May	INTERNAL AUDIT –ANNUAL REPORT: To receive the Head of Internal Audit's Annual Report including relevant disclosures regarding impairments to independence or objectivity arising from additional roles or responsibilities outside internal auditing of the Head of Internal Audit.

Joint Audit Committee: Annual Work Programme Assurance Format

Terms of Reference	Meeting	Work Programme Assurance Activity
Terms of Reference: External Audit/External Inspection		
4.1) Support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised either by Public Sector Audit Appointments (PSAA) or the auditor panel as appropriate.	September	AUDIT FINDINGS REPORT: To receive from the external auditors the Audit Findings Report in respect of the annual audit of the financial statements and incorporating the External Auditor's Value for Money Conclusion. This also includes a statement with regard to Independence.
4.2) Comment on the scope and depth of external audit work, its independence and whether it gives satisfactory value for money	March	EXTERNAL AUDIT PLAN: To receive from the external auditors the Annual External Audit Plan
	March	EXTERNAL AUDIT FEES: To receive a verbal update around the proposed PSAA scale charge for external audit fees.
4.3) Consider the external auditor's annual management letter, relevant reports and the report to those charged with governance	November/Ad-hoc	ANNUAL AUDIT LETTER: To receive from the External Auditors the Annual Audit Letter and reports
	March	EXTERNAL AUDIT PLAN UPDATE: To receive from the external auditors an update report in respect of progress on the external audit plan
4.4) Consider specific reports as agreed with the external auditors/specific inspection reports e.g. HMICFRS, relevant to the Committee's terms of reference	Every meeting excluding May	ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, HMICFRS/INSPECTION: To consider any other reports falling within the remit of the Committee's terms of reference
4.5) Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies and relevant bodies	September (NB moved from July for 2 years)	PRIVATE EXTERNAL AUDIT MEETING: Confidential meeting of Committee members only and the external auditors

Joint Audit Committee: Annual Work Programme Assurance Format

Terms of Reference	Meeting	Work Programme Assurance Activity
Terms of Reference: Financial Reporting		
5.1) Review the Annual Statement of Accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit of the financial statements that need to be brought to the attention of the Commissioner and/or the Chief Constable	May (Draft Accounts) & September (Audited Accounts) (NB moved from July for 2 years)	ASSURANCE FRAMWORK: STATEMENT OF ACCOUNTS: To receive a report from the Constabulary CFO in respect of the PCC's framework of assurance; To receive a report from the Deputy Chief Constable/CC in respect of the CC's framework of assurance.
	May (Draft Accounts) & September (Audited Accounts) (NB moved from July for 2 years)	ANNUAL STATEMENT OF ACCOUNTS: To receive the audited Statement of Accounts for the Commissioner, Chief Constable, Group Accounts and Cumbria Fire and Rescue Authority and consider a copy of a summarised non-statutory version of the accounts.
5.2) Consider the external auditor's report to those charged with governance on issues arising from the audit of the financial statements	September and November (final report) (NB moved from July and September for 2 years)	AUDIT FINDINGS REPORT: To receive from the external auditors the Audit Findings Report in respect of the annual audit of the financial statements and incorporating the External Auditor's Value for Money Conclusion.
Terms of Reference: Accountability Arrangements		
6.1) On a timely basis report to the Commissioner, Chief Constable and the Chief Fire Officer with its advice and recommendations in relation to any matters that it considers relevant to governance, risk management and financial management	Every meeting (where appropriate)	To be discussed in Committee meetings and noted as feedback in the minutes.
6.2) Report to the Commissioner, Chief Constable and Chief Finance Officer on its findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements and internal and external audit functions	Every meeting (where appropriate)	To be discussed in Committee meetings and noted as feedback in the minutes.

Joint Audit Committee: Annual Work Programme Assurance Format

Terms of Reference	Meeting	Work Programme Assurance Activity
Terms of Reference: Accountability Arrangements		
6.3) Review its performance against its terms of reference, objectives and compliance with CIPFA best practice on the role of the Audit Committee. Report the results of this review to the Commissioner and the Chief Constable by means of an Annual Report including where appropriate an action plan detailing future planned improvements.	May	JAC Review of Effectiveness (biennial activity cycle): –To receive a report reviewing the effectiveness of the committee against the CIPFA framework as a contribution to the overall effectiveness of arrangements for governance (Even years) - To conduct a 360' review of committee effectiveness (private meeting between members, DCC, DCFO, CE & PCC and CC CFOs) (Odd Years)
	September	JAC Annual Report: To receive the annual report of the committee (following the review of effectiveness undertaken in May).
6.4) Publish an annual report on the work of the committee.	September	JAC Annual Report: To publish the annual report of the committee (following approval at the September meeting.).
Terms of Reference: Treasury Management		
7.1) Review the Treasury Management policy and procedures to be satisfied that controls are satisfactory	March	TREASURY MANAGEMENT STRATEGY AND TREASURY MANAGEMENT PRACTICES: To review the annual Treasury Management Strategy incorporating the policy on investment and borrowing activity and treasury management practices for both the PCC/Constabulary and Fire.
7.3) Review the Treasury risk profile and adequacy of treasury risk management processes		
7.2) Receive regular reports on activities, issues and trends to support the Committee's understanding of Treasury Management activities; the Committee is not responsible for the regular monitoring of activity	Every meeting	TREASURY MANAGEMENT ANNUAL REPORT/ACTIVITIES: To receive for information the treasury management annual report and an update on Treasury Management Activity for both the PCC/Constabulary and Fire..
	March	TREASURY MANAGEMENT ADVISORS: To receive briefings/training from the Commissioner's Treasury Management advisors.
7.4) Review assurances on Treasury Management (for example, an internal audit report, external or other reports).	Every meeting (where applicable)	INTERNAL AUDIT REPORTS: To receive reports from Internal Audit Unit in respect of specific audits conducted since the last meeting of the Committee

Joint Audit Committee Proposed Annual Work Programme 2023/24

Area	Tuesday 30 May 2023	Wednesday 20 September 2023	Wednesday 22 November 2023	Wednesday 20 March 2024
Private Meetings & Development Sessions	<p>PRIVATE INTERNAL AUDIT MEETING: Confidential meeting of Committee members only and the Internal Auditors. (TIAA Ltd)</p> <p>PRIVATE MEETING - JAC Review of Effectiveness (360' Review) - odd years only</p>	<p>PRIVATE EXTERNAL AUDIT MEETING: Confidential meeting of Committee members only and the external auditors. (GT)</p>	<p>PRIVATE DEVELOPMENT SESSION:</p> <p>1) TBC</p>	<p>PRIVATE DEVELOPMENT SESSIONS:</p> <p>February 2024</p> <p>1) Discussion with Internal Auditors on Draft Internal Audit Plan (PCC CFO, CC CFO & TIAA)</p> <p>2) Medium Term Financial Forecast, capital strategy, capital programme, change programme & value for money (PCC CFO & CC CFO)</p> <p>March 2024 (Before JAC Meeting)</p> <p>1) Treasury Advisor, to provide an update on Treasury Management developments (CC CFO).</p>
Regular Reports				
Corporate Update	<p>CORPORATE UPDATE: To receive a briefing on matters relevant to the remit of the Committee (DCC, DCFO, CE and PCC & CC CFOs)</p>	<p>CORPORATE UPDATE: To receive a briefing on matters relevant to the remit of the Committee (DCC, DCFO, CE and PCC & CC CFOs)</p>	<p>CORPORATE UPDATE: To receive a briefing on matters relevant to the remit of the Committee (DCC, DCFO, CE and PCC & CC CFOs)</p>	<p>CORPORATE UPDATE: To receive a briefing on matters relevant to the remit of the Committee (DCC, DCFO, CE and PCC & CC CFOs)</p>
Internal Audit	<p>INTERNAL AUDIT – PROGRESS REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan (TIAA):</p> <p>a) PCC/Constabulary b) Fire</p>	<p>INTERNAL AUDIT – PROGRESS REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan (TIAA):</p> <p>a) PCC/Constabulary b) Fire</p>	<p>INTERNAL AUDIT – PROGRESS REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan (TIAA):</p> <p>a) PCC/Constabulary b) Fire</p>	<p>INTERNAL AUDIT – PROGRESS REPORT: To receive a report from the Internal Auditors regarding the progress of the Internal Audit Plan (TIAA):</p> <p>a) PCC/Constabulary b) Fire</p>
Internal Audit	<p>INTERNAL AUDIT REPORT(S): To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee (TIAA):</p> <p>a) PCC/Constabulary b) Fire</p>	<p>INTERNAL AUDIT REPORT(S): To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee (TIAA):</p> <p>a) PCC/Constabulary b) Fire</p>	<p>INTERNAL AUDIT REPORT(S): To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee (TIAA):</p> <p>a) PCC/Constabulary b) Fire</p>	<p>INTERNAL AUDIT REPORT(S): To receive reports from the Internal Auditors in respect of specific audits conducted since the last meeting of the Committee (TIAA):</p> <p>a) PCC/Constabulary b) Fire</p>
Internal Audit	<p>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS: To receive an updated summary of actions implemented in response to audit and inspection recommendations (TIAA):</p> <p>a) PCC/Constabulary b) Fire</p>	<p>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS: To receive an updated summary of actions implemented in response to audit and inspection recommendations (TIAA):</p> <p>a) PCC/Constabulary b) Fire</p>	<p>MONITORING OF AUDIT, INTERNAL AUDIT AND OTHER RECOMMENDATIONS AND ACTION PLANS: To receive an updated summary of actions implemented in response to audit and inspection recommendations (TIAA):</p> <p>a) PCC/Constabulary b) Fire</p>	
Internal Audit	<p>INTERNAL AUDIT –ANNUAL REPORT: To receive the Head of Internal Audit's Annual Report including the Annual Audit Opinion (TIAA):</p> <p>a) PCC/Constabulary b) Fire (N/A for 2022/23)</p>			<p>PROPOSED INTERNAL AUDIT PLAN/ INTERNAL AUDIT CHARTER: To receive a report from the Internal Auditors on the proposed Internal Audit Annual Plan and any proposed revisions. To include the arrangements for quality assurance and improvement. To also include the internal audit charter. (TIAA):</p> <p>a) PCC/Constabulary b) Fire</p>

Joint Audit Committee Proposed Annual Work Programme 2023/24

Area	Tuesday 30 May 2023	Wednesday 20 September 2023	Wednesday 22 November 2023	Wednesday 20 March 2024
Regular Reports (continued)				
External Audit	EXTERNAL AUDIT FEES: To receive a verbal update around the proposed PSAA scale charge for external audit fees. (GT/Finance) a) PCC/Constabulary b) Fire	AUDIT FINDINGS REPORT: To receive from the external auditors the Audit Findings Report in respect of the annual audit of the financial statements. (GT) a) PCC/Constabulary b) Fire (N/A for 2022/23)	ANNUAL AUDIT REPORT: To receive from the External Auditors the Annual Audit Report incorporating the External Auditor's Value for Money Conclusion. (GT). a) PCC/Constabulary b) Fire (N/A for 2022/23)	EXTERNAL AUDIT PLAN: To receive from the external auditors the Joint Annual External Audit Plan. (GT) a) PCC/Constabulary b) Fire
External Audit				EXTERNAL AUDIT UPDATE REPORT: To receive from the external auditors an update report in respect of progress on the external audit plan. (GT) a) PCC/Constabulary b) Fire
Risk Management		STRATEGIC RISK REGISTER: To consider the strategic risk registers as part of the Risk Management Strategy: a) OPCC (CE or GM) b) Constabulary (DCC) c) Fire (DCFO)	STRATEGIC RISK REGISTER: To consider the strategic risk registers as part of the Risk Management Strategy: a) OPCC (CE or GM) b) Constabulary (DCC) c) Fire (DCFO)	STRATEGIC RISK REGISTER: To consider the strategic risk registers as part of the Risk Management Strategy: a) OPCC (CE or GM) b) Constabulary (DCC) c) Fire (DCFO)
Risk Management	RISK MANAGEMENT MONITORING: To receive an annual report from the Chief Executive on Risk Management Activity including the Commissioner's arrangements for holding the CC to account for Constabulary Risk Management. (CE or GM)			RISK MANAGEMENT STRATEGY: To provide the tri-ennial review of the Risk Management Strategies: a) PCC - (CE/GM) (next due 2026) b) Constabulary - (DCC) (next due 2026) c) Fire (BS/TBC)
Cyclical/Annual Reports				
Capital Strategy & TM Strategy				CAPITAL STRATEGY and TREASURY MANAGEMENT STRATEGY AND TREASURY MANAGEMENT PRACTICES: To review the annual Capital Strategy and Treasury Management Strategy incorporating the policy on investment and borrowing activity and treasury management practices. (Constabulary CFO) a) PCC/Constabulary b) Fire
TM Activities	TREASURY MANAGEMENT ACTIVITIES: To receive for information reports on Treasury Management Activity - Quarter 4/Annual Report (Constabulary CFO) a) PCC/Constabulary b) Fire-N/A for 2022/23	TREASURY MANAGEMENT ACTIVITIES: To receive for information reports on Treasury Management Activity - Quarter 1 (Constabulary CFO) a) PCC/Constabulary b) Fire	TREASURY MANAGEMENT ACTIVITIES: To receive for information reports on Treasury Management Activity - Quarter 2 (Constabulary CFO) a) PCC/Constabulary b) Fire	TREASURY MANAGEMENT ACTIVITIES: To receive for information reports on Treasury Management Activity - Quarter 3 (Constabulary CFO) a) PCC/Constabulary b) Fire

Joint Audit Committee Proposed Annual Work Programme 2023/24

	Tuesday 30 May 2023	Wednesday 20 September 2023	Wednesday 22 November 2023	Wednesday 20 March 2024
Cyclical/Annual Reports (continued)				
Governance	ANTI-FRAUD AND CORRUPTION ACTIVITIES: To receive an annual report from the Chief Executive on activity in line with the arrangements for anti-fraud and corruption. (CE/GM)		ANNUAL REVIEW OF GOVERNANCE: To review the PCC, Constabulary and Fire arrangements for governance; cyclical review over a three years. Some documents reported in November, some in March (see Appendix C). (Relevant Chief Officers).	ANNUAL REVIEW OF GOVERNANCE: To review the PCC, Constabulary and Fire arrangements for governance; cyclical review over a three years. Some documents reported in November, some in March (see Appendix C). (Relevant Chief Officers).
Governance	ETHICS AND INTEGRITY GOVERNANCE: To receive an annual report from the chair of the Ethics and Integrity Panel (CE).	PCC ANNUAL REPORT To receive a copy of the PCCs annual report. (CE)		VALUE FOR MONEY: To receive an annual report on Value for Money within the Constabulary. (Constabulary CFO)
Governance	EFFECTIVENESS OF AUDIT: To receive a report from the Constabulary Chief Finance Officer in respect of the effectiveness of arrangements for audit. (Constabulary CFO)			
JAC	JOINT AUDIT COMMITTEE - REVIEW OF EFFECTIVENESS (biennial Activity): To receive a report reviewing the effectiveness of the Committee as a contribution to the overall effectiveness of arrangements for governance. (Constabulary CFO) – Even Years To conduct a 360' review of committee effectiveness) private meeting between members, DCC, DCFO, CE & PCC & CC CFOs) - Odd Years	JAC ANNUAL REPORT: To receive the annual report of the joint audit committee following the committees review of effectiveness. (Constabulary CFO)		JAC ANNUAL WORK PROGRAMME: ASSURANCE FORMAT: To review and approve an annual work programme covering the framework of assurance against the Committee's terms of reference. (Constabulary CFO)
Annual Governance Statement	ANNUAL GOVERNANCE STATEMENT <ul style="list-style-type: none"> ▪ Effectiveness of Governance Arrangements: To receive a report on the effectiveness of the PCC, Constabulary and Fire arrangements for Governance. (PCC CFO) ▪ Code of Corporate Governance: To consider the Codes of Corporate Governance. <ul style="list-style-type: none"> a) PCC (PCC CFO) b) Constabulary (CC CFO) c) Fire (PCC CFO) ▪ Annual Governance Statement: To consider the Annual Governance Statements for the financial year and to the date of this meeting: <ul style="list-style-type: none"> a) PCC (PCC CFO) b) Constabulary (CC CFO) c) Fire (PCC CFO) 		ANNUAL GOVERNANCE STATEMENT DEVELOPMENT AND IMPROVEMENT PLAN UPDATE: To receive an update on progress against the development and improvement plan within the annual governance statements: a) PCC (PCC CFO) b) Constabulary (CC CFO) c) Fire (PCC CFO)	

Joint Audit Committee Proposed Annual Work Programme 2023/24

	Tuesday 30 May 2023	Wednesday 20 September 2023	Wednesday 22 November 2023	Wednesday 20 March 2024
Statement of Accounts	ANNUAL STATEMENT OF ACCOUNTS: To receive the un-audited Statement of Accounts and consider a copy of a summarised non-statutory version of the accounts: a) PCC/Constabulary Group (PCC CFO) b) Constabulary (CC CFO) c) Fire (PCC CFO)-N/A for 2022/23	ANNUAL STATEMENT OF ACCOUNTS: To receive the audited Statement of Accounts and consider a copy of a summarised non-statutory version of the accounts: a) PCC/Constabulary Group (PCC CFO) b) Constabulary (CC CFO) c) Fire (PCC CFO) N/A for 2022/23		
Statement of Accounts		ASSURANCE FRAMEWORK STATEMENT OF ACCOUNTS: To receive a report from the PCC CFO in respect of the PCC, Constabulary and Fire framework of assurance. (PCC CFO)		
Ad Hoc Reports				
Other Ad-hoc	ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, INSPECTION: To consider any other reports falling within the remit of the Committee's terms of reference	ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, INSPECTION: To consider any other reports falling within the remit of the Committee's terms of reference	ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, INSPECTION: To consider any other reports falling within the remit of the Committee's terms of reference	ADHOC REPORTS AS THEY ARISE: E.G. NATIONAL FRAUD INITIATIVE, STANDARDS, INSPECTION: To consider any other reports falling within the remit of the Committee's terms of reference

Governance Documents Cyclical Review Schedule

Documents	Review Cycle	Lead Officer	March 2021	March 2022	March 2023	March 2024	March 2025	March 2026
OPCC Risk Management Strategy	triennial (from 2017 onwards)	Governance Manager Joanne Head	✗	✗	✓	✗	✗	✓
Constabulary Risk Management Strategy	triennial (from 2017 onwards)	Constabulary Chief Finance Officer Michelle Bellis	✗	✗	✓	✗	✗	✓
Fire Risk Management Strategy	triennial (from 2023 onwards)	Deputy Chief Fire Officer Brian Steadman	N/A	N/A	N/A	✓	✗	✗
OPCC Scheme of Delegation/Consent	annual	Chief Executive/Communications & Engagement Executive, Gillian Shearer and/or Governance Manager, Joanne Head	✓	✓	✓	✓	✓	✓
Constabulary Scheme of Delegation	annual	Director of Legal Services - Andrew Dobson	✓	✓	✓	✓	✓	✓
Fire Scheme of Delegation	annual	Deputy Chief Fire Officer Brian Steadman	N/A	N/A	N/A	✓	✓	✓
			November 2021	November 2022	November 2023	November 2024	November 2025	November 2026
Role of the Chief Finance Officer(s)	annual	Constabulary CFO Michelle Bellis	✓	✓	✓	✓	✓	✓
Joint Procurement Regulations	biennial	Head of Commercial Solutions Barry Leighton	✓	✗	✓	✗	✓	✗
OPCC Arrangements for Anti-fraud & Corruption/Whistleblowing	biennial	Chief Executive/Communications & Engagement Executive, Gillian Shearer and/or Governance Manager, Joanne Head	✓	✗	✓	✗	✓	✗
Constabulary Arrangements for Anti-fraud & Corruption/Whistleblowing	biennial	Head of Professional Standards Hayley Wilkinson	✓	✗	✓	✗	✓	✗
Fire Arrangements for Anti-fraud & Corruption/Whistleblowing	biennial	Deputy Chief Fire Officer Brian Steadman	N/A	N/A	✓	✗	✓	✗
Financial Regulations & Financial Rules	biennial	Constabulary CFO Michelle Bellis	✗	✓	✓	✗	✓	✗
Joint Audit Committee Terms of Reference and Role Profiles	triennial	Constabulary CFO Michelle Bellis	✓	✗	✗	✓	✗	✓
OPCC Grant Regulations & Procedures	triennial	Chief Executive/Head of Partnerships and Commissioning, Vivian Stafford	✗	✗	✓	✗	✗	✓

This page has been intentionally left blank

The Police and Crime Commissioner for Cumbria

Treasury Management Activities 2022/23 for the period 01 October 2022 to 31 December 2022

Public Accountability Conference 16 February 2023 and Joint Audit Committee 22 March 2023



Cash flow Balances

Quarter 3 average daily balance - £23.856m
 Investment balance @ 31/12/22 £17.744m
 (Down 20% from £22.033m at 30/09/22)



Investment Interest Forecast

Base Budget - £10,000
 Revised Budget - £10,000
 Current Estimate - £380,000



Borrowing Strategy

The budget for 2023/24 includes a decision that borrowing of £3m will be undertaken in 2022/23 to replace planned revenue contributions. This will release funds to balance the budget in 2023/24. As this decision is subject to formal approval of the budget, its impact is not reflected in this report.

Investment Strategy

Category	Category Limit (£m)	Investments at 31 Dec (£m)	Compliance with Limit
1 - Banks Unsecured	20	7.511	Yes
2 - Banks Secured	20	0.000	Yes
3 - Government (inc LA)	10	6.613	Yes
4 - Registered Providers	10	0.000	Yes
5 - Pooled Funds	15	3.620	Yes
Total		17.744	

There have been no breaches in the approved limits to report during the reporting period.

Performance Indicators

Quarter 3	Number of Days	Average Balance (£)	Largest Balance (£)
Days In Credit	63	65,982	409,008
Days Overdrawn	0	0	0

Average interest rate earned – 2.54%
 Average bank base rate – 2.81%
 (Current bank base rate – 4.00%)

Treasury and Prudential Indicators

During the period 01 October 2022 and 31 December 2022, the treasury function has operated within the treasury and prudential indicators set out in the Treasury Management Strategy Statement and in compliance with the Treasury Management Practices.

Compliance with the prudential and treasury indicators are shown on page 3.

Economic Outlook and Treasury position for the quarter ended 31 December 2022

GDP grew by 0.1% month on month in November. This was better than expected and was driven by growth in the services sector, with suggestions that there was a positive boost from the World Cup. It is now predicted that the UK economy will be in recession for all of 2023.

CPI inflation fell slightly from 10.7% in November to 10.5% in December. Fuel inflation has fallen dramatically from 17.2% in November to 11.5% in December and may fall to 0% in the coming months. Other sectors which saw downward pressure were clothing and footwear, and recreation and culture. However, these were offset by increases in prices for hotels and restaurants, and food and drink. CPI inflation may have peaked. Inflation is forecast to reduce during 2023, average CPI inflation for 2023 is currently forecast at 7%.

The MPC has increased the Bank Rate 375bps over the past twelve months taking rates to a 14 year high of 4.00% on 2nd February 2023. Further increases are likely in the coming months, with the rate expected to peak in the summer. The Bank of England will continue its efforts to squeeze inflation out of the economy but it is thought that a reduction by the end of the year may be possible.

The MPC has confirmed that it would do everything necessary to ensure headline inflation, on the CPI measure, drops back to 2% over a three-year timeframe. Link, the treasury advisers to the PCC, have revised their interest forecast and predict the MPC will increase the Bank Rate in Quarters 1 and 2 of 2023 to combat ongoing inflationary and wage pressures. Link's view is that the Bank Rate will peak at 4.5% and only start to reduce to 4.25% in the final quarter of 2023. This is in line with the peak forecast by economists, but higher than current market pricing of a peak of 4.25%.

Base Rate Estimates	2022/23	2023/24	2024/25
Quarter 1	1.25	4.50	3.75
Quarter 2	2.25	4.50	3.25
Quarter 3	3.50	4.25	3.00
Quarter 4	4.25	4.00	2.75

Investments in place on 31 December 2022

Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate (%)	Amount (£)	Counterparty Total (£)
Category 1 - Banks Unsecured (Includes Banks & Building Societies)							
Nationwide BS	A	04/10/2022	03/01/2023	95	2.69%	2,000,000	2,000,000
Svenska Handelsbanken	AA	07/11/2022	07/03/2023	158	3.05%	1,000,000	1,000,000
Lloyds CD	A+	07/11/2022	14/02/2023	137	3.45%	2,000,000	2,000,000
Santander CD	A+	25/11/2022	31/03/2023	182	3.58%	2,000,000	2,000,000
Svenska Handelsbanken (Deposit Acc)	AA	Various	On Demand	N/A	1.70%	501,426	501,426
NatWest (Liquidity Select Acc)	A+	31/12/2022	03/01/2023	O/N	0.80%	10,000	10,000
						7,511,426	7,511,426
Category 2 - Banks Secured (Includes Banks & Building Societies)							
None						0	0
						0	0
Category 3 - Government (Includes HM Treasury and Other Local Authorities)							
Treasury Bills	Gov	01/08/2022	30/01/2023	122	2.060%	1,635,204	1,635,204
Treasury Bills	Gov	07/11/2022	27/03/2023	178	2.955%	1,977,585	1,977,585
Debt Management Office	Gov	07/11/2022	28/02/2023	151	3.040%	2,000,000	2,000,000
Debt Management Office	Gov	07/12/2022	31/01/2023	123	3.100%	1,000,000	1,000,000
						6,612,789	6,612,789
Category 4 - Registered Providers (Includes Providers of Social Housing)							
None						0	0
						0	0
Category 5 - Pooled Funds (Includes AAA rated Money Market Funds)							
Fidelity	AAA	Various	On demand	O/N	3.131%	2,950,000	2,950,000
Aberdeen Standard	AAA	Various	On demand	O/N	3.640%	670,000	670,000
						3,620,000	3,620,000
Total						17,744,215	17,744,215

On 5th July 2022 the police pension grant of £19.85m was received and is largely in advance and will be drawn down over the remainder of the year. Along with the July grant payment, the investments reached their highest balance of £30.97m. A large proportion of this balance (60%) was split between the Debt Management Office (DMO) of HM Treasury, Treasury Bills, Certificates of Deposit and Fixed Term Investments to be returned at regular intervals as cashflow forecasts require, with the remainder (40%) being managed through the money market funds.

Borrowing position for the quarter ended 31 December 2022

At 31st December 2022 there were no loans outstanding.

Treasury and Prudential Indicators 2022/23 at 31 December 2022

Treasury Management Indicators		Result	RAG	Prudential indicators		Result	RAG
The Authorised Limit The authorised limit represents an upper limit of external borrowing that could be afforded in the short term but may not be sustainable. It is the expected maximum borrowing needed with some headroom for unexpected movements. This is a statutory limit under section 3(1) of the Local Government Act 2003.	TEST - Is current external borrowing within the approved limit	YES	●	Ratio of Financing Costs to Net Revenue Stream This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of revenue budget required to meet financing costs.	TEST - Is the ratio of capital expenditure funded by revenue within planned limits	YES	●
The Operational Boundary The operational boundary represents an estimate of the most likely but not worst case scenario. It is only a guide and may be breached temporarily due to variations in cash flow.	TEST - Is current external borrowing within the approved limit	YES	●	Net Borrowing and the Capital Financing Requirement This indicator is to ensure that net borrowing will only be for capital purposes. The Commissioner should ensure that the net external borrowing does not exceed the total CFR requirement from the preceding year plus any additional borrowing for the next 2 years.	TEST - Is net debt less than the capital financing requirement	YES	●
Actual External Debt It is unlikely that the Commissioner will actually exercise external borrowing until there is a change in the present structure of investment rates compared to the costs of borrowing.	TEST - Is the external debt within the Authorised limit and operational boundary	YES	●	Capital Expenditure and Capital financing The original and current forecasts of capital expenditure and the amount of capital expenditure to be funded by prudential borrowing for 2022/23.	TEST - Is the current capital outturn within planned limits	YES	●
Gross and Net Debt The purpose of this indicator is to highlight a situation where the Commissioner is planning to borrow in advance of need.	TEST - Is the PCC planning to borrow in advance of need	NO	●	Capital Financing Requirement The CFR is a measure of the extent to which the Commissioner needs to borrow to support capital expenditure only. It should be noted that at present all borrowing has been met internally.	TEST - Is the capital financing requirement within planned limits	YES	●
Maturity Structure of Borrowing The indicator is designed to exercise control over the Commissioner having large concentrations of fixed rate debt needing to be repaid at any one time.	TEST - Does the PCC have large amounts of fixed rate debt requiring repayment at any one time	NO	●	This area is intentionally left blank for future indicators.			
Upper Limit for total principal sums invested for over 365 Days The purpose of this indicator is to ensure that the Commissioner has protected himself against the risk of loss arising from the need to seek early redemption of principal sums invested.	TEST - Is the value of long term investments within the approved limit	YES	●				

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that regular reports are presented with regards to treasury management activities. This half yearly report ensures the Police and Crime Commissioner is implementing best practice in accordance with the Code.