

# Auditor's Annual Report on the Police and Crime Commissioner and Chief Constable for Warwickshire

2021/22

November 2022



# Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Police and Crime Commissioner and Chief Constable have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner and Chief Constable's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Section	Page
Executive summary	03
Opinion on the financial statements and use of auditor's powers	05
Commentary on the Police and Crime Commissioner (PCC) and Chief Constable's (CC) arrangements to secure economy, efficiency and effectiveness in its use of resources	06
Financial sustainability	07
Governance	12
Improvement recommendations	14
Improving economy, efficiency and effectiveness	15
Follow-up of previous recommendations	17
Opinion on the financial statements	19
<b>Appendices</b>	
Appendix A – Responsibilities of the PCC and CC	21
Appendix B – Risks of significant weaknesses, our procedures and findings	22
Appendix C – An explanatory note on recommendations	23

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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.

# Executive summary



## Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Police and Crime Commissioner (PCC) and Chief Constable (CC) have put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

Auditors are required to report their commentary on the PCC and CC's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the PCC and CC's arrangements for securing economy, efficiency and effectiveness in their use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment		2021/22 Auditor Judgment		Direction of travel
Financial sustainability	No risks of significant weakness identified		No significant weaknesses in arrangements identified, but improvement recommendations made		No significant weaknesses in arrangements identified	↑
Governance	No risks of significant weakness identified		No significant weaknesses in arrangements identified		No significant weaknesses in arrangements identified, but improvement recommendation made	↓
Improving economy, efficiency and effectiveness	No risks of significant weakness identified		No significant weaknesses in arrangements identified, but improvement recommendations made		No significant weaknesses in arrangements identified	↑

	No significant weaknesses in arrangements identified or improvement recommendation made.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weaknesses in arrangements identified and key recommendations made.

# Executive summary



## Financial sustainability

The PCC and Chief Constable have a good track record of sound financial management and delivered an overall underspend in year, after taking into account central government funding and a planned contribution to reserves. The PCC and Chief Constable understood the financial risks which they faced and managed these risks by maintaining an appropriate level of reserves.

Overall we are satisfied that the PCC and Chief Constable had appropriate arrangements in place to manage the risks they faced in respect of their financial resilience. Our work has not identified any significant weakness regarding financial sustainability.



## Governance

Overall, we found no evidence of significant weaknesses in the PCC's or Chief Constable's governance arrangements for ensuring that they made informed decisions and properly managed risks, although we have made an improvement recommendation regarding the review of policies.



## Improving economy, efficiency and effectiveness

The PCC and Force have put in place effective arrangements to improve economy, efficiency and effectiveness. This includes significant collaboration with local fire and rescue services with regards to estates and the joint control room. Our review has not identified any significant weaknesses in arrangements in this regard.



We propose to give an unqualified audit opinion on the Group & PCC and Chief Constable's financial statements following the Joint Audit and Standards Committee meeting on 29 November 2022. Our findings are set out in further detail on page 19.





# Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

## Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the PCC and CC's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We propose to give unqualified opinions on the Group & PCC and Chief Constables accounts following completion of our audit work.

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

No statutory recommendations have been issued.

## Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

No Public Interest Report has been issued.

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

No application to the court has been required.

## Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

No advisory notice has been required.

## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

No judicial review has been required.

# Securing economy, efficiency and effectiveness in the PCC and CC's use of resources

All PCCs and CCs are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The PCC and CC's responsibilities are set out in Appendix A.

PCCs and CCs report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the PCC and CC have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



## Financial Sustainability

Arrangements for ensuring the PCC and CC can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



## Governance

Arrangements for ensuring that the PCC and CC make appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the PCC and CC make decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the PCC and CC delivers their services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the PCC and CC's arrangements in each of these three areas, is set out on pages 7 to 16. Further detail on how we approached our work is included in Appendix B.

# Financial sustainability



## We considered how the PCC and CC:

- identifies all the significant financial pressures that are relevant to their short and medium-term plans and builds them into their plans
- plans to bridge funding gaps and identify achievable savings
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures the financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identify and manage risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Overview of the Arrangements to ensure financial sustainability

The PCC and CC have faced significant financial challenges in 2021/22 and these will continue through to 2022/23 against a backdrop of the current economic climate. Despite this, to date a sustainable financial position has been achieved, and subject to the achievement of planned savings and the successful mitigation of the financial risks identified, a sustainable financial position is forecast into the future. The Force have demonstrated a reasonable track record of delivering savings over the past five years and the PCC has established a sustainable level of reserves to help manage financial risks, though improvements can be made.

The MTFP (Medium Term Financial Plan) is embedded within the annual budget setting cycle to provide the longer-term view of priorities and demand for services. Council Tax assumptions are a key element of planning, and the Force are working closely with their Billing Authorities to understand assumptions around the Council Tax Base and the surplus/deficit on Collection Funds. The Comprehensive Spending Review and Government Settlements are reviewed on an ongoing basis to try and model future resource envelopes that Warwickshire will operate in. As for all police bodies, annual settlements and the lack of longer-term assurances over funding make financial planning more short-term in its focus. Indications from Central Government of a longer-term funding settlement would help bring further clarity around these planning assumptions at a time when expenditure assumptions are also increasingly challenging owing to the inflationary pressures currently being seen in the UK.

Our work has not identified any significant weakness regarding financial sustainability.

## Key Financial Assumptions - Funding

We have reviewed the financial assumptions in the Medium-Term Financial Plan (MTFP) to 2025/26 and found these to be reasonable. The precept was increased by 3.85% in 2022/23. The Council Tax base is assumed to increase by an average of 2% each year until 2026/27. These increases are deemed necessary to support the Force's future financial sustainability and against the backdrop of central funding that we refer to previously. Central government grant has been assumed to increase in line with the increases in national funding for policing. The increases in Council Tax follow the majority of Police MTFPs and are within the current legislation and therefore overall these appear reasonable.

The Collection Fund deficit which needs to be financed in 2022/23 in relation to 2021/22 is £0.226m. This has been offset against the position in 2022/23 which appears to be reasonable as the total net Collection Fund surplus for 2022/23 is £0.470m, which is included in the 2022/23 budget.

# Financial sustainability



## We considered how the PCC and CC:

- identifies all the significant financial pressures that are relevant to their short and medium-term plans and builds them into their plans
- plans to bridge funding gaps and identify achievable savings
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures the financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identify and manage risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Key Financial Assumptions – Cost Pressures

We are satisfied that Warwickshire have appropriately considered the key pressures that they will face. There was an assumption that pay would increase in 2022/23 following the announcement in the Chancellor's Spending Review that the Public Sector Pay Freeze had ended. It is recognised within the MTFP that pay inflation represents a more significant risk in the 2022/23 budget setting process than in recent years. Pay inflation is included within the budget at 3% in 2022/23, 2.5% in 2023/24 and 2% in 2024/25, reducing to 1% thereafter. The assumptions made by the Force were in line with other forces and were not unreasonable at the time that they were made. The subsequent pay awards that have been accepted amount to an average increase of circa 4% in 2022/23, with these subsequent events meaning that the financial position for all police bodies moving forwards will be challenging. With other inflationary pressures also significant at the time of writing, future financial plans and assumptions will become ever more challenging and important.

## Managing the financial position and use of resources

For the financial year 2021/22 the PCC and CC achieved an overall underspend on budget of £1.6m against a revised revenue budget of £114.5m. Capital expenditure for the year was underspent by £3.6m against a revised capital budget of £19.6m.

The budget plan assumes that the level of general reserves should stay above the recommended minimum level of £5m through to 2025/26, subject to the successful delivery of savings targets. Sufficient provision has been made in earmarked reserves to fund expected one-off pressures. There are sufficient earmarked reserves currently set aside to cover the next two years of costs and this demonstrates appropriate and prudent financial planning.

Within the MTFP the Treasurer's Statement on the Soundness of the Budget and the Adequacy of Reserves outlines and checks compliance with the seven key principles as set out by CIPFA guidance, which ensures that public sector entities discuss the adequacy of their financial reserves and reviews them. This is an important statement within the budget setting context.

Key risks identified in the MTFP include the possibility of savings targets not being met. In 2020/21, a specific allocation for this risk was created within earmarked reserves of £0.5m. This was removed in 2021/22 as significant savings were delivered prior to the start of the year. The Force achieved savings of £4.7m during 2021/22. This was post transition out of the alliance with West Mercia Police, which was the result of Chief Officers' identification of the requirement to make savings and their determination to deliver them. Of these £4.7m of savings, the Evolve 2 transformation team have delivered £4.1m of savings, which is the project to rebalance the workforce as a result of the alliance ending.

*In 2020/21, we made an improvement recommendation that the OPCC and Force should consider how the current overspend can be managed and prevented from deteriorating further, to ensure that reserves can continue to be rebuilt in line with the MTFP in order to manage future financial risks. This may include consideration of additional savings. The extent to which current levels of excess income can be sustained in the short to medium term to offset police establishment pressures should form part of these considerations. This has been considered as part of the review of prior year recommendations at pages 17 to 18.*



# Financial sustainability



## We considered how the PCC and CC:

- identifies all the significant financial pressures that are relevant to their short and medium-term plans and builds them into their plans
- plans to bridge funding gaps and identify achievable savings
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures the financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identify and manage risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Development of a sustainable MTFP through force transformation, benefits realisation and the delivery of savings

As part of the 2022/23 budget setting process, the PCC and the Chief Constable have undertaken a detailed review and prepared savings plans that can be achieved whilst striving to ensure that Warwickshire Police can continue to meet the needs of their communities and keep people safe. The budget includes a detailed plan to achieve savings with £0.2m currently unidentified, which will be monitored. As a result of this focus on monitoring and delivering savings plans, Warwickshire Police has set a balanced budget, and is not reliant on reserves to balance its books ensuring its sustainability into the future.

The Force has a reasonably good track record of savings delivery, although it has faced challenges to delivery as many forces have. The Force budgeted to deliver savings of £4m in 2021/22. As noted previously, the savings plan for 2021/22 outturn shows achievement of £4.7m. Further savings of £1.2m in 2023/24 and £1.8m in 2024/25 are required within the MTFP. All savings for 2022/23 have been identified within the MTFP. Stakeholders, including residents, are consulted during the development of savings plans in order to identify where needs are, helping to determine the overall plan and ensure that this is properly focussed. The PCC approves savings schemes through the budget report annually.

The Fit for the Future strategy continues to deliver transformational change within business as usual, deriving operational benefits and improved productivity and efficiency through the planned changes. These changes are across the three main themes of the Fit for the Future strategy - prevent and protect, respond and reassure and operating effectively and efficiently.

Savings are monitored and reported through the Money Matters reports and are scrutinised at the weekly holding to account and monthly Force Governance Board meetings. Joint Audit and Standards Committee (JASC) meeting minutes also demonstrate that savings are monitored on a quarterly basis whereby variances are discussed and challenged. Finance Business Partners include savings progress as a standard heading in the monthly report to their budget holders' Directorate strategy boards. A summary version of the savings tracker is presented in the Money Matters report with narrative on any at risk items.

The Force undertakes a commercial vetting service for police bodies, the National Contractor Vetting Service (NCVS), which sees a high demand. During 2021/22, a net income of £2.7m was received relating to these services against an original budgeted income of £1.3m, demonstrating the rewards available through the provision of this service. This income offsets, in part, the requirement for the Force to make savings. As a commercial venture, there is financial risk to the Force as well as reputational risk if the service is not delivered to a high standard. To mitigate the financial risk, a vetting earmarked reserve of £0.6m is managed within the budget. The Chief Constable is the national lead for vetting and is therefore aware of changes and challenges within this area.

*We made an improvement recommendation in 2020/21 that, in the context of the additional cost pressures experienced in 2020/21 and 2021/22 and the need to build reserves, the Force should consider how the Evolve programme and the wider savings plan can build in greater flexibility and consider the creation of additional headroom within the plan to reduce the reliance on mitigation measures such as excess income and the use of reserves. This has been considered as part of the review of prior year recommendations at pages 17 to 18.*

# Financial sustainability



## We considered how the PCC and CC:

- identifies all the significant financial pressures that are relevant to their short and medium-term plans and builds them into their plans
- plans to bridge funding gaps and identify achievable savings
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures the financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identify and manage risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Corporate Strategic Priorities – Capital Programme

The current capital programme reflects the priorities of the PCC and includes significant investment in estates and ICT. The PCC is planning significant capital investment of £44.6m over the next five years, which is primarily funded from borrowing, especially for longer life assets. Significant opportunities exist to deliver efficiencies and improvements to estates by working with partner agencies. The Capital Strategy for 2022/23 reflects known priorities and commitments to meet business requirements. The Strategy includes continuation of the investment in the stabilising and modernising of the ICT infrastructure and harnessing and unlocking the potential that this ICT infrastructure can provide in respect to efficiency and productivity will be key to ensuring delivery of the 'operating effectively and efficiently' strand of the Fit for the Future programme.

As part of the annual refresh of the Capital Programme, capital projects are reviewed, re-profiled, added and removed as appropriate. This process runs alongside the revenue budget preparation and associated running costs of capital projects are built into the revenue budget at this stage. Business cases for new capital projects also require revenue running and maintenance costs to be considered. These are reviewed by Finance before submission to Chief Officers and PCC for scrutiny and approval.

The associated capital financing costs are also calculated for inclusion in the revenue budget (MRP and interest) based on the agreed capital MTFP. The capital financing costs are regularly reviewed and updated throughout the year for budget monitoring purposes (interest payable) and future forecasting (MRP and interest). Future cash flow forecasts and detailed MRP calculations are also prepared. MRP calculations are reviewed in detail as part of the financial statements audit. We are satisfied that the related financing costs, as per the model, are reflected in the MTFP and that arrangements around this are appropriate.

## Financial plan – consistency with other key strategies

The Force ensures that approved financial plans are aligned to the expectations set out in the workforce plan. This is done by ensuring that the workforce plan is fully costed and integrated into the budget, with a long-term view of costs built into the wider MTFP. This ensures that scale increases for a younger workforce post national increases in officer numbers are costed and the effect can be appropriately modelled. The policing plan in turn is developed on a 'priority basis' set to deliver against the strategic aims.

# Financial sustainability



## We considered how the PCC and CC:

- identifies all the significant financial pressures that are relevant to their short and medium-term plans and builds them into their plans
- plans to bridge funding gaps and identify achievable savings
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures the financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identify and manage risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Arrangements for incorporating risks into financial plans

There are risk registers in place for both the PCC and CC which detail and outline the identified financial risks. These registers are reviewed by the Joint Audit and Standards Committee routinely for appropriate challenge. The risks are discussed on a quarterly basis, both internally and externally via Joint Audit and Standards Committee meetings. The risks are also reported to the Governance Board. It has been confirmed that the risks are considered when preparing budgets and are considered as individual specific risks on a qualitative basis. The risk analysis is also within the budget report. Risks are appropriate and reflect the financial position at the time the financial plans were produced. The Treasurer's Statement on the Soundness of the Budget and the Adequacy of Reserves within the MTFP contains a detailed analysis of the risks being faced. This includes a description of the risk and potential impacts, as well as the actions needed to mitigate against the specific risk.

As part of the PCC's ongoing commitment to seek feedback from communities and use this to shape his decision making, he sought views from the public to ensure that policing in Warwickshire continues to meet the needs of residents, businesses and communities. The consultation on this year's budget took place ahead of the official budget setting, in order to understand where concerns lie. The consultation period began on 17th December 2021. It was based on the financial data that was available at the time and included projections for the police precept based on the budgetary increases that would be necessary to ensure costs were met, whether that came from central funding or the local precept. The PCC wanted to understand what the key areas of concerns were where people live, if people were willing to pay more in council tax, and if so where would they like the focus to be, as well as general views towards the council tax precept. This allows informed decisions to be made.

Sensitivity analysis has been conducted as part of the budget preparation. This incorporates, for example, changes to government policy around funding and what the potential impact on arrangements from this could be. This allows the PCC, Chief Constable and wider stakeholders to understand the significant uncertainties affecting the budget and MTFP and to incorporate these into the plans made.

In addition to the PCC's reserves, the CC retains an operational contingency within the annual revenue budget to help finance large scale operations or issues and to deal with day-to-day changes in demand and pressure. This is normal for policing bodies and is a prudent method to account for these potential uncertainties.

## Development of the finance function following the end of the strategic alliance

Following the end of the Strategic Alliance with West Mercia Police, Warwickshire had to manage a rapid rebuild of the finance team and other support functions.

*We made an improvement recommendation in 2020/21 that the newly established Finance Team, including the treasury and capital management function, procurement savings programme management and finance managers, are likely to be significantly tested over the next few years as they embed. The PCC will need to monitor progress to ensure that there is sufficient capacity and experience in the team and that risks such as cost control and slippage are being adequately managed and reported. This has been considered as part of the review of prior year recommendations at pages 17 to 18.*

# Governance



## We considered how the PCC and CC:

- monitor and assess risk and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out the annual budget setting process
- ensure effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensure they make properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitor and ensure appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## Overview of Governance Arrangements

The OPCC and Force have established effective governance arrangements around financial oversight, risk management and review. Our work has not identified any risks of significant weakness in arrangements with regards to governance., however we have made an improvement recommendation around the need to ensure that policies are updated in line with the stated timeframes.

## Arrangements in place to identify strategic risks

The OPCC and Force have individual strategic risk registers. These are up to date and reviewed on a regular basis for updates. The risks are routinely discussed amongst the OPCC managers, executive managers and the Chief Constable on a quarterly basis.

The risk registers and Joint Audit and Standards Committee reports identify, describe and outline the impact of the risk as well as key planned actions and changes since the last update as also recorded. There is also evidence of risk scoring, with original, current and target scores all recorded and RAG rated. For example, the publicly available PCC risk register has outlined the following most recent key risks:

- 1 – That the PCC does not fulfil his statutory duties, including holding the Chief Constable to account
- 2 – Failing to manage our finances effectively across the MTFP and longer term sustainability
- 3 – Risks arising from the transitioning of the services following the ending of the Alliance
- 4 – Inadequate commissioning of services
- 5 – Managing our partnerships effectively, including their performance
- 6 – That the PCC fails to engage with the community

These appear to be in line with our expectations and relevant to the organisations, and we did not identify any significant omissions.

## Monitoring and ensuring appropriate standards

There are various policies and procedures in place which monitor and ensure compliance with legislation and regulatory standards. The public website has a section with a list of policies, which include all key policies that we would expect to see. The Joint Audit and Standards Committee consider standards compliance as part of their remit. No significant issues have been noted for the 2021/22 year. As part of our review, we identified a number of policies which were not updated by the set review date.

## Improvement recommendation

*The OPCC and Force should ensure that policies are reviewed and updated in line with the recommendations within the policies and on a regular basis.*



# Governance



## We considered how the PCC and CC:

- monitor and assess risk and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out the annual budget setting process
- ensure effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensure they make properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitor and ensure appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## Risk Reporting

There is evidence of a risk management framework in place which outlines the process of identifying a risk. The risk identification mentions that any member of staff or officer can raise a risk – if they are aware of a risk they should initially discuss this with the Treasurer, Chief Executive or Chief Finance Officer, who will advise on the appropriate methodology for recording and monitoring that risk in line with the strategy.

All OPCC staff attend weekly team meetings where risk is a standing agenda item, and key OPCC staff are involved in the quarterly review process of the central operational risk register and to discuss risk management in general. Risks for the Chief Constable are discussed at Executive Board meetings.

## Arrangements in place for the finance team to engage with budget holders to review financial performance and identify actions to resolve adverse variances and develop financial skills

There was continued attention to levels of spend in 2021/22 which minimised the risk of future budget pressures. Funding continues to be tight (whilst being adequately managed to date), with little prospect of significant increases. It will be critical for all budget managers to grasp spending decisions and manage those within the Force's means to ensure the organisations remain viable and successful into the future.

The finance business partners have monthly meetings with budget holders in which financial performances are reviewed. The budget reports include the medium term financial plan and details on revenue, expenditure, the capital programme, objective analysis and reserves.

Regular financial reporting to the PCC and Chief Constable is made via regular 'Money Matters' reports, which provide a comprehensive overview of budget performance to enable effective governance. The PCC reviews the adequacy of reserve levels against a detailed analysis of risks, which is clearly set out in the MTFP. In our view, the calculation of minimum reserves is logical and takes into account consideration of future financial risks.

The 2021/22 Internal Audit Annual Report indicates that effective core financial controls are in place and functioning as expected and gave an overall assessment of moderate assurance.

## Financial Monitoring

Having assessed the financial monitoring reports and minutes, it can be seen that the monitoring reports are discussed at weekly committee meetings. The Chief Constable is held accountable by the PCC for a 'Good & Balance Budget', whereby the Chief Constable maintains day to day operational expenditure and income with budget. The Chief Constable has made savings promptly when required and through committee and Exec Board initiates actions to maintain a balanced budget.

# Improvement recommendations



## Governance

### Recommendation

The OPCC and Force should ensure that policies are reviewed and updated in line with the recommendations within the policies and on a regular basis.

### Why/impact

The OPCC and Force need to ensure that policies are up to date and follow updates to regulatory environments.

### Summary findings

On review of some policies, for example the gifts and hospitality policy, we found that policies are not always reviewed and updated by the required date per the policy.

### Management Comments

During 2021/22 (and annually) the following policies were all reviewed and approved by the PCC, with formal decision notices published on our website: Reserves strategy, corporate governance framework including financial regs and contract procedure rules, capital strategy, treasury management strategy and indeed the risk management strategy. All of these policies are reviewed by senior staff at the OPCC and by senior officers in the force, they then get reported to the JASC annually and only then are they approved by the PCC in a formal decision notice and published on our website. This occurs on an annual basis.

A number of other OPCC office policies were also reviewed and approved in year, including the decision making policy, safeguarding, pensions forfeiture, code of conduct, managing public contact and complaints. We accept that it is a concern that some policies need updating. However, on balance, there is extensive and rigorous work undertaken by the OPCC on reviewing policies, with all details published on our website.



The range of recommendations that external auditors can make is explained in Appendix C.

# Improving economy, efficiency and effectiveness



## We considered how the PCC and CC:

- use financial and performance information to assess performance to identify areas for improvement
- evaluate the services they provide to assess performance and identify areas for improvement
- ensure they deliver their role within significant partnerships and engage with stakeholders they have identified, in order to assess whether objectives are being met
- where they commission or procure services assess whether they are realising the expected benefits.

## Overview of the Arrangements to ensure economy, efficiency and effectiveness

The OPCC and CC have put in place effective arrangements to ensure economy, efficiency and effectiveness. Our review has not identified any risks of significant weakness in this area.

### Service improvement

The Force is subject to inspection by His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) and an inspection was completed in 2021/22. The HMICFRS inspection of Warwickshire identifies that there are areas that 'require improvement' with an overall conclusion that improvements need to be made in how the force investigates crime, how it responds to the public and how it manages offenders.

### Partnership working

The Force ended its Strategic Alliance with West Mercia Police in March 2021. The ending of the alliance has resulted in dis-economies of scale and increased costs in some areas. However, this is believed to have been offset by the force having greater flexibility and control over making best use of its resources. As a result, in excess of 40 services were transitioned back to Warwickshire through a combination of outsourcing, new collaborations and in-house delivery. Service provision was maintained during this transition period and benefits have been seen through upgraded systems, improved and more resilient networks, modern hardware and Microsoft Office 365 functionality. HMICFRS identified a risk around the transition, however their latest report signifies that no significant issues arose.

In respect of Place Partnership Limited (PPL), following Worcestershire County Council's decision in March 2020 to withdraw from the partnership in March 2021, it was acknowledged by Warwickshire and the remaining partners that PPL hadn't delivered the levels of efficiency and improvements that were expected when PPL was created. It was also acknowledged that without the County's involvement, PPL would not be viable. Therefore the PCC made the decision to move the Estates function in-house from 1 April 2021 and agreed with the remaining partners to undertake an "orderly winding up" of PPL. The winding-up has been completed and our work in this area has not identified any issues.

Warwickshire Police are part of the 'Safer South Warwickshire Community Safety Partnership'. In general, engagement from the OPCC occurs as a matter of course with all partners, whether locally, regionally or nationally, ensuring that partnerships are designed to translate into meaningful actions. The PCC has developed his Police and Crime Plan, which took account of the views of the public and victims of crime through a comprehensive public consultation. The PCC also works with regional counterparts in West Mercia, West Midlands and Staffordshire to ensure the Chief Constable is held to account for national challenges. Police staff and officers opinions were also sought in drawing up the plan. The plan clearly sets out the strategic objectives for policing in Warwickshire and how resources will be allocated. This demonstrates engagement with partners at both an organisational level and a service user level.

*We made an improvement recommendation in 2020/21 that the OPCC and Force will need to continue to closely monitor the successful implementation of the new ICT and Forensic outsourced arrangements, with a particular focus on optimising business effectiveness as quickly as possible. This has been considered as part of the review of prior year recommendations at pages 17 to 18.*

# Improving economy, efficiency and effectiveness



## We considered how the PCC and CC:

- use financial and performance information to assess performance to identify areas for improvement
- evaluate the services they provide to assess performance and identify areas for improvement
- ensure they deliver their role within significant partnerships and engage with stakeholders they have identified, in order to assess whether objectives are being met
- where they commission or procure services assess whether they are realising the expected benefits.

## Using financial and performance information to inform strategic planning

We have seen evidence of a healthy relationship between the Chief Constable and the PCC. A monthly performance monitoring meeting is held between the Chief Constable and the PCC (and their key staff) to consider general performance and undertake deep dives into key service areas, aided by a performance report. The performance report complements the force's 'Fit for Future Strategy'. Each month there is an enhanced set of performance measures across one of the three pillars of that strategy, namely:

- Respond and Reassure
- Prevent and Protect
- Effective and Efficient

The performance of each pillar is assessed via different KPI's, which analyse performance through operational, quality and financial performance lenses, to ensure that the Force is on the right track. In order to ensure the integrity of the data provided within these performance reports, they are sent in advance of meetings, enabling scrutiny. Additionally, the accuracy of the financial data is ultimately determined by the 'Money Matters' reports, which are challenged by the Finance Business Partners, adding a further veneer of scrutiny. The Force also uses national statistics on various costs and reserve leads to consider financial performance.

From the work performed, we concluded that the Force was in a strong position to monitor performance and we saw evidence of robust challenge where necessary.

*We made an improvement recommendation in 2020/21 that the OPCC and Force need to build up their business intelligence capability, particularly in regard to how this is fully incorporated and embedded in strategic financial planning and reporting. We recommend that the Force place more focus on the automation of processes within the finance team, in order to enable a more robust approach to scrutinising data and benchmarking against peers. This has been considered as part of the review of prior year recommendations at pages 17 to 18.*

## Commissioning and procurement

The Force has a Contracts and Procurement Strategy in place covering the period 2020-2023. This sets out the five key objectives the Force uses in its commissioning and procurement to support Warwickshire Police's vision and values. These five key objectives are:

1. Maximising VFM
2. Delivering Strategic Procurement
3. Driving Collaboration
4. Improving Knowledge and Communication
5. Embedding Sustainable, Ethical & Compliant

During our work we have not identified any evidence of a failure to meet the requirements of the Contracts and Procurement Strategy. Our work has not identified any risks of significant weakness in the arrangements with regards to improving economy, efficiency and effectiveness.



# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?
1	The OPCC and Force will need to consider how the current overspend can be managed and prevented from deteriorating further, to ensure that reserves can continue to be rebuilt in line with the MTFP in order to manage future financial risks. This may include consideration of additional savings. The extent to which current levels of excess income can be sustained in the short to medium term to offset police establishment pressures should form part of these considerations.	Improvement	February 2022	<p>CC - The overspend has been addressed although the MTFP identifies the requirement to make savings in future years. The timing of savings, funding and cost pressures not least pay and non-pay inflation are considered as part of the MTFP process and the position is very different from 12 months ago. However, as the report states our process and assumptions are robust and adapt to the different scenarios under consideration. Throughout we have focused on maintaining adequate reserves and this still features in our considerations and is expressed in the Treasurer's annual review of the adequacy of reserves. We are aware of the reliance on income and see this as an opportunity provided the risks can be managed and the competitive advantage and service level maintained. The overspend in prior years was a result of the transition out of the alliance and transformation of ICT/DS, therefore it was controlled financed as opposed to being unexpected and the result of poor financial control. 2022/23 additional income from vetting is being used to create a direct revenue financing stream to fund capital and the remainder is due to being under establishment on officers and staff, the latter reflecting recruitment challenges.</p> <p>PCC - The annual budget setting and medium term financial planning process for 2023/24 is well underway. The current MTFP identified a budget gap of £3m over a 3 year period, but this will be refreshed and approved by the PCC as part of this year's process. The budget gap and MTFP is re-assessed each year and plans are being established through the Empower programme to identify savings, should they be required. Whilst overspending has been reported in previous years, this has been addressed and the 2022/23 in year budget monitoring is forecasting a significant underspend, after allowing for some direct revenue financing to fund capital expenditure. This revenue financing will reduce the requirement to borrow, thus creating revenue savings and help to deliver a more sustainable approach to capital funding. The revenue underspend has arisen mainly from additional income, from commercial services, additional grants and mutual aid and also from underspending on officer, staff and PCSO pay. The PCC is holding the CC to account for the delivery of the uplift in officer numbers, which is required to deliver her target operating model but also the national uplift, thus avoiding punitive financial penalties built into the uplift grant conditions. The PCC has published his new police and crime plan, and the CC is using the Empower workstreams to deliver on this. Our national contractor vetting commercial service continues to perform well, and additional income is also being received from camera enforcement work aimed at improving road safety. Significant challenges from pay and non-pay inflation are anticipated in 2023/24 and work is progressing well to address these.</p>	Yes

# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?
2	In the context of the additional cost pressures experienced in 2020/21 and 2021/22 and the need to build reserves, the Force should consider how the Evolve programme and the wider savings plan can build in greater flexibility and consider the creation of additional headroom within the plan to reduce the reliance on mitigation measures such as excess income and the use of reserves.	Improvement	February 2022	<p>CC - Savings requirement are now under the EMPOWER programme and we aim to reach 1,110 officer capacity in the next four months, officers become operationally effective after training and through technology we will digitally enable them, leading to improved performance and better productivity and efficiency, this will present choices for savings or re-investment. The current risk as you would anticipate is the inflation and what this means for pay settlements as well as price of goods and services and the potential for cuts or cash limited funding settlements, albeit these are backloaded to 2024. It is likely that reserves will be required over the MTFP but the extent is part of the MTFP process.</p> <p>PCC - Only a limited use of reserves are anticipated in 2022/23, with the forecast level of total reserves expected to be £14.1m by 31/3/23, compared to a starting position of £14.3m. The general reserve has been increased to £6m to reflect increased risk and uncertainty and the growing net revenue expenditure position. Reserves are reviewed at the end of each year, and more comprehensively as part of the annual budget process, to make an assessment of their adequacy, and an analysis and statement is made annually. The refreshed MTFP is likely to include some reserve usage to deliver one off costs and to fund capital investment. The strategy is that benefits will be leveraged from recent investment in ICT through the Empower tech workstream to sure up and upgrade systems, with the aim of increasing automation. More efficient working will be achieved through a review of the operating model for policing services, and by providing fit for purpose estate in line with the Empower place work. This will enable efficiency savings and increased productivity to be achieved. The financial strategy of using direct revenue financing arising from excesses created in our commercial activity will be used, where it is affordable, to fund capital investment, to reduce revenue risk and reliance, but also to create a more sustainable capital funding model. This strategy provides flexibility dependent on the financial position.</p>	Yes

# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?
3	The newly established Finance Team, including the treasury and capital management function, procurement savings programme management and finance managers, are likely to be significantly tested over the next few years as they embed. The PCC will need to monitor progress to ensure that there is sufficient capacity and experience in the team and that risks such as cost control and slippage are being adequately managed and reported.	Improvement	February 2022	<p>CC - We are developing our team under the CIPFA AFEPiI programme with the skills to support the business including commercial skills. We are creating an R&amp;D capacity to undertake research into demand, process and finances that will improve decision making and add value, whilst addressing transactional and control issues, highlighted in this report, so as to free up finance capacity to be able to add value and meet the challenges highlighted in rec 3. A key piece of work to be undertaken so as to better understand the financial performance of the force and how this might react to different scenarios is our workforce planning to look at the police officers demographic make up over time and the direct cost of this as well as the indirect cost of say the training requirement.</p> <p>PCC - The finance team are experienced and knowledgeable and a good working relationship exists with the OPCC Treasurer. There has been some change in personnel and vacancies during the course of the year, this is always challenging for a small team, but it is being managed. The finance team have signed up to the CIPFA achieving finance excellence in policing programme. This provides opportunities for knowledge sharing, networking, training and access to published material for all staff. A financial management capability review was undertaken in 2020 and a further review is planned in 2023. There continues to be slippage on a number of capital projects, however, much of this is due to problems with supply chains, rising inflation and contractor availability due to the current economic climate, but the capital programme and works are being monitored closely although further slippage is possible. Financial reports are comprehensive and produced regularly. The PCC holds the CC to account in the monthly governance board meetings on financial matters using the Money Matters report, and any improvements for financial reporting will always be considered, where it is cost effective and benefits will be realised.</p>	Yes

# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?
4	The OPCC and Force will need to continue to closely monitor the successful implementation of the new ICT and Forensic outsourced arrangements, with a particular focus on optimising business effectiveness as quickly as possible.	Improvement	February 2022	<p>CC - The ICT and forensic service is up and running, however, the challenge will be to ensure effective contract management and obtaining value for money from these contracts. The Chief constable is pursuing a programme of customer awareness which can be extended through the AFEP II programme and Blue Light Commercial programmes to add specific client contract management skills required in a mixed economy.</p> <p>PCC - The forensics contract is part of a S22 agreement with West Midlands and is being managed in line with that agreement. ICT provision is now through a combination of in house and contracted services. These are continuing to be monitored and processes and systems transformed through the Empower tech workstream.</p>	Yes – ongoing
5	The OPCC and Force need to build up their business intelligence capability, particularly in regard to how this is fully incorporated and embedded in strategic financial planning and reporting. We recommend that the Force place more focus on the automation of processes within the finance team, in order to enable a more robust approach to scrutinising data and benchmarking against peers.	Improvement	February 2022	<p>CC - This is linked to recommendation 3. We will simplify and automate processes to free up capacity under our problem solving approach, a specific finance team focus using the problem solving technique, drawing on experience within the Force and using our R&amp;D capacity to introduce wider financial and non-financial benchmarking working with colleagues in force A&amp;SI as well as external partners including CIPFA.</p> <p>PCC - A more strategic approach is being taken to financial planning, through establishing robust capital funding plans, improved workforce planning, investment in commercial activity to derive benefits and increased income in a managed way, extending the MTFP planning period beyond 5 years, undertaking additional sensitivity analysis in an increasingly uncertain economic climate and widening the scope of commissioned services and performance monitoring at the OPCC. The Empower tech workstream and the digital investment will help to transform processes, using robotics and automation on routine transactional processes, releasing time for staff to add greater value through their work and improving productivity across all areas of service.</p>	Yes - ongoing



# Opinion on the financial statements



## Audit opinion on the financial statements

We propose to give unqualified opinions on the Group & PCC and Chief Constables accounts following completion of our audit work.

## Joint Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the PCC and CC's Joint Audit and Standards Committee on 29 November 2022.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts [WGA], we are required to review and report on the WGA return prepared by the PCC and CC. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

These instructions have not yet been issued and as such we cannot complete this work or formally certify closure of our audits.

## Preparation of the accounts

The PCC and CC provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



# Appendices

# Appendix A – Responsibilities of the Police and Crime Commissioner and Chief Constable

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the PCC and CC's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the PCC and CC will no longer be provided.

The PCC and CC are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



# Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the PCC and CC's arrangements for securing economy, efficiency and effectiveness in their use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability was identified as a potential significant weakness, see pages 7 to 11 for more details.	No additional procedures required.	No significant weakness identified.	Appropriate arrangements were in place.
Governance was identified as a potential significant weakness, see pages 12 to 14 for more details.	No additional procedures required.	No significant weakness identified.	Appropriate arrangements were in place. One improvement recommendation raised.
Improving economy, efficiency and effectiveness was identified as a significant weakness, a more detailed review was undertaken see pages 15 to 16 for further information	No additional procedures required.	No significant weakness identified.	Appropriate arrangements were in place.



# Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the PCC's and CC's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the PCC and CC under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the PCC and CC. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the PCC and CC, but are not a result of identifying significant weaknesses in the PCC and CC's arrangements.	Yes	14

