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

2020-21

March 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 its 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.



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A – The responsibilities of the PCC and the CC

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the PCC or CC or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

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Executive summary

Value for money arrangements and key recommendations

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 have put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources. We are required to report in more detail on the overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Our commentary and conclusions specifically covers the arrangements in place for the financial year ending 31 March 2021.

The specified criteria and our overall conclusion on each of them are set out below:

Financial Sustainability

For the financial year 2020-21, the PCC and Chief Constable do not have a good understanding of where its current skills and capabilities gaps are in its workforce, with an apparent lack of alignment between financial plans and the strategic aims of the organisation. Savings requirements remained unidentified at the date the 2021/22 budget was approved. Such funding gaps in financial planning could substantially threaten the delivery of the plan. The level of reserves at 31 March 2021 is lower than that specified in the Reserves policy, with no clear plans in place to rebuild these over the life of the Medium-Term Financial Strategy (MTFS). The lack of capacity within the finance team has contributed to the issues. Three significant weaknesses have been identified as part of our review, these are outlined on pages 5 to 8. Four key recommendations and one improvement recommendations have been raised on pages 9 to 13. An explanatory note on recommendations is included within Appendix C of this report.

Governance

The PCC and Chief Constable have put in place effective governance arrangements. However, a specific significant weakness was identified in relation to transparency and accountability to the electorate. Police and Crime Commissioners (PCCs) are required to publish certain information to allow the public to hold them to account. Section 11(1) and (2) of The Police Reform and Social Responsibility Act 2011 requires an elected local policing body to publish any information specified by the Secretary of State by Order (secondary legislation). Our review identified that there are a number of documents included within the Act and Order that are not published on the Office of the Police and Crime Commissioner (OPCC) or force website and are therefore not readily available to the public in line with the intent of the Act. A key recommendation has been raised on page 18 with a further improvement recommendation on page 19.

Improving economy, efficiency and effectiveness

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) independently inspects and reports on the efficiency and effectiveness of police forces across England, Wales and Northern Ireland. HMICFRS undertook its most recent PEEL inspection of Gloucestershire Constabulary in 2021. Gloucestershire's report highlighted a number of concerns that the Inspectorate had with the force, resulting in an overall inadequate rating. Therefore, a significant weakness and corresponding key recommendation has been raised on page 24 as a result of our review. A further two improvement recommendations have been raised on pages 25 to 26.

Opinion on the financial statements

We have completed our audit of your financial statements and issued an unqualified audit opinion on 26 October 2021. Our findings are set out in further detail on page 28.

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Commentary on the PCC's and the CC's arrangements to secure economy, efficiency and effectiveness in their 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's 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 deliver their services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 5 to 27. Further detail on how we approached our work is included in Appendix B.

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Financial sustainability

We considered how the PCC and the CC:

- identifies all the significant financial pressures they are facing and builds these 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 financial plans are consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial Context

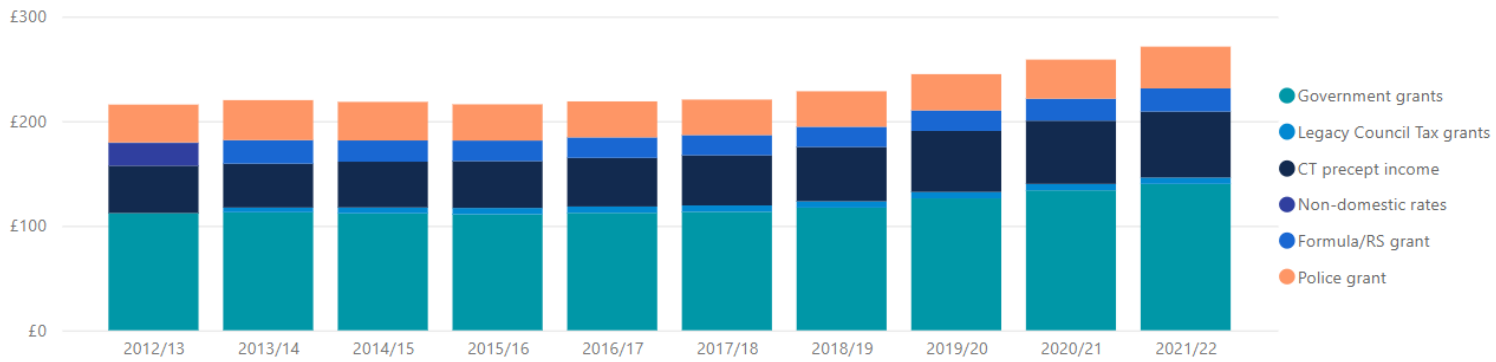
The Comprehensive Spending Review and Government Settlements are reviewed by the Chief Constable and PCC's Chief Finance Officers (CFO) on an ongoing basis to try to model future resource envelopes that Gloucestershire Police will operate in. As for all police bodies, annual settlements and the lack of longer-term assurances over funding make financial planning more difficult and short-term in its focus. Indications from central Government are that the future may bring a longer-term funding settlement which should help bring further clarity around these planning assumptions.

The Home Secretary laid the Police Grant Report 2020/21 before the House of Commons on 17th December 2020. The report stated that overall funding for policing for 2021/22 would total up to £15.8 billion - a £636m increase on the previous year's settlement. Within this, available funding to PCCs would increase by up to an additional £703m.

The main grant for Gloucestershire Police for 2021/22 is £69.305m. Core funding increased by £3.678m (6.3%). The Government announced an increase of £415m to government grants for the recruitment of a further 6,000 additional officers by the end of March 2022. Gloucestershire's share of the increase is £3.2m. Gloucestershire has been allocated 43 additional officers in 2021/22 for territorial policing. In addition, like other police bodies, Gloucestershire Police also received a one-off grant to reflect differences in council tax income pre-Covid and expected council tax income reduced due to Covid. Gloucestershire Police was allocated £905k.

The PCC has had to consider what level of increase to set for council tax in 2021/22. PCCs had the flexibility to increase Council Tax by up to £15 in 2021/22. Taking the results of the budget consultation into account, the PCC decided to increase the council tax precept by 4.99%, £12.83 for a Band D taxpayer.

The graph below is an extract from the HMICFRS Value for Money profiles and demonstrates how Gloucestershire Police's funding is split.



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Overview of the arrangements to ensure financial sustainability

The Medium-Term Financial Strategy (MTFS) is embedded within the annual budget setting cycle to provide a longer term view of priorities and demand for services. It sets out the framework for strategic planning over the next four years to 2024-25. The PCC updates the MTFS (including the Chief Constable allocation) each year. The MTFS sets the environment surrounding finances, identifying the consequences of savings and investment over the next few years based on various funding scenarios. The MTFS is reported through the governance structure to the Police and Crime Panel.

Workforce planning is incorporated into the budget formation and monitoring at a high level. The budget and MTFS sets the establishment requirement within the financial envelope, the workforce plan then delivers these numbers with monthly reviews of officer numbers occurring with recruitment being adjusted based on this. Public scrutiny in this area has increased over the past few years due to the drive from the Home Office to recruit 20,000 additional officers nationally. The first year of the MTFS matches the budget and is costed through at a high level into years 2 to 5. However, it is not clear how these workforce plans are linked to financial outturn or monitored throughout the annual cycle.

There is also no evidence from review of the MTFS of how demand, risk or geography is driving the financial resource allocation. The Constabulary and OPCC has individual documents and strategies that look at priorities and risk, but these do not appear to influence the financial plans. Financial plans are not clearly aligned with other corporate plans such as IT and estates strategies. Therefore, a significant weakness has been identified and a key recommendation also raised.

Key Financial Assumptions

In February 2021 the MTFS was updated for the period 2021-22 to 2024-25. At this point the settlement and precept for 2021-22 was known. Key assumptions have been used for 2022-23 onwards. Key assumptions included in the MTFS are as follows:

- Main grant funding - The MTFS assumes that the government grant will only increase to cover the costs of the uplift in officer numbers. The grant will not cover the cost of pay rises and inflation and additional cost pressures. This is lower when compared to other forces who assume a 1% uplift in later years. The funding assumptions also do not build in any changes from the anticipated review of the funding formula. The review has been expected for several years and has been delayed many times which has been further exasperated by Covid, this is considered reasonable given the current uncertainty.
- Inflation assumptions are based upon the rates for the Consumer Price Index (CPI) projected by the Office for Budget Responsibility (OBR). The rate of inflation affects around 20% of the Constabulary's expenditure. For all non-pay budgets from 2020/21 onwards a rate of inflation of 2% has been assumed. The OBR inflation forecasts for CPI suggest inflation at a rate of between 1 and 2% until Q3 2025. Therefore, this is in line with the latest forecasts.
- Pay is typically the largest area of expenditure for the force, and hence forms a significant portion of the budget allocation from the OPCC. The pay award for officer and staff in September 2020 was 2.5%. In the Spending Review announced in November 2020 the Chancellor stated that pay rises in 2021 will be paused for public sector workers (except for NHS workers). It was therefore assumed that there would be no pay increase for officers and staff in September 2021. However, a £800,000 contingency was calculated and factored into the budget for additional pay costs. This was due to the Constabulary being significantly over establishment due to the impact of Covid-19. During 2021/22 the majority of these officers retired in the first quarter, therefore this contingency was not required. For the remaining MTFS period it has been assumed that pay increases will be 1% per year. Gloucestershire Constabulary and OPCC are a Living Wage Foundation employer and supported by Government legislation. This is in line with expectations and neighbouring forces.
- The level of Council Tax increase each year is set by the PCC, bearing in mind the referendum limit set for that year. For the purposes of the MTFS it has been assumed that council tax will increase at the same rate as inflation (2%) for 2022/23, 2023/24 and 2024/25. It is assumed that this level of increase will be within the referendum limit. This is in line with neighbouring forces. The incoming PCC has indicated that he would go for the maximum increase allowed to fund his manifesto promises. It was assumed that the tax base will increase by 0.5% per year for the next three years. For 2021/22 the tax base has increased by 0.3%. This assumption however, is lower when compared to other forces that have assumed a larger increase. From our knowledge of the local area it is reasonable to assume that the Council Tax base will increase over the period. There is a large focus on housing development as the demand continues to increase across the region.
- The PCC has been allocated £905k Local Council Tax Support Grant. It is proposed to use £87k in 2021/22 to cover the Collection Fund deficit and the reduced increase in the tax base. The balance of the grant was held to provide resilience while the Constabulary proposed its efficiency plans. Given the savings requirement that existed at the point the budget was approved, it is not deemed to be efficient to hold back grant funding for future periods when it has been given for the current period.

As at month 9 of 2021/22 the outturn for the year is projected to be an underspend of approximately £0.750m.

Therefore, our review of the assumptions and budget outturn for 2021/22 to date, suggests that the budget was overly prudent with income underestimated and costs overestimated at its formation and approval in February 2021. Despite an unidentified savings target existing at the date the budget was agreed, funding was put away for later periods and there is little consideration of growth and future investment. The issues identified with financial planning have been linked to the lack of capacity within the finance team during 2020/21, which impacted on the breadth of the review completed. A significant weakness has been identified and a key recommendation raised.

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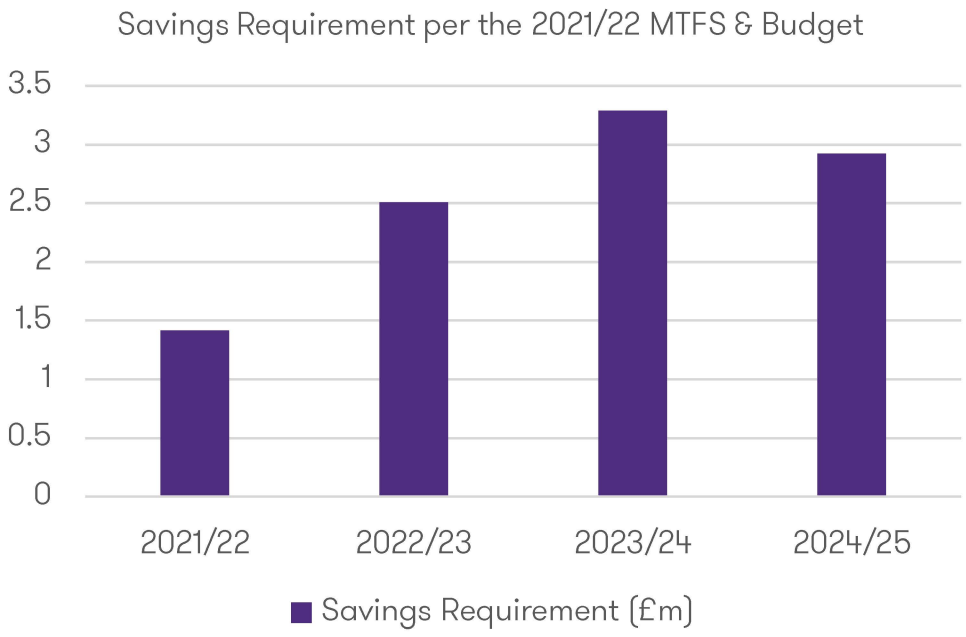
Saving Schemes

The force's MTFS, published in February 2021, shows an increasing shortfall in its annual budgets every year for the next four years. There was a £1.4m funding gap for 2021/22 financial year, later increasing to £2m. This savings requirement had not been formally considered in advance of the budget being approved in February 2021.

The following holding statement was made in the MTFS: 'Savings for £1.420m will be made in 2021/22 to balance the budget, and savings for £8.721m will be required over the remaining MTFS period. These savings are required because the MTFP assumes ongoing additional costs each year and assumes that the government grant does not cover the cost of pay rises and inflation. Because of the uncertainty regarding future funding the Constabulary is establishing an Efficiency Programme to look at all areas of the organisation to identify annual on-going revenue savings for the MTFS period. The initial Efficiency Plan will be presented to Finance in April and there will be a recurring requirement to report to Finance Panel to monitor the plan during the MTFS period.'

However, detailed savings plans were only established and discussed for the first time at the June 2021 Finance Panel; three months into the 2021/22 financial year. Therefore, at the point of the budget approval a £2m savings requirement existed with no detailed plans as to how this would be met.

The funding gaps and lack of identified savings schemes is a significant weakness within the financial planning, which could substantially threaten the delivery of the overall plan. A key recommendation has been raised as a result of our review.



Reserves

The PCC has a strategy to maintain a minimum level of General Reserve at 5% of net revenue expenditure. This is considered prudent to cover the risks the organisation faces and to provide a contingency for unexpected events and emergencies. The level of balances on the General Reserve should reflect the risks the PCC and the Chief Constable are facing including the robustness of the budgets, external factors, inflation and interest rates and the adequacy of budgetary control.

General reserves are set up to fund costs arising from unexpected, external factors. During 2020/21 the PCC allocated £1.3m from the General Reserve to the Chief Constable to fund costs arising from Covid-19. The General Reserve at 31st March 2021 was £4.592m which represents 3.47% of the budget for 2021/22 (£132.411m). This is lower than the 5% minimum level set within the strategy.

The 2021/22 budget does not rely on reserves directly to close the funding gap but does have unidentified savings for each of the years of the MTFS. Although the total general and earmarked reserves would be sufficient to cover this gap, their use would not be sustainable given the majority of these reserves are earmarked for investments such as capital projects and IT system upgrades.

The adequacy of reserves is not sufficient to cover the current funding gap in the MTFS, with general reserves currently below the minimum level stated in the reserve policy. A significant weakness has been identified with a key recommendation raised as a result of our review.

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Capital and Estates

In 2020 the PCC reviewed his strategy surrounding the PCC's Estate. It was updated to reflect his priorities to develop a modern, fit for purpose, agile and flexible estate.

The Capital programme reflects these priorities with a number of large projects in progress such as the Sabrina Training Centre and Bamfurlong improvements. The revenue consequences of all potential capital bids are taken into account in the MTFS, including any minimum revenue provision (MRP) and financing costs. Individual project boards are held for each of these large projects to track progress and mitigate risks as they arise.

The Constabulary and PCC have recognised that their IT systems are out of date and not sufficient for its current and future needs. There are ambitious investment plans to upgrade to new systems, including a new records management system which is currently being implemented. The majority of future capital funding in relation to IT upgrade will be funded from reserves with the remainder from capital receipts. Capacity constraints caused by cuts made as a result of austerity have resulted in the IT department struggling to maintain and upgrade important systems, presenting a further challenge if IT resilience is to be restored. Therefore, an improvement recommendation has been raised to review this area.

Finance Team Capacity

The former Chief Finance Officer (CFO) acted as CFO for both the PCC and Chief Constable. This was planned to only be on a temporary basis but recruitment for support in this role had not been successful. During 2019-20 capacity constraints and period of long-term sickness caused significant delays to the production of the budget outturn, accounts and audit. This was further exacerbated by the retirement of the Head of Finance in December 2019. This post remained empty until November 2020.

The finance team continue to use the former Head of Finance to complete the compilation of the accounts on a contractor basis. There is a risk that knowledge is not kept up to date within the finance department through the use of this temporary support.

A number of our recommendations from the 2019/20 audit remained outstanding at the conclusion of the 2020/21 audit due to lack of capacity within the finance team to address these in year.

Both the CFO of the Chief Constable and Treasurer of the PCC who were appointed in April 2021 are on temporary contracts. These have been extended in year, however, a more permanent arrangement needs to be established into the medium to long term. These concerns have also been echoed in the HMICFRS PEEL report 2021.

We understand that as at January 2022 there are four adverts out for various roles within the finance team.

Conclusion

A number of significant weaknesses have been identified in relation to the financial planning and sustainability for the year end 31 March 2021. As a result. four key recommendations and one improvement recommendation have been set out overleaf.

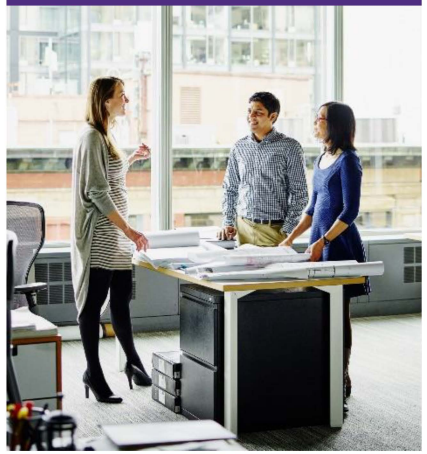
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Key recommendations

Financial sustainability

1	**Recommendation**	The CFOs for the PCC and Chief Constable should develop a detailed and affordable medium-term financial plan that understands and outlines the key service demands and is based on reasonable and supported assumptions about future income and expenditure. These financial plans need to be aligned with other key strategies that work together to deliver the PCC's Police and Crime Plan including but not limited to workforce, IT and estates.
	Why/impact	The delivery of the MTFS is predicated in part on the understanding of key financial assumptions and underlying demand and resource allocation.
	Summary findings	Review of the assumptions and budget outturn against the initial budget suggests that the budget was overly prudent with income underestimated and costs overestimated. Despite an unidentified savings target existing at the agreement of the budget, grant funding which could have been applied in year was put away for later periods. There was little consideration of growth. There is no evidence from review of the MTFS of how demand, risk or geography is driving the resource allocation. There is an apparent lack of alignment between financial plans and strategic aims. This has also been echoed by HMICFRS in their recent PEEL report.
	Management Comments	Please see overleaf for management comments.

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



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Key recommendations

Financial sustainability

Management Comments

For the 2022/23 Budget and Medium Term Financial planning cycle a different approach was taken both technically and in terms of liaising with the business over the sustainability of the budget setting. A new technical model has been built and documented and knowledge of the operation of that model shared between three key finance individuals, reducing the reliance on a single point of failure. The technical model extends to a full costing of officer increments over the lifetime of the MTFP, setup cost and ongoing support cost: bringing the recruitment, turnover and retirement plans into alignment with the budget.

In prioritising and sifting investments into the budget, conversations started when the PCC came into post in May 2021 and continued, developing alongside the PEEL recovery plans and the Police and Crime Prevention Plan, resulting in a budget with very clear links to both, as evidenced in the PCC's covering report to the Police and Crime Panel in February 2022. The business plans are retained on a central Application called Apex and prior to the start of the financial year those which are and aren't funded will be updated so that there is complete clarity for those implementing the plans as to what has and hasn't received funding. Those which are not funded will be clearly shown in the Force Management Statement as unmet demand, transferred to the finance risk register and monitored throughout 2022/23.

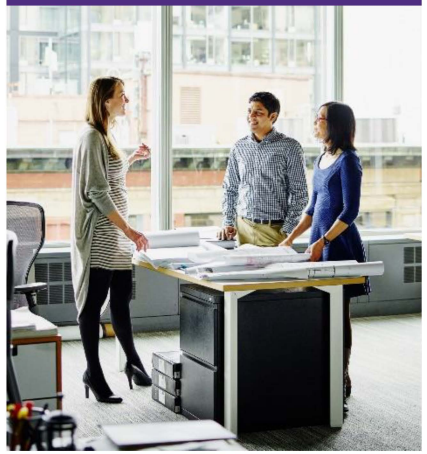
The capital programme is aligned to the comms and engagement strategy which aligns police posts to vehicles and visibility and the estates programme is being brought together with the environment strategy as condition survey data on the current estate and decarbonisation costs are both considered in future investment planning through an Estates review commissioned in September 2021.

The ICT estate and its upgrading and infrastructure investment have begun, focussing on the critical infrastructure and stopping or delaying any non essential projects in order to do so.

The updating of the contracts register has identified key decision points which are coming up in the short to medium term and enabled better planning with SWPPS colleagues to ensure lead in times for key procurement.

During 2022 a full demand review will be undertaken by a Chief Superintendent appointed to undertake this task, linking the operating model to this newly developed understanding of demand in Gloucestershire, its makeup and its regional distribution.

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



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Key recommendations

Financial sustainability

2	**Recommendation**	The CFOs for the PCC and Chief Constable should ensure that detailed savings plans are in place and approved as part of the budget if a budget gap exists. These detailed savings plans should be monitored and reported as part of the monthly budget monitoring.
	Why/impact	The delivery of the MTFS is predicated in part on the delivery of savings with £2m of direct savings required in 2021-22, to enable a balanced budget.
	Summary findings	Savings requirements were not considered as part of the 2021-22 budget approval process with a £1.4m gap unidentified when the budget was approved, this later rose to £2m in year. Capacity issues in the finance team and a change of PCC delayed the consideration of the in-year gap until June 2021 with elements remaining unidentified or funded through reserves or one-off savings.
	Management Comments	The 2021/22 budget was set on the assumption that £1.420M of ongoing savings were needed and the papers were clear about that gap and about how the PCC had tasked the Force to achieve it. At the same time the PCC consciously held back a sum of money intended to meet the gap in funding, intending to use it if savings could not be found. In the May elections a new PCC was elected, and it became clear that he did not want to adopt this path and instead was clear that he would not ask for efficiency savings and was content to use the grant to close the gap as awarded by government. So the pressing need for savings plans was reduced, and as has been proven by the updated Medium Term Financial Plan there was actually room in the budget to invest in the areas that needed it, without the need for high levels of savings and deep budget cuts. The gap had been closed by June 2021 in its entirety as shown in a letter to the PCC, and we are now on course for a significant underspend. To have driven a savings programme to find £1.420M would have therefore resulted in an underspend of more than £2M and poor value to the public from a reduced or under resourced Force looking for savings it did not need to find. The 2022/23 budget assumes a £630,000 ongoing saving target, and achievement of this will be reported on a monthly basis in monthly reports to management. Prior to the start of the financial year, we have identified £240,000 for 2022/23 and a further £102,000 for 2023/24 and we will continue to build on this to find additional savings throughout the year. The Chief Superintendent appointed to lead on demand is also tasked with delivering 1% cashable or noncashable efficiency savings across 2023/24 and 2024/25 in order to support the long term savings targets in the budget. The savings target has been notionally split between cost savings and income generation in order to focus on resilience in delivering a maximised envelope for the Force, not just focussing on cutting and cost saving and doing less.

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



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Key recommendations

Financial sustainability

3	**Recommendation**	The CFOs for the PCC and Chief Constable should ensure the adequacy of reserves is considered against the approved Reserve Strategy and how this links to any budget gaps and reserves earmarked for specific projects.
	Why/impact	The PCC has a strategy to maintain a minimum level of General Reserve at 5% of net revenue expenditure. This is considered prudent to cover the risks the organisation faces and to provide a contingency for unexpected events and emergencies. The level of balances on the General Reserve should reflect the risks the PCC and the Chief Constable are facing including the robustness of the budgets, external factors, inflation and interest rates and the adequacy of budgetary control.
	Summary findings	General Reserves are set up to fund costs arising from unexpected, external factors. During 2020/21 the PCC allocated £1.3m from the General Reserve to the Chief Constable to fund costs arising from Covid-19. The General Reserve at 31st March 2021 was £4.592m. This is lower than the 5% minimum level set within the strategy.
	Management Comments	The incoming PCC has reviewed the general fund reserves strategy and will continue to do so on a risk based methodology. The reserves strategy has been fully refreshed in 2021/22 and now provides clear opportunities for invest to save funds and innovation funds, as well as creating funds to support the new PCC's investments: using reserves to pump prime new solutions and new directions and not to support ongoing or delayed expenditure. The general fund target for 2021/22 has been reset at 4% and this will be achieved in addition to the further underspend already quoted which may be needed for a pay award over budget assumptions in 2022/23.

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



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Key recommendations

Financial sustainability

4	**Recommendation**	The CFOs for the PCC and Chief Constable should ensure the finance team has appropriate capacity, training and knowledge to manage and report its finances effectively.
	Why/impact	The lack of capacity impacts on all areas of financial planning and monitoring and has contributed to the majority of the significant weaknesses raised within our report in relation to financial planning and sustainability.
	Summary findings	The lack of capacity within the finance team has contributed to the issues within financial planning and accounts preparation highlighted. This has resulted in an 'inadequate' rating from HMICFRS in regard to the use of resources and has also caused a failure to implement or achieve progress on recommendations raised, either as a result of previous external audit recommendations, or those from another regulator or inspectorate. There is also a danger the professional development within the finance team is not kept up to date by the over reliance on contractors.
	Management Comments	A team restructure was approved in October 2021, and recruitment to three roles began in December 2021 with a further two planned in May 2022. The existing interim senior staff are in place until March 2023 which will provide a period of stability for two years. During this time the intention is to rebuild the team and provide the stable platform for future development. Qualified numbers on the team will double, and we will focus on systems knowledge and providing better support to junior staff to help them develop and thrive. We now subscribe to CIPFA AFEP to provide access to staff to training and have also taken steps to increase technical skills by buying ICAEW spreadsheet packages for staff to call on. In planning to close the 2021/22 accounts we will continue to need some expert specialist external resource (due to sickness issues) however more of the work will be undertaken inhouse and we will use this as a skills transfer opportunity.

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



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Improvement recommendations

Financial sustainability

5	**Recommendation**	We recommend that a detailed review is commissioned to understand what IT software is currently utilised and what updates are required. The Constabulary and OPCC should ensure that the capacity and knowledge within key IT roles is established to maintain and update systems when required.
	Why/impact	IT systems underpin the data that is relied upon for decision making and operational policing.
	Summary findings	The Constabulary and OPCC has recognised that its IT systems are out of date and not sufficient for its current and future needs. It has ambitious investment plans to upgrade to new systems, including a new records management system which is currently being implemented. The majority of future capital funding in relation to IT upgrade will be funded from reserves with the remainder capital receipts. Capacity constraints caused by cuts made as a result of austerity, have resulted in the IT department struggling to maintain and upgrade important systems, presenting a further challenge if IT resilience is to be restored.
	Management comment	An ICT Stabilisation project has been running for much of 2021: this has led to recognition of the level of under resourcing in this area, due to significant turnover in the ICT leadership and a lack of forward planning for replacement systems. One of the key findings of this piece of work has been that business-as-usual upgrades of existing systems have not been performed and need to be brought up to date. The contracts register in ICT has also been brought up to date in 2021. Alongside this piece of work the ICT Service Model review has been running, to establish the optimum size, shape and makeup of the team to support the ICT infrastructure and key upcoming strategic projects.



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

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Governance

We considered how the PCC and the CC:

- monitor and assess risk and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approach and carry out the annual budget setting process
- ensure effectiveness processes and systems are in place to ensure budgetary control
- ensure they make properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitor and ensure appropriate standards.

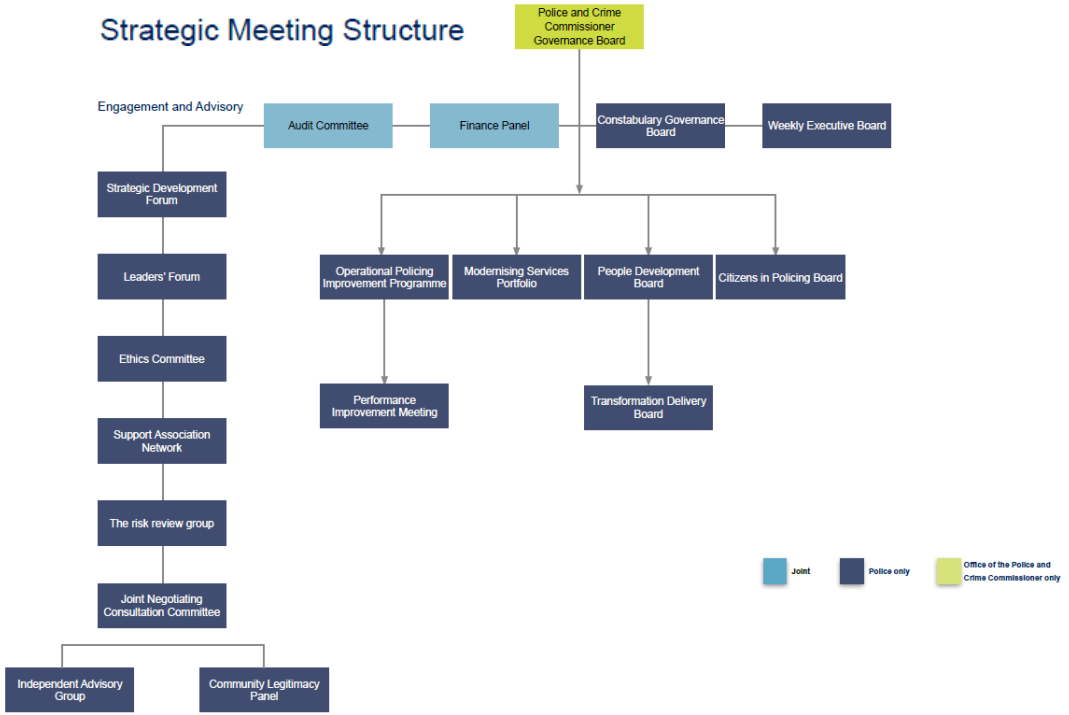
Overview of Governance Arrangements

The PCC and Chief Constable have an appropriate scheme of governance which outlines the scheme of delegation and decision making. This governance and meeting structure ensures that papers and business cases are routed through the appropriate channels for scrutiny, challenge and agreement before being presented for approval by the Chief Constable and the Police and Crime Commissioner.

Within the Police sector the PCC and Chief Constable act as 'those charged with governance'.

The Joint Independent Audit Committee (JIAC) is a key component of the PCC and Chief Constable's arrangements for corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. The purpose of the Committee is to provide independent assurance to the PCC and the Chief Constable regarding the adequacy of the risk management framework and the associated control environment within Gloucestershire Constabulary and the Office of the PCC. It will consider the internal and external audit reports of both the PCC and Chief Constable and advise both parties according to good governance principles. It has oversight of general governance matters and provides comment on any new or amended PCC policies and strategies with regard to financial risk and probity. The JIAC demonstrates effective challenge and has been made up of consistent members for several years.

JIAC members meet with the Head of Risk and Governance to review the risk register and key risks ahead of the JIAC meetings. They also meet with the PCC and Chief Constable independently to get an update on their key issues and challenges for the time ahead.



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Monitoring and Assessing Risk

Risk is well understood across all levels of management at the OPCC and Constabulary and this is clearly reported and scrutinised through the governance structure.

The OPCC and Constabulary recognise that risk management is one of the key principles of corporate governance, which ensures a sound internal control environment. There is a comprehensive Risk Management Strategy and Policy in place which outlines their approach to risk. There is also a clear risk appetite set out which helps to inform the risk review group discussions and formation of the Strategic Risk Register.

All risk registers are RAG rated and allocated to a Chief Officer or relevant Head of Department who has responsibility for monitoring these risks and ensuring they are considered at a higher level with potential mitigations put in place. This register is a dynamic document and is intended to capture live management of risk and mitigation, rather than being a record of all possible risks.

All risks are captured on the local department's business plans which are curated by the head of each department. These business plans are aligned to the PCC priorities and Chief Constable strategic objectives. Any risks that are red in the business plans at a local level or have commonalities across departments are discussed and considered at the Risk Review group with members of this group spanning all areas of the Senior Leadership Team.

Risk Registers at both a strategic and more so at a local level, drive the areas of focus for Internal Audit and discussions are held regularly. There are also monthly meetings held between the Head of Governance and Compliance and key stakeholders such as the Head of Estates and the Transformation Team, due to there being large projects with potential risks arising as these progress.

Risk is well understood across all levels of management at the OPCC and Constabulary and this is clearly reported and scrutinised through the governance structure.

Annual Budget Setting Process and Budgetary Control

The annual budget and MTFS are developed in parallel each year. We have considered financial plans for 2021/22 and future years in the financial sustainability section of this report.

Financial reporting is a key objective for senior managers and is discussed and monitored in detail.

The PCC and Chief Constable share a responsibility to identify and agree, in consultation with partners and stakeholders, a medium-term financial strategy which includes funding and spending plans for both revenue and capital.

Budget management ensures that once the PCC has approved the budget, resources allocated are used for their intended purpose and are properly accounted for. Budgetary control is a continuous process, enabling both the Chief Constable and PCC to review and adjust their budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.

It is the joint responsibilities of the PCC CFO and Chief Constable CFO to submit a budget monitoring report, containing the most recently available financial information to the PCC showing spending to date and comparisons of projected outturn with the latest approved budget. This is reported to the Finance Panel on a monthly basis.

The PCC and Chief Constable ensures that Gloucestershire Police continues to review crime trends and respond effectively to changes in the pattern and complexity of crime, statutory duties placed on policing and the needs and expectations of communities. The Head of Policy, Performance & Strategy and Deputy Chief Executive summarises this data and the Force performance at the Police and Crime Panel.

Treasury Management forms part of the monthly budget monitoring reports that are taken to Finance Panel. The Treasury Management Strategy should be updated on an annual basis which incorporates the Prudential and Treasury Indicators and an Annual Investment Strategy. This is required under the provisions of the latest CIPFA Code of Practice on Treasury Management in the Public Services (the CIPFA Code) and the Prudential Code for Capital Finance in Local Authorities (the Prudential Code). However, the Treasury Management Strategy was not updated for the 2020/21 financial year. An improvement recommendation has been included in our report to highlight this requirement. No significant weaknesses have been identified.

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Monitoring and Compliance with Standards

The OPCC and Constabulary have an appropriate Code of Conduct in place. They are committed to ensuring individuals in its employment have a mechanism to report any suspected illegal or unethical conduct, without suffering any detrimental impact on themselves, their current or future employment and career opportunities. The joint Whistleblowing Policy and Complaints and Misconduct Policy and guidance supports this.

The Force has its own Professional Standards team which is led by the Head of Professional Standards. Their work is underpinned by the Home Office Guidance; Conduct, Efficiency and Effectiveness: Statutory Guidance on Professional Standards, Performance and Integrity in Policing. They work closely with Vetting Unit. There is an integrated complaints process which covers both officers and police staff. Complaints are monitored closely with the relevant course of action taken against individuals. If it is deemed appropriate to do so the outcomes are also made public in the media. The force takes timely action when misconduct is brought to their attention.

There is a Gifts and Hospitality policy available and a central register maintained by the Head of Professional Standards. The OPCC and force have arrangements in place for officers to make declarations of interest. Staff, Officers and panel/JIAC members are required complete a Declaration of Interests form each time a potential conflict of interest arises. This is also confirmed at the start of every meeting based on the agenda items that are being discussed. There is no evidence of interests not being declared.

HMICFRS highlighted the following best practice at Gloucestershire Police in its 2021 PEEL report 'There is an embedded and well used ethics committee, which is chaired by an independent member of the community. Its aim is to promote good ethical practice in the organisation and enhance trust and confidence in the force's ethics and actions.'

Internal Audit is provided by the South West Audit Partnership, who also provide services to several other police bodies in the region. The Public Sector Internal Audit Standards (PSIAS) external review of this service was last carried out in February 2020 and the service was awarded the highest rating available.

Internal Audit report to the Joint Independent Audit Committee on a quarterly basis through the form of progress reports which summarise the work of each review as well as key recommendations. Internal Audit publish an annual report which summarises the results of their work during the financial year and, as required by the Accounts and Audit Regulations 2015, give an overall opinion of the control environment that operated during the year in respect of the PCC and Chief Constable. On the basis of the majority of the assurance opinions provided and giving consideration to the adequacy and effectiveness of the wider governance and risk management arrangements at the Force and OPCC in 2020-21, the Head of Internal Audit gave a 'reasonable' annual opinion, with no significant issues that required inclusion within the Annual Governance Statement.

Private Finance Initiative (PFI)

One of the key areas of collaboration and commissioning for the force is its PFI schemes. A private finance initiative (PFI) is a way of financing public sector projects through the private sector. PFIs alleviate the government and taxpayers of the immediate burden of coming up with the capital for these projects. Under a private finance initiative, the private company handles the up-front costs instead of the government. The project is then leased to the public and the government authority makes annual payments to the private company.

The force is part of two schemes; one of their own for Waterwells HQ which started in 2005 on a 30-year contract. The other is hosted by Avon and Somerset Police for the Blackrock Firearms Training centre which started in 2014 on a 25-year contract. As there is shared usage of the facility with Gloucestershire, Wiltshire and Avon and Somerset Police, each force pays a proportion of the liability and services charges annually and will own the same proportion of the asset at the end of the contract.

Our review of each of the schemes concluded that the PFIs were well managed and they had a good relationship with their service providers. In relation to the Gloucestershire specific scheme, the force are also looking into how they can use the PFI scheme and work with the SPV (service provider) on wider strategic objectives.

During our Financial Statements Audit we identified the following recommendation in relation to the Blackrock PFI: The Blackrock Training Facility Private Finance Initiative is utilised by Avon and Somerset Police, Gloucestershire Police and Wiltshire Police. As a result, the contracted annual spend and ownership of the asset at the end of the scheme, is driven by the original contracted percentage split. The original contracted percentage split for the revenue costs was considered and updated in year and agreed by each Chief Finance Officer for the Police and Crime Commissioner and Chief Constable. However, the contracted change was not agreed through a formal governance process.

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Transparency and Accountability

Police and Crime Commissioners (PCCs) are required to publish certain information to allow the public to hold them to account. Section 11(1) and (2) of The Police Reform and Social Responsibility Act 2011 requires an elected local policing body to publish any information specified by the Secretary of State by Order (secondary legislation). The Secretary of State may also specify by that Order the time and manner of publication. The Act itself is clear that a PCC must publish a Policing Plan and their Annual Reports, and the Order specifies in more detail what information PCCs must publish.

There are a number of documents included within the Act and Order that are not published on the Gloucestershire OPCC or Gloucestershire Constabulary website and are therefore not readily available to the public in line with the intent of the Act.

In particular agendas and minutes of key meetings are not freely available or updated on the website. Per the guidance the following should be published at a minimum:

- the dates, times & places of all public meetings and public consultations held by the PCC;
- agendas and discussion documents for the meeting;
- copies of the agreed minutes, (to ensure transparency and the decisions made by the elected officials); and
- a record of every significant decision taken by or on behalf of the PCC as a result of a meeting or otherwise.

Conclusion

The OPCC and Constabulary have put in place effective governance arrangements. However, a significant weakness was identified in relation to the OPCC's transparency and accountability to its electorate, as there is a lack of documentation published and available on its website. A key recommendation has been raised. A further two improvement recommendations have been raise.

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Key recommendation

Governance

1.	**Recommendation**	We recommend that a review is completed into the information that is currently available to the public on the Force and PCC website. Documents published should be considered against the Police Reform and Social Responsibility Act 2011 to improve transparency and accountability to the electorate.
	Why/impact	To ensure transparency and accountability to the electorate through compliance with the Police Reform and Social Responsibility Act 2011.
	Summary findings	Police and Crime Commissioners (PCCs) are required to publish certain information to allow the public to hold them to account. Section 11(1) and (2) of The Police Reform and Social Responsibility Act 2011 requires an elected local policing body to publish any information specified by the Secretary of State by Order (secondary legislation). The Secretary of State may also specify by that Order the time and manner of publication. The Act itself is clear that a PCC must publish a Policing Plan and their Annual Reports, and the Order specifies in more detail what information PCCs must publish. There are a number of documents included within the Act and Order that are not published on the OPCC or Force website and are therefore not readily available to the public in line with the intent of the Act. In particular the agendas and minutes are not freely available or updated on the website.
	Management comments	In addition to information published on the OPCC and the Constabulary website the regular reports and minutes of the Police and Crime Panel are published. This encompasses detailed reporting by the PCC and provides the main forum for the PCC to demonstrate how he holds the Chief Constable to Account. The report also includes full budget and Medium Term Financial Plan papers. In terms of the OPCC website a review is currently undertaken to ensure full compliance with the publication requirements and a structure is being established to maintain the data. Constant monitoring of requests, FOI, and other is undertaken and this has not identified any issues in terms of access to financial information from the public.

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

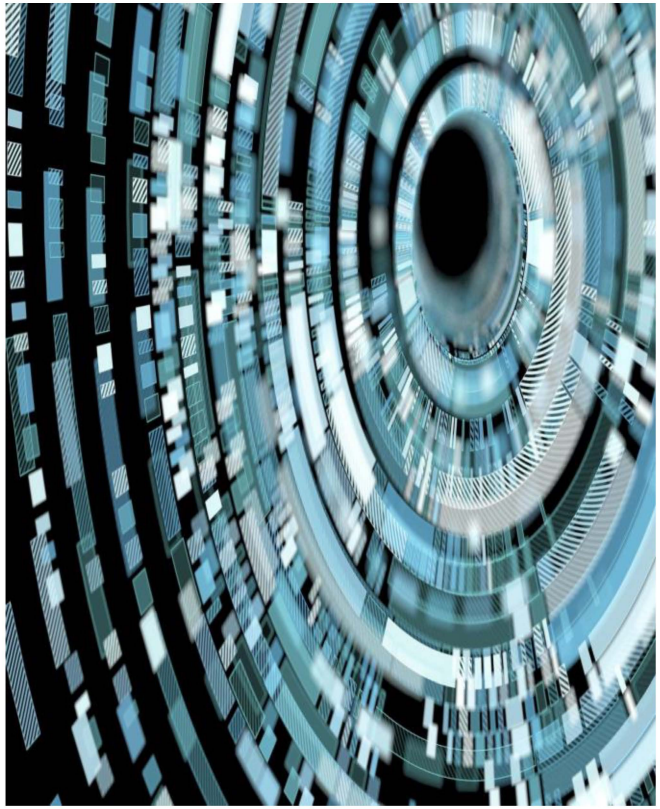


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Improvement recommendations

Governance

1.	**Recommendation**	As per our Audit Findings Report issued in October 2021, we recommended that the three forces (Wiltshire, Avon and Somerset and Gloucestershire) complete a timely review of the PFI scheme and ratify and formal contracted changes through the relevant governance processes prior to the 31 March 2022 year end, to ensure the asset and liability is correctly reflected in each of the financial statements. We have included this recommendation as part of this report as it relates to both the financial statement and governance arrangements.
	Why/impact	Incorrect or inconsistent figures could be included within the financial statements of the three forces and any changes to the agreed split could be open to challenge.
	Summary findings	During our Financial Statements Audit we identified the following recommendation in relation to the Blackrock PFI: The Blackrock Training Facility Private Finance Initiative is utilised by Avon and Somerset Police, Gloucestershire Police and Wiltshire Police. As a result, the contracted annual spend and ownership of the asset at the end of the scheme, is driven by the original contracted percentage split. The original contracted percentage split for the revenue costs was considered and updated in year and agreed by each Chief Finance Officer for the Police and Crime Commissioner and Chief Constable. However, the contracted change was not agreed through a formal governance process.
	Management comment	The approach will be signed-off at the Tri-Force Board to ensure sufficient governance in May 2022. The total asset and liability will be reconciled to the overall model across the three Forces.

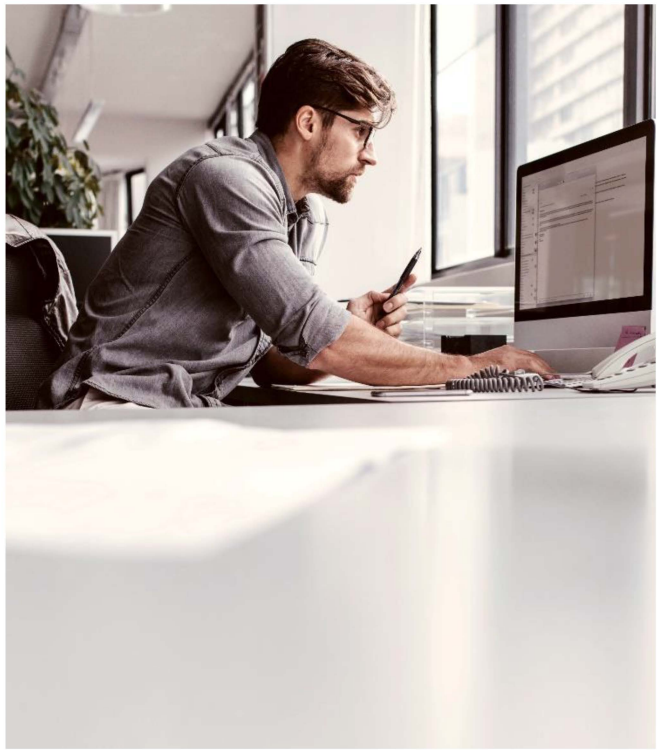


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Improvement recommendations

Governance

2.	**Recommendation**	The Chief Finance Officer should ensure that key documents such as The Treasury Management Strategy are updated on an annual basis, incorporating Prudential and Treasury Indicators and an Annual Investment Strategy.
	Why/impact	This is required under the provisions of the latest CIPFA Code of Practice on Treasury Management in the Public Services (the CIPFA Code) and the Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
	Summary findings	The Treasury Management Strategy was not updated for the 2020/21 financial year.
	Management comment	The Treasury Management Strategy was updated for 2021/22 in year and has been approved by Police and Crime Commissioners Governance Board in March 2022 for 2022/23.



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Improving economy, efficiency and effectiveness



We considered how the PCC and the 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 delivers their role within significant partnerships, engage with stakeholders, monitor performance against expectations and ensure action is taken where necessary to improve
- ensure that they commission or procure services in accordance with relevant legislation, professional standards and internal policies, and assesses whether they are realising the expected benefits.

Performance Monitoring

The overarching strategy for Gloucestershire Police is framed by the Police and Crime Plan 2020-2022. This plan was updated following the postponement of the PCC elections in 2020. This plan sets out the strategic plan for the force and has been shaped by consultation with stakeholders and analysis of inspections, audits and police performance in Gloucestershire.

The six priorities that make up the Police and Crime Plan are:

1. Every crime matters; every contact counts

2. Safer days and nights

3. Young people becoming adults

4. Older but not overlooked

5. Safe and social roads

6. A green and pleasant county

Data is obtained from the various electronic data systems utilised by the force. These are supplemented by comparison and benchmarking against other forces, through the use of external data from central bodies such as HMICFRS and the Home Office. The HMICFRS value for money datasets are also used by the finance department to inform cost challenge sessions.

The OPCC and Constabulary do not undertake any form of integrated reporting. For Police bodies we would expect this to include information on KPIs that are monitored, such as crime statistics and performance against Police and Crime Plan objectives, officer recruitment progress and financial outturn data, normally no less frequently than quarterly. There are currently no reports that integrate this information together to be reported through the governance structure. Integrated reporting is a key component of good governance. The International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) emphasises 'the need for integration in both reporting and organisational performance and makes explicit reference to Integrated reporting.'

Working with Partners and key stakeholders

The Police and Crime Plan 2020-2022 details how crucial effective collaboration and partnership working is in order to build a safer Gloucestershire. This includes partnership working both a national and regional level which ensures that shared outcomes are developed, and the strategies of the OPCC and Constabulary align with this.

The work of partnerships is fed back through the governance and delivery structure. The regional collaborations are monitored by the Regional Operations Board, CFOs under the bi-monthly Finance Directors Meeting and by PCCs and Chief Constables in the Strategic Change and Performance Board.

Both the PCC and Chief Constable have extensive networks through national forums which encourage shared learning and improvement. The PCC and Chief Constable also work closely with local authorities, NHS bodies and other community organisations in the local areas to ensure a joined-up approach when delivering services to residents.

The Police and Crime Commissioner undertakes consultation of the public and key strategic partners throughout the year. The key consultation that takes place on an annual basis is in regard to the budget and the precept. A range of channels are used to engage the public and raise awareness including social media awareness campaigns, community messaging and engagement with local media and press statements. The results of these consultations are then reported on the PCC's website.

HMICFRS also highlighted in their 2021 PEEL a number of good practices by Gloucestershire in regard to partnership working. Our work has not identified any concerns regarding partnership working.

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Procurement and Commissioning

The Police and Crime Commissioner procures all services and goods on behalf of the Chief Constable. The PCC is responsible for setting the direction of policing and to support this has a Commissioning Strategy which covers the period 2017-2021. Gloucestershire Police are part of the South West Police Procurement Department (SWPPD). The SWPPD was launched in 2012 to provide a collaborative procurement service for the four regional forces of Devon & Cornwall, Dorset, Gloucestershire and Wiltshire. The professionally qualified team has a wealth of specialised public and private sector experience. This approach was established to ensure that through increased collaboration and a more strategic approach to procurement, significant savings are delivered.

A bi-monthly Procurement Board monitors performance across the forces in the procurement collaboration. SWPPD produce an annual report each year which outlines the projects plans and savings achieved through collaborative procurement. No issues were flagged in the 2020-21 Annual Report.

The force also monitor and report progress of nationally procured schemes and ensure Gloucestershire specific updates are given.

Internal Audit completed a review of contracting arrangements in 2020/21 and were unable to confirm key information such as contract start dates and values from a number of contracts. A large number of contracts were found not be retained with contract leads within the Force but with the SWPPD.

These issues were caused by the lack of central contract register. It was recommended that this was put in place. We are aware that work has taken place within the 2021/22 financial year to establish a register. This has been one of the key areas that have made up discussions as part of the 'Holding to Account' framework at the PCC Governance Board which requires management to answer to previous recommendations. The improvements in contract monitoring should enable the Force and the PCC to identify contract gaps, improve communication and value for money.

Transformation Programme

As part of the Transformation Programme, the Transformation Board assesses all new capital proposals and ensures they align with the emerging digital and data strategy and corporate needs and pressures. The capital programme itself is approved by the PCC Governing Board and Police and Crime Panel. The Transformation Programme is financed from reserves until 2022/23 with the aim to deliver savings in the medium to long term.

When making decisions on a contract award or large capital project the Transformation Board agree how tenders are going to be evaluated in regard to the split between cost and quality and receive reports recommending awards based on these factors which inform the subsequent business cases.

Our review identified that the Transformation Programme has not delivered the level of savings anticipated and does not appear to be efficient in decision making or the compilation of business cases, with projects taking a long time to be implemented from the initial agreement. There is also an acknowledgment from Finance Officers that there is a lack of financial alignment and information provided to the Transformation Board as part of the decision making and monitoring process. Therefore, an improvement recommendation has been raised to review the effectiveness of the Transformation Program and Board.

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Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services PEEL Report

For over 160 years, Her Majesty's Inspectorate of Constabulary has independently inspected and reported on the efficiency and effectiveness of police forces across England, Wales and Northern Ireland.

HMICFRS undertook its most recent PEEL inspection of Gloucestershire Constabulary in 2021. Overall, the Constabulary was rated as inadequate in six areas, adequate in one and good in four. Gloucestershire's review was published in late October 2021 and highlighted a number of concerns, including:

- The force's service to victims of crime is inadequate and it isn't recording crime effectively - The force is sometimes missing opportunities to safeguard vulnerable people. It needs to improve the way it manages initial calls to the force, so all vulnerable people are identified when crimes and incidents are reported. The way crime is recorded has improved since our last inspection in 2019. But I am concerned that it still isn't effective, particularly in cases of domestic abuse and anti-social behaviour.
- The force isn't yet able to respond to calls effectively despite establishing a new way of working - The force has a new model for responding to the public. But it still doesn't have the capacity or capability to respond effectively to calls to the control room or when it deploys officers to incidents or crimes. The force should gain a better understanding of these demands and be able to manage its resources more effectively as the new system develops. 3
- The way the force investigates crime is inadequate - The force must make sure that officers have the capacity and ability to investigate reported crimes properly and promptly. Opportunities to prosecute are being missed because investigations are poor, or because officers haven't collected evidence or persevered in enough cases where the victim no longer wishes to pursue a prosecution. This makes successful prosecutions less likely, which lets victims down.
- The force needs to significantly improve the way it manages its resources so it can meet future demands - Gloucestershire Constabulary's financial and strategic planning is inadequate. It hasn't shown it understands what skills its workforce has and where there are gaps. It hasn't shown it provides value for money. The force needs to better understand the likely future demand for its services and make sure it can meet them.

The inspection highlighted the lack of strategic capacity which has impacted on several of the areas of weakness including vulnerability, investigations, finance and recognising demand.

The Constabulary is the focus of the findings of this report and the majority of the concerns relate operational policing matters. However, this has an overarching impact on the OPCC in its role as the elected representative of the people of Gloucestershire and how it holds the Chief Constable to account to ensure the strategic objectives of his Police and Crime Plan are implemented. The majority of the financing decisions and planning are also completed across the OPCC and Constabulary with the finance department needing to understand the demand drivers and areas of investment that are required to address the findings.

The Constabulary has responded publicly to the report and will now be under continued review by HMICFRS. We are aware that a dedicated action plan has subsequently been implemented in 2021/22 to address the recommendations raised by the report.

Conclusion

A significant weakness has been identified in relation to Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services PEEL report findings, which resulted in a number of service areas being rated as inadequate and in need of improvement. The Inspectorate has highlighted its concerns regarding the impact of these findings on service users. A key recommendation has been raised by us as a consequence. A further two improvement recommendations have been raised.

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Key Recommendation

Improving economy, efficiency and effectiveness

1	**Recommendation**	We recommend that the outcomes of the PEEL report continue to be considered in detail and the action plan continually monitored to track improvements against the recommended areas, formally reporting progress through the governance structure. HMICFRS will also monitor the force's progress towards addressing the areas identified.
	Why/impact	To improve the service given to the victims of crime and vulnerable people.
	Summary findings	Her Majesty's Inspectorate of Constabulary's and Fire and Rescue Services inspect, monitor and report on the efficiency and effectiveness of the police and fire and rescue services with the aim of encouraging improvement. HMICFRS have reported several concerns about the performance of Gloucestershire Constabulary in keeping people safe and reducing crime within its PEEL 2021 Report published in October 2021.
	Management comments	This is being followed up by HMICFRS and through a Home Office grouping Policing Performance Oversight Group (PPOG). The Constabulary has adopted the successful recovery from PEEL as one of its two corporate priorities for 2022. Every cause for concern and area for improvement has been tasked out and is being delivered with personal oversight from the Chief Constable.

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



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Improvement recommendations

Improving economy, efficiency and effectiveness

1	**Recommendation**	We recommend that Gloucestershire Police look at integrating financial performance reporting with service delivery performance reporting.
	Why/impact	Integrated reporting is a key component of good governance. The International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) emphasises "the need for integration in both reporting and organisational performance and makes explicit reference to Integrated reporting. With the growing demands on public services, public sector entities are compelled to identify new and better ways of doing business and convince their stakeholders of how they will continue to achieve their objectives and targets".
	Summary findings	The OPCC and Constabulary do not undertake any form of integrated reporting. For Police bodies we would expect this to include information on KPIs that are monitored, such as crime statistics and performance against Police and Crime Plan objectives, officer recruitment progress and financial outturn data, normally no less frequently than quarterly. There are currently no reports that integrate this information together to be reported through the governance structure. Therefore, it is very difficult for the Police and Crime Panel or other stakeholders to hold the force and OPCC to account and identify areas for improvement.
	Management comment	The Constabulary has operated a centralised approach to budgeting for a number of years. This was implemented in response to the period of austerity and the requirement to rapidly reduce the level of resources . Regular financial and performance does take place at both Chief Constable and PCC level. Whilst the reports are not integrated this approach has enabled consideration of resources directed to individual areas in order to deliver against priorities. Further work is planned in the 22/23 financial year to enhance this further which will include a review of the benefits of devolved budgeting which will enable a more regular granular analysis of performance in individual areas compared to resource utilisation. The Constabulary has established an Analytics, Resources and Planning department which will work with Finance to develop a more integrated method of reporting. The PCC is represented at the Constabulary Performance Board to ensure scrutiny and accountability of performance and delivery against the PCC priorities.

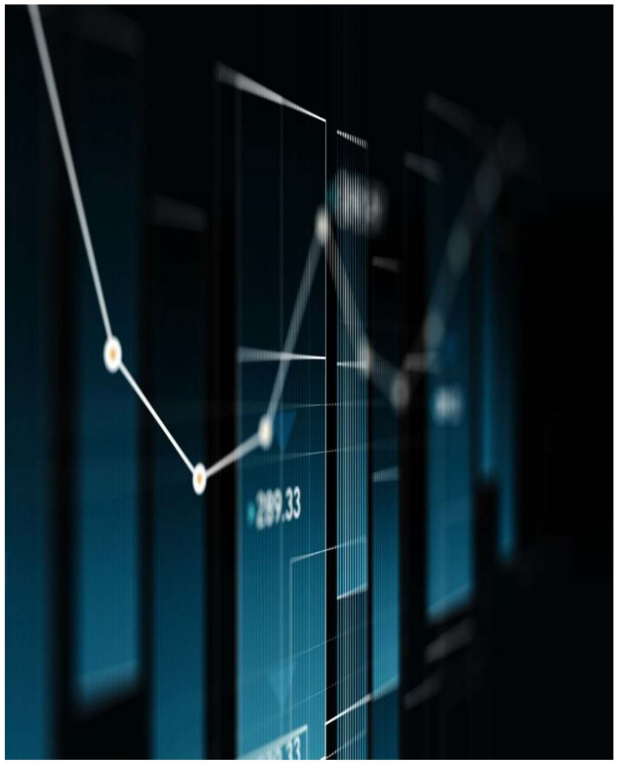


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Improvement recommendations

Improving economy, efficiency and effectiveness

2	**Recommendation**	We recommend that the Force and OPCC should further embed their review of contracting monitoring procedures in place. Clear communication with SWPPD should take place to clarify the respective roles and responsibilities and ensure contracts are continually monitored at all stages of their lifecycle.
	Why/impact	Improvements in contract monitoring should enable the Force and the PCC to identify contract gaps, communication and improve value for money.
	Summary findings	There is no central contract register and monitoring exercise completed. We note that steps have already been made to improve this area in 2021/22 with a contract register now in place and 90% of all contracts located.
	Management comment	The central contracts register has been implemented as noted. The relation with SWPPS provides an outstanding opportunity to leverage the buying power of all Forces in the South West and also gives access to specialist procurement support which could otherwise not be maintained or afforded by individual Forces. The lines between SWPPS are known to the Constabulary and OPCC are during 2021/22 we have made better use of their expertise than in previous years. Internally the ICT team have reviewed all of their contracts and added them to the register, and the contracts register identifies the team responsible for managing each contract. The estates team are implementing the contractor management module of 3i to better inform the contractor relationship and provide information about performance which can be used to strengthen the contract management activity in that area.



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COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how the PCC and CC deliver services.

We have considered how the PCC's and CC's arrangements have adapted to respond to the new risks they are facing.

Overview of Covid-19 Arrangements

During the Covid-19 pandemic, the OPCC and Constabulary's top priorities have been to maintain the best service to the public, protect officers and staff and support the national response. Frontline policing delivery remained mainly unchanged, with the implementation of Covid-19 legislation and regulations continuing to be a key part of response work.

Agile working facilitated the majority of OPCC and Police Staff to work from home and the use of technology has enabled social distancing to be observed. Staffing costs remained relatively consistent as officers were continuing with their police duties when back-office staff were successfully redeployed to work from home with the need for overtime decreasing as crime levels decreased during this time.

The majority of the costs relating to the pandemic have been incurred during 2020/21. To assist, additional funding has been provided by Central Government for some of the expenditure mentioned – specifically around PPE, additional cleaning, creating Covid-19 secure buildings. These additional funds received for the policing of Covid-19 during 2020/21 were not spent as at 31 March 2021 have been transferred to a separate Covid Reserve.

The Covid-19 pandemic resulted in a number of normal governance structures being temporarily suspended or replaced with virtual meetings. This was primarily due to resources being redeployed to meet the immediate challenges of Covid-19. It was replaced with a temporary structure that provided governance maintenance for the Covid-19 incident as well as daily force performance monitoring on critical measures.

Command structures were put in place to deal with government guidelines, officer and staff sickness recordings and all government requirements for the Police Service as they emerged. The Gold Commander had overall command of the response of the Gloucestershire Constabulary to Covid-19 and assumed responsibility for the overall policing response. This was led by the Assistant Chief Constable (ACC). The ACC held daily gold group meetings with all senior leaders invited. A daily battle structure was set up in the early stages of the pandemic to outline what was required each day. The Gold Command structure was supported by a weekly COVID-19 oversight Group, comprising of the Executive Board.

A comprehensive lessons learned review was undertaken six months into the pandemic which implemented learning and Internal Audit also completed a review of updated processes. Internal Audit stated that: 'The Force's governance responded quickly and effectively to the threat of Covid-19. The command structure and responsibilities were defined, risk registers were used to monitor the dynamic risk environment, and a Consequence Management Group established to understand the medium- and long-term implications of decisions.'

HMICFRS also completed a review of Policing in the pandemic (The police response to the coronavirus pandemic during 2020). All recommendations that were raised had already been implemented by the force as part of their lessons learnt exercise. HMICFRS also identified areas of good practice and success such as; Gloucestershire Constabulary and Avon and Somerset Police, working with the court service, helped to set up a court for remand hearings only. This reduced delays by removing the need for such hearings to be slotted in between other defendants due to appear before the courts.

Conclusion

The OPCC and Constabulary have managed the challenges posed by the Covid-19 pandemic. Our review has not identified any significant weaknesses in arrangements for responding to the Covid-19 pandemic.

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Opinion on the financial statements

Audit opinion on the financial statements

We gave an unqualified opinion on the Group, Police and Crime Commissioner and Chief Constable's financial statements on 26 October 2021.

Other opinion/key findings

We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

No inconsistencies have been identified. As part of reviewing the AGS and the Narrative Report we suggested some areas for improvement which management have addressed in the final version of the document. We plan to issue an unmodified opinion in this respect.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the JIAC in September 2021.

Preparation of the accounts

The PCC and Chief Constable provided draft accounts in line with the national deadline.

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 Council. This work includes performing specified procedures under group audit instructions issued by the NAO.

Our work has not yet been completed as we are awaiting the final instructions to be issued by the NAO.

Issues arising from the accounts:

The key issues were:

- Our journals testing identified a weakness in the control environment where no journals were reviewed or authorised in year.
- Our testing of income, expenditure, debtors and creditors identified that accruals from prior periods that have been reversed, are not being reversed out in their entirety but are being reversed as round figures. This is not considered good practice and although the values may be small, there will be discrepancies in the accounts. This has also resulted in difficulties during the audit when sample testing and results in extrapolating errors due to these differences.
- Disclosures related to the Fair value Hierarchy, Credit Risk ratings and the general consideration of IFRS9 are missing.
- Our testing identified items within the creditors sample that could not be tied back to evidence or were incorrectly accrued for at year-end.

Grant Thornton provides an independent opinion ensuring the accounts are:

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



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Appendices

Appendix A - Responsibilities of the PCC and CC

Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the PCC's and CC's ability to continue to operate as going concerns

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's and CC's ability to continue as going concerns 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.



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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's 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 for the following areas: 1. Unrealistic budget assumption. 2. Poor understanding of Demand 3. Unidentified savings 4. Lack of alignment of Financial Plans 5. Poor reserve planning	We have: • reviewed the outturn revenue position • considered the arrangements for monitoring and managing the delivery of budget and savings plans for 2020-21; • reviewed the arrangements for developing and agreeing the 2021-22 budgets and updated Medium Term Financial Strategy along with underlying assumptions, including the identification of savings plans, and consider the level of risk within these plans • reviewed the Constabulary's plans for recruitment to ensure that these are aligned to the future financial plans. • reviewed the capital and borrowing plans to ensure these are sustainable into the future • considered the impact of Covid-19 on the current financial position including the impact on budgeting into the short and medium term due to current economic uncertainty.	Review of the assumptions and budget outturn against the initial budget suggests that the budget was overly prudent with income underestimated and costs overestimated. There is no evidence from review of the MTFS of how demand, risk or geography is driving the resource allocation, with an apparent lack of alignment between financial plans and strategic aims. Unidentified savings/funding gaps in financial planning that would substantially threaten the delivery of the plan. Savings requirements were not considered as part of the 2021-22 budget approval process with a £1.4m gap unidentified when the budget was approved, this later rose to £2m in year. The level of reserves (3.6%) at 31 March 2021 is lower than that specified in the Reserves policy (5%). Although reserves have not been directly relied upon to close the funding gap there are unidentified saving across the life of the MTFS. The level of reserves is not sufficient to fund this gap and the majority have already been earmarked for specific projects. The lack of capacity within the finance team has contributed to the issues highlighted above.	Significant weaknesses identified in the following areas: 1. Unrealistic budget assumptions that is not supported by an understanding of local demand and strategic priorities. 2. Savings requirements remain unidentified at the approval date of the 2021/22 budget. 3. Reserve levels are lower that the minimum stated in the reserve policy with no clear planning to build them up to the desired level. With 4 key and one improvement recommendation raised.

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Appendix B - Risks of significant weaknesses - our procedures and findings (continued)

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Governance was identified as a potential significant weakness as the Constabulary and OPCC are not operating in accordance with legislation regarding the transparency of their decisions and the need to publish information as dictated by the Secretary of State.	We have: • Reviewed Section 11(1) and (2) of The Police Reform and Social Responsibility Act 2011 which requires an elected local policing body to publish any information specified by the Secretary of State by Order (secondary legislation). • Reviewed the Force and OPCC website against the government guidance in relation to the Act.	Our work has identified several gaps in the information available to the public on the websites of the Constabulary and OPCC.	Significant weakness identified and key recommendation raised.
Improving economy, efficiency and effectiveness was identified as a potential significant weakness as HMICFRS undertook its most recent PEEL inspections in 2021, with Gloucestershire's review highlighting a number of concerns that the Inspectorate had with the force with an overall inadequate rating.	We have: • Reviewed the HMICFRS PEEL assessment 2021 full report and discussed the findings with Senior Management within the Constabulary and OPCC • Gained context behind the review and findings through discussion with the HMICFRS Inspector	•The force's service to victims of crime is inadequate and it isn't recording crime effectively - The force is sometimes missing opportunities to safeguard vulnerable people. It needs to improve the way it manages initial calls to the force, so all vulnerable people are identified when crimes and incidents are reported. The way crime is recorded has improved since the last PEEL inspection in 2019. But concerns still exist hat it still isn't effective, particularly in cases of domestic abuse and anti-social behaviour. •The force isn't yet able to respond to calls effectively despite establishing a new way of working - The force has a new model for responding to the public. But it still doesn't have the capacity or capability to respond effectively to calls to the control room or when it deploys officers to incidents or crimes. The force should gain a better understanding of these demands and be able to manage its resources more effectively as the new system develops. •The way the force investigates crime is inadequate - The force must make sure that officers have the capacity and ability to investigate reported crimes properly and promptly. Opportunities to prosecute are being missed because investigations are poor, or because officers haven't collected evidence or persevered in enough cases where the victim no longer wishes to pursue a prosecution. This makes successful prosecutions less likely, which lets victims down. •The force needs to significantly improve the way it manages its resources so it can meet future demands - Gloucestershire Constabulary's financial and strategic planning is inadequate. It hasn't shown it understands what skills its workforce has and where there are gaps. It hasn't shown it provides value for money. The force needs to better understand the likely future demand for its services and make sure it can meet them.	Significant weakness identified and key recommendation raised.

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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. A recommendation under schedule 7 requires the PCC and CC to discuss and respond publicly to the report.	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'.	Yes	9-12, 18 & 24
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's and CC's arrangements.	Yes	13, 19-20 & 25-26

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