

POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE JOINT AUDIT, RISK & ASSURANCE PANEL

PAPER MARKED

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Report of	OFFICE OF THE CHIEF CONSTABLE AND OFFICE OF THE POLICE AND CRIME COMMISSIONER
Subject	EXTERNAL AUDIT VALUE FOR MONEY (VFM) REPORT
Date	THURSDAY 1 ST AUGUST 2024
Author :	HAYLEY CLARK, ERNEST & YOUNG

Purpose of Report

1. This report seeks to update members of the Joint Audit, Risk and Assurance Panel (JARAP) on Value For Money up to and including 2022/23.

Recommendation

2. The Panel is recommended to discuss the contents of the report.

Background

3. None

Implications

Financial: none.

Legal: none.

Equality Impact Assessment: none.

Risks and Impact: as per individual reports.

Link to Police and Crime Plan: as per audit plan

List of Attachments / Appendices

External Audit Progress Report

Background Papers

None

Officer to Contact

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The Police & Crime Commissioner for Leicestershire and The Chief Constable for Leicestershire

Value for Money Interim Report

Years ended 31 March 2022 and 31 March 2023

19 July 2024

23 July 2024

The Police & Crime Commissioner for Leicestershire and The Chief
Constable for Leicestershire
Police Headquarters
St Johns
Enderby
Leicester
LE19 2BX

Dear Joint Audit, Risk and Assurance Panel Members (JARAP)

Value for Money Report up to and including 2022/23

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for The Police & Crime Commissioner (PCC) for Leicestershire and The Chief Constable (CC) for Leicestershire. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 21/22 & 22/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

This report is intended solely for the information and use of the JARAP committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the JARAP Committee meeting on 01 August 2024.

Yours faithfully

Hayley Clark

Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/auditquality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to Joint Audit, Risk and Assurance Panel and management of Leicestershire Police in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Joint Audit, Risk and Assurance Panel and management of Leicestershire Police those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Joint Audit, Risk and Assurance Panel and management of Leicestershire Police for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary



Executive Summary

Purpose

Auditors are required to be satisfied that the The Police & Crime Commissioner (PCC) for Leicestershire and The Chief Constable (CC) for Leicestershire has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this interim commentary is to explain the work we have undertaken during the period 1 April 2021 to 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2021/22 & 2022/23. The NAO has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit report has been issued for 2022/23.



Executive Summary (continued)

Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Leicestershire Police committee reports;
- meetings with the Chief Finance Officer and Assistant Chief Officer (ACO) Finance & Resource
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Leicestershire Police management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in the Police & Crime Commissioner (PCC) for Leicestershire and The Chief Constable (CC) for Leicestershire's VFM arrangements.

As a result, we have no matters to report by exception at this stage of the audit and we will update our interim reporting as part of issuing the final commentary in the Auditor's Annual Report later in the year.

Executive Summary (continued)

Reporting

Our interim commentary for 2021/22 and 2022/23 is set out over pages 10 to 15. The interim commentary on these pages summarises our understanding of the arrangements at the Leicestershire Police based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2021/22 and 2022/23. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Auditor's Annual Report and updated for 2021/22 and 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the force plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Police force ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
Improving economy, efficiency and effectiveness: How the Police force uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified



Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and The Police & Crime Commissioner (PCC) for Leicestershire and The Chief Constable (CC) for Leicestershire, and its members and senior management and its affiliates, including all services provided by us and our network to the PCC and CC, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



02

Value for Money Commentary

Value for Money Commentary

Financial Sustainability: How the PCC and CC plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified in 2021/22 and 2022/23

The Authority is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements, and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the years ended 31 March 2022 and 2023.

Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

Leicestershire Police (LPCC) has adhered to governance processes for setting a balanced budget and Medium Term Financial Plan (MTFP). The budget and MTFP were underpinned by assumptions that we deemed reasonable and well supported. LPCC has a risk-based approach to budget setting which aligns the budget process with the corporate strategic risks. The CFO reviews the risks which are set out within the "Force Strategic Policing Assessment" on a yearly basis, to identify if there are any newly identified risks that need to be considered in the budget.

The PCC and CC's financial position is sound for the 2021/22 and 2022/23 financial years. However, the overall MTFP outlook position is deteriorating and will not balance beyond the 2024/25 financial year. The evidence suggests that the PCC and CC continues to face significant financial challenges in the medium term. The financial challenges for public bodies continue to increase and the PCC and CC has a good understanding of the financial risks it faces and has formulated plans to address them. It remains important that the PCC ensures future savings plans are delivered in full to strengthen its underlying financial position.

2021/22:

In 2021/22, a net annual revenue budget for 2021/22 of £212.5m was set for the group, an increase of 6.3% over 2020/21. £208.2m was managed by the CC with the remaining £4.3m (net of grants and transfers from reserves) relating to the costs of the OPCC (£1.3m) and commissioning activities (£3.0m). The Office of the Police and Crime Commissioner had an underspend of £0.4m.

We have reviewed the arrangements in place at the PCC and CC, and the plans in place to address the shortfall identified in 2021/22, and note:

- The 2021/22 performance of a managed underspend of £0.4m on a budget of £212.5m demonstrates effective budgeting and performance monitoring.
- A balanced budget had also been set for the 2021/22 financial year which included £0.75m to be transferred to the Budget Equalisation Reserve

Value for Money Commentary

Financial Sustainability: How the PCC and CC plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified in 2021/22 and 2022/23

The proposed Revenue Budget and MTFP for 2022/23 included the following key assumptions;

- Council tax base at 0.5%, 1% and 1.25% for 2022-23, 2023-24 and 2024-25, respectively.
- The precept increases by £15.00 per Band D for 2021-22 and 2% each year thereafter
- Pay awards for officers and staff at 0% for 2021-22, 1.75% for 2022-23 and for 2% each year thereafter.
- Non-pay inflation at 2% for 2021-22 and for each year thereafter

The January 2021 MTFP had also been updated and showed that there is a projected funding gap from 2021/22 to 2024/25. These include expected funding gaps of

- £3.9m in 2022/23;
- £11.6m in 2023/24 and
- £13.8m in 2024/25.

2022/23:

The force balanced the budget for 2022/23 and 2023/24 by using £13.4m of the Budget Equalisation Reserve, whilst still maintaining useable reserves above minimum set by the CFO of £4.25m. The PCC and CC 's efficiency savings target of £0.5m were included within the base budget for 2021/22.

The proposed Revenue Budget and MTFP for 2022/23 included the following key assumptions:

- Council tax base at 1.5% for 2023-24, 2024-25 and 2025-26, respectively.
- Core Government funding increases by 1.45% in 2023-24 and 2024-25.
- The precept increases by £10.00 per Band D for 2022-23 and by £10 each year thereafter
- Pay awards for officers and staff at 2% for 2022-23, and each year thereafter.
- Non-pay inflation at 2% for 2022-23 and for each year thereafter.

A net annual revenue budget for 2022/23 of £223.3m was set for the group, an increase of 5.1% over 2021/22. £218.6m was managed by the CC with the remaining £4.7m (net of grants and transfers from reserves) relating to the costs of the OPCC (£1.5m) and commissioning activities (£3.2m). The OPCC (Group) balanced its 2022/23 budget, after the transfer of funds to earmarked reserves, including £2.8m to meet future commitments in 2023/24. The Office of the Police and Crime Commissioner underspend of £0.134m was transferred to an earmarked reserve at year end to balance the budget.

The February 2022 MTFP indicated that there is a projected funding gap from 2022/23 to 2025/26. The force planned to balance the budget for 2022/23 and 2023/24 by using £7.5m of the Budget Equalisation Reserve. This was predicated upon an assumed £10 precept increase and a prudent use of reserves throughout the first three years of the plan. The total earmarked reserves have remained at £27.1m as of 31 March 2023.

Value for Money Commentary

Financial Sustainability: How the PCC and CC plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified in 2021/22 and 2022/23

We reviewed the arrangements in place at the PCC and CC, and plans in place to address the shortfall identified in 2022/23 and 2023/24, and note:

- The 2022/23 performance managed underspend of £0.134m on a budget of £223.3m demonstrates effective budgeting and performance monitoring
- A balanced budget has been set for the 2022/23 financial year which included £0.75m to be transferred to the Budget Equalisation Reserve
- The February 2022 (MTFP) has been updated and showed that there is a projected funding gap from 2022/23 to 2025/26. These include expected funding gaps of £450k in 2024/25. The force planned to balance the budget for 2022/23 and 2023/24 by using £2m of the Budget Equalisation Reserve, whilst still maintaining useable reserves above minimum set by the CFO of £5m.

The February 2023 MTFP (23/24 to 2026/27) showed the following funding gaps of;

- £7.8m in 2024/25;
- £9.3m in 2025/26 and
- £12.8m in 2026/27

The force planned to balance the budget for 2023/24 and 2024/25 by using £7.5m of the Budget Equalisation Reserve, whilst still maintaining useable reserves above minimum set by the CFO of £5m. The PCC and CC's efficiency savings target of £3.9m are included within the MTFP in order to close the funding gap for 2023-24 and the OPCC secured additional funding of £3.5m for 2022-23, £2.3m for 2023-24 and £2.2m for 2024-25.

We also note that following the pay awards in 2022 and 2023 and announcement of the 2023/24 funding settlement the 2024/25 MTFP is not balanced without the need to identify savings in each of the financial years. The savings / efficiencies required are:

- 2024/25 - £5.4m
- 2025/26 - £9.3m
- 2026/27 - £10.3m
- 2027/28 - £9.2m

Leicestershire Police's financial resilience was not of concern for 2021/22 and 2022/23 as there were no in-year budget deficits identified, with minimal use of reserves. However, Leicestershire Police should consider mitigating the further use of reserve balances to support the revenue budget in the medium term, by taking steps to ensure that both in-year overspends are minimised and future savings gaps are identified early with schemes put in place to mitigate those gaps, without compromising front line service delivery.

Conclusion: Based on the work performed, Leicestershire Police had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services

Value for Money Commentary (continued)

Governance: How the PCC and CC ensures that it makes informed decisions and properly manages its risks

No significant weakness identified in 2021/22 and 2022/23

The Authority is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the years ended 31st March 2022 and 2023.

Our risk assessment did not identify any risks of significant weaknesses in arrangements in governance.

The PCC and CC's internal auditors undertake a planned programme of work which is reported directly to the Joint Audit, Risk & Assurance Panel (JARAP) in relation to governance, risk management and internal control and their effectiveness in achieving the organisation's agreed objectives. The internal audit review gave a year end opinion of significant assurance for 2021/22 and moderate assurance for 2022/23. The Head of Internal Audit Opinion report was presented to the JARAP on 25 August 2022 for 2021/22 year of assessment and 01 August 2023 for 2022/23.

The PCC and CC have a joint Risk Management Policy and manage and record risks in the same manner, through the same system. These risks are reviewed regularly and considered at every JARAP meeting. Joint policies are in place for Anti-Fraud, Corruption and Bribery, together with the joint Corporate Governance Framework which sets out the financial regulations, expected processes and internal controls.

For 2021/22, no limited assurance audit reports were provided in the year with three audit reports on Counter Fraud, Health & Safety and IT Risk Management not completed at the time the opinion was issued. Although a moderate assurance opinion was issued by internal audit in 2022/23, four minimum level of assurance audit reports were issued on Contract Management, Partnerships, OPCC Recruitment and Firearms Licensing.

We note that management is developing action plans to respond to the recommendations, however we are currently reviewing the limited assurances given to Contract Management and Partnerships in relation to the below recommendations;

- The Force should ensure Contracts are put in place before the commencement of services.
- The Force should ensure monitoring schedules and agreed KPI's are in place prior to the award of contracts
- The OPCC should ensure that, as laid out in the Commissioning Strategy 2021-2024, a final exit/lessons learned stage is conducted for expiring contracts
- The OPCC should ensure that for all Partnerships the governance arrangements are formally agreed.

We are considering the impact of these findings on our Value for Money reporting and will provide an update to the JARAP once our procedures have been finalised.

Value for Money Commentary (continued)

Governance: How the PCC and CC ensures that it makes informed decisions and properly manages its risks

No significant weakness identified in 2021/22 and 2022/23

For the period from 2021/22 to 2022/23, the force’s interim appointments of Chief Finance Officer (CFO) and Chief Executive (CE) were non-compliant with the Schedule 1 of the Police Reform and Social Responsibility Act 2011 due to appointment confirmation hearing being held after role commenced, however, we consider this risk to be mitigated as the ex- Chief Finance Officer and Chief Executive resigned from their positions in February 2023 and the force has appointed new CFO and CE and their appointments comply with the required legislation.

Leicestershire Police published their draft 2021/22 and 2022/23 financial statements for audit on 29 July 2022 and 10 July 2023 respectively in line with the Audit and Accounts regulations, and advertised and held an inspection period for members of the public in line with these regulations. However, the inspection notice for the 2022/23 draft financial statements was from 10 July 2023 instead of 11 July 2023, as the first day of the inspection period is meant to be the day after the draft financial statements are published.

We confirm that the 2021/22 and 2022/23 draft financial statements were arithmetically correct, agreed to the data in the general ledger, and prepared in line with the content required by the CIPFA Code. The PCC and CC have carried out bank reconciliations during the year. Therefore, appropriate arrangements for financial reporting were in place during 2022/23.

Conclusion: Based on the work performed, Leicestershire Police had proper arrangements in place in 2022/23 and 2021/22 to make informed decisions and properly manage its risks.

Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the PCC and CC uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Authority is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the years ended 31st March 2022 and 2023.

Our risk assessment did not identify any risks of significant weakness in arrangements in place to ensure economy, efficiency and effectiveness.

Leicestershire Police has a Force Management Statement (FMS) in place which is based on the guidance of His Majesty's Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS). The FMS processes and analyses the capability and performance on an ongoing basis and it is used throughout the year to evaluate progress, to inform decision-making, and to provide transparency across the organisation about performance. HMICFRS has access to the performance data systems.

The PCC and CC's financial performance forms a significant part of the regular Corporate Governance Board meetings and the PCC and a representative from the OPCC attend the monthly Performance Delivery Group meetings (PDG) and the Crime and Operations Effectiveness meetings to discuss performance at a more operational level and identify the issues and challenges.

Leicestershire Police is part of a partnership model, called the Strategic Partnership Board (SPB), that is positioned to influence organisational systems, processes, agreements and operations to deliver a fair and effective local Criminal Justice System, allocate resources, and work collaboratively to achieve the maximum effectiveness of Police and partner responses to crime and disorder.

The force has a Corporate Plan with priorities and objectives set out to improve its economy, efficiency and effectiveness and it is reviewed every two years to ensure the strategic objectives and priorities still reflect the needs of all communities to take into account new and emerging issues for crime and policing. PCC and CC has a procurement function in place, and the team is sufficiently experienced and have the appropriate training to enable them to ensure the team are compliant with laws and regulations.

Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the PCC and CC uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The HMICFRS published Police Effectiveness, Efficiency and Legitimacy (PEEL) inspection report dated 28 April 2022 for 2021/22 and the inspection assessed the performance of the Leicestershire Police has been graded as good overall, with detailed ratings on the areas considered as follows:

- Recording data about crime (outstanding)
- Preventing crime (outstanding)
- Protecting vulnerable people (outstanding)
- Treatment of the public (good)
- Managing offenders (good)
- Developing a positive workplace (good)
- Good use of resources (good)
- Investigating crime (adequate)
- Responding to the public (adequate)

We confirm that no inspections were performed in 2022/23.

Overall, we are satisfied that Leicestershire Police has arrangements in place to improve economy, efficiency and effectiveness as we have not identified significant weaknesses in the arrangements.

Based on the work performed, the Leicestershire Police had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



03 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<ul style="list-style-type: none">• The PCC and CC take a risk-based approach to budget setting which aligns the budget setting process to the corporate risks and the force identifies the financial risks/pressures as part of the risk assessment process, wherein the PCC is briefed on operational challenges, financial landscape and an overall risk assessment process.• The financial risks/pressures that impact the budget are factored into the budget judgements and assumptions. And the CFO reviews the risks which are set out within the “Force Strategic Policing Assessment” on a yearly basis, to identify if there are any newly identified risks that need to be considered in the budget. The financial risks/pressures are built into the MTFP for the short-term and medium-term period.
How the body plans to bridge its funding gaps and identifies achievable savings	<ul style="list-style-type: none">• The PCC and CC’s budget details the planned funding avenues to meet the expected expenditure and develops mitigating plans to reduce the financial pressures any gaps identified.• The force has an efficiency savings plan that has a savings target to mitigate the forecasted deficits/gaps and the CFO reviews the progress of the efficiency savings and reports on whether it will be plausible to achieve the target or not.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<ul style="list-style-type: none">• The force’s strategic direction sets out areas of focus for the PCC and CC and informs plans to deliver an effective, efficient and legitimate police service, and the force has strategic themes which are workforce development, the post-pandemic operating environment, financial sustainability, digital capability and collaboration.• The force’s budget gets allocated between the;<ul style="list-style-type: none">(i) police and staff’s pay, allowances & police pension, which is aligned to the development strategic objectives and the regional collaboration, inflationary contingency and;(ii) non-pay expenditure which is aligned to collaboration, financial sustainability, and post-pandemic environment & digital capability, respectively.
How the body ensures that its 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	<ul style="list-style-type: none">• The force has a budget plan that considers the capital strategy and the capital programme. The revenue consequences of the proposed capital programme have been considered in the development of the revenue budget and the required prudential indicators are considered and monitored against.• The force’s budget plan considers the operational plans of the PCC and CC by considering precept increase proposals that are in line with the operational policing.• The PCC is briefed on the current and emerging operational challenges both nationally and locally by the CC and factors the operational challenges in the budget, as part of the financial risks/pressures that inform judgements and assumptions.• The budget plan considers the workforce in the form of police staff job evaluations & pay protection/cost-of-living adjustments factored into the budget as police and staff pay allowances, and the requirements and limits in the treasury management strategy.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year(s) 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<ul style="list-style-type: none">• The force identifies financial risks/pressures as part of the risk assessment process, wherein the PCC is briefed on operational challenges, financial landscape and an overall risk assessment process. The financial risks/pressures that impact the budget and have factored these into the budget judgements and assumptions.• The force's CFO reviews the risks which are set out within the "Force Strategic Policing Assessment" on a yearly basis, to identify if there are any newly identified risks or adjustment assumptions that need to be considered in the budget.• A management structure is in place, with clear lines of accountability for both operational issues and use of resources. A budget is approved each year at the East Midlands Police & Crime Commissioners and Chief Constables' (EMPCC/CC's) Board which defines the expenditure targets for each area of policing within East Midlands Special Operations Unit (EMSOU). Each force actively supports the budget allocation and sets its own precept accordingly.• Management reports showing costs against budget are provided monthly. Unexpected variances are investigated and explained, ready for reporting to quarterly Management Boards and the EMPCC/CC's Board. Quarterly monitoring reports are shared across the region to provide each force with visibility over expenditure to date and projected outturn position

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

Arrangements in place

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

- The force has a Risk Management Policy and Framework which is owned by the Chief Executive (CE) and the Operations and Compliance Manager is responsible for day to day management of risks. The framework prescribes the risk management methodology, that is process to identify risks, measure the risk based on the likelihood of occurrence, devise mitigating factors and follow-up on the progress.
- PCC and CC has a risk register which records holds key information about each risk including a description of the risk, a score for the risk, risk management currently and the actions /controls they plan to take.
- The force's risk registers group risks into three risk categories; strategic risks, operational risks and project risks and the CFO presents the risk register report to the JARAP to provide an update on the force's strategic risks.
- Leicestershire police has an internal audit which delivers a programme of audits throughout the year and provide assurance over the effectiveness operation of internal controls.

How the body approaches and carries out its annual budget setting process

- The force has a risk-based approach to budget setting which seeks to align the budget process with identified strategic operational priorities and risks as outlined in the Police and Crime Plan and Strategic Policing Requirement and in consideration of the risks identified in the regular meetings of Finance Team, Senior Leadership Team and different committees/boards.
- PCC and CC has a budget setting process undertaken through the Proposed Precept and MTFP Plan which outlines the financial challenge, Capital Programme, MTFP, key risk areas, reserves, detailed guidance (consultation to budget holders), timescales, approach (devolved budget setting), police staff pay, non-pay budgets, regional budgets, budgets requiring specific evidence and departmental and corporate risks.
- PCC and CC's financial challenges are reported to the Corporate Board and Directorate Lead and are discussed in the Executive Committee. The financial challenges are then considered in the budget setting process.
- The PCC and CC's budget is presented and reported to the following board or committees for approval and scrutiny, Executive Committee, Strategic and Assurance Board, Police and Crime Panel and Joint Audit, Risk and Assurance Panel.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

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

How the body ensures it makes 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

Arrangements in place

- The force has oversight over the budgetary control via the use of Agresso financial system and the internal controls that exist within the system. There is an allocated budget against expenditure programme on the financial system, to ensure that expenditure against the programme does not exceed the allocated budget.
- The PCC and CC has segregation of duties across the finance team and internal audit reviews in place to consider weaknesses in controls within the financial system which could potentially results in excess spending over budget allocation.
- The force has regular bi-monthly and monthly reviews are conducted where actual and forecast positions are reviewed for accuracy and any material budget variances are reviewed in detail and reported through a robust governance framework. Appropriate action is taken to understand the implications of variances and to take corrective action where necessary to manage the financial impact to the organisations as part of this good financial management and control.
- The force has a Corporate Governance Framework which sets out a Scheme of Consent and Delegation to ensure the business is carried out efficiently, ensuring that decisions are not unnecessarily delayed.
- Leicestershire Police has a Joint Audit, Risk and Assurance Panel which consists of five independently appointed individuals scrutinise the effectiveness of risk management and internal control arrangement, the integrity of financial reporting, and the effectiveness of the governance arrangements. The Panel holds quarterly meetings and receives all Internal Audit, External Audit and Management reports and updates for scrutiny.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Arrangements in place

- Leicestershire Police has a monitoring officer to ensure their compliance with law and legislation.
- The force has an established policy where members are required to disclose gifts and hospitality in Joint Audit, Risk and Assurance Panel meetings and make a declaration of interest disclosure on a yearly basis. In addition, there is a gift, gratuity and hospitality register where the force's staff and committee members are required to disclose gifts and gratuity received.
- PCC and CC has a Code that sets out the standards of behaviour expected of PCC staff, members of the Joint Audit, Risk and Assurance Panel and members of the Ethics, Integrity and Complaints Committee. Required expectations on general conduct relate to respect, bullying, harassment, discrimination, impartiality, confidentiality, access to information and disrepute. In addition, values and principles of conduct are considered such as accountability, fairness, honesty, leadership, objectivity and openness.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	<ul style="list-style-type: none">Leicestershire Police has a Force Management Statement (FMS) based on the guidance of HMICFRS. The FMS is a built live systems, which processes and analyses the capability and performance on an ongoing basis and is used throughout the year to evaluate progress, to inform decision-making, and to provide transparency across the organisation about performance.HMICFRS has access to the performance data systems. This allows for external scrutiny, transparency and accountability on a continual basis,Financial performance forms a significant part of the regular Corporate Governance Board meetings and the PCC and a representative from the OPCC attend both the monthly Performance Delivery Group meetings (PDG), and the Crime and Operations Effectiveness meetings to discuss performance at a more operational level and identify issues and challenges.
How the body evaluates the services it provides to assess performance and identify areas for improvement	<ul style="list-style-type: none">The PCC and CC's FMS includes performance data which includes service delivery measures as part of agreed priorities and it processes and analyses the capability and performance on an ongoing basis. The FMS is used throughout the year to evaluate progress, to inform decision-making, and to provide transparency across the organisation about performance of service delivery.The PCC and CC also outsources the delivery of some services to third parties and partners under the commissioning strategy.External reviews and inspections are carried out by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service which inform both PCC, CC and wider stakeholders, and highlight risks and learning points in addition to good practice.Regular reviews and updates on Regional Collaboration are discussed at the East Midlands PCC and CC Board who meet bi-monthly.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations	Arrangements in place
<p>How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve</p>	<ul style="list-style-type: none"> • Regular reviews and updates on Regional Collaboration are discussed at the East Midlands PCC and CC Board who meet bi-monthly. • The East Midlands Police & Crime Commissioners and Chief Constables' (EMPCC/CC's) Board provides a forum for all members of collaboration to feedback their experiences of the partnership work. All forces can discuss governance, performance and financial issues at the quarterly meetings. The collaboration builds on best practice from across the country and the region to improve performance as well as saving money. • Deputy Chief Constable (DCC) (East Midlands) monitors performance. Exceptions are reported to the East Midlands Police & Crime Commissioners and Chief Constables' (EMPCC/CC) Board on a quarterly basis, with full performance reports reported twice a year • Compliance is monitored by management review and supported by specialist professional advice where appropriate. Where areas for improvement are identified these are subject to action plans that are revisited to ensure that they have been attended to. Thematic inspections form part of the monitoring controls to ensure compliance with appropriate policies and regulations and demonstrate the effective and efficient use of resources.
<p>How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits</p>	<ul style="list-style-type: none"> • PCC and CC has a procurement function in place, and the team is sufficiently experienced and have the appropriate training to enable them to ensure the team are compliant with laws and regulations. • The Force Head of Procurement holds corporate responsibility for all procurement arrangements, providing advice and guidance on best procurement practise, to ensure that all commercial and legal interests of the Force are consistently represented. • The Force Procurement Department manages all procurement procedures for goods and services regardless of value. The formal procurement procedures incorporate the selection of companies, preparation of documents, invitation of proposals, evaluation of bids and award of business.

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