

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

2022/23

January 2024



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

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



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

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# Executive summary



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

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

Auditors are required to report their commentary on the PCC and CC's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the PCC and CC's arrangements for securing economy, efficiency and effectiveness in their use of resources. Our conclusions are summarised in the table below.

Overall we found that the PCC and CC continue to have proper arrangements in place to secure economy, efficiency and effectiveness in their use of resources with no significant weaknesses in arrangements identified. We have carried forward one improvement recommendation from 2021/22 regarding the ongoing review of revenue and capital budget underspends to consider their impact on budget planning and impact on delivery of the capital programme. Key messages in relation to Financial Sustainability, Governance, and Improving economy, efficiency and effectiveness are provided overleaf.

Criteria	2022/23 Risk assessment	2022/23 Auditor Judgement on arrangements	2021/22 Auditor Judgement on arrangements	Direction of travel
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified. Improvement recommendation carried forward to keep budget underspends under review.	No significant weaknesses in arrangements identified, but one improvement recommendation made	↔
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified.	No significant weaknesses in arrangements identified	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified	No significant weaknesses in arrangements identified	↔

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



# Executive summary



## Financial sustainability

The PCC and CC have a good track record of sound financial management and delivered an overall underspend of £7.6 million in 2022/23, after taking into account a planned contribution to reserves and exceeding the savings target of £6 million by £0.06 million. The PCC and CC understood the financial risks which they faced and managed these risks via effective budgetary control and by maintaining an appropriate level of reserves. The underspend was used to provide further support to financial sustainability by increasing the level of earmarked reserves, such as the budget equalisation reserve.

As was the case in 2021/22, capital expenditure was significantly underspent against budget (£16.3 million in 2021/22). In 2022/23, the capital budget of £34.6 million was underspent by £18.6 million representing slippage of 53%. The reasons for slippage are understood, and not significantly different to in year forecasting.

Forecasting as at Quarter 2 (September 2023) 2023/24 indicates a revenue budget underspend of £1.3 million, and capital budget underspend of £4.7 million. These are less significant than underspends noted in 2021/22 and 2022/23, but we have refreshed our prior year recommendation to reflect that underspend variances between budget and outturn across revenue and capital should continue to be monitored inform whether future budget setting remains appropriate, and whether mitigations are required to address delays in delivery of the capital programme.

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



## Governance

Overall, we found no evidence of significant weaknesses in the PCC's or Chief Constable's governance arrangements for ensuring that they made informed decisions and properly managed risks.



## Improving economy, efficiency and effectiveness

The PCC and Force have put in place effective arrangements to improve economy, efficiency and effectiveness. This includes ongoing work to put in place improvements to performance in response to His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) inspection findings. Our review has not identified any significant weaknesses in arrangements in this regard.



## Financial Statements opinion

We have completed our audit of your financial statements and issued an unqualified audit opinion on **XX XXXX 2023**, following the Audit Committee meeting on **XX XXXX 2023**. Our findings are set out in further detail on **pages x to x**.



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

We bring the following matters to your attention:

## Opinion on the financial statements

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

We have completed our audit of your financial statements and issued an unqualified audit opinion on **XX XXXX 2023**, following the Joint Audit and Standards Committee meeting on 22 January 2024. Our findings are set out in further detail on **pages x to x**.

## Statutory recommendations

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

We did not issue statutory recommendations.

## Public Interest Report

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

We did not issue a public interest report.

## Application to the Court

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

We did not apply to the Court.

## Advisory notice

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

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

We did not issue an advisory notice.

## Judicial review

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

We did not apply for judicial review.

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

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

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

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

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



## Financial Sustainability

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



## Governance

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



## Improving economy, efficiency and effectiveness

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



Our commentary on the PCC and CC's arrangements in each of these three areas, is set out on pages 7 to 22. Further detail on how we approached our work is included in Appendix B.

# Financial sustainability



## We considered how the PCC and CC:

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

## Overview of the arrangements to ensure financial sustainability and financial context

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

The PCC and CC have faced significant financial challenges in 2022/23 and these will continue through to 2023/24 and the longer term against a backdrop of the current economic climate. Despite this, to date a sustainable financial position has been achieved, and subject to the achievement of planned savings and the successful mitigation of the financial risks identified, a sustainable financial position is forecast into the future. The Force have demonstrated a reasonable track record of delivering savings over the past five years and the PCC has established a sustainable level of reserves to help manage financial risks.

The PCC and CC's performance against key financial and performance metrics in 2022/23 and 2021/22 are set out in the table opposite. We note there has again been significant underspend on the revenue and capital budgets. The reasons for this are understood and reflected in the narrative report in the accounts. The underspends are broadly in line with forecasting during the year. Slippage on the capital programme each year is largely due to factors such as the continuing impact of unavoidable external factors on supply chains or rescheduling of projects. Progress with the capital programme is closely monitored to ensure mitigations are in place to address delay.

We note that forecasting as at Quarter 2 for 2023/24 is indicating less significant underspends, although slippage on the capital programme continues. We have refreshed the improvement recommendation raised in 2021/22 to reflect that the variances should continue to be investigated to inform budget setting and in particular the timing of capital expenditure to ensure these remain appropriate.

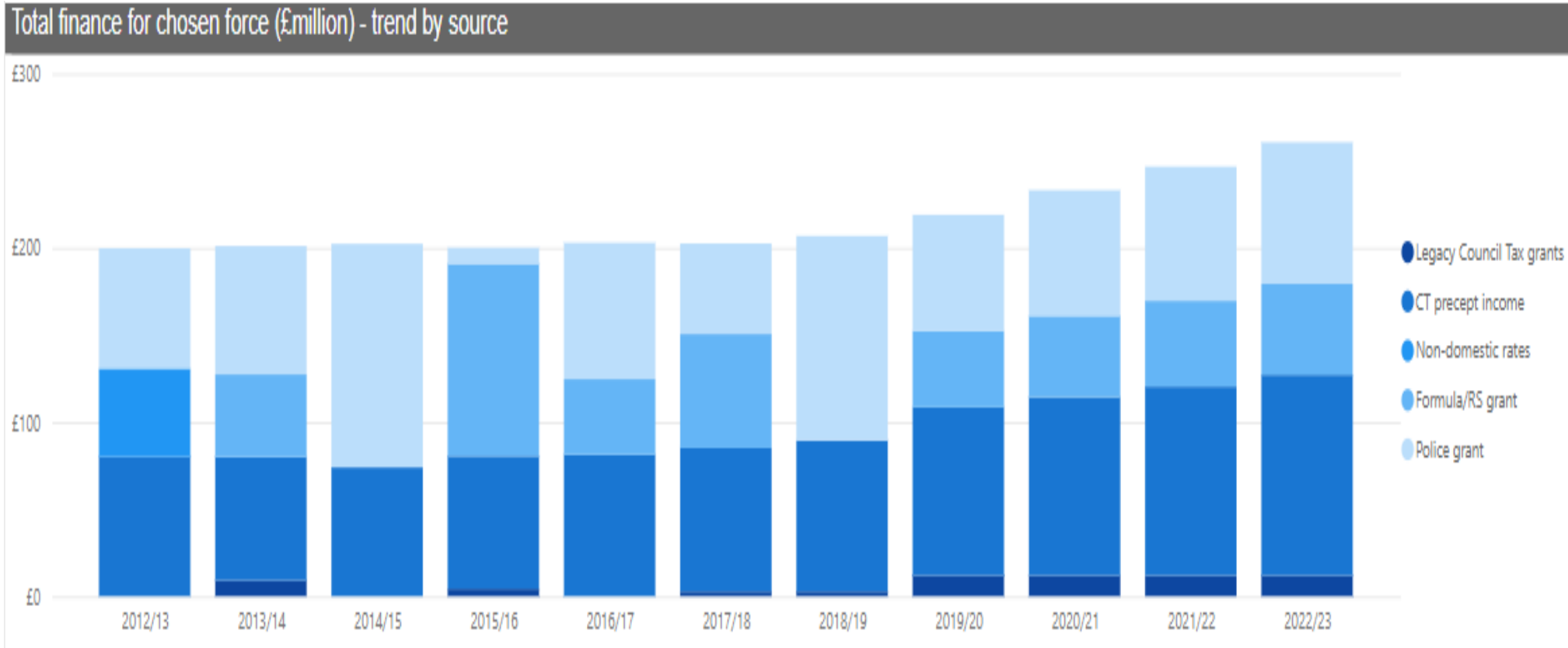
The MTFP (Medium Term Financial Plan) is embedded within the annual budget setting cycle to provide the longer-term view of priorities and demand for services. As for all police bodies, annual settlements and the lack of longer-term assurances over funding make financial planning more short-term in its focus, although there is a current MTFP to 2027/28 and work is in progress to produce an MTFP to 2028/29. We are satisfied assumptions in the MTFP are prudent.

	2022/23 draft accounts	2021/22 audited accounts
Planned revenue expenditure	£261.5m	£245.5m
Actual net revenue expenditure	£253.9m	£241.3m
Revenue underspend	£7.6m	£4.2m
Planned capital spend	£34.6m	£27.1m
Actual capital spend	£15.9m	£10.8m
Capital underspend	£18.6m	£16.3m
Savings planned	£6m	£4.1m
Savings achieved	£6m	£3.2m
Cash	£3.8m	£3.5m

# Financial sustainability continued

Financial Context continued

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





# Financial sustainability continued

## Key Financial Assumptions in the Medium-Term Financial Plan (MTFP)

All of the below assumptions are in line with our knowledge of West Mercia PCC and Force, the wider police sector and the economic outlook. The assumptions appear to be prudent and reasonable based upon this and other relevant supporting documents. They are also similar to assumptions made by other Forces. We are satisfied that appropriate consideration has been given to the key pressures that will be faced, and that prudence has been applied in relation to income streams. The key assumptions for the MTFP 2022/23 to 2026/27 and 2023/24 to 2027/28 are described below.

### MTFP 2022/23 to 2025/26

In February 2022 the MTFP was updated for the period 2022/23 to 2025/26. Key assumptions included in the MTFP are as follows:

- Main grant funding - The MTFP assumes that general revenue grants will be increased in 2022/23 to meet the costs of pay and price inflation, the cost of the additional 125 police officers and associated infrastructure cost. In future years it is assumed central government grants will continue to increase to meet the costs of the additional police officers and to fund inflationary pressures. This is considered reasonable given the current uncertainty.
- Inflation assumption is based on price increases being expected to increase by 3% over the life of the MTFP. Where known price increase reflect contractual commitments, or industry specific price inflation pressures such as in the energy sector, where the increase in 2022/23 is expected to be 10.3%.
- The MTFP assumes that pay will increase in 2022/23 following the announcement in the Chancellor's Spending Review that the Public Sector Pay Freeze has ended. The assumption made by West Mercia was a pay increase of 2% in 2022/23 and then 2.5% in following years..
- For the purposes of the MTFP it has been assumed that council tax precept increases will be 1.99% throughout the MTFP. It was assumed that the tax base will increase by 1.98% in 2022/23 and then increase by 1.5% a year thereafter.

### MTFP 2023/24 to 2027/28

In February 2023 the MTFP was updated for the period 2023/24 to 2027/28. At this point the settlement and precept for 2023/24 was known. Key assumptions included in the MTFP are as follows:

- Main grant funding - The MTFP includes government grant uplift of 3.45% for 2023/24 and a 0.6% increase in 2024/25. The remaining years of the MTFP assume a 1% uplift in line with the Chancellor's Autumn Statement. The funding assumptions also do not build in any changes from the anticipated review of the funding formula. This is considered reasonable given the current uncertainty.
- Inflation assumptions are as follows: 2023/24 7.5%; 2024/25 3.4%; 2025/26 1.6%; 2026/27 1.9%. For energy costs West Mercia Energy have provided an initial budget for 2023/24, the result of which is a 90% increase in projected costs. The budget report states that prices remain challenging to predict, but there is an assumption that there will be a fall in prices and therefore a negative inflation rate in years 2024/25 and 2025/26.
- The MTFP's pay award assumptions have been modelled using information received from the National Police Chiefs Council NPCC finance committee and are as follows: 2023/24 2%; 2024/25 2.5%; 2025/26 2%; 2026/27 2% .
- For the purposes of the MTFP it has been assumed that council tax precept increases will be 1.99% throughout the MTFP. It was assumed that the tax base will increase by 1.37% in 2022/23 and then increase by between 1.69% and 2.12% a year thereafter based on assumption that the economy will recover and therefore more people will be contributing to council tax with additional housing being built and brought into scope.

# Financial sustainability continued

## Saving Schemes

As part of the 2023/24 budget setting process, the PCC and the CC have undertaken a detailed review and prepared savings plans that can be achieved whilst striving to ensure that West Mercia Police can continue to meet the needs of their communities and keep people safe. The budget includes a detailed plan to achieve savings of £13.5 million, delivery of which will be closely monitored. As a result of this focus on monitoring and delivering savings plans, West Mercia Police has set a balanced budget, and is not reliant on reserves to balance its books ensuring its sustainability into the future.

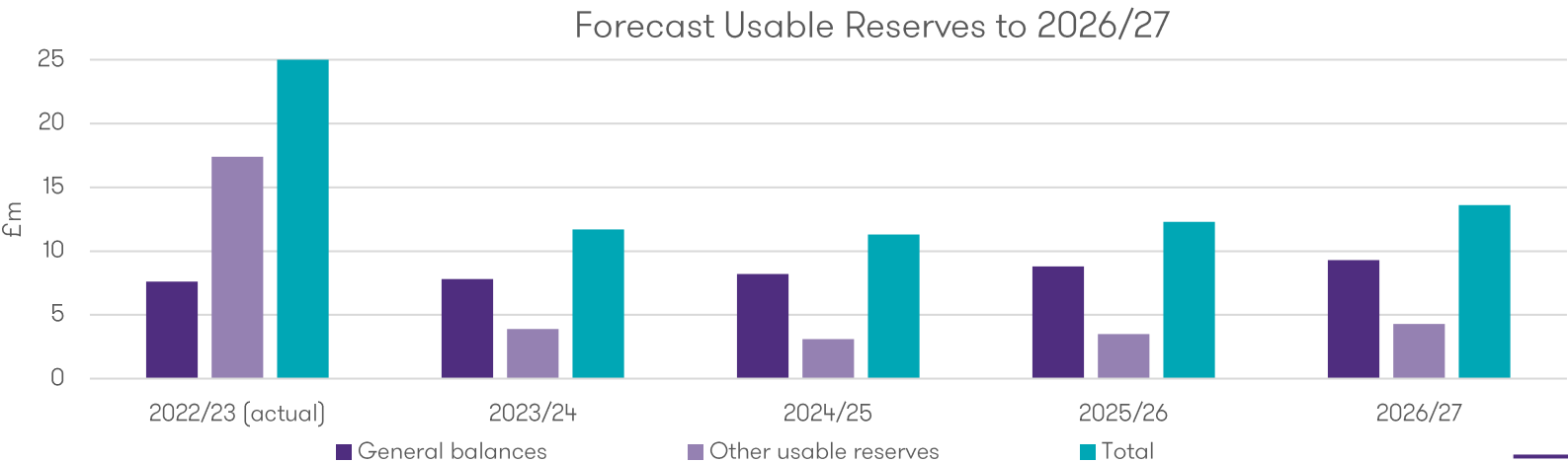
The Force has a reasonably good track record of savings delivery, although it has faced challenges to delivery as many forces have. The Force budgeted to deliver savings of £6 million in 2022/23 which were delivered. Delivery of these were monitored and reported through the quarterly Money Matters reports. All savings for 2023/24 have been identified within the budget. Stakeholders, including residents, are consulted during the development of savings plans in order to identify where needs are, helping to determine the overall plan and ensure that this is properly focussed. The PCC approves savings schemes through the budget report annually.

## Reserves

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

The Reserves Strategy to 2026/27 included in the MTFP projects total usable revenue reserves reducing year on year to £13.6 million by 31 March 2027, primarily due to the planned use of specific reserves in support of delivery of the MTFP over the medium term. We consider there are sufficient reserves to cushion the potential impact of slippage in the timing of the efficiencies being realised from the transformation programme. The underspend in 2022/23 has increased reserves balances assumed in the MTFP published in February 2023.

The below table illustrates the level of usable reserves in the draft accounts for 2022/23 and the reserves balances from 2023/24 to 2026/27 included in the MTFP.



# Financial sustainability continued

## Corporate Strategic Priorities – Capital Programme

The current capital programme reflects the priorities of the Commissioner in his Police and Crime Plan to fully transform and reform police activities, services and systems as quickly and effectively as possible. In particular it recognises the need to modernise ICT systems and further develop the estate to ensure that policing responds to changes in demand and the nature of crime as efficiently and effectively as possible. The PCC is planning significant capital investment of £84.9 million over the next four years, which is primarily funded from borrowing (£68.9 million). The budget for 2023/24 is £28.6 million which £26.2 million is funded by borrowing. Opportunities are being taken to deliver efficiencies and improvements to estates by working with partner agencies, including the Fire and Rescue Service in the building of the Redditch Joint Police and Fire Station.

A capital bidding process was implemented for the 2022/23 budget setting and further refined to align more closely with PCC and Force strategic objectives for 2023/24 budget setting. As part of this capital bid documents are prepared which are required to set out the reason for, benefits of, and costs of the capital project along with how the project meets PCC and Force strategic objectives and the cost profile over the life of the project. The Financial Accounting team review the bids for reasonableness and prepare a summary of the capital bids along with the total cost, including financing costs for review by the Chief Constable and their management team. They review the capital bids to ensure it meets the 'Plan on a Page' priorities, but also is within the financial constraints of West Mercia Police. The Chief Constable presents the capital plan to the Police and Crime Commissioner, Treasurer and Chief Executive in November, which then receives final approval prior to the commencement of the financial year.

## Financial plan – consistency with other key strategies such as workforce the key revenue cost driver

The workforce plan is reflected in the budget build document. Detailed costings are used based on numbers of staff and individual grades and related pay rates. Recruitment and attrition is considered as part of the budget planning for pay.

## Arrangements for incorporating risks into financial plans

The risk registers in place for both the PCC and CC detail and outline the identified financial risks. These registers are reviewed by the Joint Audit and Standards Committee (JASC) routinely for appropriate challenge. The risks are discussed amongst Executive Managers on a quarterly basis, both internally and externally via JASC meetings. The risks are also reported to the Governance Board. The risks are considered when preparing budgets and are considered as individual specific risks on a qualitative basis.

The MTFP sets out risks to financial resilience and mitigation for these, both through the level of the general fund reserve, and also by the provision of specific earmarked reserves whose purpose is to mitigate specific risks or to meet planned expenditure such as capital. We have commented on reserves on page 10.

These are documented in the "Treasurer's Statement on the Soundness of the Budget and the Adequacy of Reserves" within the budget setting report.

# Financial Governance

## Annual Budget Setting Process and Budgetary Control

The annual budget and MTFP are developed in parallel each year. We have considered financial plans for 2022/23 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. Once the final budget is signed off by the PCC, budget holders are provided with details of their budget and the responsibilities of budget ownership. Budget holders are required to sign the budget memorandum to indicate acceptance of their budget and acknowledgement of their responsibilities.

The PCC and CC share a responsibility to identify and agree, in consultation with partners and stakeholders, a medium-term financial plan which includes funding and spending plans for both revenue and capital. Consultation with residents and communities of West Mercia to understand their priorities for policing was achieved through attendance at engagement events, a public survey running from April to July 2022, then December 2022 to January 2023.

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 CC and PCC to review and adjust their budget targets during the financial year. Accurate timely profiled financial monitoring reports are provided to budget holders each month and there is regular engagement between Finance and budget holders to review financial performance. Actions are identified to address adverse variances.

Money Matters (MM) Reports are produced each quarter. These include revenue budget executive summary, revenue budget detailed analysis, capital programme position for the year and plans for the remainder of the MTFP, and review of reserves. MM Reports also capture non-financial information. They include context and narrative in relation to the variances in the budget.


MM Reports clearly focus on recommendations that require the PCC to make a decision and provide robust assessments of the final outturn that in turn underpins appropriate decisions. For example, the decision to transfer £6.8 million of the 2022/23 underspend of £7.6 million to reserves to strengthen financial resilience in the medium term.

Overall, we found that there are adequate arrangements in place pertaining to the annual budget setting process and ongoing budgetary control.





# Improvement recommendations

Improvement Recommendation 1	The OPCC and Force should continue to investigate large variances between budget and outturn across capital and revenue to inform future budget setting and in particular the anticipated timing of capital expenditure to ensure these remain appropriate.
Improvement opportunity identified	Budget planning should be informed by current year outturn forecasting to mitigate against unexpected under or overspend in future years or significant slippage in the capital programme. If the drivers of underspend are not reflected in budget planning, this could result in decisions being made based on inaccurate information. Mitigations may be required to address delays in the capital programme for example to ensure current accommodation and fleet remains fit for purpose and interim arrangements put in place where necessary
Summary findings	For the financial year 2022/23 the PCC and CC achieved an overall underspend on revenue budget of £7.6 million. Whilst this was welcome to address budget pressures and enhance reserves to strengthen future financial resilience, it demonstrates that the budgeting of revenue spend was not sufficiently robust. The forecast underspend for 2023/24 is not as significant being £1.3 million indicating improvement in budgeting revenue spend. Capital expenditure for the 2022/23 was underspent by £18.6 million against budget. The forecast underspend for 2023/24 is not as significant being £4.7 million. Whilst the reasons for the underspend are understood and the outturn in 2022/23 reflected in year forecasting, it represents significant slippage in delivery of the capital programme. Slippage in the capital programme can impact on the revenue budget for example, resulting in lower capital financing costs. It may also impact service delivery although impact is monitored and addressed, for example by the Estates Governance Board.
Criteria impacted	 Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	

Progressing the actions management has identified to address the recommendations made will support the PCC and CC in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

# Governance



## We considered how the PCC and CC:

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

## Overview of governance arrangements

The OPCC and Force have established effective governance arrangements around financial oversight, risk management and review. Our work has not identified any risks of significant weakness in arrangements with regards to governance.

## Risk management

There is a PCC risk register as well as a separate Force risk register. These set out the strategic risks identified, the mitigating actions that have been put in place to manage that risk and an assessment of the current risk. The risk registers are up to date and reviewed on a regular basis. The risks are routinely discussed amongst OPCC managers, executive managers and the Chief Officers on a regular basis. They are also reported to the Joint Audit and Standards Committee. These arrangements are as we would expect, and the risks identified are in line with our expectations for the organisations and the sector.

## Informed decision making including the Joint Audit and Standards Committee (JASC)

Our attendance at JASC meetings confirms that members receive sufficient assurance to enable the Committee to assess whether internal controls have operated as expected.

There is an effective internal audit function in place to monitor internal controls. Internal audit (IA) services are undertaken by Warwickshire County Council (WCC). The last external assessment completed in 2023 concluded WCC IA services fully comply with Public Sector Internal Audit Standards.

The IA plan is set annually and progress against it is regularly monitored and also reported to JASC at each meeting. Regular update and review meetings occur between the chief finance officers and IA to manage and monitor progress during the year.

# Governance continued

## Informed decision making including the JASC continued

The Internal Audit Annual Report & Head of Internal Audit Opinion 2022/23 reports that 36 recommendations were raised during the year. Of these 13 (36%) are overdue for implementation as at 31 March 2023 with seven of these being overdue for six months plus - none of these risks are rated “fundamental” (high risk). JASC monitors progress with implementation of recommendations at each meeting.

The overall assurance level for the period 1st April 2022 to 31 March 2023 is “moderate assurance” that the significant risks facing the PCC’s and CC’s respective organisations are addressed. Moderate assurance is classed as a positive view of assurance. As such, there are no significant gaps in internal controls identified from Internal Audit’s programme of work.

The Force’s meeting structure ensures that papers and business cases etc are routed through the appropriate meetings for scrutiny, challenge and agreement before being presented for approval by the CC and the PCC.

The PCC and CC’s performance against key governance metrics is set out in the table below.

It illustrates that no control deficiencies were identified in the Annual Governance Statements for 2021/22 or 2022/23.

	2022/23	2021/22
Annual Governance Statement (control deficiencies)	0	0
Head of Internal Audit opinion	Moderate assurance	Moderate assurance

# Governance continued

## Standards and behaviours

There are various policies and procedures in place which monitor and ensure compliance with legislation and regulatory standards. The public websites for the PCC and for the Force has a section with a list of policies, which include all key policies that we would expect to see. The Joint Audit and Standards Committee consider standards compliance as part of their remit. No significant issues have been noted for the 2022/23 year.

The PCC and CC have in place a Code of Conduct for staff relevant to all staff and a Whistleblowing Policy with related procedures. All officers, staff and special constables are required to complete an annual integrity health check covering areas such as Code of Ethics, Business Interests, Notifiable Associations, Gifts Gratuities and Hospitality, Systems Misuse, Drug and Alcohol misuse, Vetting (change of circumstances) and Unmanageable Debt.

Alongside this registers of interests, gifts and hospitality are maintained. Our review of these confirmed that the registers and declarations are up to date.

We also confirmed that vetting for serving police officers was up to date as at March 2023.





# Improving economy, efficiency and effectiveness



## We considered how the PCC and CC:

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

## Overview of arrangements for improving economy, efficiency and effectiveness

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

## Use of financial and performance information to assess performance and identify improvement

Quarterly Performance reports linked to the PCC's Police and Crime Plan "A Safer West Mercia" are produced for West Mercia's Police and Crime Panel to scrutinise. Details of performance (including financial) and activity is provided against the four key objectives of the plan: putting victims and survivors first; building a more secure West Mercia; reforming West Mercia; and reassuring West Mercia. This provides assurance to the panel of ongoing delivery of the plan. The PCC publishes an Annual Report which details performance against the Police and Crime. The annual report also states the action the PCC will take during 23/24 to keep performance on track/improve it.

West Mercia Police Quarterly Performance Reports are used to report against the agreed metrics, focusing on key areas for each quarter. These are published on the PCC's website. The purpose of these reports is to inform force wide performance, particularly in relation to force priorities and key practices. The report focuses on Gold level Key Performance Indicators and are constantly refined to ensure that they reflect the key areas of performance. KPIs in the reports include areas such as key crimes (violence with injury, rape, robbery, residential burglary, business and community burglary, vehicle offences, domestic abuse); public confidence; emergency response times; 999 performance; road safety; crime and detections; domestic abuse.

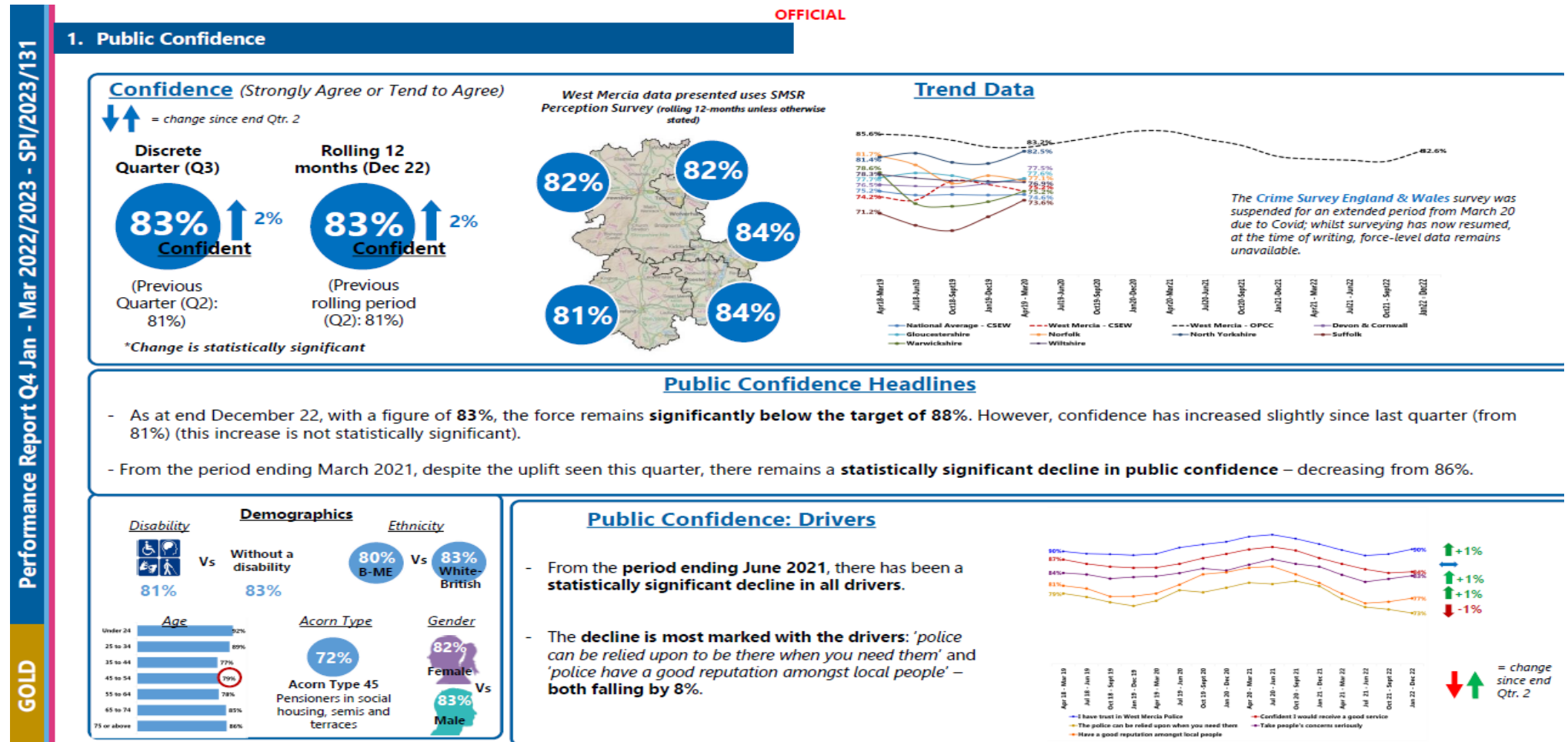
The reports identify areas where the force has performed well, and also those areas where performance could be improved. The reports also include both internal benchmarking (across different West Mercia Police areas - North Worcestershire, South Worcestershire, Herefordshire, Shropshire, and Telford and Wrekin) and also compared to Most Similar Force Group (MSG) average and individual Forces in the MSG. Trend data is also included so improvements/decline in performance can be identified facilitating focus on these areas.

An extract from the Quarterly Performance Report for quarter 4 2022/23 is provided overleaf.

# Improving economy, efficiency and effectiveness continued

Use of financial and performance information to assess performance and identify improvement continued

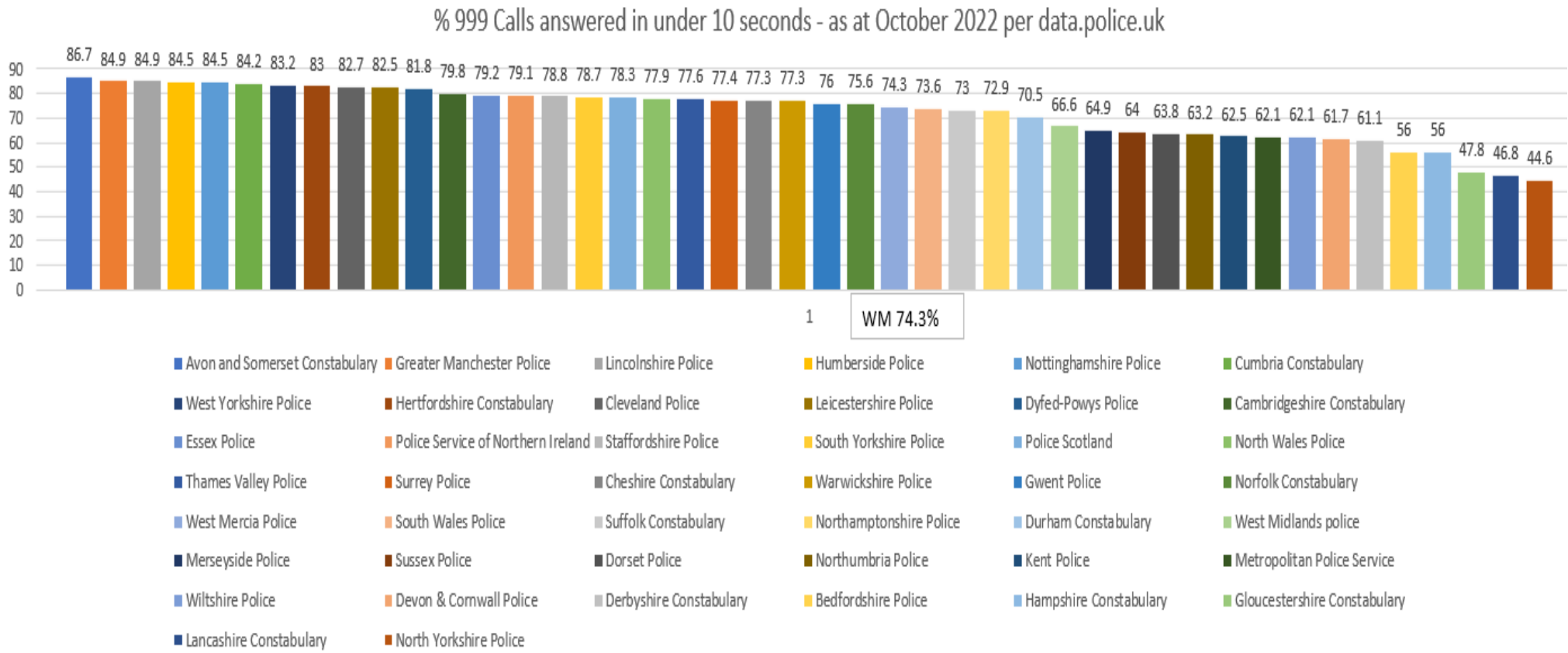
The below illustration from West Mercia Police's Quarter Four 2022/23 Performance Report demonstrates the use of performance data to identify trends and areas for improvement:



# Improving economy, efficiency and effectiveness continued

Use of financial and performance information to assess performance and identify improvement continued

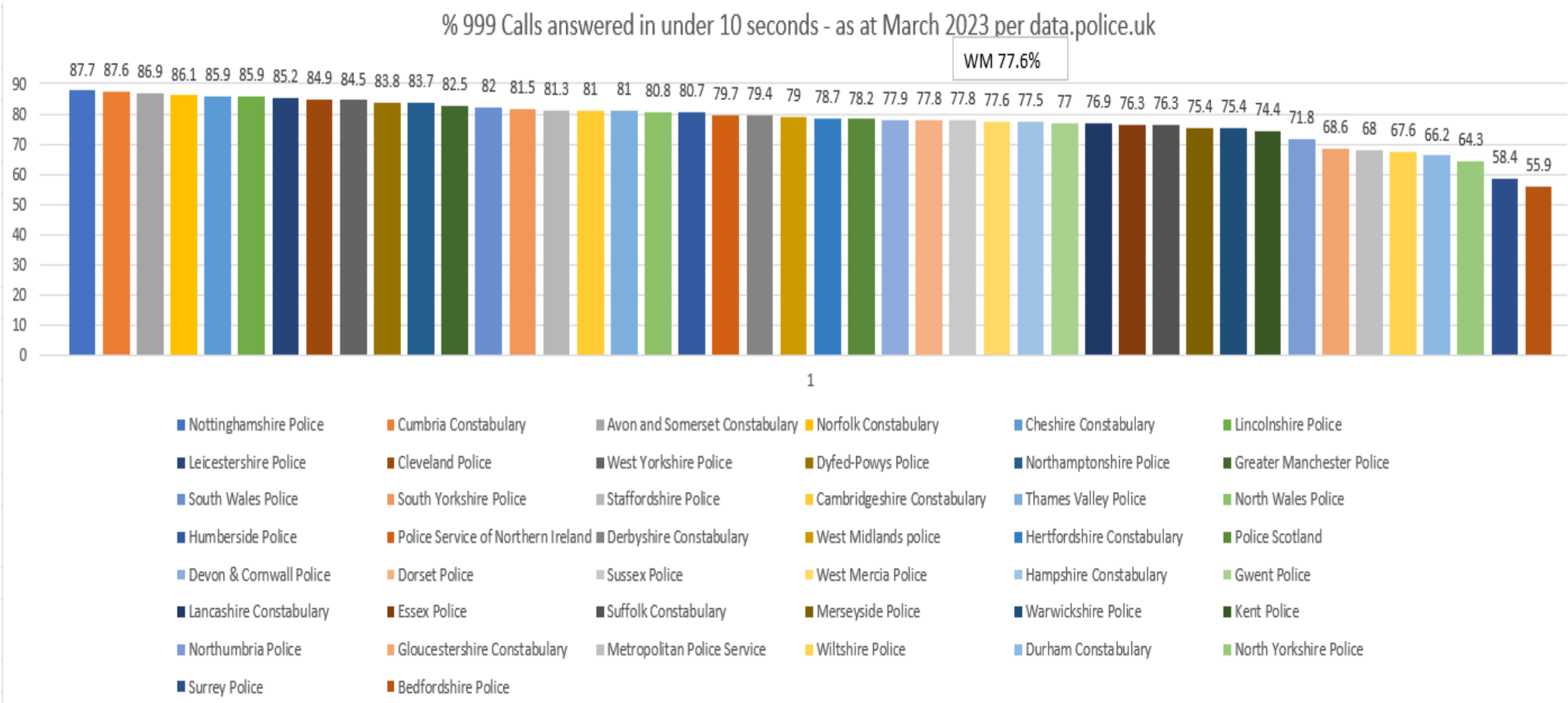
The charts below and overleaf taken from data from police.uk, shows that actions taken by West Mercia Police to improve performance in the % of 999 calls answered in less than 10 seconds is having a positive impact. Performance at October 2022 was 74.3% and this had improved to 77.6% as at March 2023. Work continues to improve performance further.



# Improving economy, efficiency and effectiveness continued


Use of financial and performance information to assess performance and identify improvement continued

March 2023 call handling performance





# Improving economy, efficiency and effectiveness



HMICFRS

His Majesty’s Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) independently assesses the effectiveness and efficiency of police forces and fire and rescue services in the public interest.

They:

- Inspect and monitor the 43 territorial police forces in England and Wales reporting on their effectiveness, efficiency and legitimacy via PEEL assessments
- Work with other inspectorates within criminal justice and more broadly to address problems involving more than one agency. For example, the programme of police custody inspections with the Care Quality Commission [CQC]
- Assess and report on the efficiency, effectiveness and people of the 44 fire and rescue services in England.

External Auditors consider the outcome of PEEL assessments when performing our VFM work. Particularly in assessing Police Bodies’ arrangements to assess performance and identify areas for improvement in outcomes.

## Responding to His Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) PEEL Report

We have not identified any weaknesses in the Force’s arrangements to put in place improvements following HMICFRS PEEL inspections.

HMICFRS published its latest PEEL inspection report for West Mercia Police in April 2022. West Mercia Police has made adequate progress in responding to the inspection findings.

As shown in the illustration below, HMICFRS graded the Force as Good in 1/8 graded areas of policing, Adequate in 4/8 graded areas of policing; and Requires Improvement in 3/8 areas. No areas were rated as inadequate. The report identified one area of innovation regarding the force’s approach to early intervention and prevention. This contributed to the grading of Good within the inspection area of preventing crime and anti-social behaviour.

The PEEL report raised one cause of concern with two related recommendations. There were also 16 Areas for Improvement (AFI) identified. HMICFRS revisited the Force in July 2023 to assess progress being made to address the cause of concern. It found that one of the recommendations had been met with the other not fully met, although positive progress was acknowledged. The cause of concern remained due to improvement still being required. The Force is not in HMICFRS ‘Engage’ enhanced monitoring status meaning that HMICFRS does not consider that the Force is not responding to the cause of concern, or that the Force is not succeeding in managing, mitigating or eradicating the cause of concern.

Progress in responding to the cause of concern recommendations and AFIs is monitored and overseen by the Deputy Chief Constable at the Service Improvement Board, with progress being reported to the Joint Audit and Standards Committee. The PEEL recommendations tracker considered by the Service Improvement Board is demonstrating adequate ongoing progress in addressing the recommendations with no areas RAG rated as red.

Outstanding	Good	Adequate	Requires improvement	Inadequate
	Preventing crime	Treatment of the public	Investigating crime	
		Protecting vulnerable people	Responding to the public	
		Managing offenders	Good use of resources	
		Developing a positive workplace		

# Improving economy, efficiency and effectiveness continued

## Partnership working and engagement with key stakeholders

The PCC and Force work effectively in partnership to deliver the Police and Crime Plan and strategic policing requirement.

Examples of this include West Mercia Police being part of the West Midlands Regional Organised Crime Unit (WMROCU) which is an operational collaboration between the police forces of Staffordshire, West Mercia, West Midlands and West Mercia to fight organised crime across the region.

HMICFRS' PEEL report published in April 2022 reflects the positive impact of partnership working by the Force. For example, HMICFRS reported that the Force's approach to early intervention and prevention, including partnership working is innovative. The report states that the Force has three partnership analysts funded by the PCC. The analysts provide analytical support to the community safety partnerships which ensures effective data and information sharing with other organisations to inform multi-agency activities.

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

## Commissioning and procurement

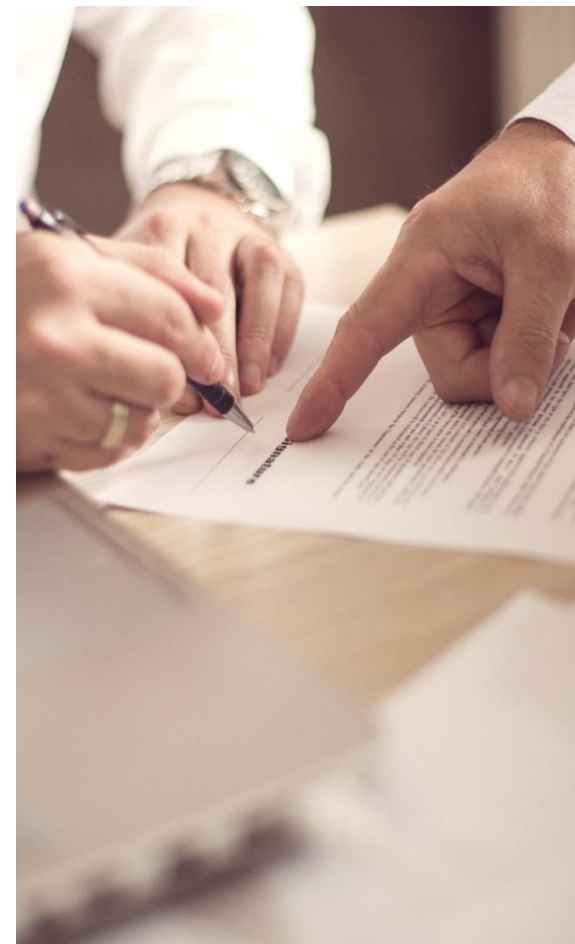
The Force has a Contracts and Procurement Strategy in place covering the period 2020-2023. This sets out the five levers the Force uses in its commissioning and procurement to become a more commercially focussed and financially sustainable organisation. These five levers are:

- Performance culture;
- Responsibility;
- Collaboration, knowledge and innovation;
- Governance and compliance; and
- Empowering workforce.

During our work we have not identified any evidence of a failure to meet the requirements of the Contracts and Procurement Strategy.

The overall approach for procurements is that they will follow the financial regulations for procurement. The Contracts and Procurement Team ("Team") monitors the performance of key service providers meeting regularly with them to discuss performance. The Team also monitors procurements savings monthly as required by Policing UK. Procurement savings of £2.7 million were achieved in the period 2022/23.

The Team also produces monthly reports describing its activity, savings achieved, and performance against the Contract and Procurement Strategy's key objectives. Review of this evidenced broad ongoing achievement of key objectives with actions articulated where further progress is required.



# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The Force should investigate the reasons behind the large variances between budget and outturn across both Capital and Revenue to determine if future budget setting is appropriate.	Improvement	March 2023	Our work confirmed that the forecast underspends for both revenue and capital are less significant for 2023/24. We consider that underspends should continue to be monitored particularly for capital.	Ongoing	We have re-raised this recommendation to ensure budget variances continue to be monitored.

# Opinion on the financial statements



## Grant Thornton provides an independent opinion on whether the PCC and CC's financial statements:

- give a true and fair view of the financial position of the PCC and CC as at 31 March 2023 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23.

We conducted our audit in accordance with:

- International Standards on Auditing (UK);
- the Code of Audit Practice (2020) published by the National Audit Office; and
- applicable law.

We are independent of the PCC and CC in accordance with applicable ethical requirements, including the Financial Reporting PCC and CC's Ethical Standard.

## Audit opinion on the financial statements

We issued an unqualified opinion on the PCC and CC's financial statements on **xx January 2024**. This was after the 30 September 2023 due to the ongoing and well-documented challenges within the local audit market.

The full opinion is included in the PCC and CC's Annual Report for 2022/23, which can be obtained from the PCC and CC's website.

More detailed findings are set out in our Audit Findings Report, which was presented to the PCC and CC's Joint Audit and Standards Committee on 23 January 2024. Requests for this Audit Findings Report should be directed to the PCC and CC.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Service's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office. West Mercia PCC and Chief Constable were below the audit threshold and so detailed work was not required.





# Appendices

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

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

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

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

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

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

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



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

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As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the PCC and CC's arrangements for securing economy, efficiency and effectiveness in their use of resources that we needed to perform further procedures on. We did not identify any risks of significant weakness, therefore there were no areas where we needed to perform further procedures.

# Appendix C – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the PCC and CC under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the PCC and CC. We have defined these recommendations as ‘key recommendations’.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the PCC and CC, but are not a result of identifying significant weaknesses in the PCC and CC’s arrangements.	Yes	13

