

Annual Governance Statement

The Accounts and Audit Regulations 2015 require an Annual Governance Statement (AGS) to be published along with the annual statement of accounts and a narrative statement that sets out financial performance and economy, efficiency and effectiveness in its use of resources.

This statement is prepared in accordance with the CIPFA/SOLACE Good Governance: Framework and explains how the Police and Crime Commissioner for Northumbria's (PCC) has complied with this framework and meets the statutory requirements of regulations.

Scope of Responsibility

The Police Reform and Social Responsibility (PRSR) Act 2011 sets out the accountability and governance arrangements for police and crime. The Act establishes both the PCC and the Chief Constable as 'corporations sole'. This means each is a separate legal entity, though the Chief Constable is accountable to the PCC. Both the PCC and Chief Constable are subject to the Accounts and Audit Regulations 2015 and as such both have to prepare a set of accounts in accordance with the Code of Practice on Local Authority Accounting and an Annual Governance Statement and are subject to audit.

This statement covers the PCC's own office and the group position of the PCC and the Chief Constable. The PCC and Chief Constable share most core systems of control including the finance systems, internal policies and processes, the Chief Finance Officer (CFO), internal audit and a Joint Independent Audit Committee (JIAC). Under the PCC's Governance Framework, most of the staff, officers and systems deployed in the systems of internal control are under the direction and control of the Chief Constable. The PCC has oversight and scrutiny of the Chief Constable's delivery including governance, risk management and systems of internal control.

The Chief Constable is responsible for the direction and control of the Force. In discharging this function, the Chief Constable supports the PCC in ensuring their business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The PCC therefore places reliance on the Chief Constable to deliver and support the governance and risk management processes and the framework described in this statement.

The Chief Constable is also responsible for putting in place proper arrangements for the governance of the Force and ensuring that these arrangements comply with the PCC's Governance Framework. In so doing the Chief Constable is ensuring a sound system of internal control is maintained throughout the year and that appropriate arrangements are in place for the management of risk.

The Chief Constable and PCC have adopted corporate governance principles which are consistent with the principles of the CIPFA/SOLACE Good Governance: Framework.

The PRSR Act 2011 requires the PCC and Chief Constable to each appoint a Chief Finance Officer (CFO) with defined responsibilities and powers. The Chartered Institute of Finance and Accountancy (CIPFA) Statement on the Role of the CFO appointed by the PCC and the CFO appointed by the Chief Constable gives detailed advice on how to apply CIPFA's overarching Public Services Statement. The revised 2014 Statement states:

"That both the PCC and Chief Constable appoint separate CFOs, where under existing arrangements a joint CFO has been appointed the reasons should be explained publicly in the authority's AGS, together with an explanation of how this arrangement delivers the same impact."

The PCC and the Chief Constable agreed to appoint a joint CFO for both corporate bodies. The reasoning was that a joint CFO role would provide both the PCC and Chief Constable with a single efficient, effective and economic financial management lead. The appointment to the joint role was approved by the independent Northumbria Police and Crime Panel at their confirmation meeting held on 29th March 2013. However, the panel raised concerns at the potential for a conflict of interest to arise with the joint role and stressed the need, especially with the Section 151 responsibilities, to advise the PCC and Chief Constable of any such conflicts at an early stage. The panel also stated that they expect the CFO to act in accordance with the requirements, standards and controls as set out in the CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable (the CIPFA Statement).

As part of the AGS assurance review an assessment to the latest CIPFA Statement (2014) has been completed and reviewed by the Joint Independent Audit Committee. It confirms that the role is complying with the requirements of the Statement. The PCC and the Chief Constable are also satisfied that the role is working efficiently, that the responsibilities set out in the Scheme of Governance are being completed effectively and that potential conflicts are subject to continuous review.

The Governance Framework

The governance framework in place throughout the 2015/16 financial year covers the period from 1 April 2015 to 31 March 2016 and up to the date of approval of the annual Statement of Accounts.

The framework is known as the PCC's Scheme of Governance and it comprises the systems, processes, culture and values by which the PCC operates. It enables the PCC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services which provide value for money which is a duty under the Local Government Act 1999.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot, however, eliminate all risk of failure to achieve aims and objectives and therefore only provides reasonable and not absolute assurance of effectiveness. The system of internal control is an on-going process designed to identify and prioritise the risks to achieving the PCC's and Chief Constable's aims and objectives, evaluate the likelihood and impact of those risks being realised and manage them effectively, efficiently and economically.

A copy of the Governance Framework is available on the PCC website at <https://goo.gl/rwZkEB> (This is a shortened URL that will take you to the document on our website).

Although the Chief Constable is responsible for operational policing matters, direction of police personnel and making proper arrangements for the governance of the Force, the PCC is required to hold the post holder, and those under their direction and control, to account for the exercise of those functions. The PCC must therefore satisfy itself that the Force has appropriate mechanisms in place for the maintenance of good governance and that these operate in practice.

This statement provides a summary of the extent to which the Chief Constable is supporting the aspirations set out in the PCC's Governance Framework. It is informed by assurances on the principles set out in the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government (Guidance Notes for Police Authorities 2012 Edition) where the Chief Constable has responsibility, and by on-going internal and external audit and inspection opinions.

The PCC's six principles of good governance are:

1. Focusing on the purpose of the PCC, on the outcomes for the community and creating and implementing a vision for the local area.
2. Ensuring the PCC, officers of the PCC and partners work together to achieve a common purpose with clearly defined functions and roles.
3. Good conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and risk management.
5. Developing the capacity and capability of the PCC and officers to the PCC to be effective.
6. Engaging with local people and other stakeholders to ensure robust public accountability.

Focusing on the Purpose of the Force and on Outcomes for the Community, and Creating and Implementing a Vision for the Local Area

The purpose, vision, values, priorities and strategic objectives of the PCC are developed in consultation with the Chief Constable. These are set out in the PCC's Police and Crime Plan 2013-18. This is set around the five local police and crime objectives of:

- Putting victims first
- Dealing with anti-social behaviour
- Domestic and sexual abuse
- Reducing Crime
- Community Confidence

The Plan also aims to support national policing priorities as set out in the Strategic Policing Requirement.

Delivery of the Police and Crime Plan is the responsibility of the Chief Constable. Performance is monitored at the Strategic Management Board. The OPCC Chief Executive attends and scrutinises progress. In addition, fortnightly Joint Business Meetings manage progress on specific issues. At these meetings the PCC and CC challenge performance where there are concerns, seek further information and analysis to understand where changes should be made to improve service delivery or ensure that officers and staff receive training that they need.

The performance management framework, whilst supporting delivery of the plan is refreshed annually to ensure that it focuses on emerging priority area needs and in particular the needs of victims of crime and the vulnerable within our communities.

In February Northumbria received Her Majesty's Inspectorate of Constabulary (HMIC) PEEL inspections findings and these can be accessed at <https://www.justiceinspectors.gov.uk/hmic/>. The PCC and CC were pleased overall, but not complacent. In Northumbria we want to keep raising the bar, making improvements and developing the talent making sure we are suitably equipped to take the force into the future.

HMIC identified Northumbria Police as one of the top performing forces in England and Wales when it comes to supporting vulnerable people, their report judged the force as being 'good' at protecting from harm those who are vulnerable and supporting

victims. Out of the 43 forces in England and Wales we were 1 of only 12 judged as being 'good'.

Regular monitoring meetings to ensure effective delivery of the Police and Crime Plan include the quarterly budget meeting with the Chief Finance Officer, and fortnightly Joint Business Meetings to manage progress on specific issues.

The PCC and the CC will ensure that the resources available to Northumbria Police are used in the most effective manner and that the funding settlement from the government meets the needs of local communities. The PCC lobbied the government who were reviewing the funding formula to ensure Northumbria Police funding levels reflect the needs of our communities and will continue to do so in the future.

Despite savings of £108.1m since 2010 the PCC has worked to maintain the service provided to local people and approved a balanced budget for 2015/16 with a 1.99% increase in the council tax precept. Further savings have been identified along with the use of reserves to balance the budget for the next four years. A budget surplus was identified during 2015/16 and this will be used to support the MTFS.

Ensuring the Police Force and Partners Work Together to Achieve a Common Purpose with Clearly Defined Functions and Roles

The PCC's Governance Framework sets out the roles of both the Chief Constable and PCC, are clearly defined and demonstrate how we work together to ensure effective governance and internal control.

The PCC works closely with all six local authorities in the force area and understands the needs in each area from that of the night time economy in our city centres to the policing needs in rural communities. Northumbria Police work with a range of partners and are represented on partnerships that focus on policing and crime including community safety partnerships. They are also members of local safeguarding children's boards that work to ensure the safety and wellbeing of children in the area.

A Service Level agreement between the PCC and the CC exists. This agreement identifies the services that will be shared in order to best fulfil the duties and responsibilities of each in an efficient and effective way. This arrangement will ensure that Northumbria Police remain focussed and dedicated to ensuring that they continue to deliver the priorities as set out in the Police and Crime Plan whilst supporting the PCC in her responsibilities to maintain a strategic overview and to undertake her scrutiny and public consultation role.

Collaboration between forces and other partners is a growing area of business. Governance arrangements are set out in formal collaboration agreements and these are published on the OPCC website. Section 23E of the Police Act 1996 (which itself comes from **section 5 the Policing and Crime Act 2009**) places on the Police and Crime Commissioner and the Chief Constable a duty to publish copies of collaboration agreements to which they are party.

Promoting Values of Good Governance Through Upholding High Standards of Conduct and Behaviour

The PCC has a comprehensive website that includes:

- Information about the PCC and her office as required by the Specified information Order 2011.
- A Code of Conduct based on the Seven Principles of Public Life published by the Nolan Committee, signed by the PCC.
- The PCC's disclosure of interest document which is updated annually.

- In preparation for the PCC Election in 2016 an 'Election Pack' with information for prospective PCC candidates about Northumbria Police and the OPCC.
- An 'Ethical Checklist' signed by the PCC prior to election committing to standards required by the Committee for Standards in Public Life.
- A register of the PCC's and the OPCC gifts and hospitality and business expenses.

In accordance with the Elected Local Policing Bodies (Complaints and Misconduct) Regulations 2012, the Police and Crime Panel (PCP) will investigate any complaints about the PCC. The Panel agreed on 6th February 2013 a complaints procedure and determined that any complaints about the PCC will be dealt with, in the first instance, by the Chief Executive and Monitoring Officer of the PCC. A report is provided quarterly to the Police and Crime Panel, the board established to oversee the work of the PCC. Since November 2012 the reports have noted that there have been no complaints against the PCC that have been upheld.

The PCC is also responsible for scrutinising the work of Northumbria Police in relation to complaints and conduct matters as well complying with the requirements of the Independent Police Complaints Commission. The PCC role only allows her to carry out investigations into complaints against the Chief Constable.

As part of her scrutiny role the PCC carries out an annual exercise to review IPCC 'upheld complaints', these are complaints to Northumbria Police, where the complainant has subsequently appealed or disagreed with the outcome and the IPCC have upheld this complaint. The PCC also operates an independent complaints scrutiny panel that looks at upheld complaints made against the Force looking for lessons learned to improve future practices.

Taking Informed and Transparent Decisions Which are Subject to Effective Scrutiny and Risk Management

The core purpose of good governance in public services is to ensure public bodies take informed, transparent decisions and manage risk, the PCC has a [Decision Making and Recording Policy](#) that supports these principles. All key decisions that have significant public interest regarding policing, crime and community safety in Northumbria are published on the OPCC website. This ensures trust and confidence in Northumbria Police. To ensure that this fair and effective decision making is carried out in a timely manner decisions are discussed at weekly management meetings.

Over the last year a number of significant decisions have been made regarding the estate of Northumbria Police. An example of this is the decisions made around the police estate resulting in significant savings. Each decision is subject to formal agreement by the Police and Crime Commissioner based on an options appraisal and taking into account value for money considerations.

For example:

A shift has been made from ownership of property to leasing resulting in the sale of a number of properties that will result in over £31m of capital receipts and generate annual savings approaching £2.8m when the programme is completed.

This has also resulted in police officers, who are the eyes and ears of the community, being relocated into more accessible locations such as the White Swan Centre in Killingworth. This has allowed all savings to be invested in policing.

The Police Reform & Social Responsibility Act 2011 led to the formation of the PCP to oversee the work of and support the PCC in the effective exercise of functions. The Panel is comprised of twelve local authority councillors, two from each of the six authorities in the Northumbria policing area, and two independent members. A Relationship Protocol between the PCC, Chief Constable and the PCP is in place and this sets out the mutual expectations and responsibilities needed to promote and enhance local policing through effective working relationships of all parties.

The JIAC of the PCC and Chief Constable was established during 2012/13 in line with the requirements of the Home Office's Financial Management Code of Practice and monitors internal control, risk and governance issues relating to both the PCC and Force. This JIAC receives reports of both the internal and external auditors, as well as any other reports required to be referred to it under its established Terms of Reference.

The PCC and Chief Constable share a Joint Strategic Risk Register which has been designed to ensure the effective management of strategic risk. Each strategic risk is assigned to a Chief Officer and OPCC owner who has responsibility for the management of controls and the implementation of new controls where necessary. The register is monitored by the Chief Constable's Executive Board and the monthly SMB that is attended by the PCC, Chief Constable and Northumbria Police senior management.

The JIAC are a major contributor to the Strategic Risk Register and the register is monitored quarterly at both the joint PCC and CC Governance Monitoring Group and the JIAC. All meetings of the JIAC are public and agendas and minutes are published on the PCC website. Independent Members of the Board are volunteers from the local community.

Developing the Capacity and Capability of Officers of the Force to be Effective

The PCC operates a Performance Development Review (PDR) process and through this process it is able to ensure that corporate values are reinforced and promoted. The Chief Constable and members of the PCC staff have individual objectives which underpin and support the performance of the local policing area, their work and their own personal development.

The Chief Constables Proud Vision is developing the capability of the force as one element. The Chief Constable launched the Proud to Protect vision in 2015. The vision is supported by the Force mission to serve the communities of Northumbria with pride – proud of what we do and proud of who we are. Proud to Serve sets out our service values and support for the Code of Ethics. Proud of our People sets out the expectations of our officers and staff. Proud to Improve on how we will do differently and Proud to Lead on how we lead, empower and welcome the view of others. Further work is currently on going driven by the Programme of Change to further embed the values that underpin the 'Proud to Protect' vision. e.g. the Proud To Lead campaign designed to inspire, empower and raise the standards of leadership across all ranks and grades within the organisation.

This year changes have been made to the force structure including a reduction in senior staff and to meet the changing needs of communities the introduction of a Safeguarding Team that specifically coordinates the response and delivery of policing services to the most vulnerable members of our communities.

In response to the introduction of the new coercive control legislation, which means that the CPS can bring charges where there is evidence of repeated, or continuous, controlling or

coercive behaviour within an intimate or family relationship, all police officers in Northumbria have been trained to understand the complex and damaging nature of coercive control. This is one of many training packages delivered to Northumbria police officers and staff during the year.

Engaging with local people and other stakeholders to ensure robust public accountability

The PCC has operated a comprehensive engagement program during 2015/16 with local, regional and national representation and engagement via the press and through active social media channels and numerous meetings with community groups.

An annual report provides an overview of the Commissioners activity over the year and is available on the OPCC website www.northumbria-pcc.gov.uk.

Through these engagement channels with local communities the PCC can ensure that the service provided reflects the changing needs of local communities.

During the year the PCC went out personally to meet police officers from different ranks and geographic locations across Northumbria. She listened to what said about the service they provide what they think is good and how it can be improved and talked to the Chief Constable about her findings.

From April 2015 the PCC is responsible for commissioning services for victims of crime in Northumbria. To do this a core referral and assessment service has been commissioned from [Victims First Northumbria](#) providing emotional and practical support to all victims of crime. In addition, an assessment of the needs of victims of crime identified the predominant profile of vulnerable victims in Northumbria and those most likely to have specialist additional needs to cope and recover, these are categorised into four key victims groups:

- Victims of domestic abuse
- Victims under 18
- Victims of hate crime
- Victims with mental health needs and those who are vulnerable due to risk of abuse or repeat victimisation

Additional services have been commissioned across Northumbria to support these victims of crime

Value for Money and Reliable Financial and Performance Statements are Reported and Internal Financial Controls Followed

Financial control involves the existence of a control structure which ensures that all resources are used as efficiently and effectively as possible to attain the Chief Constable's and PCC's overall objectives and targets. Internal financial control systems are in place to minimize the risk of loss, unlawful expenditure or poor value for money, and to maximize the use of those assets and resources.

The Internal Audit Service, provided under an agreement with Gateshead Council, is required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the PCC and Chief Constable's resources. This is achieved through the delivery of a risk based annual audit plan which is monitored by the JIAC on a quarterly basis. The Chief Internal Auditor also prepares an annual report based on the work of the Internal Audit Service which provides an independent and objective opinion on the internal control, governance and risk environments of the PCC and Chief Constable based on the work undertaken by the Internal Audit Service throughout 2015/16.

The financial management and performance reporting framework follows national and/or professional best practice and its key elements are set out below:

- Financial Regulations establish the principles of financial control. They are designed to ensure that the PCC conducts its financial affairs in a way which complies with statutory provision and reflects best professional practice. Contract Standing Orders set out the rules to be followed in respect of contracts for the supply of goods and services;
- Responsibility and accountability for resources rest with managers who are responsible for service provision;
- The PCC has adopted the CIPFA Code of Practice on Treasury Management requiring the PCC to consider, approve and publish an annual treasury management strategy including an annual investment strategy;
- In accordance with the Prudential Code and proper accounting practice the Chief Constable and PCC produce a four year Medium Term Financial Strategy (MTFS), capital programme and prudential indicators. These are reviewed on an on-going basis and form the core of resource planning, setting the precept level, the annual revenue budget, use of reserves and capital programme;
- The MTFS includes provision for inflation, known commitments and other expenditure items which the Chief Constable has identified as necessary to deliver both national and local policing priorities;
- The annual revenue budget provides an estimate of the annual income and expenditure requirements for the PCC and police service and sets out the financial implications of the PCC's policies. It provides Chief Officers with the authority to incur expenditure and a basis on which to monitor the financial performance of the PCC.
- The PCC is required to present precept proposals to the PCP for their consideration prior to finalising the budget and precept;
- Capital expenditure is an important element in the development of the PCC's service since it represents major investment in new and improved assets. The PCC approves a four year capital programme each year with the MTFS and monitors its implementation and funding closely at management meetings;
- The PCC approved a balanced budget for 2015/16 with a 1.99% increase in the council tax precept. Further savings have been identified along with the use of reserves to balance the budget for the next four years. A budget surplus was identified during 2015/16 and this will be used to meet budget pressures in future years;
- Monthly financial performance reports and quarterly group budget monitoring reports are presented to the Chief Constable's and PCC's Joint Business Meeting and published for wider scrutiny of financial performance by the public. The quarterly reports are 'key decisions';

- Performance reports are presented and discussed with the PCC regularly;
- The PCC receives reports from HMIC and will act on recommendations as required.

Review of Effectiveness

The PCC has a responsibility for conducting, at least annually, an evaluation of the effectiveness of the governance framework, including the system of internal audit and system of internal control. This is informed by the internal audit assurance, information gathered from PCC and Chief Constable's senior management, external audit opinions and reviews conducted by other agencies and inspectorates.

For 2015/16 the review process has been led by the Joint PCC/Chief Constable Governance Monitoring Group and considered by the JIAC and has taken account of:

- Governance arrangements;
- An assessment of the role of the CFO in accordance with best practice;
- Senior managers assurance statements;
- The system of internal audit;
- Risk management arrangements;
- Performance management and data quality;
- Views of the external auditor, HMIC and other external inspectorates;
- The legal and regulatory framework;
- Financial controls, revenue outturn;
- Partnership arrangements and governance;
- Other sources of assurance as appropriate.

Internal Audit Overall Assessment & Independent Opinion

The assessment by Internal Audit of the PCC and Chief Constable's internal control environment and governance arrangements makes up a fundamental element of assurance for the Annual Governance Statement.

During 2015/16 27 internal audits were issued. Of those 19 audits concluded that systems and procedures in place were operating well and 7 audits concluded that systems and procedures were operating satisfactorily. One audit identified a significant weakness which was addressed immediately.

Based on the evidence arising from internal audit activity during 2015/16, including advice on governance arrangements, the PCC and Chief Constable's internal control systems and risk management and governance arrangements are considered to be effective.

Actions From The 2014/15 Statement

The two actions identified in the 2014/15 Annual Governance Statement were all completed.

Action for Improvement	Current Position
<p>1.1. Ensure that consideration has been given to nominated deputy provision if the CFO is unable to discharge their responsibilities. As there is a single CFO the nomination between the two roles set out in the Statement does not apply. However, best practice would suggest that even with a single CFO a suitable deputy is</p>	<p>CFO nominated a deputy.</p>

<p>nominated.</p> <p>1.2. Ensure that capital projects are managed with post completion reviews.</p>	<p>Governance Framework updated.</p>
--	--------------------------------------

Governance Issues

The review has identified no issues that need to be addressed.

CIPFA and SOLACE reviewed their Governance Framework in 2015 to ensure it remains 'fit for purpose'. Their version of the framework for Policing Bodies will be published in June 2016 and it is stated that it will provide much more detail than in the past to assist in addressing the main principles as set out in the Framework including addressing governance issues within the constantly changing models of service delivery including partnership, collaboration and arm's length operations. We will review the revised guidance and determine any changes to our local framework for 2016/17.

Conclusion

No system of internal control can provide absolute assurance against material misstatement or loss; this statement is intended to provide reasonable assurance.

However, on the basis of the review of the sources of assurance set out in this statement, we are satisfied that the PCC for Northumbria has in place satisfactory systems of internal control which facilitate the effective exercise of their functions and which include arrangements for the governance, control and the management of risk.

SIGNED
PCC

SIGNED
Chief Executive

SIGNED
Chief Finance Officer

Date: