

Auditor's Annual Report Police and Crime Commissioner for West Midlands and the Chief Constable

2021/22

April 2022



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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 Force and Police and Crime Commissioners has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Police Force and Police and Crime Commissioners'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 and Force has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

The PCC and Chief Constable (CC) have been operating in a difficult financial climate in the year of audit and subsequent to that. The volatile macroeconomic situation with the cost of living crisis, the war in Ukraine impacting energy prices, rising interest rates and rapidly increasing inflation have all put a premium on prudent financial management and planning. The PCC and Force have demonstrated they have taken a prudent approach via the assumptions included in the Medium Term Financial Strategy (MTFS) and continue to work hard to balance the budget for 2023/24 in the short term. Financial challenges remain especially in relation to achieving the outcomes required to secure funding for the Police Uplift Programme (PUP) but the Force, via its close scrutiny and management of the recruitment plans is confident it can meet the requirements by year end March 2023.

With the Commonwealth Games (CWG) planning coming in the year of audit and in the first half of 2022 this put significant operational pressure on the Force but they have risen to the challenge and played their part in ensuring the Games were a big success. This is to their credit and the strategy of making early inroads into their PUP targets, paid dividends as the additional resources were important in ensuring a smooth running event.

There has been a change of CC since the end of the financial year under audit with the new CC starting in December 2022. This will potentially change the focus of the operational policing though is not expected to impact on any of the areas of financial sustainability, governance of value for money. The process for the recruitment and appointment was thorough and well managed.

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

 No significant weaknesses in arrangements identified or improvement recommendation made.

 Significant weaknesses in arrangements identified and key recommendations made.

Executive summary - overview



Financial sustainability

The PFCC and the Chief Constable continue to operate in a financially and operationally challenging environment. Their financial planning both in the short and medium term is on a sound footing with a prudent assumptions being built into both. The signals are that the challenges will continue so the need for the structured and disciplined approach to managing finances and reserves which the Force has demonstrated will continue to be crucial.

Our work has not identified any risks of significant weaknesses in the PFCC's or Chief Constable's arrangements to secure financial sustainability. We have however made 2 improvement recommendations.

Further details can be seen on pages 8 to 12 of this report.



Governance

The governance arrangements of the PFCC and Force are strong with effective scrutiny of finances, performance and key decisions, carried out regularly in a structured and transparent way.

Our work on governance has not identified any significant weaknesses in governance arrangements. We have however made one improvement recommendation.

Further details can be seen on pages 13 to 15 of this report.



Improving economy, efficiency and effectiveness

The PFCC and Chief Constable have demonstrated a clear understanding of their role in securing economy, efficiency and effectiveness in their use of resources. We have reviewed some of the key projects where the Force is showing innovation in the way it is using and presenting its data. We also note the improvements in the procurement process where contracts are being closely managed post award leading to better value for money in the longer term.

Our work has not identified any significant weaknesses in arrangements or improvement recommendations in relation to delivering economy efficiency and effectiveness.

Further details can be seen on pages 16 & 17 of this report.



We have completed our audit of your financial statements and issued an unqualified audit opinion on 21 November 2022, following the Joint Audit Committee meeting on 29 September 2022. Our findings are set out in further detail on page 19.



Executive summary – other matters

HMICFRS PEEL report

We commented on this report as part of the 2020-21 VfM audit report (April 2022) and the outcome was generally positive for the PCC and Force. We have now had a chance to follow up on progress against the recommendations of the report which identified 3 specific areas for improvement. The Force has a well established process for managing all PEEL recommendations and we are content that the recommendations are being progressed in a timely fashion and are addressing the key points raised.

Appointment of new Chief Constable in 2022

This process started in the year of audit 2021/22 but was not concluded until later in 2022. We have reviewed the process which the PCC went through to identify and appoint a new Chief Constable and we have concluded that it was a fair and proper governance process.

Commonwealth Games

Inevitably the commonwealth Games loomed large over the whole region in 2022 and planning for the Games was a key feature of the 2021-22 FY. Our audit included a review of the way the Force supported the Games Organising Committee. The work done in managing and controlling the Safety and Security budget working alongside a number of local partners was very effective. Our conclusion is that the governance around the Games Safety and security budget for the games was carried out effectively and this contributed to the very smooth running of the event and the acknowledged success of the Games. The Force should be commended for this and take pride in the work it did to support this successful major national event



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 Police Force and Police and Crime Commissioners '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 21 November 2022, following the Joint Audit Committee meeting on 29 September 2022.

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 any 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 on any matters.

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 Police Force and Police and Crime Commissioners or an officer of either body :

- 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 of any matters.

Securing economy, efficiency and effectiveness in the Police Force and Police and Crime Commissioners's use of resources

All Police Forces and Police and Crime Commissioners 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 Police Force and Police and Crime Commissioners' responsibilities are set out in Appendix A.

Police Forces and Police and Crime Commissioners 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 Police Forces and Police and Crime Commissioners have made proper arrangements for securing economy, efficiency and effectiveness in its 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 Police Force and Police and Crime Commissioners 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 Police Force and Police and Crime Commissioners makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the PCC and Force make decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Police Force and Police and Crime Commissioners delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the Police Forces and Police and Crime Commissioners's arrangements in each of these three areas, is set out on pages 8 to 17. Further detail on how we approached our work is included in Appendix B.



Financial sustainability



We considered how the PCC and Force:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings

Financial pressures

The financial position of the Force was closely managed and reported throughout 2021/22 which resulted in a total revenue underspend of £5.5m which is 0.85% of the total budget of £641.7m. There were significant financial pressures on the budget in year due to an increased demand in the Crime Portfolio (Homicide and PPU) and Operations Portfolio (Force Contact). However, a number of measures were taken to manage the position, including realising benefits from a budget review exercise, a vacancy freeze on non-operationally critical staff posts and stopping non-essential spend. The PCC and Force also took measures in recruitment and delayed some capital expenditure to be funded from revenue. This enabled the PCC and Force to successfully manage the risk in year.

The majority of the underspend relates to expenditure now earmarked for 2022/23 within the capital programme, with smaller amounts relating to the Change Programme and activity approved by the Force Executive Team towards the end of the year. The PCC also underspent by £2.4m so was carried forward to 2022/23 (this is included in £5.5m).

The Force undertook a range of activity to deliver against the national police officer Uplift Programme, delivering 360 new police officer recruits by February 2022. The associated costs met the criteria and conditions of the Home Office grant which was fully claimed for 2021/22. These costs included recruitment campaigns, assessment centres and the purchase of vehicles and equipment, to support the uplift in the workforce. Capital investment in 2021/22 was £26.0m, delivering major estates projects including the C3 building at Park Lane. Force expenditure also included Business as Usual IT and fleet purchases as well as costs for the 'Our Data', Bodyworn Video and the Control Works projects in the Change Programme.

Pressures on costs have continued beyond the 2021-22 FY due in the main to inflationary pressures caused by the war in Ukraine plus rises in interest rates and the cost of living crisis. These pressures built during 2021-22 and have become more severe in the remainder of 2022. This is impacting on the Force and the PCC finances especially in relation to Police pay, rising energy costs (25% increase), fuel costs (5% rise) plus general inflation in other costs (up to 10%). The Force and PCC have

been prudent in their assumptions around these increasing costs and appear to have identified all the significant cost pressures. They have recently presented to a Home Office team to illustrate the "cliff edge" impact of the financial challenges facing them. Clearly, in the current volatile macroeconomic landscape, it will be ever more necessary to maintain a vigilant review of the ongoing impact across expenditure lines in the light of limited central Government funding. The Force and the PCC have the processes in place to ensure this happens i.e. the Priority Based Budgeting (PBB) process and our discussions with key Finance staff in both the Force and the PCC have indicated that this is happening. This is also evident from the documented meetings of the performance and scrutiny meetings and the monthly Chief Officer Group meetings.

Funding Gaps

While the MTFs indicates that in the short term the budget is expected to be balanced for 2023/24 albeit with significant savings activity, the later years of the plan demonstrate that, as with the rest of the Public Sector, there are challenging times ahead. Factoring in the uncertainties around another potential round of austerity style cuts to funding this exacerbates the challenge. The PCC and Force are aware of this and have been developing plans for managing the deficits especially in 2023/24 where the deficit stands at £28m.

Currently, the Force are expecting to be able to meet the deficit of £28.1m on their 2023/24 budget via:

- The Priority based Budgeting (PBB) process identifying £11m savings.
- In-year savings identified of £2.3m before PBB exercise was carried out.
- Contribution from Reserves of £5m.
- Reducing the Revenue Contributions to Capital through £7m of short term borrowing to fund the 2023/24 capital programme.
- Additional Collection Fund balances surplus of £3m.

Financial sustainability



We considered how the PCC and Force:

- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The PBB process required Directorates to present savings options based on 3 different scenarios:

- Retaining 10% vacancies unfilled
- 8% budget cut
- 12% budget cut

Directorates then presented their savings proposals to a panel comprising the D/CC, Director of Commercial Services and the Director of People and OD. These presentations have been detailed and have clearly identified the key areas of savings and how they can be delivered so give a good degree of confidence that the savings targets can be met. This process has allowed the PCC and the Force to balance the 2023/24 budget and has also built in a level of recurrent savings that will help balance the years 2024/25 and beyond though there is still further work to do there as deficits then rise to £50m by end 2026/27. The Force has identified £13m of recurrent savings which will go some way to addressing the short and medium term deficits but more work is required to ensure that further recurrent savings are identified for the longer term position. A review of the Force's Operating model and a strong track record of delivering savings give us some confidence that the Force can meet the financial challenges but **we do not underestimate the challenges that the current climate is presenting to the PCC and the Force** and more radical approaches are having to be considered.

For example, it is clear that the pressures on finances moving forward are forcing the Force to consider having to use Police qualified resources in civilian back office roles as a resourcing approach. This means moving some Police officers into support roles as savings will necessarily need to be focused on Non-police staffing resources. Another area of focus is the Estates strategy and looking to share accommodation with the Fire service as it is doing for example is a very sensible approach as these types of area afford good opportunities for significant cost reduction.

The longer term position looks even more challenging and the Force needs to continue to demonstrate it has robust plans to meet further significant deficits other than utilisation of ever diminishing reserves. The Reserves position by end 2026/27 is £28.7m (circa 3.55% of revenue spend) so is close to the lowest CIPFA recommended level of reserves.

Improvement recommendation: The Force to develop longer term strategy to focus on developing recurrent savings to replace the short term measures taken and then protect and rebuild Reserves beyond the 2023/24 FY

The arrival of a new Director of Commercial Services who has previously worked at the Sussex and Surrey Force as Chief Financial Officer affords the Force a chance to review its potential for either developing new or extending current shared services as a potential way of cost reduction. Typically, back office services are the focus of shared service opportunities and using the experience of the new CFO, these back office services could be reviewed with a view to sharing back office services with other regional forces.

Improvement recommendation: Force review the potential for shared services arrangements within the region in all areas of the Back Office

Strategic Priorities

The PCC and Force Police and Crime Plan has now been revised for 2021-2025 plan and clearly sets out the strategy for the Force and how it will achieve this. The PCC and Force's finances are closely aligned to this. For example the plan includes:

- Commitments on continual recruitment to enable the Force to maintain police officer numbers at agreed levels following completion of the Uplift Programme, 7,909 (headcount).
- Retaining the Police Community Support Officers (PCSO) at 464 FTE.
- The plan to use the 3-year funding settlement for Violence Reduction Units, Guardian (Grip) and County Lines.

HMIC has reported in the period being audited. The report was issued in November 2021. It has confirmed that the strategic planning and performance management framework is effective (see extract below): "The force's strategic planning processes are supported by effective governance arrangements and analysis. So resources are allocated to the force's priorities."

Financial sustainability



We considered how the PCC and Force:

- identifies all the significant financial pressures that ensures 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
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Alignment of Plans

The MTFs is informed by the Workforce and Treasury management strategy as well as the Capital programme and all are aligned to support the overall objectives of the Police and Crime plan. The Force's Capital programme and Treasury management strategy includes a requirement to borrow to be able to fund the programme. This has been clearly set out and articulated in the documents and appears to be appropriately risked, even with the recent increase in interest rates which have made borrowing more expensive. The corollary to this increase in the cost of borrowing is that interest on cash balances will increase commensurately and the Force has increased its interest received from investments from £600k in the 2020-21 FY to £2.1m in the 2021-22 FY.

Financial Resilience

The PCC and Force have managed the pressures on their finances well in the past few years in what are challenging times. These challenges will continue and this will mean pressure on maintaining the savings plans and the Force's Reserves position. With the end of the WMP2020 programme and the continuing pressure to reduce costs the Force's PBB approach will become increasingly important in helping the Force manage to balance its budget for 2023-24 and beyond.

West Midlands Police has a relatively healthy reserves position as at 31 March 2022 (£66m). However, the forecast is for a decreasing level to £28m in 2027/28. This still represents 3.55% of the net revenue budget so is at an acceptable level of reserves (note that CIPFA recommend a minimum 3% of net budget in useable reserves). They are aware of this and are confident they will be able to maintain reserves at this level.

The Force's reserves strategy was updated in September 2022 and recognises that there has been significant pressure due to both the pandemic and the evolving cost of living crisis. Both these events have impacted on how the force uses its reserves and emphasises the importance of regularly reviewing the reserves strategy as an important feature of financial control and management. The Commissioner's overall reserves strategy is to use reserves over the medium term up to 2026 to support the medium-term financial strategy including the Change Programme and Estates Strategy (circa £36.7m of the £66m reserves balance will be used to do this). We consider this to be a financially prudent approach though as mentioned earlier we feel it is important to have in place a plan to replenish reserves.

Monitoring reports in July 2022 indicated that the Force was on track for an overspend of £5m. This was qualified via a statement in the report:

"The medium-term financial plan indicates that there will be a significant budget pressure next year. Therefore, the Force Executive Team have approved a number of measures to ensure that the current forecast overspend of £5.1m is managed down to deliver a balanced budget for this year and if possible an underspend at year-end which can be contributed to reserves to alleviate some of these medium term pressures."

Recent discussions in December 2022 with both the PCC CFO and the Force Head of Finance have now indicated that the 2022/23 forecast outturn is expected to be an underspend of £12m which will be used to assist in managing pressures on the 2023/24 budget. This demonstrates sound financial control and management in our view.

Conclusion

The PCC and the Chief Constable continue to operate in a financially and operationally challenging environment. Their financial planning both in the short and medium term is on a sound footing with prudent assumptions¹⁰ being built into both. The signals are that the challenges will continue so the need for the structured and disciplined approach to managing finances and reserves which the Force has demonstrated will continue to be crucial.

Improvement recommendations



Financial sustainability

Recommendation 1

The Force to develop longer term strategy to focus on developing recurrent savings to replace the short term measures taken and then protect and rebuild reserves beyond 2023/24.

Why/impact

While the PCC and Force have closed the gap on the 2023/24 with a combination of short term savings and some recurrent savings there is still work to do to both ensure the longer term gap is plugged and that the reserves are properly replenished to be able to tackle future financial challenges. That longer term financial position is extremely challenging and with diminishing reserves this could prove unachievable without a longer term plan for savings and sustainable reserves.

Summary findings

The Force should revise its Reserves Strategy and review at least every two years

Management Comments

TBC

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

Improvement recommendations



Financial sustainability

Recommendation 2

The Force should review the potential for shared service opportunities for Back Office services as a way of achieving cost reductions

Why/impact

The increased pressure on finances means that all options for cost reduction should be considered. With a new CFO who has experience of working in a shared services environment there is an opportunity for the Force.

Summary findings

Given the continuing financial pressures on the Force, the arrival of a Director of Commercial Services with experience of running a shared services, the Force should seek to maximise the potential of shared services opportunities.

Management Comments

TBC

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

Governance



We considered how the PCC and Force:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- 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
- approaches and carries out its annual budget setting process

Risk management

The Force has a well established risk management process. This was updated in June where it reviewed its risks following the post Covid period and reviewed the risk registers for both the Force and the OPCC. The risk registers are reviewed at JAC meetings on a quarterly basis.

One of the key risks facing the Force in 2021-22 related to funding from Home Office for the Police Uplift Programme (PUP). The receipt of funding is dependent on achieving the recruitment targets which for WMP are 2,800. The PUP recruitment targets have been managed closely by the Director of HR and the force is on track to exceed its target by up to 10 officers but does not plan to go beyond that due to concerns about being able to fund those additional posts in the longer term. The force recruited early to its target largely to support the resource requirement for the Commonwealth Games (CWG) (see page 14 for further detail on CWG). By delivering their targets The PCC and Force have been able to optimise the additional funding made available by the Home Office under the PUP scheme.

Internal Audit (IAU) reported specifically on risk management arrangements in 2021-22. with a full review of the Force's risk management arrangements. The findings confirmed that *“significant progress has been made to improve the Force's risk management arrangements which include reviewing the Corporate Risk Register, revising the scoring mechanism for rating risks and beginning to consider risk appetite. The Force risk register is much more dynamic as a result. However, there is still some way to go to fully embed revised approaches and the arrangements in local departments and Neighbourhood Policing Units were much more sporadic.*

Consequently, the bottom up approach to risk management requires significant input to embed the revised arrangements Force-wide.

The PCCs Risk Register was revised following the publication of the new Police and Crime Plan and now focusses more on the risks relating to the statutory functions of the PCC as well as topical risks affecting achievement of the plan. Regular updates are provided to the Joint Audit Committee, which adds to the governance and scrutiny around risk management”

Decision Making

The relationship between the PCC and the Force is good and there is consultation and collaboration over decisions. The main decision making body is the Strategic Policing & Crime Board (SPCB). This ensures effective engagement, strategic direction and holding to account of the Force. Meetings are held in public so are transparent. Decisions are clearly thought through and considered in a strategic rather than short term way. Papers for senior management meetings e.g. SPCB and JAC are clearly laid out and include all the relevant information for decisions to be made. There is a standard format for the reports which makes them easy to review and informative. The Force started the process of recruiting a new Chief Constable (CC) in November 2021 and completed it in July 2022 with the appointment of the new CC. We reviewed the process for recruitment and confirm that it was a thorough and well governed process. It also clearly met the Diversity requirement.

Budget setting

The annual budget setting process and proposed spending and savings initiatives are rigorously challenged from March/April up to November when the budget is finalised before being presented to the SPCB in February. The Force has an annual process of PBB reviews, typically on a number of selected services on a rolling basis though they have adapted the process moving forward as part of the current budgeting process as the need to drive out a bigger level of savings has meant they are applying the PBB methodology to ALL service areas.

The need for savings of at least £18m in 2023/24 (equating to 9% of the non-Police staffing budgets of £190m) has meant the PBB process has had to be broadened. This is an extremely challenging target for the Force and will most likely result in changes to service levels. With an expected underspend on 2022/23 and an overtime budget of £15m which can be reduced due to more operational Police staff now available via PUP, the Force and PCC are confident they can meet the savings challenge moving forwards.

Governance



We considered how the PCC and Force:

- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- monitors and ensures 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.

Reporting

There is a well established process of financial monitoring and reporting which is carried out monthly and then reported to the Strategic Police & Crime board (SPCB) on a quarterly basis where a detailed report is presented showing progress on revenue expenditure, the capital programme and the overall reserves position as well as updates on the PUP and the Workforce plan. The reports are well structured and presented and clearly outline the key financial forecasts and risks. Quarterly reporting of forecasts are provided to SPCB. We noted that the September 2022 SPCB took forecasts from July 2022. A two-month time lag is not ideal, especially in a volatile macroeconomic situation where forecasts can change quickly. We would advise a more current forecast to be taken to SPCB where possible.

Improvement recommendation: The latest possible financial forecasts should be taken to SPCB to ensure time lag does not render the forecasts outdated.

The reporting process is being further enhanced by the introduction of a reporting tool called Qlik which presents the data in a more user friendly and accessible way and includes dashboards to better facilitate senior management and budget holder review.

The plan is for this tool to be able to present both financial and performance information. It is still early days and there is a longer term plan to roll out the tool to budget holders so they can self serve rather than Finance Business Partners sending out monthly monitoring reports. This is all part of the broader strategy to be more collaborative with budget holders and give them the tools to better take accountability for their budgets.

As part of this new approach, a programme of budget holder training has been rolled out during the past 12 months with further plans in place to include inspectors and sergeants who are new to budget holding in the process.

Standards

The Annual Governance statement (AGS) is a thorough and comprehensive document and clearly articulates how the Force has complied with legislative and regulatory standards. Internal Audit ensures that the compliance arrangements are widely tested and there have been no significant recommendations in 2021-22 that give us any cause for concern. Two of the IAU reports were referenced in the AGS as the findings were of some concern so it is clear that IAU is challenging the PCC and the Force on its standards and controls. Senior officers have a strong grip on the legislative and regulatory requirements of the Force and ensure that these are maintained.

The PEEL report of November 2021 is generally positive in respect of governance (see comments below):

"The force demonstrates a good level of governance and process. The Police and Crime Plan and Force priorities align with several boards and performance meetings which are in place to support delivery. The force has a robust and evidence-based performance framework. It uses a range of measures and key performance indicators to establish and analyse current performance levels, patterns and trends and other relevant information to support decision making."

Conclusion

The governance arrangements of the PFCC and Force are strong with effective scrutiny of finances, performance and key decisions, carried out regularly in a structured and transparent way.

Improvement recommendations



Governance

Recommendation 3

The Force should seek to reduce the time lag in the financial information presented to SPCB.

Why/impact

In a volatile macroeconomic climate where costs are increasing and financial forecasting is difficult, it is important to have the latest financial forecasts available to SPCB to give them assurance that financial management is sound.

Summary findings

It is good practice to ensure that the financial forecasts presented to SPCB are less than one month old. This will allow them to be fully appraised of the latest position and financial pressures facing the Force.

Management Comments

TBC

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

Improving economy, efficiency and effectiveness



We considered how the PCC and Force:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement

Financial performance information

'Performance Indicators for both financial and operational are monitored at a variety of levels:

- Monthly Performance Panel (chaired by Deputy CC)
- Force Leadership Conference (chaired by CC monthly)
- Senior Leaders Conference (Quarterly – all Senior leaders)
- Strategic Police & Crime Board (SPCB) (quarterly chaired by PCC)

Finance Business partners attend and report to Portfolio Boards on financial performance information.

We note that work has been undertaken during the FY to develop dashboards comprising both financial and operational performance information. The Force is using a piece of software called Qlik, which is now widely used in the Public Sector and is a tool for presenting information in a more accessible format for managers and budget holders. It is still in developmental stage at present but will be a helpful tool in linking Finance and performance information and it also allows lower level managers and budget holders to self serve which will aid ongoing management of finance and performance.

Service evaluation

The Priority Based Budgeting (PBB) process is an effective way of ensuring that all activities in each service are "value add" as it challenges all aspects of a service's budget and models changes in volumetrics/staffing/budget on the outputs and outcomes of each service. For the first time, and due to the significant budget challenges facing the Force, the Finance team have extended the PBB process to all services with the aim of finding up to £18m savings to balance the 2023-24 budget. This means that ALL services will be subject to PBB scrutiny which is an effective way of assessing the value for money of each service.

Partnership Working

The Force has a number of key collaborative arrangements with for example:

- Local resilience forum
- West Midlands Combined Authority
- Legal services
- Counter-terrorism
- CMPG
- Regional organised crime unit (ROCU).

The HMICFRS PEEL report in November 2021 states that: "The force works well with neighbouring forces and other organisations to address SPR threats".

The Force worked engaged extensively in its development of its "The Work matters" strategy and also in the development of the new Police & Crime Plan 2021-2025.

The FY 2021-22 also saw WMP working closely with other partners in the region to support the planning for the Commonwealth games. A specific project for this was established and worked with both internal WMP staff and external partners to develop a plan.

Improving economy, efficiency and effectiveness



We considered how the PCC and Force:

- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Commonwealth games

The Commonwealth Games (CWG) loomed large over the Force in the period of audit which included much of the planning for the event. WMP had a key role in managing the Safety and Security budget (initially £200m) which was distributed across a number of key partners e.g. Fire, Ambulance, Organising Committee, Birmingham City Council and the Military. The governance arrangements for managing and tracking the spend and reporting were multi layered.

Gold and Silver Boards were established with WMP and the Organising Committee jointly chairing the Gold committee. A Budget Oversight Group comprising Finance representatives from each partner was established and met fortnightly initially and then monthly to monitor spend across all the partners and this reported into the Organising Committee on a monthly basis. Additionally Finance Directors of each partner met monthly to review progress against budget. The Home Office arranged for periodic Budget Assurance Reviews to be carried out throughout the period from initial planning to the Games fortnight.

From an initial budget of £200m the eventual spend was just over £100m. The Games were widely regarded as a huge success with WMP playing a significant part in the process

Procurement

The Force appointed a new Senior procurement officer 18 months ago in 2021. She has introduced a new system for monitoring contracts, post award, as part of a new Supplier Relationship Management (SRM) framework. Using a new piece of software called “Lean Link” this new process has solicited feedback from both departments who commissioned the contracts and also the providers themselves and has led to a better relationship with suppliers who have valued the dialogue.

Consequently, the new system and process have allowed the team to drive more value from its contracts by challenging service providers’ performance and building in regular reviews of contract performance. Over time this is expected to lead to financial savings for the Force.

We reviewed the process for approving contracts via the Contracts Review and Approval Board . We noted that there were 12 tender waivers in 2021-22 with the largest being a contract for £1.1m for the national Detective programme, which mandates the use of Police Now via the College of Policing. We are content that tender waivers were used reasonably.

Conclusion

The PCC and Chief Constable have demonstrated a clear understanding of their role in securing economy, efficiency and effectiveness in their use of resources. We have reviewed some of the key projects where the force is showing innovation in the way it is using and presenting its data and its work with its partners is enhancing the support provided to the force operations

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed	Further action
1	Improvement	June 2022	The Strategy Board was set up in 2021/22 and started as a monthly meeting. This meeting was moved to quarterly in Q3 21/22. Where the quarterly rotation of Strategy Board does not fit the need to review/decide upon new proposals/change requests an extraordinary OCB is convened to ensure timely oversight and decision-making.	Yes	None required
2	Improvement	June 2022	The Finance department will continue to roll out the finance training for budget holders as planned. Training was delivered in April and may 2022. Further training is being developed for inspectors and sergeants who are assuming budget holder responsibilities too.	Yes	No
3	Improvement	June 2022	This is part of the business as usual HMICFRS liaison function that exists within the Strategy & Direction team. We intend to increase our resource levels in the HMICFRS liaison team this year to ensure that our engagement with HMICFRS and resolution of identified actions is as efficient and effective as possible	Yes	No

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 21 November 2022.

Other opinion/key findings

We have not exercised any other auditor powers in the year. We will issue the certificate on completion of the value for money work.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the PCC and CC in November and subsequently to the Joint Audit committee in December 2022 (draft taken to the September Audit Committee).

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Authority. This work includes performing specified procedures under group audit instructions issued by the National Audit Office. The authority is below the threshold for us to undertake detailed work and was not a sampled body.

Preparation of the accounts

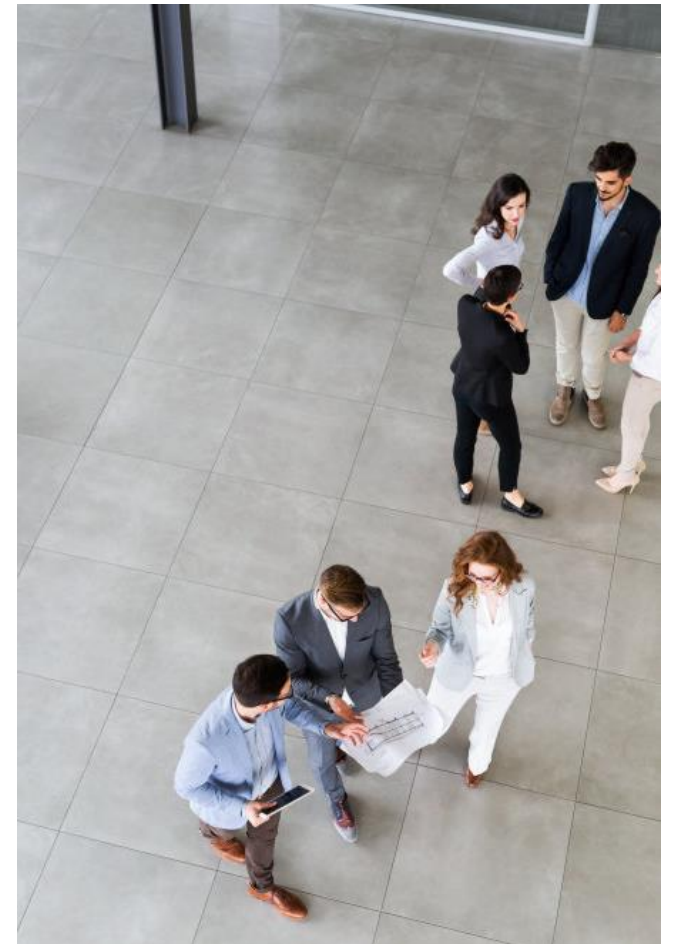
The PCC and Force provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

Issues arising from the accounts:

There were no major concerns raised from the audit. We reported unadjusted errors mainly in relation to pensions valuations but this was not a major concern. We also noted that the approach to valuations of property provided some risk and that the 'assets not valued' exercise should be completed early to identify whether further valuations are necessary.

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

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



Appendices

Appendix A – Responsibilities of the PCC

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

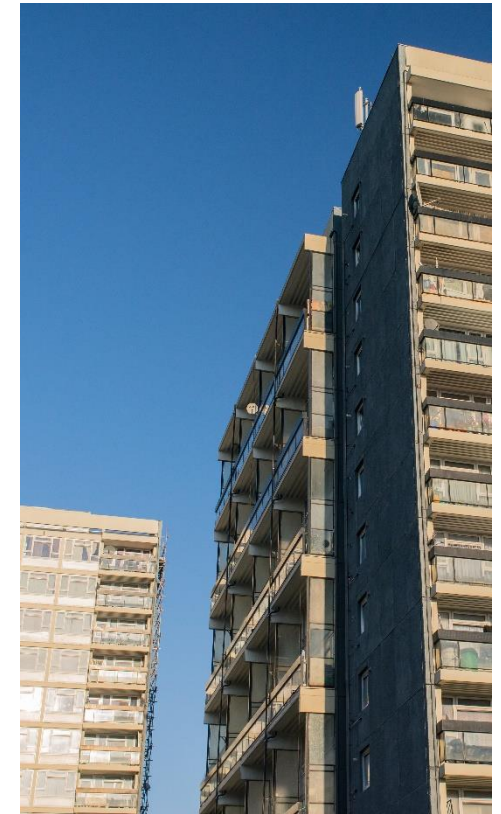
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the PCC and Force'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 Force will no longer be provided.

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



Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the Police Force and Police and Crime Commissioner’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Police Force and Police and Crime Commissioner 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 Police Force and Police and Crime Commissioner. We have defined these recommendations as ‘key recommendations’.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Police Force and Police and Crime Commissioner, but are not a result of identifying significant weaknesses in the Police Force and Police and Crime Commissioner’s arrangements.	Yes	Pages 11 , 12 and 15.

Appendix C – Sources of evidence



Staff involved

- Simon Foster – Police & crime Commissioner
- Mark Kenyon, - Chief Finance officer, PCC
- Peter Gillett – Director of Commercial Services, Force
- Davinder Jagpal – Head of Finance, Force
- Beth Tobitt – Strategic Finance manager, Force
- Keith Trivett – Head of Finance Business Partnering, Force
- Toni Williams-Long – Director, People and Organisational Development, Force
- Michelle Painter – AD, Forensic Services, Force
- Fiona Pook - Head of Performance and Assurance, Force
- Abi Preston – Treasury Manager, Force
- Matt Ward – ACC Commonwealth Games Safety and Security programme manager
- Andrea Garritas – Head of Business Services, Force
- Sharon Dyer – Head of Shared Services, Force



Documents Reviewed

- WMP_SPCB-25.01.22-Agenda-Item-7-Budget-Report-202223
- WMP_SPCB-25.10.22-Agenda-Item-6-Medium-Term-Financial-Plan
- WMP_Risk-Management-Update_06-June-2022
- WMP_SPCB-26.07.22-Agenda-Item-7-Joint-Audit-Committee-Annual-Report-1
- WMP_06-March-2022-Internal-Audit-Update-1
- WMP_Budget Holder Training_FINAL_Feb22
- Decision-012-2022-Treasury-Management-decision-202223-2
- WMP_SPCB-27.09.22-Agenda-Item-9-Finance-Monitoring
- Finance_Outturn_2021-22_June_2022
- WMP_Internal-Audit-Annual-Report-2021-22_10-June-2022
- WMP_Annual-Governance-Statements_11-June-2022
- WMP_SPCB-21.12.21-Agenda-Item-6a-Joint-Procurement-Strategy
- Financial Update_Home Office Visit_Oct 2022_Final
- The-West-Midlands-Police-and-Crime-Plan-2021-25
- WMP_Reserves Strategy_2022_Draft v2
- WMP_Treasury-Management-Strategy-2022-23_10-March-2022
- WMP_SPCB-27.09.22_Finance-Monitoring_July 2022_Outturn



Meetings Observed