

This supporting information has been prepared to assist the auditor in performing the risk assessment to inform their work on the conclusion on VFM arrangements under Auditor Guidance Note 3 (AGN 03). The supporting information is intended to provide additional sector specific context only. It is **NOT** part of the statutory guidance and auditors are only required to have regard to the explicit requirements set out in AGN 03. This document should be read in conjunction with *Supporting Information: General Arrangements*.

# Auditor Guidance Note 3 (AGN 03) Supporting Information:

## Police and Fire & Rescue Bodies

April 2019

This document forms part of the suite of supporting information designed to assist auditors in performing their risk assessment.

The [suite of supporting information](#) comprises this document and the following:

### General arrangements

AGN 03 supporting information on general arrangements contains contextual information which local auditors may find helpful when undertaking their risk assessment for audited bodies. The document includes considerations for completing and reporting on the use of resources assessments for audited bodies.

### Local health bodies

- NHS trusts and foundation trusts (FTs)
- Clinical commissioning groups (CCGs)

### Local government bodies

- Local authorities
- Combined authorities
- Other local bodies



These documents will be updated from time-to-time to reflect new, significant sector developments, or updates to the statutory guidance. They are designed to help the auditor undertake their risk assessment.

Supporting information does not include organisation-specific information. Accordingly, the issues included are **neither prescriptive nor exhaustive**, and do not substitute for the consideration of local context.

## Background

**This section provides some general information about the sector.**

### What's new?

The main changes to the supporting information include:

- The formation of Police and Crime Commissioners-type Fire and Rescue Authorities which was introduced by the Police and Crime Act 2017;
- Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services Police inspection programme for 2018-19;
- Changes to the Police Effectiveness, Efficiency and Legitimacy (PEEL) assessments; and
- Department for Education's statutory guidance on inter-agency working to safeguard and promote the welfare of children.

### Police

The [Police Reform and Social Responsibility Act 2011](#) (PRSA 2011) introduced changes to police governance arrangements that were implemented during 2012. The PRSA 2011 established directly elected Police and Crime Commissioners (PCC). The PCC and, in each local police area outside London, the chief constable are separate legal entities (each is a corporation sole) and as such each requires a separate conclusion on arrangements to secure VFM.

Within London, the equivalent of the PCC for policing in the metropolitan area is the Mayor's Office for Policing and Crime, and the equivalent of the chief constable is the Commissioner of Police of the Metropolis (the Commissioner). The PRSA did not change the status of the City of London Police. The City of London Corporation continues to deliver the functions of a police authority and a separate conclusion on arrangements to secure VFM is not required.

PCCs and chief constables, while separate legal entities, are closely connected from a practical, financial reporting and value for money (VFM) perspective, and auditors may therefore wish to

consider the most effective approach to planning and completing their work, in order to minimise duplication.

The PCC and chief constable in each police area will have agreed a scheme of governance outlining the respective responsibilities of the PCC and the chief constable. The arrangements in each police area vary, dividing responsibility for financial decisions, for example asset disposals or staffing considerations, between the PCC and chief constable in different ways. The auditor will therefore need to be aware of these local arrangements when considering their risk assessment. However, where either the PCC or chief constable has not adopted appropriate arrangements, this may not necessarily impact on the auditor's conclusion for the other.

In addition, the PCC is required to hold the chief constable to account for delivering VFM. Further details regarding the legislation that governs Police and Fire & Rescue bodies are set out within the 'legal framework' section of this supporting information.

### ***Fire and Rescue***

Fire and rescue services are provided by either a single purpose authority or as a function of a county council. Both types are collectively known as fire and rescue authorities, or FRAs. The auditor is reminded that for those services that are a function of the county council these do **not** require a separate conclusion on arrangements to secure VFM; it is covered by the conclusion for the county council as a whole. Whilst this supporting information is written with the auditor of single purpose FRAs in mind, auditors may find this contextual information useful where the fire and rescue service is part of the county council.

Policy responsibility for FRAs moved to the Home Office from 1 April 2016. The Home Office has a duty to produce and maintain the national framework for fire and rescue services in England. The framework published in July 2012, made FRAs responsible for:

- the strategic planning for fire and rescue risks in their area;
- prevention and response; and
- partnership working.

The framework also made clear that FRAs are accountable to the communities they serve and that the framework was designed to devolve more decision-making and leadership to FRAs as part of the government's localism agenda.

A further update was made to the framework in May 2018. The updated framework includes legislative changes allowing mayors and PCCs to exercise the functions of an FRA.



## Financial position and sustainability

The continuing financial pressures within local government have been widely publicised, including in the NAO's report *'Financial sustainability of police forces in England and Wales 2018'*, which highlighted that significant gaps remain in the Home Office's understanding of demand for police services and their costs where there is a lack of long-term planning. In addition, the NAO's 2015 reports *'Financial sustainability of fire and rescue services'*, and *'Impact of funding reductions on fire and rescue services'*, highlighted potential signs of low-level stress emerging where some fire authorities indicated their capacity to respond to major incidents might be compromised by further funding reductions.

Auditors will be aware that in recent years, the number of local government bodies receiving non-standard auditor reports has remained relatively static over the past three years. The NAO published its report ['Local auditor reporting in England 2018'](#) in January 2019, which highlighted as at 17 December 2018, and with 20 still to be issued for 2017-18, auditors qualified 40 (8%) of their conclusions on local authorities' arrangements to secure value for money; in 2015-16, 40 (8%) were also qualified. The proportion of qualifications for 2017-18 to 17 December 2018 was highest for single tier local authorities and county councils where auditors qualified 27 (18%) of their conclusions. The qualifications were mainly for weaknesses in governance arrangements, often also highlighted by inspectorates' ratings of services as inadequate.

The [Autumn Budget](#), published on 29 October 2018, includes statements on counter-terrorism police funding. The government is investing £1 billion in defence across 2018-19 and 2019-20 and £160 million in counter-terrorism police in 2019-20. This funding for counter-terrorism policing follows policing and counter-terrorism funding increases across England and Wales of £450 million in 2018 as announced in December 2017 by the then Home Secretary – Amber Rudd.

It was also reported in the budget statement that the valuation of public services pensions are ongoing, and provisional results indicate that changes will need to be made from 2019-20 to make pension benefits more generous for public servants including the police.

The overall increase in funding means that a larger proportion of taxpayers' money is being invested in the forces and in return, the government has indicated it expects to see an increase in the pace of reform.

The Autumn budget also reports on the steps being taken by government to empower local councils so that they can best serve their areas by raising more money locally for services. The budget provides additional funding to help support local authority financial sustainability.

PCCs can retain part of their funding as reserves to help manage financial risks and fund major future costs. At 31 March 2018, over £1.4 billion in usable resource reserves was held by PCCs. The [financial management code of practice](#) (last updated in July 2018) includes guidance on the information PCCs are required to publish on their reserves.

Local bodies will be required to demonstrate that these increased resources have been distributed efficiently to improve public services for their local communities and to ensure that these services are well run and managed.

### **Police**

In England police forces, via their relevant PCC, are funded from two main sources:

- the Home Office; and
- the police precept component of council tax.

In addition, PCCs can generate income from policing some commercial events and from investment interest and dividends.

Central government funding to PCCs reduced by £2.3 billion (25%) in real-terms between 2010-11 and 2015-16. The Spending Review 2015 announced that the government will protect overall police spending in line with inflation – an increase of £900 million by 2019-20. It is intended that additional funding will be provided for forces who have strong proposals to support efficiency and reform. From April 2016, PCCs can increase the precept by 2%. In addition, the National Crime Agency's budget will also be maintained in cash terms.

In 2017, the Home Office announced a £450 million increase in police funding across England and Wales as part of a comprehensive settlement for forces and counter terrorism policing. It was indicated that the settlement recognises the demands faced by the police force particularly in respect of hidden crimes such as domestic abuse, modern slavery and child sexual exploitation.

The government also announced that it would protect its grant to forces in cash terms and empower locally elected PCCs to raise precept contributions by up to £2 a month for a typical household.

In addition, it was reported that counter terrorism police funding will increase by around £50 million to £757 million, a rise of 7%. At a national level, an extra £130 million would be made available to meet unexpected costs such as the £9.8m given to Greater Manchester Police after the Manchester Arena attack.

In September 2018, the NAO published the [Financial sustainability of police forces in England and Wales 2018](#). This report follows that previously published by the NAO in June 2015 in which the NAO concluded that there were significant gaps in the Department's understanding of demand and of pressures on the service, and it needed to be better informed to discharge its duties of overseeing the police and distributing funding. At the time of the 2015 report, it was indicated that forces did not have an evidence-based understanding of demand, or what affected their

costs, and so it was difficult for forces to provide services that meet the needs of communities or to demonstrate how much resource they needed to deliver them.

In the 2018 report, the NAO examined the Department's progress in managing a clear assurance and oversight system that:

- is effective in identifying risk and financial pressure;
- uses information on the demand for and cost of police services to inform its funding allocations; and
- supports forces to be financially sustainable by facilitating transformation and enabling forces to make savings.

The report concluded that the Home Office's light touch approach to overseeing police forces means it does not know if the police system is financially sustainable. It lacks a long-term plan for policing and significant gaps remain in its understanding of demand for police services and their costs. The way the Department chooses to distribute funding has been ineffective and detached from the changing nature of policing for too long, and it cannot be sure overall funding is being directed to the right places. With plans to reform the funding formula on hold, and no systematic approach to ensuring forces are financially sustainable, the report was unable to conclude that the Home Office's oversight of the police system was value for money.

The Committee of Public Accounts' report of 2015 titled [Financial sustainability of police forces in England and Wales](#) also found that most police forces lack sufficient information on the current and future demands they face, which is essential for the Home Office, Commissioners and the police to ensure forces have the right skills and resources and understand the impact of savings measures.

The Home Office put on hold proposals to reform the police funding formula, which would take into account population levels, the underlying characteristics of a local population, and the environmental characteristics (such as length of urban roads and bar density) of police force areas. Currently the government is engaging with the policing sector on the Police Core Grant Distribution Formula, however, no consultation or outcomes to date have been made publicly available and the future of the funding formula reform remains uncertain.

The Home Office published [successful bids](#) of the 2017 and 2018 police innovation and transformation funds on 4 September 2017, which is intended to transform policing by investing in digitalisation, a diverse and flexible workforce and new capabilities to respond to changing crimes and threats. The Home Office has stated that these funds should not be used to support day-to-day business, therefore, auditors should be aware of the level of funding (particularly bodies which are in receipt of large innovation funds) and its intended purposes when informing their risk assessment regarding medium term financial planning. Should this funding cease, auditors may want to consider the significance of any resulting funding gap on the body's medium to long financial planning.



### ***Fire and Rescue***

The main sources of funding for all fire and rescue bodies are:

- central government revenue resource grant;
- locally retained business rates; and,
- the fire precept component of council tax.

FRA's are included in the Exchequer's spending rounds. Funding for FRA's has fallen significantly between 2010-11 and 2015-16. For example, the 2013 Spending Review reduced the resource budget envelope by 10 per cent in real terms from 2014-15 to 2015-16, although established a £30 million fund to support transformation. The total income available to local government was forecast by the then Department for Communities and Local Government (DCLG) now Ministry of Housing Communities and Local Government (MHCLG) to go down by just under 7% in real terms by 2019-20, however, the direct impact on FRA's is not known, and given some FRA's are part of a county council, the direct impact on some FRA's is more difficult to quantify.

The sector has achieved reductions in spending and maintained services according to the NAO reports: [\*Financial sustainability of fire and rescue services\*](#), published November 2015 and [\*Impact of funding reductions on fire and rescue services\*](#), published November 2015. The NAO reported that to date there have been no financial failures and the sector as a whole has increased its financial reserves since 2010-11. At the same time, the number of fires and casualties have continued their long-term downward trend: primary fires, those involving casualties or damage to property, fell by 23% from 2010-11 to 2014-15, while the number of fatalities in fires fell by 22% over the same period.

On 14 June 2017, there was a fire outbreak at Grenfell Tower in London. Fire which had started in a flat at the Tower had quickly spread resulting in multiple deaths and a significant number of households being displaced. An independent public inquiry was set up by the government to examine the circumstances surrounding the fire. Any recommendations from this inquiry may have both regulatory and financial implications for the sector in future.

All local authorities including FRA's received a four-year settlement up to 2019-20 in return for publishing their efficiency plans. The Ministry of Housing, Communities and Local Government (MHCLG) is currently undertaking a review of all local authority funding formulas including the fire formula. The Home Office will lead on fire and is engaging with the sector in relation to the formula and indicators, however, no implementation date has been confirmed.

## The legal framework

**This section sets out the legislation that governs the audited body's sector, together with any statutory guidance issued thereunder. It is included to provide auditors with information about the roles and responsibilities of the audited body as set out in law.**

### *Police*

The PRSRA 2011 sets out the legal framework for police bodies in England (and Wales).

Further frameworks issued under the PRSRA 2011 include:

- The [Policing Protocol Order 2011](#). Issued under section 79 of the PRSPA 2011, it is a statutory document setting out the overarching principles for the working relationship between PCCs, chief constables, and Police and Crime Panels (PCPs).
- The [Financial Management Code of Practice](#). Issued under section 17 of the PRSPA 2011, it sets high-level guidance on financial governance arrangements, including where PCCs have taken on responsibilities for the governance of Fire and Rescue Services. It was last revised in July 2018.
- The [Strategic Policing Requirement](#). Issued under section 77 of the PRSPA 2011, it sets out a statement of the collective capabilities that police forces should have in place to protect the public from cross-boundary threats such as terrorism, civil emergencies, public disorder and organised crime. It was last revised in March 2015.

The [Cities and Local Government Devolution Act 2016](#) makes it possible for mayors of Combined Authorities (CAs) to be specified to exercise PCC functions, although not all – this will vary locally. The Act received Royal Assent on 28 January 2016 followed by an order for Greater Manchester on 30 March 2016. The order for Greater Manchester has resulted in a directly elected mayor who exercises the functions of the police and crime commissioner.

The act also provides for:

- combined authorities - additional functions;
- combined authorities and Economic Prosperity Boards (EPBs) – areas and procedure; and
- combined and local authorities – governance, constitution and functions.

### *Fire and Rescue*

The [Fire and Rescue Services Act 2004](#) (FRSA 2004) sets out the legal framework for FRAs in England (and Wales).

The Fire and Rescue National Framework was issued under section 21 of the FRSA 2004 and is a statutory document setting out priorities and objectives for FRAs in connection with the discharge

of their functions. It was revised in July 2012 (with an addendum regarding firefighter fitness issued in December 2014). A further update in May 2018 includes the following changes:

- reflects legislative changes to allow mayors and PCCs to exercise the functions of an FRA;
- establishes how fire and rescue authorities should work with the National Fire Chiefs Council and HMICFRS;
- supports the development of professional standards by requiring FRAs to implement those standards;
- encourages commercial transformation by FRAs; and
- includes a workforce section which outlines how FRAs should support and develop their workforce.

The Government may amend the 2004 Act further with the intention to enable fire inspectors to enter premises, obtain information, and undertake joint inspections with HM Inspectors of Constabulary. There is also provision for the Home Secretary to appoint a chief fire and rescue inspector for England, approve a framework of inspection and require inspectors to publish the reports of their inspections as well as an annual report to Parliament.

Bodies need to have proper arrangements in place for complying with relevant legislation and be aware of new legislation that may affect their functions or responsibilities. While it is a matter for auditor judgement, non-compliance with legislation identified by the auditor (or other inspectorates or review agencies), can have implications for the conclusion on arrangements to secure VFM, depending on the nature and severity of the issue.

### ***Policing and Crime Act 2017***

The provisions set out in the [Policing and Crime Act 2017](#) are likely to change the structure and legal status of Police bodies and FRAs. The Act received Royal Assent on 31 January 2017. Further information is provided in the 'sector developments and contextual information' section of this supporting information.

## The auditor's risk assessment

**This section provides some general information about the auditor's risk assessment.**

AGN 03 describes what “proper arrangements” comprise for the purposes of the work under the Code, and the sector developments and contextual information in the section below have been grouped according to sub-criteria set out in the AGN. The AGN states:

*“Auditors are not required to consider all illustrative significant risks set out... [and] should consider the illustrative significant risks insofar as they are consistent with their understanding of the audited body.”*

Similarly, the sector-level developments are only intended to be considered where the auditor deems them relevant. The AGN further states:

*“Where other matters come to the auditor's attention which – in the auditor's judgement – are relevant to the discharge of their duties in respect of VFM arrangements under the Code, their impact on the risk assessment should be considered, irrespective of whether or not the issue is explicitly referenced within the scope of proper arrangements.”*

Therefore, the auditor is ultimately responsible for preparing and documenting a risk assessment that mitigates the engagement risk.

## Sector developments and contextual information

**This section contains contextual information that may be relevant to the body's general arrangements, and sets out some of the current developments within the sector. The material may be helpful to auditors when undertaking their risk assessment.**

**The examples below are neither prescriptive nor exhaustive and should not be used as a checklist. In addition to this sector specific supporting information, auditors should also refer to *Supporting Information: General Arrangements*, which contains further contextual information applicable to all sectors. The information in this section does not cover developments at individual audited bodies and auditors are also likely to need to draw on their own local knowledge.**

## ***General sector developments and contextual information***

### **Policing and Crime Act 2017**

The [Knight Review 2013](#) concluded that there should be more effective ‘blue light’ collaboration of emergency services and that PCCs could clarify accountability arrangements and provide leadership.

The Government wants effective collaboration to become common practice between emergency services. Therefore, the [Policing and Crime Act 2017](#) introduces a number of measures intended to improve collaboration at a local level and to support the manifesto commitment to *“enable fire and police services to work more closely together and develop the role of our elected and accountable Police and Crime Commissioners”*.

The three emergency services (ambulance trust, fire and rescue body and police body) will be under a statutory duty to:

- keep collaboration opportunities under review; and
- to collaborate where a proposal is in the interests of the efficiency and effectiveness of police and fire services.

The duty to collaborate is broad to allow for flexibility in how it is implemented and to enable local services to determine how to collaborate for the benefit of their communities. This does not preclude wider collaboration with other local partners such as local authorities and wider health bodies.

The Act enables potential transfer of FRA responsibilities to the PCC through mechanisms which enable PCCs to take over the governance of their local FRA(s) where a local case is made – the ‘governance’ model. This would establish a new organisation (the ‘PCC type FRA’).

The provisions of the Act include:

- introducing the duty to collaborate on all three emergency services;
- enabling PCCs to take on FRA functions where a local case is made. Examples where these have been implemented include – Essex, West Mercia, Staffordshire, Cambridgeshire, North Yorkshire and Northamptonshire (where governance has transferred from the Northamptonshire County Council to the Police, Fire and Crime Commissioner);
- enabling PCCs to create a single employer for police and fire staff; and
- where PCCs do not become responsible for fire and rescue, enabling representation on the FRA with voting rights where the FRA agrees. This has yet to happen.



The boundaries of the PCC's police area and those of the proposed PCC-type FRA(s) when taken together must be coterminous. The Home Office has stated that this is not a formal "take over" – the Act enables the PCC to become the FRA for a given area, rather than merging both offices into one. The FRA remains a separate legal entity.

PCCs will be required to submit a detailed business case to the Home Secretary setting out why the governance change would be in the interests of economy, efficiency, effectiveness or public safety. In addition, PCCs will also be required to consult locally and seek the views of the people in their area. FRA(s) will be under a duty to co-operate with the relevant PCC. If all parties are not in agreement, PCCs will still be able to submit the business case to the Home Secretary, who will then be required to seek an independent assessment of the proposal – this could be from the Chief Fire and Rescue Advisor and Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) or from an otherwise independent person with appropriate expertise.

## **Governance models under the Policing and Crime Act 2017**

The Act enables PCCs to take responsibility for the governance of fire and rescue in their local area, where a local case is made.

There are three different models proposed in the Act that PCCs may adopt: the 'governance' model; the 'single employer' model; and the 'representation' model.

### ***Governance model***

The governance model (more likely to be adopted first) enables PCCs to take on responsibility for the fire and rescue service(s) in their area. The government's intention is that this will provide more direct accountability to the public and accelerate local collaboration.

The PCC will take on the functions and duties of the fire and rescue service for the area. The police service and fire and rescue service will remain **two distinct** organisations (legal entities) and the person who is elected to be the PCC will be responsible for the two separate legal functions, as the legal entities remain "corporations sole".

The PCC in its capacity as the FRA will be the employer of all fire and rescue staff, but in practice, a chief fire officer will, under arrangements made by the PCC, continue to have operational responsibility. The chief constable will employ police staff and have direction and control over police officers.

### ***Single employer model***

The single employer model enables a PCC who has taken on responsibility for fire and rescue services to take an additional step to delegate fire functions to a single chief officer for policing and fire. This could be either a police or fire officer.



The PCC appoints a chief officer who will be accountable to the PCC for both fire and policing and will employ both police and fire personnel. In practice, the chief officer will appoint a senior fire officer to lead fire operations and a deputy chief constable to lead police operations, under their command. Legally, the chief officer would be known as the chief constable.

### ***Representation model***

Where the PCC has not taken on responsibility for fire and rescue services but wishes to enhance collaboration opportunities between police and fire, the Act enables them to seek representation on an FRA (or its committees) in their police area with full voting rights, subject to the consent of the FRA.

## **Funding arrangements under the Policing and Crime Act 2017**

Where an FRA becomes a PCC type FRA, the following funding arrangements will apply:

- There will continue to be two separate precepts and two separate central funding streams for policing and fire.
- A new fire fund will be established and held by the PCC as FRA mirroring the existing arrangements for the police fund.
- Under the 'governance' model, funding would be paid to the PCC for the two services in separate funding streams. The PCC would set two precepts – one for fire and one for police. The money spent on each service will need to be accounted for separately. It will be possible for police or fire funds to be spent on matters of joint benefit, for example, shared back office functions, but funding will only be able to be allocated for the purposes for which it was paid.
- Under the 'single employer' model, the PCC will provide two separate budgets to the chief officer, which the chief officer would need to account for separately.

## **Implications of the Policing and Crime Act 2017 to inform VFM arrangements risk assessments**

There is the potential that bodies may be planning to implement new governance arrangements in the coming months, and new structures could take effect part way through a financial year, which poses additional risks including whether police, FRAs and County Councils' financial systems are able to handle part year financial reporting.

Auditors may wish to consider how bodies are developing proposals for governance structures and plans for collaboration. Where bodies are proposing to have plans in place by 1 April 2019, arrangements to prepare for the changes will be relevant to the 2018-19 VFM arrangements conclusion.



There is a duty for bodies affected by the proposals to provide information to support the PCC's business case submitted to the Home Secretary, as well as to enable the PCC to ask for the required precept. It is important that the right initial level of precept is set, for example, at a county where there is no separate fire precept, given that the freedom to make significant changes year on year is limited. It is, therefore, important that auditors gain an understanding of the information being provided to support decision making.

## **Her Majesty's Inspectorate Constabulary and Fire & Rescue Services**

In July 2017 Her Majesty's

Inspectorate of Constabulary (HMIC) became the single inspectorate for policing and fire and rescue services in England and was renamed Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). As a result of this change, HMIC's responsibilities were expanded so that the new body (HMICFRS) in addition to inspecting the 43 police forces in England and Wales, now also inspects a further 45 fire and rescue services in England.

The government has stated its intention to support continuing collaboration between policing and fire and rescue services, and HMIC's expanded role will facilitate activities such as inspection of collaborative working across both sectors, or, for example, where support functions have been combined.

The Policing and Crime Act 2017 sets out the requirement for inspectors to inspect and report on the efficiency and effectiveness of fire and rescue services in England. HMICFRS is currently rolling out its full programme of inspections for 2018-19. Auditors may wish to speak to their local fire bodies to understand how the inspection programme may impact their VFM arrangements work.

### *Force Management Statements*

Following consultation with stakeholders, HMICFRS has issued its first Force Management Statement (FMS) template.

The FMS is a self-assessment that chief constables (and London equivalents) prepare and submit to HMICFRS each year. In summary, the FMS is the chief constable's statement of:

- the demand the force expects to face in the next four years;
- how the force will change and improve its workforce and other assets to cope with the demand;
- how the force will improve its efficiency to make sure the gap between future demand and future capability is as small as it can reasonably be; and
- the money the force expects to have to do all this.

The FMS template and further guidance can be found at [FMS template and guidance](#).

## ***Informed decision making***

### ***Police***

- On an annual basis, HMICFRS publishes a report covering its assessment of the efficiency and effectiveness of policing in England and Wales. The latest report [State of policing: the annual assessment of policing in England and Wales 2017](#) was published in June 2018 . This report contains the assessment of police efficiency, effectiveness and legitimacy (PEEL) in England and Wales in respect of the 2017 inspection year and this reporting period is the third complete cycle of PEEL. The report also gives an overview of the findings from HMICFRS’s child protection and specialist inspections, including inspections of non-Home Office forces (examples include British Transport Police as well as Ports and Parks police). The nature of the assessments is covered in the ‘sustainable resource deployment’ section below.
- In early 2014, HMICFRS began a national programme of child protection inspections. [In harm's way: the role of the police in keeping children safe](#) was published in July 2015. This report contains the findings of these inspections. Its conclusions include “too many resources are being used to maintain systems for information exchange, without any guarantee that these processes produce any protective action”. The findings and conclusions of the inspections, where they are relevant to the audited body, may be helpful to auditors in undertaking their risk assessment.
- The [Independent Inquiry into Child Sexual Abuse](#) (IICSA) was launched in 2015. Its terms of reference include consideration of the extent to which institutions (including local police forces) have failed in their duty of care to protect children from sexual abuse and exploitation. Insofar as they relate to the audited body, the inquiry’s findings may be helpful to auditors in undertaking their risk assessment.
- In April 2018, IICSA published its [Interim Report of the Independent Inquiry into Child Sexual Abuse](#). The interim report contains several recommendations including:
  - the need for a cultural change within the police service;
  - Ensuring that complaints about the way the police have handled child sexual abuse cases are considered regardless of when the abuse took place;
  - ensuring that professionals who pose a risk or harm to children are barred from working with children across all sectors; and
  - ensuring that care staff working in children’s homes are professionally registered.

Auditors may wish to review the contents of the interim report as these may help provide some guidance over the completion of risk assessments for local bodies. These may include assessment of risks on:

- partnership working with other institutions to respond effectively to abuse;
- governance arrangements to ensure appropriate leadership is in place for a speedy and effective response to situations; and



- the understanding of the financial implications and resourcing arrangements required for an informed decision in addressing local demands.

### ***Fire and Rescue***

The [Fire and Rescue National Framework for England](#) was last updated in July 2018. The framework sets out the government's priorities and objectives for fire and rescue authorities in England. The framework requires each FRA to publish an annual statement of assurance. These statements provide assurance on financial governance and operational matters and show how FRAs have had due regard to the expectations set out in their integrated risk management plan and the requirements included in the National framework prepare an integrated risk management plan (IRMP), as set out in the annex to that document. The IRMP and assurance statements may be helpful to auditors in undertaking their risk assessment.

### ***Sustainable resource deployment***

#### ***Police***

HMICFRS's [PEEL programme](#) (police effectiveness, efficiency and legitimacy) draws together evidence from its annual all-force inspections in England and Wales. Forces are assessed on the following:

- the **effectiveness** of a force is assessed in relation to how it carries out its responsibilities including cutting crime, protecting the vulnerable, tackling antisocial behaviour, and dealing with emergencies and other calls for service;
- **efficiency** in relation to how forces provide value for money; and
- **legitimacy** in relation to whether the force operates fairly, ethically and within the law.

The evidence from the inspections together with the context within which forces operate, allows HMICFRS to assess each of the police forces in England and Wales.

In HMICFRS latest report, [State of policing: the annual assessment of policing in England and Wales 2017](#) published in July 2018, the chief Inspector outlines that the report follows a similar structure to that of previous year and it is split into the following three parts:

Part one: contains an assessment of the state of policing in England and Wales. Some of the recommendations covered in this section of the report include the need for police forces:

- to have a better understanding of the demands they face in order to be effective in view of limited resources;
- to have a better understanding of their role in the criminal justice system;
- to work together with other public services to support children;
- to harness the power of technology – particularly artificial intelligence and machine learning; and



- to develop more of a cultural national co-operation so that they can pool their expertise to be as efficient and effective as possible.

Part two: provides an overview of the findings of the inspections carried out between March 2017 and March 2018 - including a summary of the PEEL inspections. In this section, the chief constable reported that most forces were graded the same this year as in the previous year across the three pillars (effectiveness, efficiency and legitimacy). Greater Manchester Police had a limited inspection due to the terrorist attack of May 2017 and was excluded from the efficiency and legitimacy results reported. Further details on the results of the assessment can be found at **table 1 below**.

Part three: sets out the full list of inspections and other work in the year under review and describes the focus of the inspections including those on:

- PEEL;
- Child protection; and
- Specialist inspections (for example, unannounced inspections of police custody suites and crime data integrity inspections).

Part three also includes an outline of non-inspection publications in the year and these include:

- HMIs force assessments published April 2017 and March 2018;
- Public views of policing in England and Wales 2016-17 (results of the second IPSOS Mori survey) published July 2017;
- State of policing – the annual assessment of policing in England and Wales 2016 published in April 2017;
- Inspection programme and framework 2017-18 published September 2017;
- HMICFRS value for money profiles 2017 published November 2017;
- Victim voice methodology published December 2017;
- HMICFRS summary value for money profiles 2017 published November 2017;
- Public views of policing in England and Wales 2017 (results of the third IPSOS Mori survey); and
- Leadership assessment research.

Some of the themes in the current report are recurring from previous years. For example, the lack of long-term planning and the fragmented use of technology. The report also comments on the crisis in child and adolescent mental health services which the chief inspector sees as storing up problems that the police will have to deal with in the future.

The report notes that 2017 marks the last round of PEEL in its current form. From 2018, the intensity of inspections of well-performing forces will reduce and there will be a move to a model of integrated PEEL assessments with a focus on areas of greatest risks to the public. The design of these assessments is currently being finalised.

We have summarised in the table below *the number of authorities falling within each of the graded judgements across all three pillars of the PEEL programme in 2017 with comparative figures shown for 2016. Information for 2018-19 is not yet available.*

**Table 1: Graded judgements for authorities across all three pillars of the PEEL programme in 2017 and 2016.**

Grade → Pillar ↓	Outstanding		Good		Requires improvement		Inadequate	
	2017	2016	2017	2016	2017	2016	2017	2016
Effectiveness	1	1	30	27	12	14	0	1
Efficiency	2	2	30	33	10	8	0	0
Legitimacy	1	2	35	36	6	5	0	0

### Effectiveness

For 2017, Durham was graded as outstanding – consistent with its grading for 2016; 30 forces graded as good; 12 as requiring improvement; and none as inadequate.

### Efficiency

Durham and Thames Valley were graded as outstanding in 2017; 30 Forces as good; 10 as requiring improvement; and none as inadequate.

### Legitimacy

Kent was graded as outstanding; 35 forces as good; six requiring improvement and none as inadequate.

As shown in table 1 above, a number of police forces had a ‘requires improvement’ graded judgement for the effectiveness pillar. Auditors may therefore wish to check the status of their individual bodies and to determine whether the issues reported pose potential significant engagement risks. PEEL assessment information for local bodies can be found at <https://www.justiceinspectrates.gov.uk/hmicfrs/>

VFM dashboards providing comparative data for various policing activities for local bodies can also be accessed at [Value for Money dashboards](#).

Overall, HMICFRS’s findings and supporting data may be helpful to auditors in undertaking their risk assessment.



## ***Fire and Rescue***

From 1 July 2018, a 2% pay award was agreed. Auditors may wish to remain alert to this as the cost of any increases in pay will need to be funded locally. This could have an impact on authorities' medium term financial plan.

## ***Working with partners and other third parties***

Accountability for services cannot be transferred to third parties, and the body's arrangements to monitor the performance and delivery of services as well as, take action where standards fall, should be appropriate to the method of delivery.

- The Home Office published [Statutory guidance for police collaboration](#) in October 2012. This guidance supports the PRSRA 2011 provisions that require PCCs and chief constables to consider collaborative arrangements where these would improve the efficiency or effectiveness of one or more police bodies.
- The Home Office published updated guidance in November 2017 on the '[Building a Stronger Britain Together](#)' programme which supports civil society and community organisations who work to create more resilient communities, stand up to extremism in all its forms and offer vulnerable individuals a positive alternative, regardless of race, faith, sexuality, age and gender. The programme allows organisations that share these aims to bid for in-kind support and grant funding for specific programmes that deliver goals set out in the [Counter Extremism Strategy](#). The strategy encourages partnership between the government and people involved in projects that counter extremism and build stronger communities.
- In August 2018, the Department for Education published statutory guidance on inter-agency working to safeguard and promote the welfare of children. [Working together to safeguard children 2018](#) replaces a similar publication from 2015. The 2018 document is supported by two further publications – covering the transitional guidance and a statutory framework.

The report states that whilst it is parents and carers who have primary responsibility to care for their children, local authorities, working with partner organisations and agencies, have specific duties to safeguard and promote the welfare of all children in their area. The guidance includes a framework for the three local safeguarding partners (the local authority; clinical commissioning group(s) and the chief constable(s) to make arrangements to work together to safeguard and promote the welfare of local children including identifying and responding to their needs.

The guidance is applicable to all local authorities, clinical commissioning groups, police and all other organisations and agencies who come into contact with children as outlined in chapter two of the document. Auditors may wish to familiarise themselves with the



content of the document as part of their risk assessment for local bodies as all are required to comply with the document unless exceptional circumstances arise.

- HMICFRS published its third thematic report on the [police response to domestic](#) abuse in November 2017. This inspection found seven out of 43 forces have a cause for concern in relation to their response to domestic abuse and 33 forces have areas for improvement. Forces are continuing their partnership working and multi-agency safeguarding hubs (MASHs) are well established in most force areas. The report highlights the increase in domestic abuse recorded by the police, which has risen over 60% in under three years and suggests it is partly a result of forces improving their recording of these incidents as crimes. Areas for improvement include risk assessment, building the case for the victim, a shared view with the Crown Prosecution Service (CPS) on referrals and prosecutions, elements of a thorough police response and consistent performance measures.

The Policing and Crime Act 2017 introduced a duty to collaborate on blue light services. This includes measures for a greater push for procurement efficiencies and enabling PCCs to take over governance of fire and rescue services.

A number of emergency services are already developing new ways of working in partnership including:

- Cheshire, where blue light collaboration has resulted in a single shared headquarters being created in 2018 and the merging of a number of back office and professional services which support Cheshire Fire and Rescue Service and the Cheshire Constabulary.
- Another blue light collaboration has been introduced in the South West region of England, with Cornwall Fire and Rescue and Community Safety (CFRCS) Service working in partnership with Devon and Cornwall Police, South Western Ambulance Service NHS Foundation trust and Maritime Coastguard Agency. It is anticipated that this collaboration will result in a more efficient and effective way to achieve and ensure the health, safety and well-being of the most vulnerable in the area.
- Northamptonshire's Interoperability Programme: joint delivery of training, fleet and logistics; co-location of premises; a fully integrated Prevention and Community Protection Team from police and fire; and a joint operations team which plans all operational activity across the three emergency services. The organisations involved expect this programme of work to contribute to police savings of £21 million, and £2 million savings for the fire service, over four years.

Police and fire and rescue services in Hampshire have developed a shared HQ, strategic command centre, co-located stations and shared training facilities with the aim of achieving annual savings of £1m. In addition, a pilot scheme between Hampshire Fire and Rescue Service and South Central Ambulance Service has been set up to help gain entry to patients who need assistance quickly.



## Governance reporting

**This section sets out the Annual Governance Statement reporting requirements for the audited body mapped against the description of proper arrangements. Auditors might find this useful when considering the “subject matter” as defined in AGN 03 in order to prepare their risk assessment.**

Local bodies’ own governance reporting provides helpful, although not necessarily comprehensive, information about the subject matter for auditors’ work. The table below summarises relevant guidance on the governance framework for the sector, and how this relates to the description of proper arrangements in AGN 03.

Note that some governance statement requirements could provide information relevant to more than one sub-criterion and are included more than once. **Auditors should not consider these categorisations as prescriptive or exhaustive, or use the framework as a “checklist”.**

The extent to which the information contained in the governance statement will inform the auditor’s risk assessment will depend on the auditor’s knowledge of the audited body and the quality of the evidence supporting the body’s governance statement.



	<b>Local government (CIPFA/SOLACE framework – 2016 and guidance notes for Policing Bodies in England and Wales)</b>
<b>Informed decision making</b>	<ul style="list-style-type: none"> <li>• Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.</li> <li>• Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.</li> <li>• Documenting a commitment to openness and acting in the public interest.</li> <li>• Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.</li> <li>• Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.</li> <li>• Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.</li> <li>• Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.</li> <li>• Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.</li> <li>• Ensuring effective arrangements are in place for the discharge of the monitoring officer function.</li> </ul>

	<ul style="list-style-type: none"> <li>• Ensuring effective arrangements are in place for the discharge of the head of paid service function.</li> <li>• Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.</li> <li>• Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).</li> <li>• Ensuring an effective scrutiny function is in place.</li> <li>• Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.</li> <li>• Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013).</li> </ul>
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	<ul style="list-style-type: none"> <li>• Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.</li> </ul>
<p><b>Sustainable resource deployment</b></p>	<ul style="list-style-type: none"> <li>• Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.</li> <li>• Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Financial Officer of the Chief Constable (2014) as appropriate and, where they do not, explain why and how they deliver the same impact.</li> <li>• Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.</li> <li>• Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013).</li> </ul>
<p><b>Working with partners and other third parties</b></p>	<ul style="list-style-type: none"> <li>• Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.</li> <li>• Translating the vision into courses of action for the authority, its partnerships and collaborations.</li> <li>• Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority’s overall governance structures of the PCC and the force.</li> <li>• Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.</li> </ul>
	<ul style="list-style-type: none"> <li>• Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.</li> <li>• Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.</li> </ul>



## Sector resources

This section sets out some of the key stakeholders and their publications that auditors might find useful when preparing their risk assessment. Where a framework or guidance suggests “best practice” this will not necessarily map onto proper arrangements for VFM, where adequate practice may suffice. Auditors might wish to add value and make the audited body aware of “best practice” guidance they identify.

### Police

**National Audit Office:** The NAO scrutinises public spending for Parliament. It publishes various outputs relevant to the audited body’s sector. Reports that might be of particular interest to auditors include:

- [Local auditor reporting in England 2018](#) (published January 2019)
- [Departmental Overview: Local authorities 2017-18](#) (published October 2018)
- [Departmental Overview MHCLG](#) (published October 2018)
- [Departmental Overview Home Office](#) (published October 2018)
- [Financial sustainability of local authorities 2018](#) (published March 2018)
- [Financial sustainability of police forces in England and Wales 2018](#) (published September 2018)
- [A Short Guide to local authorities](#) (published October 2017)
- [Cyber security and information risk guidance for Audit Committees](#) (published September 2017)
- [Emergency services mobile communications programme](#) (published September 2016)
- [The work of the NAO in police and fire sectors](#) (published July 2016)
- [Shared service centres](#) (published May 2016)
- [Financial sustainability of police forces in England and Wales](#) (published June 2015)
- [The Home Office’s oversight of forensic services](#) (published January 2015)

**PEEL assessments:** PEEL is an annual assessment of police forces in England and Wales. Forces are assessed on their effectiveness, efficiency and legitimacy. Police forces are assessed as outstanding, good, requires improvement or inadequate on these categories (known as ‘pillars’) based on inspection findings, analysis and Her Majesty’s Inspectors’ (HMIs) professional judgment across the year. The pillars each comprise three or four questions that focus on core areas of the



work of the police. Judgments are also applied to these questions. At the end of the PEEL year (in February), HMIs bring together all the judgments made throughout the year together with other findings and information to produce a rounded annual assessment of each force.

Auditors may find the published results helpful when considering whether there is a significant engagement risk.

**HMICFRS VFM profiles:** HMICFRS's VFM profiles (published each November) are available for each police force, providing comparison with all forces in England and Wales and with the relevant most similar local police area. The profiles are based on data provided by the police, and the year relates to when they were published. The latest profiles were published in October 2018. The profiles highlight what the differences are, but not why. VFM profiles aim to prompt questions and are not explanatory or evaluative.

Auditors may find these profiles useful when considering whether there is a significant engagement risk. It is important to note that there may be a number of reasons a force might spend more on a particular function than others, therefore, local context will also be relevant to the risk assessment.

**HMICFRS publications:** HMICFRS's website includes a number of publications on its latest inspections including PEEL reviews, results of individual force inspections on the 'Best Use of Stop and Search (BUSS) scheme', as well as results of Crime Data integrity inspections. Auditors may find the published reports helpful when considering whether there is a significant engagement risk. Specific HMICFRS reports which may also be of interest include:

- [HMICFRS police inspection programme 2018/19](#)

This document which was published in July 2018, sets out HMICFRS's police inspection programme, business plans and resources for the year ahead (2018/19)

- [PEEL: Police effectiveness - An inspection of British Transport Police](#)

In October 2016, HMICFRS was commissioned by the Under Secretary of State for Transport to inspect the effectiveness of the British Transport Police (BTP) using the methodology set out in HMICFRS's autumn 2017 all-force inspection programme. The report, which was published in July 2018, sets out HMICFRS's findings from the inspection of the BTP's effectiveness.

The report sits alongside another report on the inspection of the BTP's efficiency, legitimacy and leadership which was published in December 2017. For further details – see [PEEL: Police efficiency, legitimacy and leadership - An inspection of British Transport Police](#)

- The [tri-service review of the Joint Emergency Services Interoperability Principles \(JESIP\)](#): This review, published in April 2016, sets out how the police, fire and ambulance services work together during major incidents.



- [Delivering justice in the digital age](#): This review, published in April 2016, details the findings of a joint inspection undertaken by Her Majesty's Crown Prosecution Service Inspectorate (HMCPSI) and HMICFRS assessing the progress made to date in the roll out of case file information digitisation.

**[HMICFRS Crime and Policing Comparator tool](#)**: The Crime and Policing Comparator tool allows the public to compare data on anti-social behaviour, quality of service, finances and workforce numbers for all police forces in England and Wales. Auditors may find its published data helpful when considering whether there is a significant engagement risk.

There are a number of other bodies which are active in the sector from time to time, and which publish articles and data on their websites that auditors may find helpful when undertaking their risk assessment:

- [College of Policing](#): Announced by the Home Secretary in December 2011, and established as a company limited by guarantee, the College describes itself as “the professional body for policing”.
- [Association of Police and Crime Commissioners](#): The Association describes itself as “the national body that supports PCCs, and other local policing bodies across England and Wales, to provide national leadership and influence change in the policing and criminal justice landscape”.
- [Police and Crime Commissioners Treasurers' Society](#): The Society represents the treasurers of each of the 41 PCCs in England and Wales, as well as the Treasurer to the Mayor's Office for Policing and Crime, and the Chamberlain of the Common Council of the City of London. Members of the Society have access to resources including detailed information on police and local government finance.
- The [Police Federation of England and Wales](#): The Federation is the staff association for police constables, sergeants and inspectors (including chief inspectors). It has a statutory obligation to ensure that the views of its members are accurately relayed to government, opinion formers and key stakeholders.

The [Home Office](#) publishes [statistics](#) detailing the police workforce numbers (police officers, police staff, police community support officers, designated officers and special constables) in each local police area every 6 months.

In addition, the Home Office and the police have set out a package of measures which will increase transparency around chief officer employment. As part of this, police chiefs' pay packages will be published on [data.police.uk](#). The measures intend to address areas of inconsistency and concern around chief officer employment. A [snapshot study](#) of police chiefs' pay packages from 2015-16 has also been published on the website.



The Chartered Institute of Public Finance and Accountancy [CIPFA](#) has published a number of guides in relation to the sector including:

- [Alternative service delivery models](#): This practical guide sets out the key considerations for local government in ‘transforming’ service delivery. It is designed to help those involved in supporting existing alternative delivery vehicles as well as those considering establishing new delivery. It focuses on the decisions around which services are most appropriate for your organisation and the positives and negatives of different delivery vehicles.
- [Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales \(2016 Edition\)](#): These guidance notes are intended to assist PCCs, chief constables and associated organisations in reviewing the effectiveness of their own governance arrangements by reference to best practice and using self-assessment.

### ***Fire and Rescue***

**National Audit Office**: Reports that might be of particular interest to auditors include:

- [Local auditor reporting in England 2018](#) (published January 2019)
- [Departmental Overview: Local authorities 2017-18](#) (published October 2018)
- [Departmental Overview MHCLG](#) (published October 2018)
- [Departmental Overview Home Office](#) (published October 2018)
- [Financial sustainability of local authorities 2018](#) (published March 2018)
- [Transformation guidance for audit committees](#) (published May 2018)
- [The work of the NAO in police and fire sectors](#) (published July 2016)
- [Impact of funding reductions on fire and rescue services](#) (published November 2015)
- [Financial sustainability of fire and rescue services](#) (published November 2015)
- [A Short Guide to local authorities](#) (published October 2017)
- [Cyber security and information risk guidance for Audit Committees](#) (published September 2017)

**Fire and Rescue bulletins**: The government releases monthly bulletins covering issues of interest and relevance to FRAs in England. Auditors may find these bulletins helpful when considering whether there is a significant engagement risk.

**Fire Peer Challenge**: The Local Government Association offers a “fire peer challenge” toolkit to help FRAs self-assess and support one another through peer challenges to help improve their services. Between 2011 and 2015, all 46 Fire and Rescue Services undertook a fire peer challenge.



In October 2015 the 'second round' of fire peer challenges started, using the updated Operational Assessment and fire peer challenge toolkit and framework. Auditors may find the 'second round' toolkit helpful when considering whether there is a significant engagement risk.

**LG Inform Value for money profiles**: Local Government Association maintains profiles that bring together data about the costs, performance and activity of local authorities and fire and rescue authorities. Auditors may find these profiles helpful to identify risk factors from trends in input, output, and outcome data relevant to the audited body.

HMIC and the NAO jointly published [Private sector partnering in the police service: A practical guide to major business partnering, custody partnering and consultancy support](#) in July 2013. This guidance highlighted some of the private sector partnering already undertaken by police forces, as well as good practice and areas of learning identified.