



THE POLICE, FIRE AND CRIME COMMISSIONER FOR NORTH YORKSHIRE AND THE CHIEF CONSTABLE OF NORTH YORKSHIRE

Financial Planning

FINAL Internal Audit Report 1.24/25

7 November 2024

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING





CONTENTS

Audit outcome overview3

Summary of management actions7

Appendices

Detailed findings and actions9

Appendix A: Categorisation of findings11

AUDIT OUTCOME OVERVIEW

In line with our scope, the overview of our findings is detailed below.


Background / Why we did the audit

The PFCC budget is set on an annual basis, and is supported by a 2024/25 to 2027/28 Medium Term Financial Plan which is reviewed by the Authority each November, ahead of the 2024/25 annual budget review, in February. The budget is funded through a mix of central government grants and the local police precept (the portion of Council Tax contributed by local residents). Aside from the police precept, the majority of funding comes from central government. The gross budget requirement for North Yorkshire PFCC in 2024/25 is £221 million. The Police, Fire, and Crime Commissioner (PFCC) is responsible for setting this budget which then allocates a budget to the Chief Constable, which guides the force's change program, workforce strategy, training plans, as well as estates and fleet strategies. Additionally, the PFCC determines the Band D Police Element of the Council Tax in North Yorkshire, which for 2024/25 is set at £306.86, reflecting a 3.99% increase from the 2023/24 level.


The PFCC and Force's Medium Term Financial Plan (MTFP) is projected to break even over its four-year span. The balanced budget for 2024/25 enables North Yorkshire Police (NYP) to implement its plans to ensure public safety and confidence, while also developing long-term strategies for efficiency savings to reinvest in enhancing service quality. As part of its governance and scrutiny process, the Force will regularly review its performance against the North Yorkshire Police, Fire and Crime Commissioner's Police and Crime Plan 2022-2025 and the underlying assumptions. It will take necessary actions to address any emerging issues to maintain a balanced budget that aligns with the Force's priorities.

Conclusion: Our review has determined that the Force have a defined set of controls in place in relation to financial planning, which we confirmed are designed effectively and were being complied with in practice.


Internal audit opinion:




Minimal Assurance



Partial Assurance



Reasonable Assurance



Substantial Assurance

Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

Audit themes:

- Policies and Procedures:** We were able to evidence that the Force and Commissioner have a set of Financial Regulations in place, which document processes in relation to financial planning. However, previous RSM audits have identified that the Devolved Resource Manual, which the Financial Regulations form part of, is currently out of date; as such, review and approval is due by 31 March 2025. We have therefore not raised an additional action as part of this audit. We were however able to evidence that the Force have a documented Strategic Planning and Budget Setting Process to ensure they are able to manage performance to ensure financial and strategic objectives are achieved.

The 2025/26 Budget Setting Process Timetable has been created, to support the upcoming budget planning process. Review of the document identified key process milestones had been documented, with clear dates and responsible owners allocated.

- **Budget Setting Process:** We confirmed that the annual budget setting process begins between July and September with the Finance Team issuing a Capital Project Initial Document (PID) to budget holders, which must be completed by the end of September. Budget holders, supported by the Finance Manager and Department Heads, complete these documents where there is a new capital expenditure need identified. Revenue needs are discussed in monthly meetings where inflation growth is recorded as non-discretionary unavoidable costs and new growth requests require a Revenue PID to be completed. Capital requests tied to revenue will be captured during this budget setting process. The final budget is based on the previous year's base budget, adjusted for past spending, growth, or savings, through discussions with budget holders and reviewed by the Finance Manager and Chief Finance Officer. A sample test of 10 budget requests confirmed all PIDs were fully completed with no issues. The Finance Manager then collates all PIDs for review by a Prioritisation Review Group, which includes representatives from various departments across the Force. This Group reviews and scores each PID based on financial, reputational, legal, and operational risks, alignment with the Force Sustainability Plan, and potential savings and efficiencies. The 2024/25 Prioritisation Review Group meeting reviewed 92 Capital PIDs where 24 with thorough assessment of expected benefits and risks. The Force's Chief Finance Officer confirmed Chief Officer Team (COT) discussed the Capital PIDs in mid-September where they will be revisited as part of the budget process. Revenue PIDs were prioritised in mid-October with representatives across the Force where COT met to discuss the initial budget position on 6 November 2024 and clarified the revenue PID priorities of the Force. The next review of the budget will be 2 December 2024, with the final position being discussed at COT on 18 December 2024.

- **Annual Budget and Medium Term Financial Plan:** The Medium Term Financial Plan (MTFP) addresses the financial, strategic, and service challenges of North Yorkshire Police (NYP ensuring resources align with priorities. Reviewed annually, it includes the Capital Programme for 2024/25 and projections for 2025/26 to 2027/28. On 27 February 2024, the Police, Fire and Crime Commissioner (PFCC) reviewed the MTFP and Capital Plans, seeking approval for £221,012k in revenue funding and a £12,017k capital programme for 2024/25. The PFCC's office budget was proposed at £1,520k. Most funding is allocated to the Chief Constable for the Police and Crime Plan. The PFCC expects £16.3 million more income in 2024/25 than forecasted and £19.6 million more than in 2023/24, covering increased costs. A balanced budget for the next four years is projected. The Force proposed over £43 million in capital plans for 2024/25 to 2027/28, with £5.6 million carried over from 2023/24. New planning processes and personnel aim to improve financial management in 2024/25.

A sample test of 10 budget lines confirmed that growth or savings were justified, recorded, and accurately entered into the Final Budget Book, with correct calculations and base budget entries. We were also satisfied that the Force's budget and MTFP were supported by a set of key assumptions, with detailed narrative provided, to support each assumption.

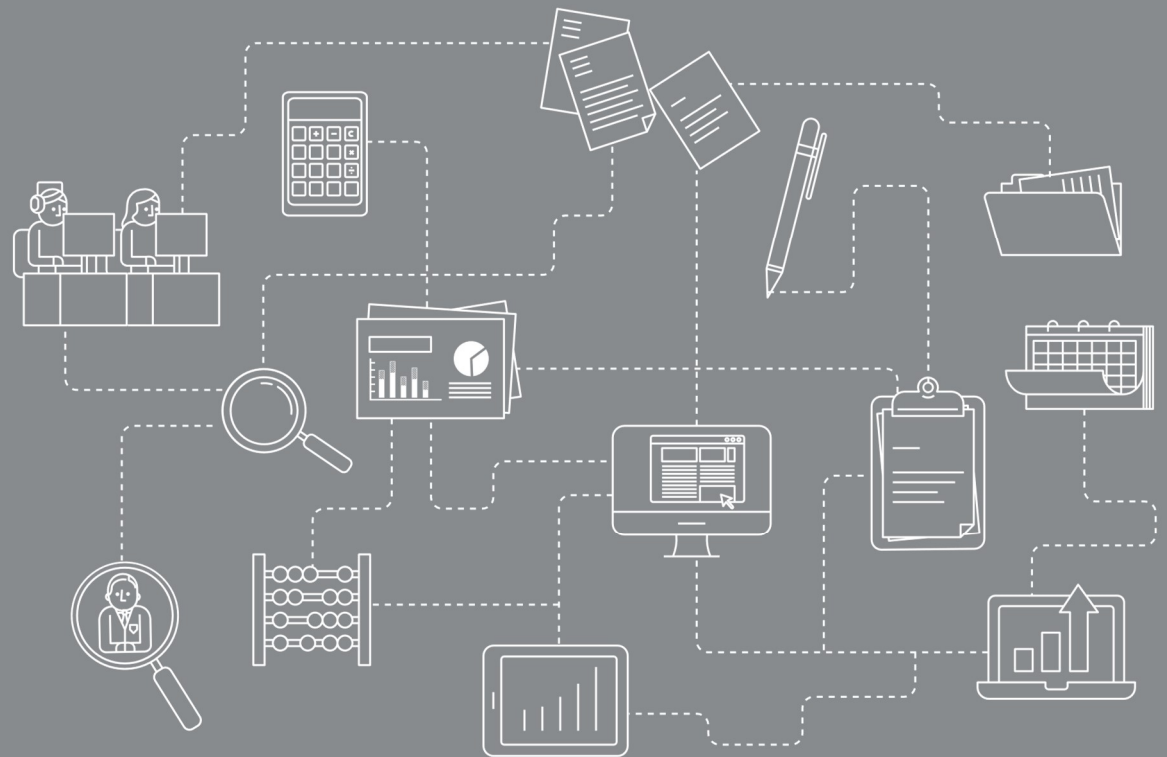
- **Risk Analysis and Contingency Planning:** The 2024/25 Annual Budget and MTFP highlighted several major risks, including higher-than-expected pay awards, tax base variations, public support for precept increases, rising employer pension contributions, and the Force's ability to manage costs within budget. These risks were detailed in the Chief Finance Officer's report to the Police, Fire and Crime Commissioner (PFCC) in February 2024 and recorded in the Force's risk register. The MTFP also included a detailed schedule of projected changes in reserves from 2023 to 2028, showing a decrease from nearly £30 million at the start of 2023/24 to about £12 million by the end of 2027/28, contingent on the capital programme's delivery. Usable reserves were noted to total £21.4 million, with a capital receipts reserve of £8 million. The Chief Finance Officer's report also included a narrative on the robustness of the estimates for the PFCC.
- **Police Precept:** When proposing the police precept, the Chief Finance Officer for the PFCC considers public views, the financial impact on residents, the organisation's financial needs for 2024/25 and beyond, and current inflation levels. The 2024/25 police precept proposal was presented to the PFCC for North Yorkshire on 26 January 2024, suggesting a Band D Police Element of the Council Tax at £306.86, a 3.99% increase from 2023/24. Local taxpayers cover the portion of police service costs not funded by central government, accounting for over 44% of the total income for 2024/25.

A public consultation, including an online survey and telephone interviews, gathered feedback from 2,631 respondents, with 64% supporting an increase in the police precept. The report detailed financial implications, inflationary pressures, and key investment areas aligned with the Police and Crime Plan. Prioritised investments included improvements in the Force Control Room (FCR) and increased roles for handling emergency and non-emergency calls, with approximately £1.9 million allocated annually for these enhancements.

- **Budget Review and Approval:** We confirmed that the proposed North Yorkshire Police 2024/25 to 2027/28 Revenue Budget and Capital Expenditure Programme was presented to the Chief Officer Team (COT) Board in December 2023. This board, consisting of senior officers and staff, regularly meets to make strategic and operational decisions, assessing performance data and financial reports. The report highlighted the status of the capital programme for 2023/24 to 2027/28, noting that the programmes for 2023/24 and 2024/25 were expected to be achievable. Additional projects could be requested if supported by a business case. On 30 January 2024, the CFO for the PFCC presented the budget and capital expenditure programme to the Executive Board, providing a high-level overview and detailing the relationship with the MTFP for 2024/25 to 2027/28. The report outlined revenue funding, budget planning processes, key assumptions, risk analysis, and areas of investment and improvement. An Efficiency Savings Plan for 2024/25 was included, targeting a 0.5 per cent productivity saving, with a £1.035m efficiency target for 2024/25 and future savings projected between £1.000m and £1.100m. The MTFP and Capital Plans for 2024/25 to 2027/28 were presented to and approved by the Police, Fire and Crime Commissioner for North Yorkshire on 27 February 2024. The CFO's report requested approval for the 2024/25 budget proposals and the MTFP, as well as the 2024/25 capital programme funding and indicative allocations for 2025/26 to 2027/28.

Summary of Actions for Management

01



SUMMARY OF MANAGEMENT ACTIONS

The action priorities are defined as*:

High

Immediate management attention is necessary.

Medium

Timely management attention is necessary.

Low

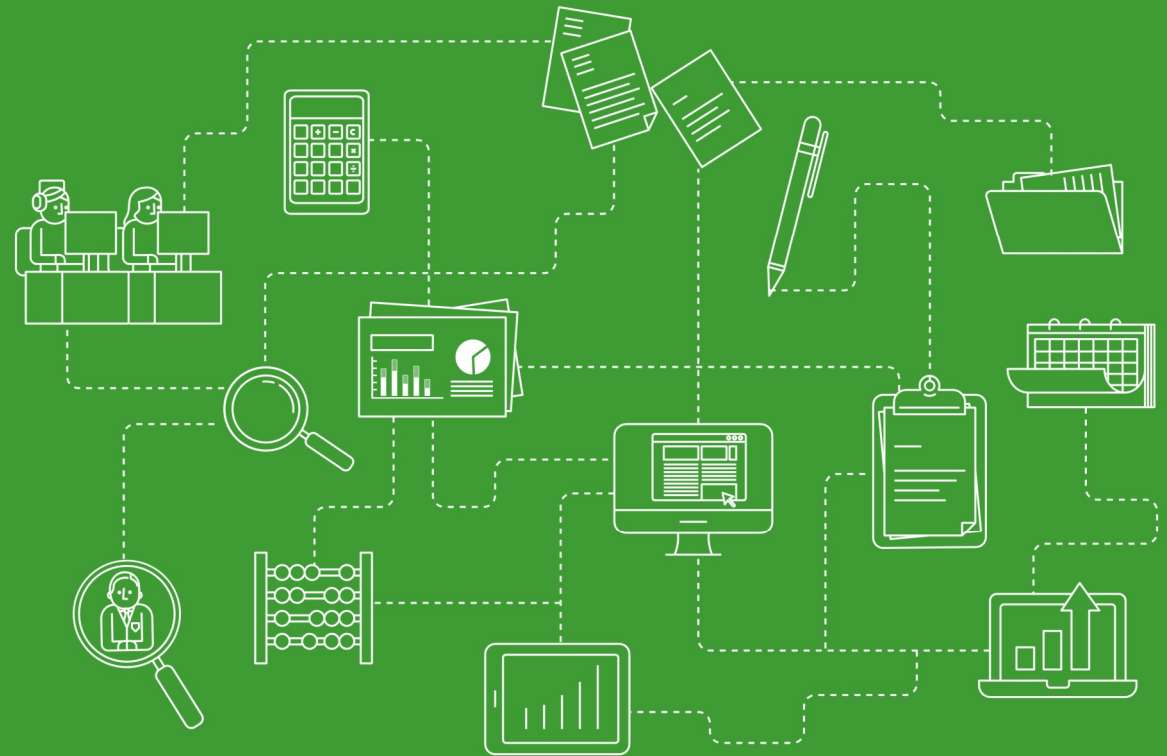
There is scope for enhancing control or improving efficiency.

We did not identify any areas of weakness in control or examples of lapses in control from our testing. Therefore, there no management actions have been agreed.

* Refer to Appendix A for more detail

Detailed Findings and Actions

02

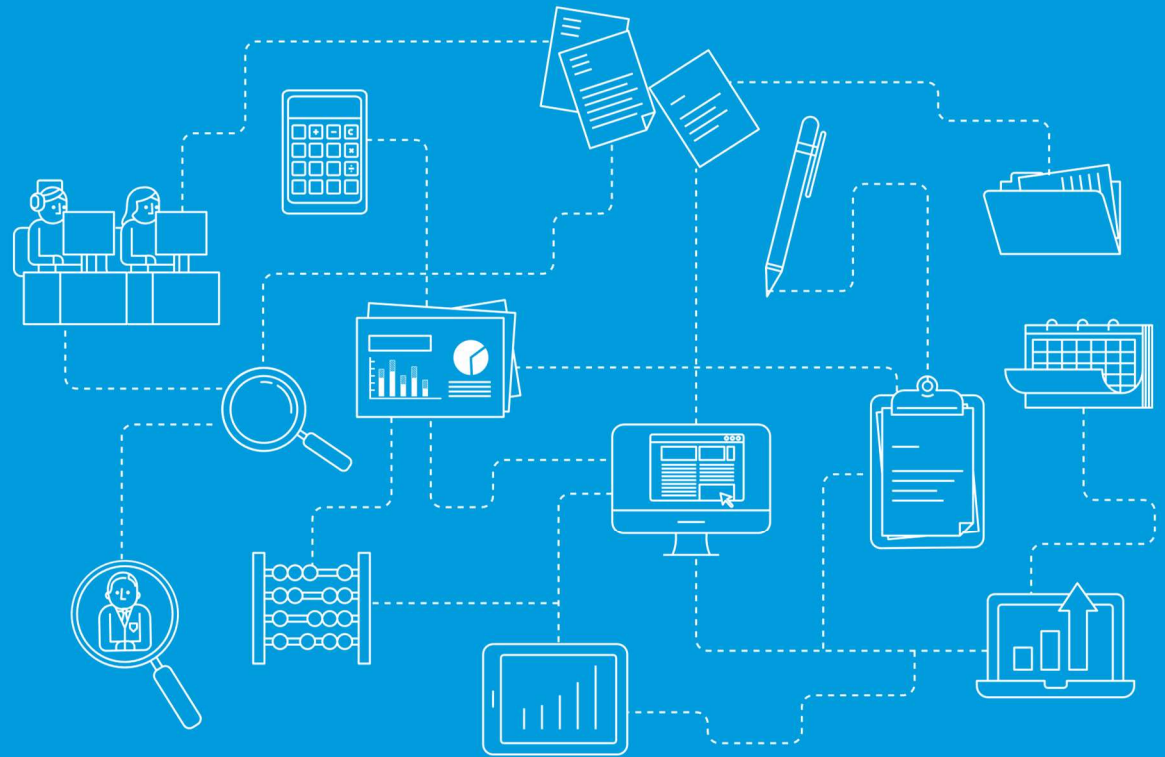


DETAILED FINDINGS AND ACTIONS

We did not identify any areas of weakness in control or examples of lapses in control from our testing. Therefore, there no findings have been reported.

Appendices

03



APPENDIX A: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings

Low

There is scope for enhancing control or improving efficiency.

Medium

Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.

High

Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Risk	Control design not effective*	Non-compliance with controls*	Agreed actions		
			Low	Medium	High
Risk Reference: 7581	0 (12)	0 (12)	0	0	0
Total			0	0	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

Debrief held 18 October 2024
Draft report issued 23 October 2024
Responses received 7 November 2024

Internal audit contacts Dan Harris, Head of Internal Audit
Phil Church, Associate Director
Hollie Adams, Principal Consultant
Stephanie Alexander, Senior Consultant

Final report issued 7 November 2024

Client sponsor Chief Finance Officer PFCC
Chief Finance Officer Chief Constable
Distribution Chief Finance Officer PFCC
Chief Finance Officer Chief Constable

We are committed to delivering an excellent client experience every time we work with you. If you have any comments or suggestions on the quality of our service and would be happy to complete a short feedback questionnaire, please contact your RSM client manager or email admin.south.rm@rsmuk.com.

rsmuk.com

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of **The Police, Fire and Crime Commissioner for North Yorkshire and the Chief Constable of North Yorkshire**, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM UK Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.