



# Annual Governance Statement

Position as at 31<sup>st</sup> March 2018 including plans for the financial year 2018/19.

## 1. Scope of Responsibility

- 1.1 The PCC is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The PCC also has a duty to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the PCC is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility, the PCC places reliance on the Chief Constable of Cleveland Police to support the governance and risk management processes.
- 1.3 The PCC has an overarching code of corporate governance in place to ensure the governance arrangements are easily accessible with all of the key documents captured in one place. The code is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government and while under constant review to ensure it meets the needs of the organisation is it the subject of formal review and publication annually.
- 1.4 Copies of the Code of Corporate Governance are available on our website at [www.cleveland.pcc.police.uk](http://www.cleveland.pcc.police.uk).
- 1.5 This statement explains how the PCC has complied with the code and also meets the requirements of the Accounts and Audit Regulations in relation to the publication of a statement on internal control.
- 1.6 In drafting the PCC Annual Governance Statement reliance has been placed on the governance processes within Cleveland Police, as reflected in the Force's Annual Governance Statement which is published alongside the accounts of the PCC.
- 1.7 The two AGS's complement each other by:
  - outlining the key methods of assurance which operate in each body to ensure that, overall effective control is exercised
  - showing which key documents/reports of Cleveland Police are scrutinised by the PCC as part of wider accountability
  - demonstrating how the Police and Crime Plan is delivered by Cleveland Police and is underpinned by public consultation on the part of the PCC as part of wider accountability.
- 1.8 Both the PCC and Cleveland Police must produce separate accounts which are then consolidated into group accounts. This ensures that both individual and collective financial stewardship of public money is effective and is underpinned by annual external audit.

## **2. The Purpose of the Governance Framework**

- 2.1 The governance framework comprises both the culture and value, and systems and processes, by which the PCC is directed and controlled and their activity through which it accounts to and engages with the community. It enables the PCC to monitor the achievement of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost effective services, including achieving value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the PCC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.
- 2.3 This governance framework has been in place at the PCC for Cleveland for the year ended 31 March 2018 and up to the date of the approval of the financial statements.

## **3. The Governance Framework**

- 3.1 In April 2016 CIPFA published an updated version of their "Delivering Good Governance in Local Government: Framework" which was followed by specific guidance notes for Policing Bodies. The 2016 Framework sets out seven principles of good governance which are taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) ('the International Framework') and interprets them for local government.
- 3.2 The seven principles (A to F) are considered below and have been utilised in our review of governance and in developing this AGS.

#### **4 PRINCIPLE A: BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW**

The PCC is accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

##### **THE CORPORATE PROCESSES WHICH UNDERPIN THIS COMMITMENT**

- The Policing Protocol 2011 requires all parties to abide by the 7 Nolan Principles, these will be central to the behaviour of everyone in the organisation. It also highlights the expectation that the relationship between all parties will be based on the principles of goodwill, professionalism, openness and trust
- The Financial Management Code of Practice requires the PCC to ensure that the good governance principles are embedded within the way that the organisations operate
- The PCC has set out their values in the respective corporate and strategic plans
- The 2014 Code of Ethics for Policing

##### **BEHAVIOURS AND OUTCOMES THAT DEMONSTRATE GOOD GOVERNANCE IN PRACTICE**

- Behaving with integrity
- Demonstrating strong commitment to ethical values
- Respecting the rule of law

In reviewing this area it continued to be felt that the on-going work, within the Force, around Standards and Ethics, the implementation of the previous actions and learning from recent Employment Tribunals and the receipt of new complaints/cases within this area impact significantly on the Governance of the organisation and the focus needs to be maintained at the highest level.

## **PRINCIPLE B: ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT**

Public Services, including the Police, are run for the public good. Organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders

### **THE CORPORATE PROCESSES WHICH UNDERPIN THIS COMMITMENT**

- The PCC is accountable to local people and draws on this mandate to set and shape the strategic objectives for the force area in consultation with the Chief Constable, taking into account the Strategic Policing Requirement.
- The Police and Crime Plan clearly sets out what the strategic direction and objectives are to be and how they will be delivered.
- To complement this, the PCC's communication and engagement strategies set out how local people will be involved with the PCC to ensure they are part of decision making, accountability and future direction. This will be a mixture of being part of the yearly planning arrangements and becoming involved in issues of interest to local people as they emerge.
- The PCC has developed arrangements for effective engagement with key stakeholders, ensuring that where appropriate they remain closely involved in decision making, accountability and future direction
- The strength of the PCC's working relationship with the Police and Crime Panel, constituent local authorities and other relevant partners

### **BEHAVIOURS AND OUTCOMES THAT DEMONSTRATE GOOD GOVERNANCE IN PRACTICE**

- Openness
- Engaging comprehensively with institutional stakeholders
- Engaging stakeholders effectively, including individual citizens and service users

Nothing of a significant nature was highlighted in this area as part of the review although perhaps some work on public surveys, especially around areas such as precept, would further strengthen this area. Beyond this work to be done to incorporate the changing role of the OPCC in overseeing and dealing with police complaints, as part of the national reform programme but also as an element of Transforming Professional Standards work within the Force.

Looking forward into 2018/19 the introduction of the EU General Data Protection Regulation (GDPR) replaces the Data Protection Directive and is designed to harmonise data privacy laws across Europe, to protect and empower all EU citizens' data privacy and to reshape the way organisations across the region approach data privacy. The UK Data Protection Bill is the UK version of GDPR. Enforcement of this regulation commences on 25 May 2018 - at which time those organisations in non-compliance may face heavy fines. The PCC must be ready to comply with GDPR legislation or could face the risk of financial penalties. This area will need to be given the focus it requires to enable adherence with the regulations.

## **PRINCIPLE C: DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS**

The long term nature and impact of many of the PCC's responsibilities mean that they should seek to define and plan outcomes and that these should be sustainable. Decisions should contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

### **THE CORPORATE PROCESSES WHICH UNDERPIN THIS COMMITMENT**

- The Act requires the PCC to issue a Police and Crime plan, which defines the police and crime objectives (outcomes) and the strategic direction for Policing. Each corporation sole must have regard to the plan, and the PCC must have regard to the priorities of the responsible authorities during its development.
- Each organisation will have a corporate/strategic plan which sets out how it will operate to support achievement of these outcomes
- Collaboration agreements will set out those areas of business to be undertaken jointly with other forces, local policing bodies and other emergency services, in order to reduce cost, increase capability, and/or increase resilience to protect local people.
- A medium term financial strategy will be jointly developed and thereafter reviewed regularly to support delivery of these plans. Joint protocols will ensure proper arrangements for financial management
- A commissioning and award of grants framework will be developed by PCCs, incorporating commissioning intentions and priorities.
- A complaints protocol will be jointly agreed to provide clarity over the arrangements to respond to the breadth of concerns raised by local people, whether they be organisational or individual failures. This will complement other statutory arrangements.

### **BEHAVIOURS AND OUTCOMES THAT DEMONSTRATE GOOD GOVERNANCE IN PRACTICE**

- Defining outcomes
- Sustainable economic, social and environmental benefits

The review highlighted one non-significant areas, which required continued focus and that could enhance governance in this area and this was in relation to the Commissioning and Award of Grants Framework

## **PRINCIPLE D: DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES**

Local Government, including the Police, achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

### **THE CORPORATE PROCESSES WHICH UNDERPIN THIS COMMITMENT**

- The PCC and the Chief Constable will maintain a medium term financial strategy which will form the basis of the annual budgets, and provide a framework for evaluating future proposals
- There will be a comprehensive process of analysis and evaluation of plans, which will normally include option appraisal, techniques for assessing the impact of alternative approaches on the service's outcomes, and benefits realisation
- Processes will be in place to monitor efficiency and value for money, including benchmarking of performance and costs
- The PCC and the Force should maintain effective workforce development and asset management plans (eg Estate; ICT)

### **BEHAVIOURS AND OUTCOMES THAT DEMONSTRATE GOOD GOVERNANCE IN PRACTICE**

- Determining interventions
- Planning interventions
- Optimising achievement of intended outcomes

The review didn't highlight any areas, within this principle, that were worthy of note within the Annual Governance Statement.

## **PRINCIPLE E: DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT**

The PCC and the Police Force need appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A public organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Both the individuals involved and the environment in which the Police operates will change over time, and there will be a continuous need to develop its capacity as well as the skills and experience of the leadership and individual staff members. Leadership in the Police service is strengthened by the participation of people with many different types of background, reflecting the structure and diversity of communities.

### **THE CORPORATE PROCESSES WHICH UNDERPIN THIS COMMITMENT**

- The 'People' and personal development strategies of the Office of the PCC and the Force set the climate for continued development of individuals. The respective performance development review processes will ensure that these strategies are turned into reality for members of staff.

### **BEHAVIOURS AND OUTCOMES THAT DEMONSTRATE GOOD GOVERNANCE IN PRACTICE**

- Developing the entity's capacity
- Developing the capability of the entity's leadership and other individuals

The review highlighted that continued further work could be undertaken to develop further the Personal and Capability Development of the staff within the OPCC. While not a significant governance issue, further improvements in this area could aid the capacity and capability of the output from the organisation.

## **PRINCIPLE F: MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT**

Public bodies need to ensure that the organisation's and governance structures that they oversee have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management, business continuity and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. They consist of an ongoing process designed to identify and address significant risks involved in achieving outcomes. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability.

### **THE CORPORATE PROCESSES WHICH UNDERPIN THIS COMMITMENT**

- The decision making protocol sets out principles for how decisions will be taken by the PCC and the standards to be adopted
- It requires a combined forward plan of decisions, which brings together the business planning cycles for the Police and Crime plan, the Office of the PCC, and the Force integrated business management process. This will ensure proper governance by bringing together the right information at the right time
- The scheme of governance highlights the parameters for decision making, including consents, financial limits for specific matters, and standing orders for contracts
- The risk management strategy establishes how risk is embedded throughout the various elements of corporate governance of the organisation
- The Communications and Engagement strategies demonstrate how the PCC and Chief Constable will ensure that local people are involved in decision making
- The information publication scheme ensures that information relating to decisions will be made readily available to local people, with those of greater public interest receiving the highest level of transparency, except where operational or legal constraints exist
- The forward plan of decisions combined with open and transparent information schemes enables the Police and Crime Panel to be properly sighted on the decisions of the PCC

### **BEHAVIOURS AND OUTCOMES THAT DEMONSTRATE GOOD GOVERNANCE IN PRACTICE**

- Managing risk
- Managing performance
- Robust internal control
- Managing data
- Strong public financial management

The review didn't highlight any areas within this principle that were worthy of note within the Annual Governance Statement although work to reconfigure the approach to risk management in terms of roles and responsibilities, so that risk is managed even more effectively in OPCC and also cross-corporate terms could further improve this area of work.



## **PRINCIPLE G: IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY**

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

### **THE CORPORATE PROCESSES WHICH UNDERPIN THIS COMMITMENT**

- Legislation sets out the functions of the PCC and the Chief Constable. The Policing Protocol describes how these functions will be undertaken to achieve the outcomes of the Police and Crime Plan.
- The Police Reform and Social Responsibility Act requires the PCC to appoint a Chief Executive and a Chief Financial Officer. It prescribes that the Chief Executive will act as head of paid service and undertake the responsibilities of monitoring officer.
- The Act requires the Chief Constable to appoint a Chief Financial Officer
- The Financial Management Code of Practice sets out the responsibilities of the CFOs for both the PCC and the Chief Constable
- Internal audit, reflecting published guidance on standards
- The Scheme of corporate governance highlights the parameters for key roles in the organisation including consents from the PCC or Chief Constable, financial regulations and standing orders
- Officers, Police support staff and staff of the OPCC will operate within
  - OPCC or Force policies and procedures
  - The corporate governance framework
  - Disciplinary regulations
  - Codes of conduct
  - Code of Ethics
- A joint assurance protocol ensures effective monitoring of the organisations to ensure they are achieving their priorities
- A joint independent Audit Committee operates within the CIPFA guidance and in accordance with the Financial Management Code of Practice

### **BEHAVIOURS AND OUTCOMES THAT DEMONSTRATE GOOD GOVERNANCE IN PRACTICE**

- Implementing good practice in transparency
- Implementing good practices in reporting
- Assurance and effective accountability

The review didn't highlight any areas within this principle that were worthy of note within the Annual Governance Statement.

## **5 Review of effectiveness**

5.1 The PCC has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including:-

- The system of internal audit
- The system of internal control

5.2 The governance framework within the PCC has been reviewed, and continues to be reviewed for its effectiveness by both the PCCs Chief Executive and Monitoring Officer and Chief Finance Officer.

5.3 The roles and processes applied in maintaining and reviewing the effectiveness of the governance framework are outlined below: -

### **PCC**

5.4 The PCC has overall responsibility for the discharge of all the powers and duties placed on it and has a statutory duty to 'maintain an efficient and effective police force'. The review and maintenance of the governance framework is the responsibility of the joint audit committee which will discuss the majority of governance issues, referring reports to the PCC when it is felt necessary. Given that the ultimate responsibility for Governance rests with the PCC and CC the Audit Committee requires a Member of the management team of each organisation to attend each Audit Committee meeting. This provides the Committee with a direct opportunity to engage at the right level in the organisation but also develop strong working relationships. In addition to this and to further strengthen their role the Audit Committee has direct access to both the PCC and CC if and when required.

### **Cleveland Police**

5.5 The Chief Constable has responsibility for conducting a review of the effectiveness of the governance framework within the Force at least annually. This review is informed by the work of the Chief Constable's Chief Finance Officer, Head of Internal Audit and the Risk and Assurance managers within the Force who have responsibility for the development and maintenance of the governance environment. In preparing the Annual Governance Statement for 2016/17 the officers of the PCC have placed reliance on this review and the Force's resulting Annual Governance Statement.

### **Joint Audit Committee**

5.6 Chaired independently, the PCC and Chief Constable operate a Joint Independent Audit Committee. The role of the Committee, in part, is to provide independent assurance on the adequacy and effectiveness of the internal control environment and risk management framework, advising the PCC and CC according to good governance principles and overseeing governance and monitoring of governance within the organisation.

5.7 The joint Audit Committee receives regular reports on governance issues. This includes the review of the Annual Governance Statement and update reports on progress made in addressing significant governance issues included in it.

### **Head of Internal Audit**

5.8 In maintaining and reviewing the governance framework, the PCC's Chief Finance Officer places reliance on the work undertaken by Internal Audit and in particular, the Head of Internal Audits independent opinion on the adequacy and effectiveness of the system of internal control. For 2017/18 the Head of Internal Audit is of the opinion that,

5.9 They are satisfied that for the areas reviewed during the year that The Police and Crime Commissioner has reasonable and effective risk management, control and governance processes in place.

### **External Audit**

- 5.10 External Audit are an essential element in ensuring public accountability and stewardship of public resources and the corporate governance of the PCC's services, with their annual letter particularly providing comment on financial aspects of corporate governance, performance management and other reports.
- 5.11 In addition to the above other review/assurance mechanisms such as Her Majesty's Inspectorate of Constabulary and Fire Rescue Service who are charged with promoting the effectiveness and efficiency of policing, improving performance and sharing good practice nationally and the Health and Safety Inspectorate are also relied upon.

## **6 Evaluation**

- 6.1 Following this review, governance and decision making arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

## 7 Governance Issues

### Action Plan for 2018/19 to address issues raised:

Significant Governance Issues	Action	Owner	Target Implementation Date
BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW	Overseeing and holding to account the Force for the on-going review of Professional Standards and Ethcis within the Force, the implementation of the actions resulting from recent Employment Tribunals and the findings of the Independent Powers Tribunal into the use of Regulation of Investigatory Powers Act by Cleveland Police.	Chief Executive and Monitoring Officer	As referenced in last year's AGS this is a large area of work that is likely to extend across multiplie financial years and will continue to the be further reviewed as part of the future AGS's.
<b>Areas which require further/continued focus</b>			
ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT	To ensure that the PCC is ready to comply, and subsequently complies, with GDPR legislation or could face the risk of financial penalties. This area will need to be given the focus it requires to enable adherence with the regulations.	Data Protection Officer	The regulation applies from the 25 May 2018, however the work required in monitoring, compliance and implementation will continue through the year
DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS	A commissioning and award of grants framework will be developed/updated incorporating commissioning intentions and priorities.	Strategic Contracts Manager	Dec-18
DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT	Further work to be undertaken to develop further the Personal and Capability Development of the staff within the OPCC to further improve and aid the capacity and capability of the output from the organisation.	Chief Executive and Monitoring Officer	Mar-19
ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT	To incorporate the changing role of the OPCC in overseeing and dealing with police complaints, as part of the national reform programme but also as an element of Transforming professional standard work within the Force	Chief Executive and Monitoring Officer	Mar-19
MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT	reconfigure our approach to risk management in terms of roles and responsibilities, so that risk is managed even more effectively in OPCC and also cross-corporate terms	Chief Executive and Monitoring Officer	Mar-19

7.1 We propose over the coming year to take steps to address the above matters to enhance our governance arrangements further. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

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Barry Coppinger  
Police and Crime Commissioner for Cleveland

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Simon Dennis  
PCC Chief Executive and Monitoring Officer

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Michael Porter  
PCC Chief Finance Officer

Date: