

**SOUTH YORKSHIRE POLICE & CRIME  
COMMISSIONER**

**SOUTH YORKSHIRE POLICE**

**FINANCIAL  
REGULATIONS**

**Updated August 2018**



## OVERVIEW

1. Public sector accounting is covered by a range of government legislation and accounting standards that are designed to ensure proper accountability for public funds. In addition, the Home Office has issued a Financial Management Code of Practice ('FMCoP') under section 17 of the Police Reform and Social Responsibility (PRSR) Act 2011 and section 39 of the Police Act 1996, which permit the Secretary of State to issue codes of practice to all Police & Crime Commissioners ('PCCs') and Chief Constables ('CCs').
2. To conduct their business effectively, the Police & Crime Commissioner and the Chief Constable need to ensure that they have sound financial management policies in place, and that they are strictly adhered to. Part of this process is to adopt and implement Financial Regulations.
3. These Regulations have been drawn up so as to ensure that the financial affairs of both the Police & Crime Commissioner and the Chief Constable are conducted properly, and in compliance with all relevant statutes, regulations, codes of practice and best professional practice.
4. The Regulations are designed to establish financial responsibilities, to confer duties, rights and powers upon the Police & Crime Commissioner, the Chief Constable and their officers, and to provide clarity about the financial accountabilities of groups or individuals. They apply to all officers and staff of the Police & Crime Commissioner and the Force, and anyone acting on their behalf.
5. The Police & Crime Commissioner may appoint a Deputy Police & Crime Commissioner who may exercise the functions of the Police & Crime Commissioner as set out in the Scheme of Governance.
6. As provided elsewhere in the Corporate Governance Framework, the Police & Crime Commissioner is the recipient of all funding. The Police & Crime Commissioner is required to appoint a chief executive and monitoring officer. The Police & Crime Commissioner and the Chief Constable are both required to appoint a Chief Finance Officer (CFO).

August 2018 update -the Police & Crime Commissioner's Chief Finance Officer role is fulfilled by the Chief Finance & Commissioning Officer. The Chief Constable's Chief Finance Officer will be referred to as the Director of Finance ('DoF') in these Regulations, although the role has recently broadened to become a Director of Resources.

7. A modern organisation should also be committed to innovation, within the regulatory framework, provided that the necessary funding, risk assessment and approval safeguards are in place.

## ROLES AND RESPONSIBILITIES

8. These Financial Regulations should not be read and referred to in isolation, but rather as part of the overall regulatory and Corporate Governance Framework of the Police & Crime Commissioner and Chief Constable which specify how processes will operate.
9. The Police & Crime Commissioner, the Chief Constable and all employees have a general duty to take reasonable action to provide for the security of assets under their control, and for ensuring that the use of these resources is legal, properly authorised and provides best value for money.
10. These Financial Regulations explain the financial relationship between the Police & Crime Commissioner and the Chief Constable and their respective Chief Finance Officers, having regard also to the role played by the Police & Crime Commissioner's Chief Executive ('CX').
11. The Home Office's Revised Financial Management Code of Practice (FMCP) for the Police Forces of England and Wales, July 2018 summarises the relationship between the PCC and Chief Constable and their respective Chief Finance Officers in the two paragraphs below.

"The Policing Protocol 2011... sets out the high level financial responsibilities of the PCC and the Chief Constable, making clear that the former is ultimately accountable to the public for the management of the Police Fund while the latter has day to day responsibility for managing their allocated budgets after these have been approved by the PCC.

An effective, cooperative and constructive working relationship between the two Chief Finance Officers is fundamental and is more likely to be achieved where communication and clarity of understanding are at their highest. Mutual understanding of and respect for each party's statutory functions will serve to enhance policing for local communities. It is expected that the principles of goodwill, professionalism, openness and trust will underpin the relationship and that all parties will do their utmost to make the relationship work. It is also acknowledged that good relationships between the Chief Finance Officers and the Chief Executive are fundamentally important and need to be underpinned by the same principles".

12. Both the Chief Finance Officer and the Director of Finance will follow the Home Office's Code of Practice and abide by these principles at all times.
13. The overriding aim is to ensure an effective working relationship and effective strategic and financial planning, working to timetables approved by the PCC to enable the accurate and timely review and reporting of all financial matters, to demonstrate value for money for the public.

14. The Act and the Protocol establish the principles within which the two CFOs will operate. The PCC CFO's principal aim is to translate the PCC's plans and priorities into a viable Medium Term Financial Strategy, to ensure that funding is available from grants, precepts and reserves, and to establish an appropriate framework for financial accountability. The CC CFO's principal aim is to manage the implementation and monitoring of the budget allocated to the force, and to maintain oversight of the force's efficiency.
15. CIPFA's Statement on the Role of the Chief Financial Officers in Policing (2018) states "The PCC CFO should support the CC CFO by working to ensure that the PCC's plans and priorities are translated into a funded medium-term financial strategy which provides the force with a basis on which to manage its budgets. The CC CFO will work with the PCC CFO to design appropriate information and monitoring arrangements which provide the PCC with the necessary information to monitor overall spending levels and performance.
16. The Financial Regulations are drawn up by the Chief Finance Officer on behalf of the Police & Crime Commissioner, in close consultation with the Chief Executive, Chief Constable, and the Director of Finance. The Chief Finance Officer is also responsible for maintaining a review of Financial Regulations and submitting any additions or amendments to the Police & Crime Commissioner and Chief Constable, after consulting with the Chief Executive and Director of Finance.
17. More detailed Financial Instructions for the Force to supplement these Regulations shall be issued by the Director of Finance, after consultation with the Chief Finance Officer. The Chief Finance Officer will issue Financial Instructions on behalf of the OPCC.
18. Chief Officers are responsible for ensuring that all employees, contractors and agents are aware of the existence and content of these Financial Regulations and that they are complied with.
19. Breaches of Financial Regulations of a serious nature may result in disciplinary proceedings and, potentially, criminal action. Such breaches within the Force shall be reported to both the Director of Finance and Chief Finance Officer who shall determine, after consulting with the Chief Executive, who is designated as the Monitoring Officer, and whether the matter shall be reported to the Police & Crime Commissioner and Chief Constable. Breaches within the OPCC will be reported to the Chief Finance Officer who shall determine, in consultation with the Chief Executive, whether they should be reported to the Police & Crime Commissioner.
20. The Police & Crime Commissioner, the Chief Constable and all employees have a duty to abide by the highest standards of probity (i.e. honesty, integrity and transparency) in dealing with financial issues.

## CONTENT

21. The Financial Regulations are divided into a number of sections, each with detailed requirements relating to the section heading. References are made throughout the individual sections to delegated limits of authority. These are summarised in Section 6.

- Section 1 - Financial management
- Section 2 - Financial planning
- Section 3 - Risk Management & Business Continuity
- Section 4 - Systems and procedures
- Section 5 - External funding
- Section 6 - Summary of financial limits under delegation and consents

## **DEFINITIONS WITHIN THE REGULATIONS**

22. The PCC's Chief Finance Officer is the CFO.
23. The Chief Constable's Chief Finance Officer is the Director of Finance (DoF).
24. The Chief Executive ('CX') is the officer appointed as head of the PCC's staff (collectively known as the Office of the PCC or OPCC) and is designated as the Monitoring Officer.
25. The 'Force' shall refer to the CC and staff employed by him under his direction and control or day to day management including police officers, police staff, police community support officers (PCSO), special constabulary, volunteers, contractors and other members of the wider police family.
26. Chief Officers, when referred to as a generic term, shall mean the Chief Constable (CC), Chief Executive (CX), Chief Finance Officer (CFO) and Director of Finance (DoF)
27. Senior Officers' are police officers of the rank of Superintendent and above and police staff Heads of Department.
28. 'Employees' when referred to as a generic term shall refer to the staff employed by the PCC and Chief Constable including police officers, police staff, and other members of the wider police family.
29. The expression 'authorised officer' refers to employees authorised by a Chief Officer.
30. The expression 'contract' refers to any commitment (including purchase orders, memoranda of understanding, leases and service level agreements) to acquire, purchase or sell goods, services or building works made on behalf of the Police & Crime Commissioner, the Chief Constable or their affiliated bodies, whether signed in the name of the Police & Crime Commissioner or the Chief Constable.
31. The expression 'best value for money' shall mean the most cost effective means of meeting the need and takes account of whole life costs.
32. The expression 'he' or 'his' shall refer to both male and female.
33. The terms Chief Constable, Chief Executive, Chief Finance Officer and Director of Finance include any member of staff and contractors or agents to whom particular responsibilities may be delegated. However, the level of such delegated responsibility must be evidenced clearly, made to an appropriate level and the member of staff given sufficient authority, training and resources to undertake the duty in hand.
34. The Medium Term Resources Strategy (MTRS) is a 4 to 5 year strategic financial planning summary containing forecasted annual income and expenditure budget estimates and is approved by the Police and Crime Commissioner.

## **SECTION 1**

### **FINANCIAL MANAGEMENT**

#### **The Police & Crime Commissioner (PCC)**

1. The PCC has a statutory duty and electoral mandate to ensure an efficient and effective police service and to hold the Chief Constable to account on behalf of the public. The PCC is the recipient of all funding relating to policing and crime reduction, including government grant, council tax precept and other sources of income. How this money is allocated is a matter for the PCC in consultation with the Chief Constable, or in accordance with any grant terms. The Statutory Officers of the Chief Constable and the PCC will provide professional advice and recommendations.
2. The PCC shall appoint a Chief Finance Officer (CFO) to be responsible for the proper administration of the Commissioner's financial affairs. The PCC shall also appoint a Chief Executive who will also act as the PCC's Monitoring Officer and Head of Paid Service.
3. The PCC is responsible for approving the policy framework and budget, monitoring financial outcomes and the approval of medium term resource plans in consultation with the Chief Constable. The PCC is responsible for approving the overall framework of accountability and control, and monitoring compliance. In relation to these Financial Regulations this includes:
  - a) The Police and Crime Plan
  - b) The Medium Term Resource Strategy (MTRS), including medium term financial forecasts, workforce plans and reserves strategy
  - c) The Annual Revenue Budget and precept
  - d) The Capital Programme, including capital strategy
  - e) The Treasury Management Strategy, including the annual investment strategy and minimum revenue provision (MRP) policy
  - f) The Estates Strategy and Asset Management plans
  - g) The Risk Management strategy
  - h) The Governance policies
4. The PCC is responsible for approving procedures for recording and reporting decisions taken and for monitoring compliance with agreed policy and related executive decisions.
5. The PCC is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework.
6. The PCC shall provide the Chief Finance Officer with such staff, accommodation and other resources as are in his opinion sufficient to allow his duties under this section to be performed.

7. The PCC may appoint a Deputy PCC (DPCC) and arrange for the DPCC to carry out appropriate functions of the PCC delegated to him/her.
8. The DPCC may exercise any of the functions conferred on him/her by the PCC as detailed in the Scheme of Governance.

### **The Chief Constable (CC)**

9. The CC is responsible for maintaining the Queen's Peace and has direction and control over the Force's officers and staff. The CC holds office under the Crown, but is appointed by the Police & Crime Commissioner.
10. The CC is accountable to the law for the exercise of police powers and to the Police & Crime Commissioner for the delivery of efficient and effective policing, management of resources and expenditure by the police force. At all times the CC, his constables and staff, remain operationally independent in the service of the public.
11. To help ensure the effective delivery of policing services and to enable the CC to have impartial direction and control of all constables and to employ staff within the Force, the CC should have day-to-day responsibility for financial management of the Force within the framework of the agreed budget allocation and levels of authorisation issued by the Police & Crime Commissioner.
12. The CC shall appoint a Director of Finance (DoF) to lead the Force on financial management and be responsible for the proper administration of the CC's financial affairs.
13. The CC must ensure that the financial management of his allocated budget remains consistent with the objectives and conditions set by the Police & Crime Commissioner.
14. When the CC intends to make a significant change to policy or service delivery, then the approval of the Police & Crime Commissioner must be sought. The OPCC will provide guidance on what to regard as "significant change", if required.
15. The CC is responsible for the day-to-day financial management of the Force within the framework of the budget, Medium Term Resource Strategy, rules of virement, monitoring and reporting arrangements. In operating day-to-day financial management, the CC shall comply with the approved policies and framework of accountability.
16. The CC shall ensure that Financial Instructions are prepared to supplement the Financial Regulations and provide detailed instructions on the operation of the specific delegated financial processes. The CC shall ensure that all employees are made aware of the existence of the Financial Regulations and Instructions and are given access to them. Appropriate training shall be provided to ensure that they can be complied with.

### **The Chief Finance Officer (CFO)**

17. The CFO is the Police & Crime Commissioner's Chief Finance Officer, with responsibility for the proper administration of the financial affairs of the Police & Crime Commissioner, and has a personal fiduciary responsibility to the local council tax payer.
18. The CFO's statutory responsibilities are set out in:
  - a) Paragraph 6 of Schedule 1 to the Police Reform and Social Responsibility Act 2011;
  - b) Section 114 Local Government Finance Act 1988 (formal powers to safeguard lawfulness and propriety in expenditure)
  - c) The Accounts and Audit Regulations as amended from time to time;
  - d) Home Office Financial Management Code of Practice
19. The CFO is the Police & Crime Commissioner's professional adviser on financial matters and shall be responsible for:
  - a) ensuring that the financial affairs of the Police & Crime Commissioner are properly administered and that Financial Regulations are observed and kept up to date;
  - b) ensuring regularity, propriety and Value for Money (VfM) in the use of public funds;
  - c) determining the funding of the Police & Crime Commissioner's revenue and capital plans and agreed programmes from available resources, including from Central Government, the precept, other grants, contributions, income and recharges;
  - d) reporting to the Police & Crime Commissioner, the Police and Crime Panel and to the external auditor:
    - any unlawful or potentially unlawful expenditure by the Police & Crime Commissioner or officers of the Police & Crime Commissioner;
    - Or when it appears that any expenditure is likely to exceed the resources available to it to meet that expenditure
  - e) advising the Police & Crime Commissioner on the robustness of the estimates and the adequacy of financial reserves;
  - f) preparing and publishing the Police & Crime Commissioner's annual statement of accounts in accordance with appropriate accounting codes of practice and reporting standards, including Annual Governance Statement;
  - g) producing the statement of accounts for the Police & Crime Commissioner and the Police & Crime Commissioner group in accordance with appropriate accounting codes of practice and reporting standards
  - h) ensuring the provision of an effective internal audit service, in conjunction with the Director of Finance
  - i) securing the treasury management function, including loans and investments;
  - j) advising, in consultation with the Chief Executive on the safeguarding of assets, including risk management and insurance
  - k) arranging for the determination and issue of the precept
  - l) liaising with the external auditor; and

- m) advising the Police & Crime Commissioner on the application of value for money principles by the Force to support the him in holding the Chief Constable to account for efficient and effective financial management.
  - n) nominating a person to deputise should he/she be unable to perform their duties (Deputy CFO).
20. The CFO, in consultation with the Chief Executive, Director of Finance and/or Chief Constable as appropriate, shall be given powers to institute any proceedings or take any action necessary to safeguard the finances of the Police & Crime Commissioner and the Chief Constable.
  21. The CFO has certain statutory duties which cannot be delegated, namely, reporting any potentially unlawful decisions by the Police & Crime Commissioner on expenditure and preparing each year, in accordance with proper practices, a statement of the Police & Crime Commissioner's accounts, including group accounts.
  22. The CFO is the Police & Crime Commissioner's professional adviser on financial matters. To enable the CFO to fulfil these duties and to ensure the Police & Crime Commissioner is provided with adequate financial advice, the CFO:
    - a) must be a key member of the Police & Crime Commissioner's Senior Leadership Team (SLT), working closely with the Chief Executive, helping the team to develop and implement strategy and to resource and deliver the Police & Crime Commissioner's strategic objectives sustainably and in the public interest
    - b) must be actively involved in, and able to bring influence to bear on, all strategic business decisions, of the Police & Crime Commissioner, to ensure that the financial aspects of immediate and longer term implications, opportunities and risks are fully considered, and aligned with the Police & Crime Commissioner's financial strategy
    - c) must lead the promotion and delivery by the Police & Crime Commissioner of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively
    - d) must ensure that the finance function is resourced to be fit for purpose.
  23. It must be recognised that Financial Regulations cannot foresee every eventuality. The CFO, in consultation with the Director of Finance, shall be responsible for reviewing, maintaining and interpreting these Regulations so as to ensure the efficient and effective operation of services.

#### **The Director of Finance (DoF)**

24. The DoF is the Chief Constable's Chief Finance Officer with responsibility for proper administration of the financial affairs of the Force and a personal fiduciary responsibility to the local council taxpayer.
25. The DoF is responsible to the Chief Constable for all financial activities within the Force or contracted out under the supervision of the Force.

26. The DoF's responsibilities are set out in:
- a) Paragraph 4 of Schedule 2 and paragraph 1 of Schedule 4 to the Police Reform and Social Responsibility Act 2011
  - a) Section 114 Local Government Finance Act 1988 (formal powers to safeguard lawfulness and propriety in expenditure)
  - b) The Accounts and Audit Regulations as amended from time to time.
27. The DoF is responsible for:
- a) ensuring that the financial affairs of the Force are properly administered and that these Financial Regulations drawn up by the Police & Crime Commissioner are observed and kept up to date
  - b) preparation of the revenue and capital budgets and medium term expenditure forecasts for consideration by the Chief Constable
  - c) reporting to the Chief Constable, the Chief Executive, the Chief Finance Officer and to the external auditor any unlawful, or potentially unlawful, expenditure by the Chief Constable or officers of the Chief Constable
  - d) reporting to the Chief Constable, the Chief Executive and the Chief Finance Officer when it appears that any expenditure of the Chief Constable is likely to exceed the resources available to meet that expenditure
  - e) advising the Chief Constable on value for money in relation to all aspects of the Force's expenditure
  - f) advising the Chief Constable and the Police & Crime Commissioner on the soundness of the budget in relation to the Force
  - g) preparing and publishing the Chief Constable's Annual Governance Statement
  - h) ensuring the provision of an effective internal audit service, in conjunction with the Chief Finance Officer
  - i) liaising with the external auditor
  - j) producing the statement of accounts for the Chief Constable and providing timely information to the Chief Finance Officer to enable preparation of the group accounts
  - k) ensuring that financial awareness and resource management training is given to all budget holders
  - l) nominating a deputy to deputise should he be unable to perform his duties (Head of Finance)
28. The DoF has certain statutory duties which cannot be delegated, namely, reporting any potentially unlawful decisions by the Force on expenditure and preparing each year, in accordance with proper practices in relation to accounts, a statement of the Chief Constable's accounts. The DoF will need to observe the locally agreed timetable for the compilation of the group accounts by the Chief Finance Officer.
29. The DoF is the Chief Constable's professional adviser on financial matters. To enable him to fulfil these duties the DoF:

- a) must be a key member of the Chief Constable's Management Team, helping it to develop and implement strategy and to resource and deliver the Police & Crime Commissioner's strategic objectives sustainably and in the public interest
- b) must be actively involved in, and able to bring influence to bear on, all strategic business decisions of the Chief Constable to ensure immediate and longer term implications, opportunities and risks are fully considered
- c) must lead the promotion and delivery by the Chief Constable of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively
- d) must ensure that the finance function is resourced to be fit for purpose.

### **The Chief Executive (CX)**

- 30. The CX is responsible for the leadership and general administration of the Police & Crime Commissioner's office.
- 31. The CX is also the Police & Crime Commissioner's designated Monitoring Officer, appointed under section 5(1) of the Local Government and Housing Act 1989.
- 32. The Monitoring Officer is responsible for:
  - a) ensuring the legality of the actions of the Police & Crime Commissioner and his officers
  - b) ensuring that procedures for recording and reporting key decisions are operating effectively
  - c) advising the Police & Crime Commissioner and all officers about who has authority to take a particular decision
  - d) advising the Police & Crime Commissioner about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework
  - e) advising the Police & Crime Commissioner on matters relating to standards of conduct.

### **Joint Independent Audit Committee (JIAC)**

33. The Home Office Financial Management Code of Practice states that the Police & Crime Commissioner and Chief Constable should establish an Independent Audit Committee. This should be a combined body which will consider the internal and external audit reports of both the Police & Crime Commissioner and the Chief Constable. This Committee will advise the Police & Crime Commissioner and the Chief Constable according to good governance principles and will seek assurance that appropriate risk management arrangements in accordance with proper practices are adopted. In establishing and operating the Joint Independent Audit Committee, the Police & Crime Commissioner and the Chief Constable shall have regard to CIPFA Guidance on Audit Committees and principles of good practice set out in the HM Treasury Audit Committee Handbook.
34. The Police & Crime Commissioner and Chief Constable shall appoint a Joint Independent Audit Committee comprising between three and five members who are independent of the Police & Crime Commissioner and the Force.
35. The Joint Independent Audit Committee shall recommend formal terms of reference which shall be formally approved by the Police & Crime Commissioner and the Chief Constable and reviewed on an annual basis

#### **THE TERMS OF REFERENCE**

36. There is no formal requirement as to how the audit committee relates to the governance structures of the Police & Crime Commissioner and the Chief Constable but it is recommended that this is clearly set out in the terms of reference.

#### **Statement of purpose**

37. The Joint Independent Audit Committee is a key component of the Chief Constable and the Police & Crime Commissioner's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
38. The purpose of our Joint Independent Audit Committee is to provide independent advice and recommendation to the Police & Crime Commissioner and the Chief Constable. On the adequacy of the governance and risk management frameworks, the internal control environment, and financial reporting, thereby helping to ensure efficient and effective assurance arrangements are in place. To this end the committee is enabled and required to have oversight of, and to provide independent review of, the effectiveness of the organisation's governance, risk management and control frameworks, its financial reporting and annual governance processes, and internal audit and external audit.
39. These terms of reference will summarise the core functions of the committee in relation to the Office of the Police & Crime Commissioner (OPCC) and to the Constabulary and describe the protocols in place to enable it to operate independently, robustly and effectively.

The terms of reference will include the following activities and responsibilities:

## **Governance, risk and control**

40. The committee will, in relation to the Police & Crime Commissioner and the Chief Constable:
- a) Review the corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
  - b) Review the Annual Governance Statements prior to approval and consider whether they properly reflect the governance, risk and control environment and supporting assurances and identify any actions required for improvement.
  - c) Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
  - d) Consider the framework of assurance and ensure that it adequately addresses the risks and priorities of the OPCC/the Constabulary.
  - e) Monitor the effective development and operation of risk management, review the risk profile, and monitor progress of the police & crime commissioner/the chief constable in addressing risk-related issues reported to them.
  - f) Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
  - g) Review arrangements for the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter-fraud strategy, actions and resources.

And in relation to the above, to give such advice and make such recommendations on the adequacy of the level of assurance and on improvement as it considers appropriate.

## **Internal audit**

41. The committee will:
- a) Annually review the internal audit charter and resources.
  - b) Review the internal audit plan and any proposed revisions to the internal audit plan.
  - c) Oversee the appointment and consider the adequacy of the performance of the internal audit service and its independence.
  - d) Consider the head of internal audit's annual report and opinion, and a regular summary of the progress of internal audit activity against the audit plan, and the level of assurance it can give over corporate governance arrangements.
  - e) Consider summaries of internal audit reports and such detailed reports as the committee may request from the Police & Crime Commissioner/the Chief Constable including issues raised or recommendations made by the internal audit service, management response and progress with agreed actions.
  - f) Consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations

## **External audit**

42. The committee will:
- a) Comment on the scope and depth of external audit work, its independence and whether it gives satisfactory value for money.

- b) Consider the external auditor's annual management letter, relevant reports, and the report to those charged with governance.
- c) Consider specific reports as agreed with the external auditor.
- d) Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

And in relation to the above, to give such advice and make such recommendations on the adequacy of the level of assurance and on improvement as it considers appropriate.

### **Financial reporting**

The committee will:

- 43. Review the annual statements of account. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from:
  - a) the financial statements or from the audit of the financial statements that need to be brought to the attention of the Police & Crime Commissioner and/or the Chief Constable.
  - b) Consider the external auditor's report to those charged with governance on issues arising from the audit of the financial statements.
  - c) in relation to the above, to give such advice and make such recommendations on the adequacy of the level of assurance and on improvement as it considers appropriate.

### **Accountability arrangements**

- 44. The committee will:
  - a) On a timely basis report to the Police & Crime Commissioner and the Chief Constable with its advice and recommendations in relation to any matters that it considers relevant to governance, risk management and financial management.
  - b) Report to the Police & Crime Commissioner and the Chief Constable on its findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
  - c) Review its performance against its terms of reference and objectives on an annual basis and report the results of this review to the Police & Crime Commissioner and the Chief Constable.
- 45. The Police & Crime Commissioner and Chief Constable shall be represented at all meetings of the Joint Independent Audit Committee
- 46. The Police & Crime Commissioner and Chief Constable will receive an act upon the annual assurance statement from the Joint Independent Audit Committee.

### **FINANCIAL MANAGEMENT STANDARDS**

47. The Police & Crime Commissioner, Chief Constable and all employees have a duty to abide by the highest standards of probity (i.e. honesty, integrity and transparency) in dealing with financial issues. This is facilitated by ensuring that everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

#### **Responsibilities of the Chief Finance Officer and Director of Finance**

48. To ensure the proper administration of the financial affairs of the Police & Crime Commissioner and Chief Constable respectively. This is the responsibility of the Chief Finance Officer and Director of Finance.
49. To ensure that there are key controls in place to secure sound financial management. This is the responsibility of the Chief Finance Officer and Director of Finance.
50. To ensure that financial information is available to enable accurate and timely monitoring and reporting. This is the responsibility of the Chief Finance Officer and Director of Finance
51. To ensure that all officers and staff are aware of, and comply with, proper financial management standards, including these Financial Regulations. This is the responsibility of the Chief Finance Officer and Director of Finance.
52. To ensure that all staff are properly managed, developed, trained and have adequate support to carry out their financial duties effectively. This is the responsibility of the Chief Finance Officer and Director of Finance.
53. To ensure that appropriate accounting policies are in place and that they are applied consistently. This is the responsibility of the Chief Finance Officer and Director of Finance.

#### **ACCOUNTING RECORDS AND RETURNS**

54. Maintaining proper accounting records is one of the ways in which the Police & Crime Commissioner and Chief Constable will discharge their responsibilities for stewardship of public resources. The Police & Crime Commissioner and Chief Constable have a statutory responsibility to prepare annual accounts that present a true and fair view of their operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that adequate arrangements have been made for securing economy, efficiency and effectiveness in the use of resources.

#### **Responsibilities of the Chief Finance Officer and Director of Finance**

55. To determine the accounting procedures and records for the Police & Crime Commissioner and Chief Constable, in accordance with recognised accounting practices, and approve the strategic accounting systems and procedures employed. All employees shall operate within the required accounting policies and published timetables. The Director of Finance should obtain the approval of the Chief Finance Officer before making any fundamental changes to accounting records, procedures or accounting systems.
56. To make proper arrangements for the audit of the Police & Crime Commissioner's and the Chief Constable's accounts in accordance with the Accounts and Audit Regulations as amended from time to time.
57. To ensure that all claims for funds including grants are made on a timely and accurate basis.
58. To ensure that all statutory returns and relevant statistical returns are accurate and made by the due date.
59. To ensure that bank reconciliations and other key control accounts are reconciled on a timely and accurate basis.
60. To prepare and publish the audited accounts in accordance with the statutory timetable.
61. To ensure that all transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis.
62. To maintain adequate records to provide a management trail leading from the source of income and expenditure through to the accounting statements
63. To observe the following principles of segregation in the allocation of accounting duties in order to provide adequate control arrangements.
64. To ensure that financial records are both retained and disposed of in accordance with agreed policies and procedures.

#### **THE ANNUAL STATEMENT OF ACCOUNTS**

65. Both the Police & Crime Commissioner and the Chief Constable have a statutory responsibility to prepare their own Statement of Accounts to present a true and fair view of their operations during the year. They must be prepared in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Accounts of the Police & Crime Commissioner will include Group Accounts covering both entities.

66. The Accounts are subject to detailed independent review by the external auditor. This audit provides assurance that the Accounts are prepared correctly, that proper accounting practices have been followed and that arrangements have been made for securing economy, efficiency and effectiveness in the use of resources

#### **Responsibilities of the Chief Finance Officer and Director of Finance**

67. To draw up the timetable for the Accounts preparation, in consultation with the Director of Finance and the external auditor.
68. To prepare, sign and date the Statement of Accounts including the Group Accounts, stating that it presents a true and fair view of the financial position at the accounting date and the income and expenditure for the financial year just ended.
69. To consider, approve and publish their unaudited accounts, and subsequently the audited accounts, in accordance with the statutory timetable
70. To select suitable, common accounting policies and apply them consistently.
71. To comply with the Code of Practice on Local Authority Accounting.
72. To make judgements and estimates that are reasonable and prudent.

## **SECTION 2**

### **FINANCIAL PLANNING**

1. The Police Reform and Social Responsibility Act 2011 gives the Police & Crime Commissioner responsibility for the totality of Policing within their Force area and requires the Police & Crime Commissioner to hold the Chief Constable to account for the operational delivery of policing. The Police & Crime Commissioner therefore sets the strategy and provides the financial resources against and within which the spending by the Police & Crime Commissioner and the Chief Constable are managed. Both the Police & Crime Commissioner and Chief Constable need to develop systems to enable resources to be allocated in accordance with priorities. Financial planning is essential for the Force and the OPCC to function effectively. There must be clear links to the overarching governance framework.
2. The financial planning process should be directed by the approved policy framework, the business planning process and the need to meet key objectives.
3. The planning process should be continuous and the planning period should cover 4 to 5 years. The process should include a more detailed annual plan and budget, covering the forthcoming financial year. This allows the Police & Crime Commissioner and the Chief Constable to plan, monitor and manage the way funds are allocated and spent during the financial year and over the medium term.
4. The format of the annual budget determines the level of detail to which financial control and management will be exercised and shapes how the virement rules operate. The annual budget will be supported by a detailed objective analysis of spending at district/command and departmental/branch level, together with the associated workforce plans.
5. It is recognised that the impact of financial planning in the police service will be constrained by the quality and timing of information made available by Central Government on resource allocation.

#### **Medium Term Financial Planning**

6. The Police & Crime Commissioner and Chief Constable share a responsibility to provide effective financial and budget planning for the short, medium and longer term. They achieve this by preparing a medium term resource strategy including financial projections for 4 to 5 years together with a capital programme covering the same period. This explains how the Police & Crime Commissioner and the Chief Constable will structure and manage their finances to support the delivery of the outcomes set out in the Police & Crime Commissioner's Police and Crime Plan and to ensure there is sound financial management and good stewardship of public money.

#### **Responsibilities of the Police & Crime Commissioner**

7. To identify and agree, in consultation with the Chief Constable and other relevant partners and stakeholders, a Medium Term Resource Strategy which includes funding and spending plans for both revenue and capital. The strategy should take into account multiple years, the inter-dependencies of revenue budgets and capital investment, the role of reserves and consideration of risks. It should have regard to affordability and also to CIPFA's Prudential Code for Capital Finance in Local authorities. The Strategy must be aligned with the Police and Crime Plan.

### **Responsibilities of the Chief Finance Officer, Chief Constable and Director of Finance**

8. To determine the format and timing of the medium term resource strategy to be presented to the Police & Crime Commissioner and the Chief Constable. The format is to comply with all legal requirements and with latest guidance issued by CIPFA.
9. To prepare a medium term forecast of proposed income and expenditure for submission initially to the Chief Constable and then to the Police & Crime Commissioner.
10. To ensure that the Medium Term Resources Strategy includes the expected impact of demand, potential cost pressures, inflation, options for increased efficiency, workforce plans and the use of reserves and provisions alongside assumptions about future levels of government funding and the potential implications for local taxation.
11. To prepare a summary of medium term resource forecasts for consideration by the Police & Crime Commissioner together with an identification of any gaps between proposed spending and available resources together with options for delivering a balanced strategy
12. When preparing the forecasts, the Chief Constable shall have regard to:
  - a) the Police and Crime Plan
  - b) policy requirements approved by the Police & Crime Commissioner as part of the policy framework
  - c) the detailed workforce plans
  - d) the Strategic Policing Requirement
  - e) unavoidable future commitments, including legislative requirements
  - f) initiatives already underway
  - g) revenue implications of the capital programme
  - h) proposed service developments and plans which reflect public consultation
  - i) the need to deliver efficiency and/or productivity saving
  - j) Government grant allocations
  - k) potential implications for local taxpayers
13. Requirements should be prioritised by the Chief Constable to enable the Police & Crime Commissioner to make informed judgements as to future funding levels and to plan the use of resources.

### **Annual Revenue Budget**

14. The revenue budget provides an estimate of the annual income and expenditure requirements for the police service and crime and community safety together with the OPCC and sets out the financial implications of the Police & Crime Commissioner's strategic policies. It provides Chief Officers with authority to incur expenditure and a basis on which to monitor the financial performance of both the Police & Crime Commissioner and the Force.
15. The Police & Crime Commissioner should consult with the public, Chief Constable and other relevant partners and stakeholders in planning the overall annual budget which will include a separate force budget. This will take into consideration funding from Government and from other sources and balance the expenditure needs of the policing service and community safety and the Police & Crime Commissioner against the level of local taxation. This should meet the statutory requirements to achieve a balanced budget (Local Government Act 2003) and be completed in accordance with the statutory timeframe.
16. The impact of the annual budget on the priorities and funding of future years as set out in the Police and Crime Plan and the medium term resource strategy should be clearly identified.

### **Responsibilities of the Police & Crime Commissioner**

17. To agree the strategic, and resource planning timetable including financial and workforce data with the Chief Constable.
18. To obtain the views of the local community on the spending plans for the financial year ahead of the financial year to which the proposed expenditure relates.
19. To present the proposed budget and precept recommendations to the Police and Crime Panel for consideration in accordance with legislative requirements and the agreed timetable.
20. To approve the budget for the police force and other commissioned services and set the precept after taking into account the views expressed by the Police and Crime Panel in accordance with legislative requirements and the agreed timetable.

### **Responsibilities of the Chief Finance Officer**

21. To determine the format of the revenue budget to be presented to the Police & Crime Commissioner in consultation with the Chief Constable. The format is to comply with all legal requirements and with latest guidance issued by CIPFA.
22. To obtain timely and accurate information from billing authorities on the council tax base and the latest surplus/deficit position on collection funds to inform budget deliberations.
23. To advise the Police & Crime Commissioner on the appropriate level of general and earmarked reserves and provisions to be held, together with appropriations from/to them.
24. To submit a report to the Police & Crime Commissioner on the robustness of the estimates and the adequacy of reserves.

25. To submit a report to the Police & Crime Commissioner on the suite of prudential indicators for the next three years, arising from the Prudential Code for Capital Finance in Local Authorities. These indicators shall be consistent with the annual revenue budget and Capital Programme approved by the Police & Crime Commissioner.
26. Upon approval of the annual budget, to submit the council tax requirement return to central government and precept notifications to appropriate bodies in accordance with the legal requirement
27. To produce and issue information required by the billing authorities to explain how the precept will be used to pay for the cost of policing, in accordance with statutory requirements.

### **Responsibilities of the Chief Constable and Director of Finance**

28. To prepare detailed budget estimates and medium term resource strategy for the forthcoming financial year in accordance with the timetable agreed with the Chief Finance Officer which will include resources sufficient to finance foreseeable operation needs without having to request additional approval.
29. To submit estimates in the agreed format to the Police & Crime Commissioner for approval, including supporting information as required by the Police & Crime Commissioner on the content of the budget in terms of service provision and anticipated outcomes to enable the Police & Crime Commissioner to approve the level and allocation of resources.
30. The Director of Finance is responsible for certifying the robustness of the budgets to the Chief Constable and the Police & Crime Commissioner. The Director of Finance must also provide information to the Chief Finance Officer relating to financial risk to enable his assessment of the adequacy of reserves.

### **BUDGETARY CONTROL**

31. Budget management ensures that once the Police & Crime Commissioner has approved the budget, resources allocated are used for their intended purpose and are properly accounted for. Budgetary control is a continuous process, enabling both the Chief Constable and Police & Crime Commissioner to review spending against budget during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.
32. The key controls for managing and controlling the revenue budget are that:
  - a) for each budget there is a nominated budget holder who is accountable for the budgets under his direct control
  - b) for each budget a budget manager will be appointed by the Director of Finance or Chief Finance Officer as appropriate
  - c) the holding and management of budgets should be considered in conjunction with service outputs and performance measures.

33. The Chief Finance Officer and the Director of Finance shall jointly ensure that there is an appropriate framework of budget management and control within their respective organisations.

### **Revenue Monitoring**

34. By continuously identifying and explaining variances against budgetary targets, the Police & Crime Commissioner and the Chief Constable can identify changes in trends and resource requirements at the earliest opportunity. The Police & Crime Commissioner and Chief Constable both operate within an annual cash limit, approved when setting the annual budget. The Chief Constable and the Director of Finance, the Chief Executive and the Chief Finance Officer are required to manage expenditure within their budget allocations, subject to the rules of virement.

### **Responsibilities of the Chief Constable and Director of Finance**

35. To provide and use appropriate financial information to enable budgets to be monitored effectively.
36. To ensure that each element of income or expenditure has a nominated budget holder to take responsibility for that part of the budget. Budget responsibility should be aligned as closely as possible to the decision making process that commits expenditure.
37. To ensure that total spending remains within the overall allocation of resources from the Police & Crime Commissioner and take corrective action where significant variations from the approved budget are forecast. Where total projected expenditure exceeds the total allocation of resources, both the Chief Finance Officer and Police & Crime Commissioner shall be alerted immediately and proposals for remedy should be put forward as part of the regular reporting process to the Police & Crime Commissioner.
38. To ensure that the Director of Finance presents a monthly Budget Monitoring Report to the Senior Command Team (SCT) in line with an annual timetable agreed by the Chief Constable.
39. To submit a monthly budget monitoring report to the Police & Crime Commissioner in line with an annual timetable set by the Police & Crime Commissioner. The reports shall be in a format agreed with the Police & Crime Commissioner and Chief Finance Officer when the annual budget is approved. Where under or overspends are forecasted, the underlying reasons need to be set out alongside appropriate recovery plans to achieve financial balance and deliver expected service outcomes in both the short and medium term.

### **Virement**

40. A virement is an approved reallocation of resources between budgets. The scheme of virement is intended to enable chief officers to manage their budgets with a degree of flexibility within the overall policy framework determined by the Police & Crime

Commissioner and, therefore, to provide the opportunity to optimise the use of resources to emerging needs.

41. The Chief Constable and the Director of Finance are expected to exercise discretion in managing budgets responsibly and prudently and should only be required to refer back to the Police & Crime Commissioner when virement would incur substantive changes in the policy of the Police & Crime Commissioner or where a virement might create a future year or continuing commitment.
42. The Chief Constable shall still be held to account by the Police & Crime Commissioner for decisions made and the way in which the resources are deployed. The virement rules allow flexibility but require detailed reports on significant changes.
43. To prepare a formal scheme of virement:
  - a) it is administered by chief officers subject to a scheme consent from the Police & Crime Commissioner. Any variation from this scheme requires the approval of the Police & Crime Commissioner
  - b) the overall budget is agreed by the Police & Crime Commissioner. Chief officers and budget holders are therefore authorised to incur expenditure in accordance with the estimates that make up the budget
  - c) virement does not create additional overall budget liability.

#### **Responsibilities of the Chief Constable and Director of Finance**

44. Subject to Section 43, to approve any virement where the additional costs are fully reimbursed by other bodies.

#### **Responsibilities of the Police & Crime Commissioner**

45. To approve the scheme of virement and to note and approve the reports on virements submitted by the Chief Constable and his officers and staff.
46. The Police & Crime Commissioner has consented to allow virements between budget headings provided that they operate within the limits defined in Section 6.
47. The exceptions to the above framework are that:
  - a) Virement is not permitted in relation to financing items such as asset charges or where a proposal would adversely affect long term revenue commitments of the Force and the Police & Crime Commissioner; and
  - b) When the virement is between an income budget line and an expenditure budget line which is directly related, approval is sought from the Chief Finance Officer and/or Director of Finance and the income and expenditure budgets will be increased for budget monitoring purposes.
48. Budget lines will be cash limited and defined each year as part of the budget approval.
49. All requests for virement must be made in the format prescribed by the Chief Finance Officer and/or Director of Finance and information on the virements within the limits set out in section 6 will be available to support budget monitoring report information.

50. The approval of the Police & Crime Commissioner shall be required if the virement involves:
- a) a substantial change in policy
  - b) a significant addition to commitments in future years
  - c) where resources to be transferred were originally provided to meet expenditure of a capital nature.

### **Treatment of Year End Balances**

51. A year end balance is the amount by which actual income and expenditure varies from the final budget identified down to devolved budget holder level. Arrangements are necessary for the transfer of resources between accounting years, i.e. a carry forward, should this be approved. This may increase or decrease the resources available to budget holders in the following financial year, dependent upon the nature of the budget variation.
52. The carry forward of underspent and overspent budgets may be permitted and then only within the delegation limits set out within the carry forward scheme. Carry forwards are to be the subject of a report to the Police & Crime Commissioner as part of the year end outturn report. Budget Managers will be required to satisfy the Chief Constable and the Director of Finance that expenditure proposed against carried forward underspends is in accordance with Police and Crime Plan priorities and is non recurrent in nature.
53. To ensure that Budget Managers report any overspend on their budgets in any financial year.
54. To consider reducing budgets for the following financial year where overspending has occurred or is expected to occur.
55. To consider requests from Budget managers who identify planned underspends in any financial year for budget provision to be carried forward to the following financial year, subject to the limits indicated in Section 6.
56. To refer all carry forwards that fall outside of the parameters stipulated in these Regulations to the Police & Crime Commissioner for approval.
57. To consider whether any arrangements for carrying forward underspends on individual delegated budgets are appropriate and affordable when considering the level of reserves and balances as part of the development of a sustainable Medium Term Resources Strategy.

### **CAPITAL PROGRAMME**

58. Capital expenditure involves acquiring or enhancing fixed assets with a long-term value, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and may create financial commitments in the form of financing costs and revenue running costs.

59. Capital investment can be undertaken providing the spending plans are affordable, prudent and sustainable. CIPFA's Prudential Code sets out the framework under which the Force and Police & Crime Commissioner will consider their spending plans.
60. The capital programme is linked to the approved financial strategy and should be supported by asset management plans and strategies.
61. These include strategies related to estates, fleet and IS/IT together with associated implementation plans which will be presented to the Police & Crime Commissioner for approval.

### **Responsibilities of the Chief Constable and Director of Finance**

62. To prepare a 4 to 5 year rolling programme, of proposed capital expenditure for consideration and approval by the Police & Crime Commissioner. Each scheme shall identify the total capital cost of the project and any additional revenue commitments.
63. The Director of Finance should notify the Chief Finance Officer of any credit arrangements, such as finance leasing, that are proposed for formal approval by the Police & Crime Commissioner.
64. To prepare Capital Scheme Briefs for all schemes to be included in the capital programme. Those schemes above £250,000 must be submitted to the Chief Finance Officer and Police & Crime Commissioner for consideration and scheme approval. This will include all additional revenue and capital costs.
65. Each capital project shall have a named project manager responsible for monitoring and reporting progress and ensuring completion of the scheme. Each project manager will be supported by financial support appointed by the Director of Finance.
66. To identify to the Chief Finance Officer and the Police & Crime Commissioner any available sources of funding for the Capital Programme in the form of potential capital receipts, including the outcome of any appropriate public consultation, from the disposal of property and proposed contributions from revenue, for review at Estates Board.
67. A gap may be identified between available resources and required capital investment. Requirements should be prioritised by the Chief Constable to enable the Police & Crime Commissioner to make informed judgements as to which schemes should be included in the Capital Programme, the minimum level of funding required for each scheme and the expected phasing of capital expenditure.
68. All schemes within the Capital Programme should be at outturn prices.
69. Following approval of the Capital Programme, the Director of Finance is authorised to incur expenditure on individual schemes with an initial cost of less than £250,000 without further reference to the Police & Crime Commissioner. Any scheme with an initial cost in excess of £250,000, or any subsequent increase in scheme cost which then increases the initial cost to a level in excess of £250,000, shall be submitted to the Police & Crime Commissioner for approval.

70. The Director of Finance is also authorised to spend up to 10% or £250,000, whichever is lower, of the cost of a capital scheme contained within the approved Capital Programme purely to meet the cost of design and preparatory works relating to the capital scheme prior to the preparation of a capital scheme brief. Should the scheme not proceed, the costs of any abortive fees must be written off to revenue and accommodated within the revenue budget and notified to the Chief Finance Officer.
71. The Director of Finance may re-phase schemes within the approved Capital Programme between financial years provided that the individual scheme cost is unaffected. The Director of Finance may also utilise an under-spend on any approved scheme to fund an overspend on another approved scheme so that the total approved Capital Programme remains within the capital resources approved. Such changes should be reported to the Chief Finance Officer so that the implications for borrowing and the Prudential Indicators can be monitored.

### **Responsibilities of the Chief Finance Officer**

72. The Chief Finance Officer will assess the affordability of the proposed Capital Programme and will advise the Police & Crime Commissioner on the overall funding for the Capital Programme, including the use of capital receipts, grants, revenue support and appropriate levels of borrowing.
73. The Chief Finance Officer will advise the Police & Crime Commissioner in setting affordable borrowing limits and prudential indicators in accordance with the Prudential Code for Capital Finance in Local Authorities.

### **Responsibilities of the Police & Crime Commissioner**

74. To approve a fully funded medium term capital programme.

### **Monitoring of Capital Expenditure**

#### **Responsibilities of the Chief Constable and Director of Finance**

75. To incur expenditure, providing the capital scheme brief has been approved and on the costs of the schemes is included within the approved capital programme and provided cost variations do not exceed the sum contained in the approved programme by more than the amounts identified in Section 6.
76. To ensure that adequate records are maintained for all capital contracts.
77. To monitor progress of the capital programme and expenditure throughout the year against the approved programme.
78. To submit capital monitoring reports to the Police & Crime Commissioner on a monthly basis throughout the year. These reports are to be based on the most recently available financial information. The monitoring reports will show spending to date and compare projected income and expenditure with the approved programme. The reports shall be in a format agreed by the Police & Crime Commissioner and Chief Finance Officer (in line with the annual timetable agreed by the Police & Crime Commissioner and Chief Finance Officer)
79. To report on the outturn of capital expenditure as part of the annual report on the statutory accounts.

## **RESERVES AND PROVISIONS**

80. As part of the decision on the budget and precept the Police & Crime Commissioner needs to have regard to the level of reserves and balances the Police & Crime Commissioner wishes to retain. Reserves and balances are maintained as a matter of prudence. They enable the organisation to provide for cash flow fluctuations and unexpected costly events and thereby help protect it from overspending the annual budget, should such events occur. Reserves for specific purposes may also be maintained where it is likely that a spending requirement will occur in the future.

### **Responsibilities of the Chief Finance Officer**

81. To advise the Police & Crime Commissioner on reasonable levels of reserves following an assessment of financial risks facing the Police & Crime Commissioner and Chief Constable.
82. To report to the Police & Crime Commissioner on the adequacy of reserves and balances before he/she approves the annual budget and precept.
83. To approve appropriations to and from each earmarked reserve or, where consent has been given to the Director of Finance to exercise responsibility for any earmarked reserve, to approve the process for undertaking such appropriations and subsequently notifying him.
84. To ensure that provisions are set aside for known liabilities of uncertain timing and / or amount and that expenditure is charged against provisions in accordance with proper accounting practice.

### **Responsibilities of the Police & Crime Commissioner**

85. To approve a policy on reserves, including the minimum acceptable level of reserves, encapsulated within a reserves strategy prepared and updated annually by the Chief Finance Officer and published on the PCC's website.
86. To approve the creation of each earmarked reserve. The purpose, usage and basis of transactions should be clearly identified for each reserve established and detailed in the reserves strategy.
87. To approve the allocation of monies to and from general and earmarked reserves, as part of the annual budget setting and production of final accounts processes.
88. To approve the overall arrangements for contingency and carry forward of any reserves under the control of the Director of Finance.

### **Responsibilities of the Director Finance**

89. To provide a business case for Police and Crime Commissioner approval for any proposed use of reserves, including expected benefits and timescales.

**SECTION 3**

**RISK MANAGEMENT AND BUSINESS CONTINUITY**

1. It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all potential significant corporate and operational opportunities and risks to the Police & Crime Commissioner and the Chief Constable. This should include the proactive participation of all those associated with planning and delivering services.
2. All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk cannot be eliminated altogether. However, risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the Police & Crime Commissioner and to ensure the continued corporate and financial wellbeing of both the Police & Crime Commissioner and the Chief Constable. In essence it is, therefore, an integral part of good business practice and a core element of the Police & Crime Commissioner's corporate governance framework.

### **Responsibilities of the Police & Crime Commissioner and Chief Constable**

3. The Police & Crime Commissioner and Chief Constable are jointly responsible for approving the opportunity and risk management policy statement and strategy, for reviewing the effectiveness of risk management, defining the risk appetite/tolerance and providing information and assurances to the Joint Independent Audit Committee.

### **Responsibilities of Chief Officers**

4. To prepare the above risk management policy statement which provides for opportunities and for promoting a culture of risk management awareness throughout the two organisations and reviewing risk as an ongoing process.
5. To implement procedures to identify, assess, prevent or contain material known risks, with a monitoring process in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be formalised and conducted on a continuing basis
6. To ensure that appropriate business continuity plans are developed, implemented and tested on a regular basis

### **Responsibilities of the Chief Finance Officer and Director of Finance**

7. To advise the Police & Crime Commissioner and Chief Constable on appropriate arrangements for insurance. Acceptable levels of risk should be determined and insured against where appropriate. Activities leading to levels of risk being assessed as unacceptable should not be undertaken.

8. To arrange for regular reviews to be undertaken of self-insurance arrangements and, following these reviews, to recommend to the Chief Constable and the Police & Crime Commissioner a course of action to ensure that, over the medium term, funds are available to meet all known liabilities and following these reviews develop an insurance strategy.

#### **Responsibilities of the Police & Crime Commissioner and Chief Constable**

9. To ensure, in consultation with the Chief Finance Officer, that appropriate insurance cover is provided, including where new risks are identified or circumstances affecting risks change.
10. To ensure efficient administration of insurance matters including the settlement of liability claims.
11. To notify the Chief Finance Officer of any significant claims.
12. To notify the Chief Executive of any terms of indemnity that are requested.
13. To ensure that claims made against insurance policies are made promptly.
14. To make all appropriate employees aware of their responsibilities for managing relevant risks.
15. To ensure that employees, or anyone covered by the Force and OPCC insurance, is instructed not to admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.
16. To ensure that comprehensive opportunity and risk registers for both the Police & Crime Commissioner and the Chief Constable are produced and updated regularly, and that corrective action is taken at the earliest possible opportunity to either transfer, treat, tolerate or terminate identified risk.
17. To settle civil claims in accordance with the arrangements set out in Section 6.

#### **Responsibilities of the Chief Executive**

18. To evaluate and authorise any terms of indemnity that is requested by external parties.
19. To approve before any contract for works is made that the insurance cover to be furnished by the contractor in respect of any act or defaults unless cover is provided by the Police & Crime Commissioner.

#### **INTERNAL CONTROL SYSTEM**

20. Internal control refers to the systems devised by management to help ensure that objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Police & Crime Commissioner's assets and interests are safeguarded
21. Both the Police & Crime Commissioner and the Chief Constable require an effective internal control framework to manage and monitor progress towards strategic objectives. Both have statutory obligations, and, therefore, require a system of internal control to identify, meet and monitor compliance with these obligations.
22. The Police & Crime Commissioner and the Chief Constable face a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of their objectives. A system of internal control is necessary to manage these risks. The system of internal control is established in order to provide achievement of:
  - a) Efficient, effective and economic operations
  - b) reliable financial information and reporting
  - c) compliance with laws and regulations
  - d) risk management
23. To implement effective systems of internal control, in accordance with advice from the Chief Finance Officer and the Director of Finance. These arrangements shall ensure compliance with all applicable statutes and regulations, and other relevant guidance and statements of best practice. They shall ensure that public resources are properly safeguarded and used economically, efficiently and effectively.
24. To ensure that effective key controls exist and are operating in managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance information and taking appropriate anticipatory and remedial action where necessary. The key objective of these control systems is to define roles and responsibilities.
25. To ensure that effective key controls are operating in financial and operational systems and procedures. This includes physical safeguard of assets, segregation of duties, authorisation and approval procedures and robust information systems.

#### **Responsibilities of the Chief Executive and Chief Finance Officer**

26. To ensure that the governance, risk and internal control systems of the OPCC are reviewed at least on an annual basis. All senior officers are required to complete annual Officer Assurance Statements, setting out any governance or internal control issues identified within their area of responsibility as evidence for the review.
27. To ensure that an Annual Governance Statement is prepared for consideration and approval by the Police & Crime Commissioner, in line with the CIPFA/SOLACE code.

28. To ensure that a review of governance and internal control is carried out for consideration by the Joint Independent Audit Committee.

### **Responsibilities of the Chief Constable and Director of Finance**

30. To ensure that the governance and internal control systems of the Force are reviewed at least on an annual basis. All senior officers, as determined by the Chief Constable are required to complete annual Officer Assurance Statements, setting out any governance or internal control issues identified within their area of responsibility as evidence for the review.
31. To ensure that an Annual Governance Statement is prepared for consideration and approval by the Chief Constable prior to the submission to the Police & Crime Commissioner.
32. To report the review of governance, risk and internal control and the Annual Governance Statement to the Joint Independent Audit Committee.
33. To publish the Annual Governance Statement with the Statement of Accounts.
34. The Police & Crime Commissioner and Chief Constable will each ensure they prepare and sign annual letters of representation and submit them to the external auditor

### **Internal Audit**

35. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
36. In the Police Service, the Police & Crime Commissioner and the Chief Constable are required to maintain an effective audit of their affairs by virtue of the Accounts and Audit Regulations (as amended from time to time) which state that a "relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". The guidance accompanying the legislation states that proper internal control practices for internal audit are those contained in the Public Sector Internal Audit Standards and other relevant guidance documents prevailing from time to time.
37. In fulfilling this requirement the Police & Crime Commissioner and Chief Constable should have regard to the Code of Practice for Internal Audit in Local Government in the United Kingdom issued by CIPFA. The Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA also sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.

38. In addition to enabling the Police & Crime Commissioner and the Chief Constable to fulfil their requirements in relation to the relevant Accounts and Audit Regulations, internal Audit is needed:
- a) to satisfy the Police & Crime Commissioner and the Chief Constable that effective internal control systems are in place
  - b) to assist the external auditor in his conclusion regarding the reliability of the internal controls within the key financial systems and that the Police Fund is managed so as to secure value for money.

#### **Responsibilities of the Chief Finance Officer and Director of Finance**

39. To ensure the commissioning of an adequate and effective internal audit service via a Service Level Agreement (SLA) or contract, as appropriate.

#### **Responsibilities of the Police & Crime Commissioner, Chief Constable, Chief Finance Officer and Director of Finance**

40. To ensure that internal auditors, having been security cleared, have the authority to:
- a) access Force and OPCC premises at reasonable times;
  - b) access all assets, records, documents, correspondence, control systems and appropriate personnel, subject to appropriate security clearance;
  - c) receive any information and explanation considered necessary concerning any matter under consideration;
  - d) require any employee to account for cash, stores or any other police and Police & Crime Commissioner assets under their control; and
  - e) access records belonging to contractors, when required. This shall be achieved by including an appropriate clause in all contracts.

#### **Responsibilities of the Head of Internal Audit**

41. To prepare, in consultation with the Police & Crime Commissioner and Chief Finance Officer or the Chief Constable and Director of Finance, annual audit plans that conform to the Public Sector Internal Auditing Standards for consideration by the Joint Independent Audit Committee.
42. To attend or be represented at meetings of the Joint Independent Audit Committee and to present to each Committee a report on the progress in delivering the annual plan, the matters arising from completed audits, and the extent to which agreed actions in response to issues raised in the audit reports have been delivered.
43. To present an annual report to the Joint Independent Audit Committee, including an opinion on the reliance that may be placed on the internal control, risk and governance framework and summarising the work completed during the financial year in support of this opinion.

#### **Responsibilities of Chief Officers**

44. To consider and respond promptly to control weaknesses, issues and recommendations in audit reports and ensure that all critical or significant agreed actions arising from the audit are carried out in accordance with the agreed action plan included in each report.

### **Responsibilities of the Director of Finance**

45. To ensure that significant new systems for maintaining financial records or records of assets, or significant changes to existing systems, are discussed with and agreed by the Chief Finance Officer and internal audit prior to implementation.
46. To notify the Chief Finance Officer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of police property or resources. Pending investigation and reporting, the Chief Constable should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration. Investigation of internal financial irregularities shall normally be carried out by the Professional Standards Department, who shall consult with the Head of Internal Audit as appropriate and keep him informed of progress. At the conclusion of the investigation the Head of Internal Audit shall review the case to identify any internal control weaknesses that allowed the financial irregularity to happen and shall make recommendations to ensure that the risk of recurrence is minimised. The operation of this Regulation shall be in accordance with the agreed protocol between the Chief Constable's Head of Professional Standards, the Chief Finance Officer, the Director of Finance and the Head of Internal Audit referred to in the Anti-Fraud and Corruption Strategy and Fraud Response Plan.

### **External Audit**

47. The Public Sector Audit Appointments Limited (PSAA) is responsible for appointing external auditors to each local authority, including the Police & Crime Commissioner and the Chief Constable. The external auditor has rights of access to all documents and information necessary for audit purposes.
48. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, the Audit Commission Act 1998 and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires a code of audit practice to be prepared, which external auditors will follow when carrying out their duties. The code of audit practice sets out the auditor's objectives to review and report upon:
  - a) the financial aspects of the audited body's corporate governance arrangements
  - b) the audited body's financial statements
  - c) aspects of the audited body's arrangements to secure Value for Money
49. The 1998 Act sets out other specific responsibilities of the auditor, for example under section on financial reporting.

### **Responsibilities of the Joint Independent Audit Committee**

50. To advise the Police & Crime Commissioner and Chief Constable on the appointment of external auditors.
51. To approve, on behalf of the Police & Crime Commissioner and the Chief Constable the external audit programme of work and associated fees.
52. To review the external auditor's report to those charged with governance (ISA260) and any other reports, reporting on these to the Police & Crime Commissioner and the Chief Constable as appropriate and including progress on the implementation of agreed recommendations.
53. To review the external auditor's Annual Audit Letter and making recommendations as appropriate to the Police & Crime Commissioner and the Chief Constable.

### **Responsibilities of the Chief Finance Officer and Director of Finance**

54. To liaise with the external auditor and advise the Police & Crime Commissioner and the Chief Constable on their responsibilities in relation to external audit and ensure there is effective liaison between external and internal audit.
55. To provide the Home Office with a copy of the annual audit letter.
56. To ensure that for the purposes of their work the external auditors are given the access to which they are statutorily entitled in relation to OPCC and Force premises, assets, records, documents, correspondence, control systems and personnel, subject to appropriate security clearance.
57. To respond to draft action plans and to ensure that agreed recommendations are implemented in a timely manner.

## **PREVENTING FRAUD AND CORRUPTION**

### **Other Inspection Bodies**

58. The Force and the OPCC may, from time to time, be subject to audit, inspection or investigation by external bodies such as HMICFRS (Force only) and the HM Revenue & Customs, who have statutory rights of access.
59. To receive and respond to reports from other inspection bodies.
60. The Police & Crime Commissioner and the Chief Constable will not tolerate fraud or corruption in the administration of their responsibilities, whether from inside or outside their organisations.
61. The Police & Crime Commissioner's and the Chief Constable's expectation of propriety and accountability is that employees at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

62. The Police & Crime Commissioner and the Chief Constable also expect that individuals and organisations (e.g. suppliers, contractors, and service providers) with whom they come into contact will act with honesty and integrity and without thought or actions involving fraud and corruption. Suppliers must also be mindful of legislation in relation to the Bribery Act and money laundering.

### **Responsibilities of the Police & Crime Commissioner and Chief Constable**

63. To foster a culture that will not tolerate fraud and corruption.
64. To adopt and maintain a whistle blowing policy to provide a facility that enables employees, the general public and contractors to make allegations of fraud, misuse and corruption in confidence, and without recrimination, to an independent contact. Procedures shall ensure that allegations are investigated robustly as to their validity, that they are not malicious, and that appropriate action is taken to address any concerns identified. The Police & Crime Commissioner and the Chief Constable shall ensure that all employees are aware of any approved whistle blowing policy.
65. To adopt and maintain a policy on the registering of business interests and the receipt of gifts, gratuities and hospitality and to maintain a register of business interests and a register of gifts, gratuities and hospitality.
66. To ensure that adequate and effective internal control arrangements are in place including a clear internal financial control framework setting out the approved financial systems to be followed by all employees.
67. To participate in the National Fraud Initiative (NFI) data matching exercise.
68. To notify the Chief Finance Officer immediately of any suspected fraud, theft, irregularity or improper use or misappropriation of Force or Police & Crime Commissioner property or resources.

### **ASSETS**

#### **Security**

69. Assets are held in the form of land, property, vehicles, equipment, furniture and other items. It is important that assets are safeguarded and used efficiently in service delivery, that there are arrangements for the security of both assets and information required for service operations and that proper arrangements exist for the disposal of assets. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management which provides information about assets so that they are:
- a) Accurately recorded and classified
  - b) Safeguarded against loss;
  - c) Used efficiently and effectively;
  - d) Adequately maintained; and
  - e) Valued in accordance with statutory and management requirements.
70. The Police & Crime Commissioner will own and fund all assets regardless of whether they are used by the Police & Crime Commissioner, by the Force or by both bodies.

71. The Chief Constable is responsible for the direction and control of the Force and should therefore have day-to-day management of all assets used by the Force.
72. The Police & Crime Commissioner should consult the Chief Constable in planning the budget and developing a Medium Term Resource Strategy. Both these processes should involve a full assessment of the assets required to meet operational requirements, including human resources, infrastructure, land, property and equipment.

### **Responsibilities of the Police & Crime Commissioner and Chief Constable**

73. To ensure that:
  - a) assets and records of assets are properly maintained and securely held and that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place
  - b) lessees and other prospective occupiers of Police & Crime Commissioner land are not allowed to take possession or enter the land until a lease or agreement has been established as appropriate
  - c) title deeds to Police & Crime Commissioner property are held securely
  - d) no asset is subject to personal use by an employee without proper authority
  - e) valuable and portable items such as computers, cameras and video recorders are recorded on inventories
  - f) all employees are aware of their responsibilities with regard to safeguarding Police & Crime Commissioner assets and information, including the requirements of the Data Protection Act and software copyright legislation
  - g) assets no longer required are disposed of in accordance with the policies of the Police & Crime Commissioner and the Chief Constable
  - h) all employees of the Chief Constable and the Police & Crime Commissioner are aware of their responsibilities with regard to safeguarding the security of computer systems, including maintaining restricted access to the information held and compliance with computer and internet security policies.
  - i) officers of the Chief Constable and the Police & Crime Commissioner respectively are aware of their responsibilities with regard to safeguarding of assets and information, including the requirements of the Data Protection Act.

### **Responsibilities of the Chief Constable**

74. The Chief Constable is responsible for the safe handling, retention and disposal of property brought into police possession, including seizure under the Drug Trafficking Act and the Proceeds of Crime Act 2002, in accordance with approved policies and regulations. Disposal of items not reclaimed or returned to owners will be arranged in accordance with the Force's disposal policy and the proceeds used in accordance with the Police & Crime Commissioner's policy (for found property) and the Police (Property) Regulations 1997 (for other than found property). A report shall be submitted to the Police & Crime Commissioner annually on the distribution of the proceeds of such disposals.

### **Valuation**

#### **Responsibilities of the Chief Finance Officer**

75. To ensure that an asset register is maintained for all fixed assets with a value in excess of the limits in accordance with agreed policies. Assets are to be recorded when they are acquired and shall remain on the asset register until disposal. Assets are to be valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

### **Inventories, Stocks and Stores**

#### **Responsibilities of the Police & Crime Commissioner and Chief Constable**

76. To ensure that inventories are maintained for the Force in a format approved by the Chief Finance Officer and Director of Finance that record an adequate description of items with a value in excess of the amount shown in Section 6. Other items of equipment should also be recorded if they are deemed to be both desirable and portable (e.g. laptops).
77. To ensure that inventories are maintained for the Police & Crime Commissioner's office in a format approved by the Chief Finance Officer that record an adequate description of items with a value in excess of the amount shown in Section 6. Other items of equipment should also be recorded if they are deemed to be both desirable and portable (e.g. laptops).
78. The Police & Crime Commissioner and Chief Constable must ensure that disposals and write offs of all stock or inventory items are actioned in accordance with financial instructions and the limits set out in Section 6. Any write off above this level must be referred to the Police & Crime Commissioner for approval.

#### **Responsibilities of the Chief Constable**

79. To make arrangements for the care, custody and control of the stocks and stores of the Force and to maintain detailed stores records in a form approved by the Chief Finance Officer.

80. To undertake a complete stock check at least once per year either by means of continuous or annual stocktake. The stocktake shall be undertaken and certified by an authorised member of staff who is independent of the stock keeping function. This procedure shall be followed and a complete stock check undertaken whenever stock keeping duties change.
81. To ensure that adequate arrangements exist to discharge the above responsibilities in relation to stock administered by the Regional Procurement Unit on behalf of the Force.

### **Intellectual Property**

82. Intellectual property is a generic term that includes inventions and writing.
83. If any Intellectual Property is created by either an employee of the Police & Crime Commissioner or an employee of the Chief Constable during the course of employment, then, as a general rule, this will belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property. Certain activities undertaken within the Force may give rise to items that could be patented, for example, software development. These items are collectively known as intellectual property.
84. In the event that the Force or Police & Crime Commissioner decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with an intellectual property policy. Matters should only proceed after legal advice. (If Police & Crime Commissioner gives grant conditions will give him intellectual property rights)

### **Responsibilities of the Police & Crime Commissioner and Chief Constable**

85. To ensure that employees are aware of these procedures.
86. To prepare guidance on intellectual property procedures and ensuring that employees are aware of these procedures.
87. To approve the intellectual property policy.

### **Asset Disposals**

88. It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and these Financial Regulations.

### **Responsibilities of the Chief Constable and Director of Finance**

89. To dispose of assets at the appropriate time and at the most advantageous price in accordance with the Asset Disposal Policy. Where this is not the highest offer, the Chief Constable shall consult with the Chief Finance Officer. Prior approval of the Police & Crime Commissioner is required for the disposal of land and buildings.

90. All asset disposals shall be recorded in the asset register or inventory as appropriate, other than those which are not required to be separately or individually accounted for within the inventory register.

### **Responsibilities of the Chief Finance Officer and Director of Finance**

91. To ensure that income received for the disposal of an asset is properly banked and accounted for.
92. To ensure that appropriate accounting entries are made to remove the value of disposed assets from asset records and to include the sale proceeds if appropriate.

### **TREASURY MANAGEMENT AND BANKING ARRANGEMENTS**

#### **Treasury Management**

93. It is important that monies held by the Police & Crime Commissioner and Chief Constable are managed properly, in a way that balances risk with return, but with the prime consideration being given to the security of the Police & Crime Commissioner's capital sum.
94. The Police & Crime Commissioner has adopted the CIPFA Code of Practice on Treasury Management and the following will be created and maintained as the cornerstones for effective treasury management:
- a) A Treasury Management Strategy Statement (TMSS) stating the policies, objectives and approach to risk management of its treasury management activities
  - b) Suitable Treasury Management Practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

### **Responsibilities of the Police & Crime Commissioner**

95. To be directly responsible for loans, investments and for borrowing money as the holder of the Police Fund.
96. To adopt the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code).
97. To approve the annual Treasury Management Strategy Statement together with the Annual Investment Strategy and Minimum Revenue Provision Statement
98. To receive and approve treasury management performance monitoring reports including an annual report on treasury management activity.

### **Responsibilities of the Chief Finance Officer**

99. To implement and monitor the TMSS policies and practices in line with the CIPFA Code and other professional guidance.
100. To prepare reports on the Police & Crime Commissioner's treasury management policies, practices and activities, including, as a minimum, an annual strategy, performance monitoring reports, including a mid-term review report and an annual report.
101. To execute and administer treasury management in accordance with the CIPFA Code and the Police & Crime Commissioner's policy.
102. To arrange borrowing and investments, in compliance with the CIPFA Code
103. To ensure that all investments and borrowings are made in the name of the Police & Crime Commissioner.

### **Banking Arrangements**

104. The Police & Crime Commissioner is statutorily accountable to the public for the management of the Police Fund. The Police & Crime Commissioner is the recipient of all funding relating to policing and crime reduction, including government grant and precept and other sources of income.
105. The Police & Crime Commissioner and Chief Constable will have joint banking arrangements for their main banking requirements.

### **Responsibilities of the Chief Finance Officer**

106. To have overall responsibility for the banking arrangements for the Police & Crime Commissioner and Chief Constable.
107. To authorise the opening and closing of all bank accounts and approve the relevant operating procedures. No other employee shall open a bank account unless they are performing a statutory function (e.g. Chief Finance Officer of a charitable body) in their own right.
108. To ensure that bank reconciliations are undertaken on a timely and accurate basis.
109. To ensure that lists of approved signatories on all bank accounts are maintained.

### **Imprest Accounts / Petty Cash**

110. Cash advances may be made to an individual in a department / establishment in order that relatively small incidental payments may be made quickly. A record of disbursements from the account should be maintained to control the account and so that the expenditure may be substantiated, accurately reflected in the Police & Crime Commissioner's accounts and correctly reimbursed to the account holder.

### **Responsibilities of the Chief Constable**

111. To provide appropriate employees of the Force with cash, bank imprests or pre-paid cash cards to meet minor expenditure on behalf of the Force. The Chief Constable shall determine reasonable petty cash limits and maintain a record of all transactions and petty cash advances made, and periodically review the arrangements for the safe custody and control of these advances.
112. To determine reasonable petty cash limits and maintain a record of all transactions and petty cash advances made, and periodically review the arrangements for the safe custody and control of these advances.

### **Money Laundering**

113. Both the Police & Crime Commissioner and Chief Constable are alert to the possibility that they may become the subject of an attempt to involve them in a transaction involving the laundering of money.
114. Under no circumstances should cash payments of more than £5,000 be accepted for any transaction whether carried out in a single operation or in several operations which appear to be linked.
115. Internal control procedures will be monitored to ensure they are reliable and robust.

### **Responsibilities of the Chief Finance Officer and Director of Finance**

116. To be the nominated Money Laundering Reporting Officer (MLRO) for the Police & Crime Commissioner and Chief Constable respectively.
117. Upon receipt of a disclosure to consider, in the light of all information, whether it gives rise to such knowledge or suspicion.
118. To disclose relevant information to national investigative agencies.

### **Responsibilities of Chief Officers**

119. To undertake appropriate checks to ensure that all new suppliers and counterparties are bona fide.

### **Responsibilities of Employees**

120. To notify the Chief Finance Officer or Director of Finance as soon as they receive information which may result in them knowing or having reasonable grounds for knowing or suspecting money laundering, fraud or use of the proceeds of crime
121. Where an individual offers to make a payment to the Force of over £5,000 in cash, this should be reported to the Chief Finance Officer or Director of Finance. This instruction does not apply to seizures and subsequent bankings under the Proceeds of Crime Act.

## **COVERT ACCOUNTS**

122. In order to maintain the strictest confidentiality and to prevent any link to the force, it is necessary to purchase company identities and to set up bank accounts that mirror those identities in order to support covert operations.

### **Responsibilities of the Chief Finance Officer**

123. To authorise the opening and closing of covert accounts.
124. To delegate the authorisation for covert accounts and their maintenance, including creation of a register of covert accounts, to the Director of Finance initially in order to preserve the covert identity of that account.

### **Responsibilities of the Director of Finance**

125. To agree the detailed Force operating procedures

## **STAFFING**

126. Staffing costs form the largest element of the annual policing budget. An appropriate HR strategy should exist, in which staffing requirements and budget allocations are matched. The Chief Constable is responsible for approving the overall HR strategy for the Force in consultation with the Police & Crime Commissioner.

### **Responsibilities of the Chief Constable and Police & Crime Commissioner**

127. To ensure that employees are appointed, employed and dismissed in accordance with relevant statutory regulations, national agreements and personnel policies, budgets and strategies agreed by the Police & Crime Commissioner.
128. To advise the Police & Crime Commissioner on the budget necessary in any given year to cover estimated staffing levels
129. To adjust the staffing numbers to meet the approved budget provision, and varying the provision as necessary within policy constraints in order to meet changing operational needs
130. To have systems in place to record all matters affecting payments to staff, including appointments, resignations, dismissals, secondments, suspensions, transfers and all absences from work.
131. To approve policy arrangements for premature retirements on grounds of ill-health or efficiency for all staff and redundancy arrangements for support staff.

## **TRUST FUNDS**

132. Trust Funds have a formal legal status governed by a Deed of Trust. Employees and police officers acting as trustees must ensure that they are conversant with the requirements of the Trust Deed and the law and comply fully with them.

133. In respect of trust funds these Financial Regulations should be viewed as best practice, which must be followed whenever practicable.
134. No employee shall open a trust fund without the specific approval of the Chief Finance Officer or the Director of Finance.

### **Responsibilities of Trustees**

135. All employees shall ensure that they have received suitable training to support their role and their personal legal obligations and should satisfy themselves they are covered by appropriate insurance arrangements. All employees acting as trustees by virtue of their official position shall ensure that accounts are audited as required by law and submitted annually to the appropriate body, and the Chief Finance Officer and/or Director of Finance shall be entitled to verify that this has been done.

### **POLICE PROPERTY ACT**

136. The Police (Property) Act 1897 as amended by the Police (Property) Act 1997 is a fund whereby allocations are received from the sale of recovered stolen goods or property that has been found. If the owners of the property are not traceable then the goods are sold at auction. The monies from the sale of goods are then redistributed by way of grants or donations to local charitable bodies that support and complement local policing and crime reduction priorities.
137. The Police & Crime Commissioner and Chief Constable will determine an appropriate policy for distributing monies to charitable bodies in accordance with the Police (Property) Act 1897 as amended by the Police (Property) Act 1997.
138. To make donations to charitable bodies within the Force area in accordance with the requirements of the Police (Property) Act 1897 as amended by the Police (Property) Act 1997.
139. To determine those items of crime property which may be retained for police purposes subject to consulting with the Chief Finance Officer.
140. The Chief Constable is required to exercise a duty of care and safeguard evidential or non-evidential property pending decisions on its ownership, or private property of an individual e.g. a suspect in custody.

### **Responsibilities of the Chief Constable**

141. To determine procedures for the safekeeping of the private property of a person, other than a member of staff, under his guardianship or supervision. These procedures shall be made available to all appropriate employees.
142. To determine procedures for the safekeeping of evidential or non-evidential property. These procedures shall be made available to all appropriate employees and shall make specific reference to the need for insurance of valuable items.

### **Responsibilities of all employees**

143. To notify the Chief Constable immediately in the case of loss or diminution in value of such private property.

### **PROCEEDS OF CRIME ACT**

#### **Responsibilities of the Chief Constable**

144. The Chief Constable to determine a policy for dealing with cash including seized cash under the Proceeds of Crime Act in consultation with the Police & Crime Commissioner.

### **GIFTS, LOANS AND SPONSORSHIP**

145. In accordance with the Police Act 1996, the Police & Crime Commissioner may decide to accept gifts of money and gifts or loans of other property or services (e.g. car parking spaces) if they will enable the police either to enhance or extend the service which they would normally be expected to provide. The terms on which gifts or loans are accepted may allow commercial sponsorship of some police Force activities.
146. Gifts, loans and sponsorship are particularly suitable for multi-agency work such as crime prevention, community relations work, and victim support schemes.
147. Gifts, loans and sponsorship can be accepted from any source which has genuine and well intentioned reasons for wishing to support specific projects. In return, the provider may expect some publicity or other acknowledgement. It is acceptable to allow the provider to display the organisation's name or logo on publicity material, provided this does not dominate or detract from the purpose of the supported project.
148. The total value of gifts, loans and sponsorship accepted, should not exceed 1% of the Police & Crime Commissioner / Chief Constable gross expenditure budget annually.
149. Full details of arrangements in this area are contained in the Force's policy on Sponsorship and Donations.

#### **Responsibilities of the Police & Crime Commissioner**

150. To approve the policy on gifts, loans and sponsorship.

#### **Responsibilities of the Chief Executive and Director of Finance**

151. To accept and record gifts, loans or sponsorship within agreed policy guidelines.
152. To refer all gifts, loans and sponsorship above the limits set out in Section 6 to the Police & Crime Commissioner for approval before they are accepted.

- 152 a To maintain a central electronic register of all sponsorship, loans and gifts to the Force and the OPCC, including their value, and for this to be reviewed by the Chief Finance Officer quarterly.
- 153. To present an annual report to the Corporate Governance Group/Governance Advisory Board listing all gifts, loans and sponsorship received by the Force.
- 153 a The annual report should be considered by the Joint Independent Audit Committee and added to the cycle of business for the Committee.

## **SECTION 4**

### **SYSTEMS & PROCESSES - INTRODUCTION**

1. There are many systems and procedures relating to the control of Police & Crime Commissioner assets, including purchasing, costing and management systems. The Police & Crime Commissioner and Chief Constable are reliant on computers for financial management information. This information must be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
2. The Chief Finance Officer and Director of Finance both have a statutory responsibility to ensure that financial systems are sound and should therefore be notified of any significant proposed new developments or changes.
3. The Chief Constable and Police & Crime Commissioner will share common financial systems where appropriate.

#### **Responsibilities of the Chief Finance Officer and Director of Finance**

4. To make arrangements for the proper administration of the Police & Crime Commissioner and the Chief Constable's financial affairs respectively, including to:
  - a) issue advice, guidance and procedures for officers and others acting on behalf of the Police & Crime Commissioner or Chief Constable
  - b) determine the accounting systems, form of accounts and supporting financial records
  - c) establish arrangements for the audit of the Police & Crime Commissioner's and the Chief Constable's financial affairs
  - d) approve any significant new financial systems to be introduced approve any significant changes to existing financial systems.
5. To ensure, in respect of systems and processes, that:
  - a) systems are secure, adequate internal control exist and accounting records (e.g. invoices, income documentation) are properly maintained and held securely and that duties are appropriately segregated to minimise the risk of error, fraud or other malpractice;
  - b) appropriate controls exist to ensure that all systems input, processing and output is genuine, complete, accurate, timely and not processed previously;
  - c) a complete audit trail is maintained, allowing financial transactions to be traced from the accounting records to the original document and vice versa;
  - d) systems are documented and staff trained in operations.
6. To ensure that there is a documented and tested business continuity plan to allow key system processing to resume quickly in the event of an interruption. Effective contingency arrangements, including back up procedures, are to be in place in the event of a failure in computer systems.

7. To establish separate schemes of delegation from the Police & Crime Commissioner and the Chief Constable to their own staff, identifying staff authorised to act on their behalf in respect of income collection, placing orders, making payments and employing staff.

## **INCOME**

8. Income is vital and effective systems are necessary to ensure that all income due is identified, collected, receipted and banked promptly. The responsibility for cash collection should be separated from that for identifying the amount due and for reconciling the amount due to the amount received.

## **Context**

9. The Police & Crime Commissioner and Chief Constable will agree charging policies when applying charges under section 25 of the Police Act 1996. They should keep in mind that the purpose of charging for special services is to ensure that, wherever appropriate, those using the services pay for them.
10. The Police & Crime Commissioner and the Chief Constable should ensure that there are arrangements in place so that expected charges are clearly identified in their budgets and that costs are accurately attributed and charged. When considering budget levels the Police & Crime Commissioner and the Chief Constable should ensure that ongoing resource requirements are not dependant on a significant number of uncertain or volatile income sources and should have due regard to sustainable and future year service delivery.
11. When specifying resource requirements the Chief Constable will identify the expected income from charging. The Chief Constable should adopt NPCC charging policies in respect of mutual aid unless the Chief Constable and Police & Crime Commissioner agree a different scheme of charges.

## **Responsibilities of the Police & Crime Commissioner and Chief Constable**

12. To adopt the NPCC national charging policies and national guidance when applying charges under section 25 of the Police Act 1996 unless the Chief Constable and Police & Crime Commissioner agree a different scheme of charges and to keep scales of fees and charges under review with such reviews being carried out at least annually.

## **Responsibilities of the Chief Finance Officer and Director of Finance**

13. To agree a charging policy for the supply of goods and services, including the appropriate charging of VAT, and to review it regularly in line with Corporate policies. All charges should be at full cost recovery and consistent with NPCC guidelines, except where regulations issued under statute require otherwise or with the express approval of the Police & Crime Commissioner.
15. To ensure income is not used to cash personal cheques or make other payments

## **Responsibilities of the Director of Finance**

16. To order and supply to appropriate employees all receipt forms, books or tickets and similar items and be satisfied as to the arrangements for their control. Official receipts or other suitable documentation shall be issued for all income received.
17. To operate effective debt collection procedures.
19. To approve the write-off of cash discrepancies and bad debts in accordance with the limits set out in Section 6. A permanent record shall be maintained by the authorising officers of amounts written off which should be available for inspection by the Police & Crime Commissioner if required. Any write off greater than this must be referred to the Police & Crime Commissioner for approval.

### **ORDERING AND PAYING FOR WORK, GOODS AND SERVICES**

21. Public money should be spent in accordance with the Police & Crime Commissioner's policies. Both the Police & Crime Commissioner and the Chief Constable have a statutory duty to ensure financial probity and best value. Procedures should assist in ensuring that value for money is obtained by purchasing arrangements within both the OPCC and the Force, which should be in accordance with the procurement strategy and Contract Standing Orders.

### **Responsibilities of the Police & Crime Commissioner and Chief Constable**

22. To maintain a procurement policy covering the principles to be followed for the purchase of goods and services and that all payments are made in accordance with this policy.
23. To ensure that official orders are issued for all work, goods or services, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions approved by the Chief Finance Officer. Orders must be in a form approved by the Chief Finance Officer.
24. Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of the Chief Constable and Police & Crime Commissioner contracts.
25. Goods and services ordered must be appropriate and there must be adequate budgetary provision. Quotations or tenders must be obtained where necessary, in accordance with these regulations and Contract Standing Orders.
26. Payments are not to be made unless goods and services have been received at the correct price, quantity and quality in accordance with any official order.
27. To ensure that payments are made to the correct person, for the correct amount, on time and are recorded properly, regardless of the method of payment.
28. To ensure that VAT is recovered where appropriate.

29. To ensure that all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected.
31. To ensure that control systems are in place for the payment of accounts in accordance with the Late Payments of Commercial Debts (Interest) Act 1998.
32. To ensure that every police officer and employee declares any links or personal interests that they may have with purchasers, suppliers and contractors if they are engaged in contractual or purchasing decisions on behalf of the Police & Crime Commissioner or Chief Constable and that such persons take no part in the selection of a supplier or contract with which they are connected.

### **PAYMENTS TO EMPLOYEES**

33. Employee costs are the largest item of expenditure for the policing budget. It is therefore important that there are controls in place to ensure accurate, timely and valid payments are made in accordance with individuals' conditions of employment.
34. To ensure the secure and reliable payment of salaries, overtime, pensions, compensation and other emoluments to existing and former employees.
35. To ensure that tax, superannuation and other deductions are made correctly and paid over at the right time to the relevant body.
36. To pay all valid travel and subsistence claims or financial loss allowance.
37. To pay salaries, wages, pensions and reimbursements by the most economical means.
38. To ensure that payroll transactions are processed only through the payroll system. Payments to individuals employed on a self-employed consultant or subcontract basis shall only be made in accordance with HM Revenue & Customs (HMRC) requirements. The HMRC applies a tight definition of employee status, and in cases of doubt, advice should be sought from them.
39. To ensure that full records are maintained of payments in kind and properly accounted for in any returns to the HMRC.

### **TAXATION**

40. Tax issues are often very complex and the penalties for incorrect and/or untimely accounting for tax are severe.

### **Responsibilities of the Chief Finance Officer and Director of Finance**

41. To ensure that arrangements are in place for the timely completion and submission of all HM Revenue & Customs (HMRC) returns regarding PAYE and that due payments are made in accordance with statutory requirements.
42. To ensure that arrangements are in place for the timely completion and submission of VAT claims, inputs and outputs to HMRC.

43. To ensure that the correct VAT liability is attached to all income due and that all VAT receivable on purchases complies with HMRC regulations
44. To provide details to the HMRC regarding the construction industry tax deduction scheme.
45. To ensure that all trading activities are carried out in the name of the Police & Crime Commissioner.
46. To ensure that appropriate technical staff have access to up to date guidance notes and professional advice.

#### **CORPORATE CREDIT CARDS**

47. Credit cards provide an effective method for payment for designated officers who, in the course of their official business, have an immediate requirement for expenditure which is relevant to the discharge of their duties.

#### **Responsibilities of the Chief Finance Officer and Director of Finance**

48. To authorise and maintain control over the issue and cancellation of cards.
49. To provide full operating procedures to all cardholders.

#### **Responsibilities of Credit Card holders**

50. To ensure that purchases are in accordance with approved policies
51. To provide receipted details of all payments made by corporate credit card each month, including nil returns, to ensure that all expenditure is correctly reflected in the accounts and that VAT is recovered.

#### **PURCHASING CARDS**

52. Purchasing cards are an alternative method of buying and paying for relatively low value goods, which generate a high volume of invoices. This should generate an efficiency saving from lower transaction costs (i.e. fewer invoices processed and paid for through the integrated accounts payable system), as well as reducing the number of petty cash transactions.

#### **Responsibilities of the Chief Finance Officer and Director of Finance**

53. To authorise and maintain control over the issue and cancellation of cards.
54. To provide full operating procedures to card holders.
55. To reconcile the purchase card account to the ledger on a monthly basis.

### **Responsibilities of Purchasing Card holders**

56. To be responsible for ordering and paying for goods and services in accordance with the procurement policy, contract standing orders and all procedures laid down.

### **CASH CARDS**

57. Cash cards allow authorised officers in agreed circumstances to obtain cash from ATMs up to a maximum limit per day.

### **Responsibilities of the Chief Finance Officer and Director of Finance**

58. To authorise and maintain control over the issue and cancellation of cards.
59. To provide full operating procedures to card holders.
60. To provide detailed procedures for the management of the process for uploading of funds, reconciliation of transactions and payments to the system provider.

### **Responsibilities of Cash Card holders**

61. To be responsible for the withdrawal of and discharge of funds in line with Force procedures and the requirements set out within RIPA.

### **EX GRATIA PAYMENTS**

62. An ex gratia payment is a payment made by the Police & Crime Commissioner or the Chief Constable where no legal obligation has been established. An example may be where recompense is made to a police officer for damage to personal property in the execution of duty or to a member of the public for providing assistance to a police officer in the execution of duty.

### **Responsibilities of the Chief Finance Officer and Director of Finance**

63. To make ex gratia payments, on a timely basis, to members of the public up to the level shown below in any individual instance, for damage or loss to property or for personal injury or costs incurred as a result of police action where such a payment is likely to facilitate or is conducive or incidental to the discharge of any of the functions of the Police & Crime Commissioner or Chief Constable.
64. To make ex gratia payments, on a timely basis, up to the level shown below in any individual instance, for damage or loss of property or for personal injury to a police officer, police staff or any member of the extended police family, in the execution of duty.

65. To make ex gratia payments by way of reimbursement or contribution towards the costs of remedying criminal damage occasioned to property owned or occupied by a police officer or other employee of the Force which would not have been occasioned had the officer or employee in question was not known to be an officer or employee of the Force.
66. To maintain details of ex gratia payments in a register:
67. To make ex-gratia payments up to the limit set out in Section 6.
68. The Chief Constable shall produce an annual report to the Police & Crime Commissioner summarising the payments made by him under these arrangements. Any ex gratia payment above this level must be referred to the Police & Crime Commissioner for approval.

## **SECTION 5**

### **EXTERNAL FUNDING**

1. External funding can be a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Police & Crime Commissioner. Funds from external agencies provide additional resources to enable policing objectives to be delivered. However in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Police and Crime Plan.
2. The main sources of such funding will tend to be specific Government grants, additional contributions from local authorities and donations from third parties (e.g. towards capital expenditure)
3. The Policing Protocol Order 2011 Section 16 states that the Police & Crime Commissioner is the recipient of all funding including government grant and precept and other sources of income relating to policing and crime reduction and all funding for the Chief Constable must come via the Police & Crime Commissioner. How the funding is allocated is a matter for the Police & Crime Commissioner in consultation with the Chief Constable, or in accordance with any grant terms.

#### **Responsibilities of the Police & Crime Commissioner**

4. To approve the policy on inward investment

#### **Responsibilities of Chief Officers**

5. To pursue actively any opportunities for additional funding where this is considered to be in the interests of the Police & Crime Commissioner and in line with the Chief Constable's policing priorities and the Commissioner's Police & Crime Panel.
6. To ensure that the match funding requirements and exit strategies are considered prior to entering into the agreements and that future medium term financial forecasts reflect these requirements.

#### **Responsibilities of the Chief Constable and Director of Finance**

7. All grant funding for the Force must come via the Police & Crime Commissioner. Grant funding should only be considered when it clearly meets policing objectives and priorities in line with the Police and Crime Plan.
8. Subject to the above regulation, the Director of Finance may accept, or bid for, grant of up to £100,000. Any grant bids or grant acceptance above this level must be referred to the Police & Crime Commissioner for consideration and approval.

9. The Director of Finance must ensure that any key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood. Any conditions placed on the Police & Crime Commissioner in relation to external funding must be in accordance with the approved policies of the Police & Crime Commissioner. If there is a conflict, this needs to be taken to the Police & Crime Commissioner for resolution.
10. A central register of external funding must be maintained including information on expected outcomes, risks, staffing implications as per the agreed inward investment policy.
11. An annual report should be submitted to the Police & Crime Commissioner on the achievements of the external funding, demonstrating the effect on Police & Crime Commissioner objectives and priorities in line with the Police and Crime Plan.
12. The Director of Finance must ensure that all grant income received by the Force is notified to the Chief Finance Officer, that all claims for funds are made by the due date and properly authorised and that any audit requirements are met.

#### **Responsibilities of the Chief Finance Officer**

13. To ensure that all funding notified by external bodies is received and properly accounted for, that all claims for funds are made by the due date and properly authorised and that any audit requirements specified in the funding agreement are met.

#### **JOINT WORKING ARRANGEMENTS**

14. Public bodies are increasingly encouraged to provide seamless service delivery through working closely with other public bodies, local authorities, agencies and private sector providers.
15. Joint working arrangements can take a number of different forms, each with its own Governance arrangements. These can be grouped under the following headings:
  - a) Partnerships
  - b) Consortia
  - c) Collaboration
16. Partners engaged in joint working arrangements have common responsibilities:
  - a) to act in good faith at all times and in the best interests of the partnership's aims and objectives
  - b) to be willing to take on a role in the broader programme, appropriate to the skills and resources of the contributing organisation
  - c) to be open about any conflicts that might arise
  - d) to encourage joint working and promote the sharing of information, resources and skills

- e) to keep secure any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature
- f) to promote the project

17. In all joint working arrangements the following key principles must apply:

- a) before entering into the agreement, a risk assessment has been prepared
- b) such agreements do not impact adversely upon the services provided by the Force and Police & Crime Commissioner
- c) project appraisal is in place to assess the viability of the project in terms of resources, staffing and expertise
- d) all arrangements are properly documented
- e) regular communication is held with other partners throughout the project in order to achieve the most successful outcome
- f) audit and control requirements are satisfied
- g) accounting and taxation requirements, particularly VAT, are understood fully and complied with
- h) an appropriate exit strategy has been produced
- i) the Police & Crime Commissioner and Chief Constable elements of all joint working arrangements must comply with these Financial Regulations

### **Partnerships**

18. The term partnership refers to groups where members work together with a shared vision for a geographic or themed policy area, and agree a strategy in which each partner contributes towards its delivery. A useful working definition of such a partnership is where the partners:

- a) are otherwise independent bodies
- b) agree to co-operate to achieve a common goal
- c) achieve it to create an organisational structure or process and agreed programme, and share information, risks and rewards

19. The number of partnerships, both locally and nationally, is expanding in response to Central Government requirements and local initiatives. This is in recognition of the fact that partnership working has the potential to:

- a) comply with statutory requirements
- b) deliver strategic objectives in new and better ways
- c) improve service quality and cost effectiveness
- d) ensure the best use of scarce resources and access new resources
- e) deal with issues which cut across agency and geographic boundaries, and where mainstream programmes alone cannot address the need
- f) forge new relationships
- g) find new ways to share risk

20. Partnerships typically fall into three main categories i.e. statutory based, strategic, and ad-hoc.

### Statutory based

21. These are partnerships that are governed by statute. They include, for example, Community Safety Partnerships (CSPs) and Local Strategic Partnerships (LSPs).

### Strategic

22. These are partnerships set up to deliver core policing objectives. They can either be Force-wide or local.

### Ad-hoc

23. These are typically locally based informal arrangements.

### **Responsibilities of the Police & Crime Commissioner**

24. To approve the policy on partnerships.

### **Responsibilities of the Chief Constable**

25. To maintain a register of partnership arrangements (including information on funding and other resources invested in the partnership, assessment of risk and copy of the relevant partnership agreement or memorandum of understanding as per the agreed policy on partnerships).
26. To undertake a regular review of partnership working to ensure the continued relevance to Police & Crime Commissioner objectives and priorities in line with the Police and Crime Plan.
27. To ensure that all partnership arrangements involving the provision of services by external bodies in exchange for payment or other means of support shall contain the following clause: "The relevant Internal Audit Team shall have all reasonable rights of access to information and persons of the partnership body to ensure that the internal control arrangements are sound, the Police & Crime Commissioner's financial interests are protected and payments made can be accounted for and confirmed to be adequate and correct."
28. To report bi-annually to the Police & Crime Commissioner on the achievements of the partnership demonstrating how the partnerships contribute to the Police & Crime Commissioner objectives and priorities in line with the Police and Crime Plan.

### **Consortium Arrangements**

29. A consortium is a long-term joint working arrangement with other bodies, operating with a formal legal structure approved by the Police & Crime Commissioner.

### **Responsibilities of Chief Officers**

30. To contact the Chief Executive before entering into a formal consortium agreement, to establish the correct legal framework.
31. To consult, as early as possible, the Director of Finance and the Chief Finance Officer to ensure the correct treatment of taxation and other accounting arrangements.
32. To produce a business case to show the full economic benefits to be obtained from participation in the consortium.
33. To produce a Memorandum of Understanding (MOU) setting out the appropriate governance arrangements for the project. This document should be signed by the Chief Executive.

### **Responsibilities of the Police & Crime Commissioner**

34. To approve Force participation in the consortium arrangement.

### **Collaboration**

35. Under sections 22A to 22C of the Police Act 1996 as inserted by section 89 of the Police Reform and Social Responsibility Act 2011, police & crime commissioners and chief constable's have the legal power and duty to enter into collaboration agreements to improve the efficiency or effectiveness of policing. Any collaboration which relates to the functions of a police force must first be agreed with the Chief Constable of the Force concerned.
36. The Police & Crime Commissioner shall hold the Chief Constable to account for any collaboration on which the Force is involved and must consider doing so in co-operation with the other Police & Crime Commissioner's concerned.
37. Any such proposal must be discussed with the Chief Finance Officer and Director of Finance in the first instance.

### **COMMISSIONING OF SERVICES**

38. As set out in section 10 of the Police Reform and Social Responsibility Act 2011, the Police & Crime Commissioner is given the responsibility for co-operative working. This allows the Police & Crime Commissioner, within the constraints of the relevant funding streams, to pool funding as they and their local partners deem appropriate.

39. The Police & Crime Commissioner can commission services or award grants to organisations or bodies that they consider will support their community safety priorities in accordance with their Police and Crime Plan. They may do this individually or collectively with other local partners including non-policing bodies. In exercising his functions, must have regard to the relevant priorities of each responsible authority.
40. When the Police & Crime Commissioner commissions services, agreement is required on the shared priorities and outcomes expected to be delivered through the contract or grant agreement with each provider. Ring-fenced provision of crime and disorder grants is allowed in support of each provider. The inclusion of detailed grant conditions directing recipients how to spend funding need not be the default option.
41. The power to make crime and disorder grants with conditions is contained in section 9 of the Police Reform and Social Responsibility Act 2011. The power to contract for services is set out in paragraph 14 of Schedule 1 and paragraph 7 of Schedule 3 to the Police Reform and Social Responsibility Act 2011.
42. It is important to ensure that risk management and project appraisals are in place to assess the viability - both on initiation and on an ongoing basis - of all external arrangements and that an exit strategy is prepared.

#### **Responsibilities of the Police & Crime Commissioner**

43. To consult and work with local leaders and criminal justice system partners, having due regard to the relevant priorities of local partners when considering and setting the Police and Crime Plan.
44. To make appropriate arrangements to commission, and where necessary de-commission, services from either the Force or external providers so as to best meet the strategic priorities as set out in the Police and Crime Plan.
45. To award crime and disorder grants.

#### **Responsibilities of the Chief Finance Officer**

46. To develop a commissioning framework that will support the objectives as set out in the Police and Crime Plan.
47. To ensure that consideration of the wider impact on other public bodies, local authorities and voluntary sector organisations is considered within the commissioning framework, and that where appropriate, local people, service users and providers are consulted as part of the commissioning process.
48. To agree on behalf of the Police & Crime Commissioner expenditure or grant funding up to a level of £30,000, provided this is within overall agreed budget levels. Any approvals should be in line with the Police & Crime Commissioner's overarching commissioning principles as set out in the commissioning framework and with reference to the strategic priorities as set out in the Police and Crime Plan.

49. To develop appropriate control processes and procedures so as to ensure that monitoring of performance against agreed key performance indicators and negotiated outcomes is maintained and to provide assurances to the Police & Crime Commissioner on the same.
50. To consult with the Chief Finance Officer as early as possible to ensure the correct treatment of taxation and other financial and accounting arrangements.

#### **Responsibilities of the Chief Finance Officer**

51. To assist the Chief Executive to carry out the financial aspects of the responsibilities around commissioning, and in particular to budget and account for incoming funding and outgoing expenditure in accordance with accounting requirements.

#### **WORK FOR EXTERNAL BODIES**

52. The Chief Constable provides services to other bodies outside of normal obligations, for which charges are made e.g. training, special services. Arrangements should be in place to ensure that any risks associated with this work are minimised and that such work is not ultra vires.

#### **Responsibilities of the Director of Finance and Chief Constable**

53. To ensure that proposals for assistance are costed, that no contract is subsidised by the Force and that, where possible, payment is received in advance of the delivery of the service so that the Force is not put at risk from any liabilities such as bad debts.
54. To ensure that appropriate insurance arrangements are in place.
55. To ensure that all contracts are properly documented.
56. To ensure that such contracts do not impact adversely on the services provided by the Police & Crime Commissioner.
57. The Director of Finance is authorised to submit tenders for the supply of goods and/or services to other bodies up to the value of £50,000. The submission of tenders for the supply of goods and/or services in excess of £50,000 require the approval of the Police & Crime Commissioner.

## **SECTION 6**

### **SUMMARY OF FINANCIAL LIMITS UNDER DELEGATIONS AND CONSENTS**

The following will apply:

#### Virement

1. The Director of Finance may approve a virement within the Force's annual budget allocation, except if it involves a transfer of funds from revenue to directly fund capital expenditure.

These cases must be referred to the Police & Crime Commissioner for approval.

Information regarding virements should be retained and reported to the Police and Crime Commissioner on a regular basis, or when requested by the Police and Crime Commissioner.

The Chief Finance Officer must be consulted and Police and Crime Commissioner's approval obtained for any virement proposal that cannot be contained within the existing Force budget in the current and/or future years.

2. Subject to the controls on external finance in section 5, the Director of Finance can approve any virement where the additional costs are fully reimbursed by other bodies.

#### Carry Forward of Resources

3. Throughout the year, each budget holder shall ensure that income and expenditure is monitored against the budgets for which they are responsible. The Director of Finance may be allowed to carry forward unspent budget allocations into the new financial year, subject to agreement annually by the Police & Crime Commissioner. Any budget overspends may also be carried forward to be met from the budget for the new financial year.

#### Contingency

As part of the annual budget process, Police & Crime Commissioner may agree a separately identified contingency sum available to the Chief Constable, together with the arrangements for approval and reporting distributions for the amount agreed.

#### Capital Expenditure

5. The Director of Finance is authorised to incur expenditure on individual schemes of less than £250,000 within the approved Capital Programme without further reference to the Police & Crime Commissioner. Any scheme with an initial cost in excess of £250,000, or any subsequent increase in scheme cost which then increases the initial cost to a level in excess of £250,000, shall be submitted to the Police & Crime Commissioner for approval.

6. The Director of Finance may re-phase schemes within the approved Capital Programme between financial years provided that the individual scheme cost is unaffected. The Director of Finance may also utilise an underspend on any approved scheme to fund an overspend on another approved scheme so that the total approved Capital Programme remains within the capital resources approved. Such changes should be reported to the Chief Finance Officer so that the implications for borrowing and the Prudential Indicators can be monitored.
7. The Director of Finance may incur costs to meet the design and any preparatory works relating to a capital scheme within the approved Capital Programme of up to 10% of the total scheme value or £250,000 whichever is lower. Should the scheme not proceed, then the abortive costs must be accommodated within the Force revenue budget and notified to the Chief Finance Officer.
8. Any other change to the Capital Programme, including the addition of new schemes to be funded by grant or revenue contribution, requires the prior approval of the Police & Crime Commissioner in respect of all changes over £25,000, except if they involve an accumulative addition of £100,000 or more to commitments in future years for which matching resources have not been identified.

#### Inventories, Stocks and Stores

9. The Chief Finance Officer and the Director of Finance may individually authorise disposals and write offs of inventory items up to a value of £10,000 and stocks and stores up to the value of £15,000, based on cost price.

#### Legal Claims

10. The settlement of legal claims brought against the Chief Constable may be approved by the following officers and with the following respective delegated limits, where they are not deemed exceptional:
  - The Joint Head of Legal Services for Humberside Police and South Yorkshire Police may approve settlement of such claims up to the value of £25,000 (excluding legal costs);
  - The Director of Finance may approve settlement of such claims up to the value of £50,000 (excluding legal costs);
  - The Chief Executive may approve settlement of such claims up to the value of £50,000 (excluding legal costs).

Claims in excess of this amount, and exceptional claims, must be approved by the Police & Crime Commissioner.

Claims are deemed “exceptional” where:

- a) they involve a high profile claimant;
- b) there is a particular public interest in the case;

- c) there is a real risk that the PCC or CC will be exposed to serious public criticism, or serious weaknesses in the organisation or policies and procedures will be revealed.

Legal claims will be reported quarterly to the Police & Crime Commissioner and bi-annually to the Joint Independent Audit Committee.

#### Anti-Money Laundering

11. Under no circumstances should cash payments of more than £5,000 be accepted for any transaction whether carried out in a single operation or in several operations which appear to be linked.
12. Where an individual offers to make a payment to the Force of over £5,000 cash, this should be reported to the Chief Finance Officer or Director of Finance. This instruction does not apply to seizures and subsequent bankings under the Proceeds of Crime Act.

#### Gifts, Loans and Sponsorship

13. The Commander/Head of Department may grant approval if the level of gift, sponsorship or loan does not exceed £2,000.
- 13a All proposals with a value over £2,000 or where there are financial implications for the Force, then approval may be granted in accordance with the following:
- i) Up to £20,000 – Director of Finance and Chief Finance Officer
  - ii) Over £20,000 – Office of the Police & Crime Commissioner

#### Income

14. The Chief Finance Officer and the Director of Finance may individually authorise write offs of cash discrepancies up to the value of £5,000 and bad debts to £10,000. A permanent record shall be maintained by the authorising officers of amounts written off which should be reported to the PCC annually.

#### Ex-gratia Payments

15. The Chief Finance Officer and the Director of Finance may individually authorise ex-gratia payments of up to £20,000. An annual report by the Chief Constable to the Police & Crime Commissioner summarising the payments made under these arrangements shall be produced.

#### External Funding

16. The Director of Finance may accept, or bid for, grant of up to £100,000. Any grant bids or grant acceptance above this level must be referred to the Police & Crime Commissioner for consideration and approval.

### Commissioning

17. Subject to a process being agreed prior the start of the financial year. The Chief Executive may agree, in consultation with the Chief Finance Officer, expenditure or grant funding on behalf of the Police & Crime Commissioner. All such decisions should be reported to the Police & Crime Commissioner as soon as practicable.

### Work for External Bodies

18. The Director of Finance is authorised to submit tenders for the supply of goods and/or services to other bodies up to the value of £50,000. The submission of tenders for the supply of goods and/or services in excess of £50,000 requires the approval of the Police & Crime Commissioner.