



ORIGINATOR: CHIEF EXECUTIVE

DECISION NUMBER: 27-2015

REASON FOR SUBMISSION: FOR DECISION

SUBMITTED TO: POLICE AND CRIME COMMISSIONER

SUBJECT: CHIEF FINANCE OFFICER ARRANGEMENTS

SUMMARY:

1. This paper sets out a proposal for the Police and Crime Commissioner and Temporary Chief Constable to share a Chief Finance Officer. The proposal has been considered by the Audit Committee as a matter of principle.
2. The proposal to share the Chief Finance Officer is a temporary measure to cover the period 1 May 2015 to 31 March 2016.

RECOMMENDATION:

1. It is recommended that the proposal as described within the paper be agreed on a temporary basis for the period 1 May 2015 to 31 March 2016.

APPROVAL BY: PCC

The recommendation set out above is agreed.

Signature

Tina Pannone

Date

*29th April
2015.*

DETAIL OF THE SUBMISSION

1. KEY ISSUES FOR CONSIDERATION:

- 1.1 This paper presents a proposal for consideration which involves the Temporary Chief Constable and the Police and Crime Commissioner (PCC) sharing the PCC's Chief Finance Officer on a temporary basis from 1 May 2015 to 31 March 2016.**
- 1.2 The Police Reform and Social Responsibility Act 2011 (the Act) requires both the Chief Constable and PCC to appoint a Chief Finance Officer. The issues arising from sharing a Chief Finance Officer have been explored in a paper (attached at Appendix A) prepared for consideration by the Audit Committee. In short those areas that are considering appointing a single Chief Finance Officer across the force and the PCC's Office must reassure themselves that any potential conflicts of interest will be appropriately handled.**
- 1.3 In considering how to handle conflicts of interests there has been full regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Standard of Professional Practice on Ethics. This is fully explored in Appendix A. The current PCC Chief Finance Officer is bound by the CIPFA Standards. Amongst other things the Standards set out how conflicts of interest are to be handled. In the unlikely event that a conflict of interest should arise, the Chief Finance Officer will act in accordance with the CIPFA Standards and will have access, where appropriate, to professional advice and support from the Suffolk Constabulary's Head of Finance and Chief Finance Officer of Suffolk County Council.**
- 1.4 The PCC Chief Finance Officer has considered and reflected on the proposed arrangements and is in full support of them.**
- 1.5 The National Audit Office reported in January 2014 that at that point six PCCs actively shared a Chief Finance Officer with their police force.**
- 1.6 The Audit Committee having considered the proposal were satisfied with the arrangements to handle any conflicts of interest that might arise (and as described in Appendix A) and were content for it to proceed.**
- 1.7 The arrangement will be continuously reviewed by the Chief Executive and Chief Finance Officer alongside the Scheme of Governance and Consent (and which contains the Financial Regulations and Contract Standing Orders).**
- 1.8 The arrangement will be described in the Annual Governance Statements of the PCC and Chief Constable.**
- 1.9 The proposal has been shared with the external auditors. They have commented that there is no aspect of the proposed arrangement that they are minded to challenge at this stage but they will review how the arrangement works in practice as part of completing their vfm conclusion.**

2. PRACTICAL AND FINANCIAL IMPLICATIONS:

- 2.1** The proposal is for the temporary arrangement to run from 1 May 2015 until 31 March 2016. Should the proposal be required or desired to extend for a longer period then the matter should be considered further.
- 2.2** The PCC's Chief Finance Officer is currently an employee of the PCC employed part-time on a 0.8 f.t.e basis. The proposal will require the Chief Finance Officer to become a full time employee. The performance of roles will be split so that the Officer will spend 50% of his time performing his duties as the PCC's Chief Finance Officer and 50% of his time performing duties as the Chief Finance Officer to the Chief Constable. The officer will remain an employee of the PCC and his position and the working arrangements within the Office of the PCC will continue. The Temporary Chief Constable will be required to appoint officer the as the Police Force's Chief Finance Officer (see Schedule 2 para 4 (1) of the Act). This appointment may be made notwithstanding the officer is employed by the PCC. The officer will come under the direction and control of the Temporary Chief Constable when performing their Police Force Chief Finance Officer and associated duties. In undertaking the role of Chief Finance Officer for the Temporary Chief Constable the officer will also be responsible jointly with their Norfolk counterpart for managing the collaborated finance and procurement functions within Norfolk and Suffolk Constabularies. The financial arrangements that are proposed are set out in Appendix B (Restricted).
- 2.3** The arrangement will be kept under continuous review. Should any conflicts of interest arise they will be handled as described in Appendix A. Should the arrangement prove impractical then it may be terminated upon reasonable notice by either the PCC or the Chief Constable. The Chief Executive and Chief Finance Officer will exercise continuous review over the day-to-day workings of the arrangement. The arrangement will be described in the Annual Governance Statements of the PCC and Chief Constable and will be reviewed by the external auditors in completing their vfm conclusion.
- 2.4** The Chief Finance Officer of the PCC is already in post so that there is no requirement under the Act for the arrangement to be confirmed by the Police and Crime Panel. However the Police and Crime Panel have been advised of the proposal.
- 2.5** The Chief Executive will confirm the employment arrangements to the officer by letter.


3. OTHER IMPLICATIONS AND RISKS:

- 3.1** Consideration has been given to whether the arrangement should be described in the PCC's Risk Register. Steps have been described as to the action that will be taken in the event of a conflict of interest and these will negotiate risk for both the PCC and Chief Constable. In the circumstances it is not considered necessary to include the arrangement as a risk on the Register. However as indicated above the arrangement will be subject to continuous review and this will cover risk. Accordingly no changes are suggested to the Risk Register as a consequence of this proposal.

ORIGINATOR CHECKLIST (MUST BE COMPLETED)	PLEASE STATE 'YES' OR 'NO'
Has legal advice been sought on this submission?	Yes – the author is a Solicitor and the Monitoring Officer
Has the PCC's Chief Finance Officer been consulted?	Yes
Have equality, diversity and human rights implications been considered including equality analysis, as appropriate?	Yes
Have human resource implications been considered?	Yes
Is the recommendation consistent with the objectives in the Police and Crime Plan?	Yes
Has consultation been undertaken with people or agencies likely to be affected by the recommendation?	The proposal has been discussed with the Chief Constable, Audit Committee and External Auditors
Has communications advice been sought on areas of likely media interest and how they might be managed?	Yes
Have all relevant ethical factors been taken into consideration in developing this submission?	Yes

In relation to the above, please ensure that all relevant issues have been highlighted in the 'other implications and risks' section of the submission.

APPROVAL TO SUBMIT TO THE DECISION-MAKER (this approval is required only for submissions to the PCC).

Chief Executive	
I am satisfied that relevant advice has been taken into account in the preparation of the report and that this is an appropriate request to be submitted to the (add decision-maker's title e.g. the PCC)	
Signature: 	Date 29 April 2015

**ORIGINATOR:****CHIEF EXECUTIVE****REASON FOR SUBMISSION:****FOR CONSIDERATION AND COMMENT****SUBMITTED TO :****AUDIT COMMITTEE 29 APRIL 2015****SUBJECT:****CHIEF FINANCE OFFICER ARRANGEMENTS****SUMMARY:**

To report on the temporary Chief Constable's and PCC's proposal to share a Chief Finance Officer.

RECOMMENDATIONS:

It is recommended that the Committee considers this report and determines any comments it wishes to make in connection with the proposal.

1. INTRODUCTION

- 1.1 The Assistant Chief Officer (ACO) (Phillip Clayton) was off work on a period of ill health from summer 2014, which resulted in him retiring from the Constabulary on grounds of ill health on 31 January 2015. For the period of the ACO's absence, Suffolk's Chief Constable (CC) delegated responsibility for the CC Chief Finance Officer's (CFO) duties to the Head of Finance (Peter Jasper), who works closely with the Suffolk PCC CFO to ensure that statutory duties continued to be fulfilled.
- 1.2 At the end of last financial year (2013-14) the Suffolk PCC took the decision to not renew the Section 22A agreement for the sharing of Assistant Chief Officers by the two Chief Constables. The Suffolk ACO had been acting in a dual capacity as the CFO for both the Suffolk and Norfolk Chief Constables. From 1 April 2014, at the request of the Norfolk Chief Constable and in agreement with the Norfolk PCC, the Norfolk PCC's CFO has acted as such in a dual capacity covering the CC's CFO role. The current ACO in Norfolk (Rupert Birtles) retired on 31 March 2015.
- 1.3 As a consequence of these senior staff changes, both the CC for Norfolk and temporary CC for Suffolk have been considering options for more permanent arrangements in respect of the discharge of CFO responsibilities and line management for support functions. This paper covers proposals for the discharge of CFO responsibilities in Suffolk.
- 1.4 The proposal by the temporary CC for Suffolk and PCC for Suffolk is to share the Suffolk PCC CFO on a temporary basis from 1 May 2015 to 31 March 2016.

2. LEGISLATION/REGULATION

- 2.1 The Police Reform and Social Responsibility Act 2011 (the Act) requires the PCC to appoint a Chief Executive and a CFO, and the Chief Constable to appoint a CFO. The PCC's appointees are subject to confirmation hearing by the Police and Crime Panel in accordance with the Act.
- 2.2 The Home Office Financial Management Code of Practice (FMCoP) for the Police Service of England and Wales (Oct 2013), issued under section 17 of the Act by the Home Secretary sets out the detailed responsibilities of CFOs (see Appendix 1).
- 2.3 CIPFA has issued a Statement on the Role of the PCC's CFO and the CC's CFO (September 2012).

Home Office Financial Management Code of Practice (FMCoP)

- 2.4 Both the FMCoP and the CIPFA Statement make many references to the two CFOs "working closely together", to the working relationship being of "fundamental importance" and to processes requiring "development in close consultation". The table below, which picks up the main responsibilities of each CFO, reveals that the roles are almost identical and with a great deal of overlap.

PCC CFO	CC CFO
Ensuring that financial regulations are observed and kept up to date.	Ensuring that financial regulations ...developed in close consultation with the CC and two CFOs ...are observed and kept up to date.
Reporting any unlawful or potentially unlawful expenditure..	Reporting any unlawful or potentially unlawful expenditure..
Advising the PCC... on the application of value for money principles by the Force..	Advising the CC on value for money..

Ensuring production of the group accounts..	Producing the statement of accounts for the CC and providing information to the PCC CFO to enable production of group accounts.
Member of PCC's Leadership Team	Key member of CC's Command Team
Lead the promotion and delivery... of good financial management...	Lead the promotion and delivery... of good financial management...
Must ensure the finance function is resourced to be fit for purpose.	Must ensure the finance function is resourced to be fit for purpose.

- 2.5 The PCC CFO has no finance staff and relies on the Constabulary Finance Team to be able to carry out the role.
- 2.6 The Finance Team prepares the annual Statements of Account for both corporations sole (CC and PCC).

The CIPFA Statement on the Role of the Chief Finance Officer of the PCC and the Chief Finance Officer of the Chief Constable (September 2012).

- 2.7 The purpose of the Statement is *"to support CFOs in the fulfilment of their duties and to ensure that the PCC and CC have access to effective advice at the highest level"*.
- 2.8 The Statement summarises the relevant legislation and regulation, refers to CIPFA's Statement of Professional Practice (with which all CIPFA members are required to comply), and effectively describes best practice as regards the role and responsibilities of the two CFOs.
- 2.9 The covering letter from CIPFA dated 28 September 2012, which accompanies the CIPFA Statement on the Role of the Chief Finance Officer of the PCC and the Chief Finance Officer of the Chief Constable, includes the following sentence... *"Those areas looking to appoint a single CFO will need to reassure themselves that any potential conflicts of interest could be appropriately handled"*.
- 2.10 The Statement also includes the following sentence... *"A joint CFO for both PCC and CC is not envisaged in view of the separate corporations sole. Such an appointment could compromise the ability of the CFO to provide impartial professional advice.... If different arrangements are proposed, the CFO will need to consider if the principles outlined in this statement can be fully and effectively delivered and the professional responsibilities of the CFO maintained."*
- 2.11 If any of the requirements of the Statement are not complied with, there is a further requirement to explain the arrangements in the respective Annual Governance Statements of the PCC and CC.

3 ADVICE RECEIVED AND PRACTICE ELSEWHERE

CIPFA and President of the Police and Crime Commissioners' Treasurers' Society

- 3.1 We are aware that the PCC CFO in Norfolk sought advice from CIPFA and the President of the Police and Crime Commissioners' Treasurers' Society. Their collective view was that the Statement does not prohibit both roles being held by one individual, and that the Annual Governance Statements will need to describe why the arrangements have been adopted.
- 3.2 They also advise *"that it remains, at all times, the responsibility of the CFO to ensure that the arrangements in place allow them to fulfil their professional responsibilities to give impartial advice and manage effectively any potential conflicts of interest"*.

National Audit Office

3.3 The National Audit Office issued a report 'Police Accountability: Landscape Review' in January 2014, which included the following:

- *"Nationwide, six commissioners share a chief finance officer with their police force, raising a potential conflict of interest. Areas that have adopted this model consider that sharing a chief financial officer is cheaper than having separate officers and can help provide consistent financial information for both sides. However, this approach poses a potential risk to the assurance framework. The chief financial officer is a crucial check in the system, required by law to provide notifications of misuse of funds or unbalanced budgets for both police forces and offices of commissioners. Shared chief financial officers might struggle to provide unfettered advice to both the chief constable and commissioner when they disagree (paragraph 3.23).*

- **Chief financial officers**

3.23 The 2011 act requires that commissioners and chief constables appoint chief financial officers. In six areas nationwide this role is undertaken by the same individual for force and commissioner. Chief constables and commissioners can opt to share a chief financial officer, for example because the force is relatively small or it is a transitional arrangement. Sharing could reduce costs and is permitted under the 2011 act. However, Chartered Institute of Public Finance (CIPFA) guidance strongly advocates that each chief financial officer should form part of their respective leadership team. A shared post presents potential risks:

- *There is a potential conflict of interest where the chief financial officer might not be able to give unfettered advice to either party. For example, if the chief constable wants to reduce the cost of services bought in from the local council, they might ask the force chief financial officer to come back with some options. If the commissioner then asks the office's chief financial officer to examine the options presented to assess if they are value for money, effectively the chief financial officer has to check whether they have chosen the best option to reduce service costs.*
- *A joint chief financial officer may get caught in the middle of any disagreement between the commissioner and chief constable.*
- *Sharing a joint chief financial officer may create the perception that the commissioner is too close to the police force and cannot hold it to account effectively.*

CIPFA guidance states that those areas looking to appoint a single chief financial officer across the force and commissioner's office must reassure themselves that any potential conflicts of interest will be appropriately handled."

3.4 It is not unusual for finance professionals to be 'twin hatted'. In local government that might mean working to a service chief officer and to the CFO or Chief Executive. There are a number of twin hatted CFOs in police areas in England, including Norfolk, Bedfordshire and Wiltshire. The Bedfordshire and Wiltshire arrangements have existed since PCCs came into post.

3.5 In Wiltshire the single CFO role is set out in their Financial Regulations and governance statement (see extracts at Appendix 2). These detail the benefits of one person in both roles and how conflicts of interest will be dealt with.

3.6 At the present time there is no deputy section 151 officer in either Suffolk or Norfolk.

4. CONFLICTS OF INTEREST AND WORKING RELATIONSHIPS

CIPFA Standards of Professional Practice

- 4.1 The current PCC CFO, as a CIPFA member, is bound by the CIPFA Standards of Professional Practice, which was issued in September 2002. Compliance is required in order to uphold the public interest, ensure the integrity of work for which the CFO is responsible, and to discharge professional obligations with competency.

CIPFA Standard of Professional Practice on Ethics

Fundamental principles

- 4.2 There is a separate CIPFA Standard of Professional Practice on Ethics, which was issued in January 2011, with the five fundamental principles being copied from the Standard and reproduced below:

"100.5 A professional accountant shall comply with the following fundamental principles:

- (a) Integrity – to be straightforward and honest in all professional and business relationships.*
- (b) Objectivity – to not allow bias, conflict of interest or undue influence of others to override professional or business judgments.*
- (c) Professional Competence and Due Care – to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional services based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.*
- (d) Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties.*
- (d) Professional Behaviour – to comply with relevant laws and regulations and avoid any action that discredits the profession."*

Threats to compliance with fundamental principles

- 4.3 A further extract from the Standard covering dealing with threats to compliance with fundamental principles is reproduced below:

"100.7 When a professional accountant identifies threats to compliance with the fundamental principles and, based on an evaluation of those threats, determines that they are not at an acceptable level, the professional accountant shall determine whether appropriate safeguards are available and can be applied to eliminate the threats or reduce them to an acceptable level. In making that determination, the professional accountant shall exercise professional judgment and take into account whether a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional accountant at the time, would be likely to conclude that the threats would be eliminated or reduced to an acceptable level by the application of the safeguards, such that compliance with the fundamental principles is not compromised.

100.8 A professional accountant shall evaluate any threats to compliance with the fundamental principles when the professional accountant knows, or could reasonably be expected to know, of circumstances or relationships that may compromise compliance with the fundamental principles.

100.9 A professional accountant shall take qualitative as well as quantitative factors into account when evaluating the significance of a threat. When applying the conceptual framework, a professional accountant may encounter situations in which threats cannot be eliminated or reduced to an acceptable level, either because the threat is too significant or because appropriate safeguards are not available or cannot be applied. In such situations, the professional accountant shall decline or discontinue the specific professional service involved or, when necessary, resign from the engagement (in the case of a professional accountant in public practice) or the employing organization (in the case of a professional accountant in business)."

Dealing with a conflict in complying with the fundamental principles

- 4.4 The extract below sets out a recommended approach to dealing with a conflict in complying with the fundamental principles:

Ethical Conflict Resolution

100.17 A professional accountant may be required to resolve a conflict in complying with the fundamental principles.

100.18 When initiating either a formal or informal conflict resolution process, the following factors, either individually or together with other factors, may be relevant to the resolution process:

- (a) Relevant facts;**
- (b) Ethical issues involved;**
- (c) Fundamental principles related to the matter in question;**
- (d) Established internal procedures; and**
- (e) Alternative courses of action.**

Having considered the relevant factors, a professional accountant shall determine the appropriate course of action, weighing the consequences of each possible course of action.

If the matter remains unresolved, the professional accountant may wish to consult with other appropriate persons within the firm or employing organization for help in obtaining resolution.

100.19 Where a matter involves a conflict with, or within, an organization, a professional accountant shall determine whether to consult with those charged with governance of the organization, such as the board of directors or the audit committee.

100.20 It may be in the best interests of the professional accountant to document the substance of the issue, the details of any discussions held, and the decisions made concerning that issue.

100.21 If a significant conflict cannot be resolved, a professional accountant may consider obtaining professional advice from the relevant professional body or from legal advisors. The professional accountant generally can obtain guidance on ethical issues without breaching the fundamental principle of confidentiality if the matter is discussed with the relevant professional body on an anonymous basis or with a legal advisor under the protection of legal privilege. Instances in which the professional accountant may consider

obtaining legal advice vary. For example, a professional accountant may have encountered a fraud, the reporting of which could breach the professional accountant's responsibility to respect confidentiality. The professional accountant may consider obtaining legal advice in that instance to determine whether there is a requirement to report.

100.22 If, after exhausting all relevant possibilities, the ethical conflict remains unresolved, a professional accountant shall, where possible, refuse to remain associated with the matter creating the conflict. The professional accountant shall determine whether, in the circumstances, it is appropriate to withdraw from the engagement team or specific assignment, or to resign altogether from the engagement, the firm or the employing organization."

Foreword to the Code

4.5 The Code includes the statement:

"It is not practical to establish ethical requirements that apply to all situations and circumstances professional accountants may encounter. Professional accountants should therefore consider the ethical requirements as the basic principles they should follow in performing their work."

Working arrangements

4.6 The CFO functions and statutory responsibilities which are unique to the PCC's CFO or the CC's CFO will be carried out by the CFO either 'on behalf of the PCC' or 'on behalf of the CC'. The other functions will be carried out on behalf of both corporations sole, which will remove duplication and overlap of the two roles.

4.7 In dealing with conflict, the CFO will be guided by the CIPFA Standards of Professional Practice and the CIPFA Standards of Professional Practice on Ethics, and will have access where appropriate, to professional advice and support from the Constabulary's Head of Finance and Chief Finance Officer for Suffolk County Council.

5. PROPOSED ARRANGEMENTS AND NEXT STEPS

5.1 The proposals from the PCC and temporary CC are to:

- Consider Audit Committee members' comments on the proposal;
- In a Decision paper, formalise the proposal for the PCC CFO to undertake the role of CC CFO on a temporary basis for the period 1 May 2015 to 31 March 16;
- Keep the Scheme of Governance and Consent under continuous review by the Chief Executive and CFO;
- Keep the Financial Regulations and Contract Standing Orders under continuous review by the Chief Executive and CFO;
- Draft a statement covering the arrangements for inclusion in the Annual Governance Statements of the PCC and CC for the financial year ending 31 March 2016;

6. CONCLUSION

6.1 Whilst a dual role CFO is not prohibited, those areas looking to appoint a single CFO for the PCC and CC must assure themselves that any conflicts of interest will be appropriately handled.

6.2 There are advantages in having a dual role CFO. Whilst two sets of accounts are required for the two corporations sole, there is essentially one financial organisation (the PCC

receiving all the income and the Chief Constable spending most of the money), one Medium Term Financial Plan, one budget, one finance team, all working together to deliver one Police and Crime Plan. Value for money applies across the board and the arrangements can be overseen by one CFO.

- 6.2 The PCC CFO was not required to have a confirmation hearing before the Police and Crime Panel as he was automatically transferred from the former Suffolk Police Authority to the PCC. However, both the Panel and the external auditors may have an interest in this matter, and this report could serve as a briefing for them.

7. OTHER IMPLICATIONS AND RISKS:

- 7.1 There are no other implications or risks associated with this report.

ORIGINATOR CHECKLIST (MUST BE COMPLETED)	PLEASE STATE 'YES' OR 'NO'
Has legal advice been sought on this submission?	YES
Has the PCC's Chief Finance Officer been consulted?	YES
Have equality, diversity and human rights implications been considered including equality analysis, as appropriate?	N/A
Have human resource implications been considered?	YES
Is the recommendation consistent with the objectives in the Police and Crime Plan?	YES
Has consultation been undertaken with people or agencies likely to be affected by the recommendation?	YES
Has communications advice been sought on areas of likely media interest and how they might be managed?	NO
Have all relevant ethical factors been taken into consideration in developing this submission?	N/A

Home Office – Financial Management Code of Practice for the Police Service in England and Wales (Oct 2013)...

4.1 Chief Finance Officer of the Police and Crime Commissioner

The statutory responsibilities of the Chief Finance Officer of the PCC are set out in paragraph 6 of Schedule 1 to the Police Reform and Social Responsibility Act 2011, section 127 of the Greater London Authority Act 1999 (in the case of the Mayor's Office for Policing and Crime) and section 114 of the Local Government Finance Act 1988. The qualifications for the Chief Finance Officer are set out in section 113 of the Local Government Finance Act 1988. The Accounts and Audit (England) Regulations 2011 impose further responsibilities in England. The Accounts and Audit (Wales) Regulations 2005 apply in Wales. Taken together, and considered in the context of the Police Reform and Social Responsibility Act 2011 and its associated Policing Protocol, these mean that the Chief Finance Officer of the PCC is responsible for:

- ensuring that the financial affairs of the PCC are properly administered and that financial regulations are observed and kept up to date;
- ensuring regularity, propriety and Value for Money (VfM) in the use of public funds;
- ensuring that the funding required to finance agreed programmes is available from Central Government and Welsh Government funding, precept, other contributions and recharges;
- reporting to the PCC, the Police and Crime Panel and to the external auditor any unlawful, or potentially unlawful, expenditure by the PCC or officers of the PCC;
- reporting to the PCC, the Police and Crime Panel and to the external auditor when it appears that expenditure is likely to exceed the resources available to meet that expenditure;
- advising the PCC on the robustness of the budget and adequacy of financial reserves;
- ensuring production of the statements of accounts of the PCC;
- ensuring receipt and scrutiny of the statements of accounts of the Chief Constable and ensuring production of the group accounts; - liaising with the external auditor (see section 11.1.2 of this document);
- advising the PCC on the application of value for money principles by the police force to support the PCC in holding the Chief Constable to account for efficient and effective financial management; and
- advising, in consultation with the Chief Executive, on the safeguarding of assets, including risk management and insurance.

The Chief Finance Officer of the PCC has certain statutory duties which cannot be delegated, namely, reporting any potentially unlawful decisions by the PCC on expenditure and preparing each year, in accordance with proper practices in relation to accounts, a statement of the PCC's accounts, including group accounts.

The Chief Finance Officer of the PCC is the PCC's professional adviser on financial matters. To enable them to fulfil these duties and to ensure the PCC is provided with adequate financial advice the Chief Finance Officer of the PCC:

- must be a key member of the PCC's Leadership Team, working closely with the Chief Executive, helping the team to develop and implement strategy and to resource and deliver the PCC's strategic objectives sustainably and in the public interest;
- must be actively involved in, and able to bring influence to bear on, all strategic business decisions, of the PCC, to ensure that the financial aspects of immediate and longer term implications, opportunities and risks are fully considered, and alignment with the PCC's financial strategy;
- must lead the promotion and delivery by the PCC of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively; and

- must ensure that the finance function is resourced to be fit for purpose.

4.2 Police Force Chief Finance Officer

The statutory responsibilities of the Police Force Chief Finance Officer are largely identical to those of the Chief Finance Officer of the PCC. They are set out in paragraph 4 of Schedule 2 and paragraph 1 of Schedule 4 to the Police Reform and Social Responsibility Act 2011 and section 114 of the Local Government Finance Act 1988. The qualifications for the Chief Finance Officer are set out in section 113 of the Local Government Finance Act 1988, The Accounts and Audit (England) Regulations 2011 impose further responsibilities. The Accounts and Audit (Wales) Regulations 2005 apply in Wales. Taken together, and considered in the context of the Police Reform and Social Responsibility Act 2011 and its associated Policing Protocol, these mean that the Police Force Chief Finance Officer is responsible for:

- ensuring that the financial affairs of the force are properly administered and that financial regulations drawn up by the PCC (developed in close consultation with the Chief Constable, the two Chief Finance Officers and the Chief Executive), are observed and kept up to date;
- reporting to the Chief Constable, the PCC and the external auditor, any unlawful, or potentially unlawful, expenditure by the Chief Constable or officers of the Chief Constable;
- reporting to the Chief Constable, the PCC and the external auditor when it appears that expenditure of the Chief Constable is likely to exceed the resources available to meet that expenditure;
- advising the Chief Constable on value for money in relation to all aspects of the force's expenditure;- advising the Chief Constable and the PCC on the soundness of the budget in relation to the force;- liaising with the external auditor (see section 11.1.2 of this document);
- producing the statement of accounts for the Chief Constable; and
- providing information to Chief Finance Officer of the PCC as required to enable production of group accounts.

The Police Force Chief Finance Officer 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 Police Force Chief Finance Officer will need to observe the locally agreed timetable for the compilation of the group accounts by the PCC.

The Police Force Chief Finance Officer is the Chief Constable's professional adviser on financial matters. To enable them to fulfil these duties the Police Force Chief Finance Officer:

- must be a key member of the Chief Constable's Command Team, helping it to develop and implement strategy and to resource and deliver the PCC's strategic objectives sustainably and in the public interest;
- 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;
- 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; and
- must ensure that the finance function is resourced to be fit for purpose.

Extract from Wiltshire Financial Regulations

The Role of the Chief Finance Officer

- 2.10 It is a requirement of the Police Reform and Social Responsibility Act 2011 that a Chief Finance Officer is appointed by the PCC and that a Chief Finance Officer is appointed by the Chief Constable.
- 2.11 The Chief Finance Officer roles have statutory responsibilities under:
- the Police Reform and Social Responsibility Act 2011;
 - Section 114 Local Government Finance Act 1988 (formal powers to safeguard lawfulness and propriety in expenditure); and
 - The Accounts and Audit Regulations 2011.
- 2.12 This Scheme applies where the CFO is acting for either PCC or Chief Constable or is acting for both PCC and Chief Constable. If any potential conflict should arise between the respective CFO roles, both PCC and Chief Constable will obtain independent advice and the CFO will cooperate fully with both advisors, but will not himself advise either PCC or Chief Constable in the capacity of CFO.

Extract from Wiltshire Annual Governance Statement

The Budget Book is the framework set by the Chief Finance Officer to ensure all purchases are in line with delivering police and crime service and that Value for Money is achieved. The PCC and Chief Constable share a Chief Finance Officer; this enables clear messages to be given on control procedures and ensures strategic leadership surrounding future financial planning. To date no conflict has incurred due to the one person reporting to two principals however the possibility of this had been considered and a resolution process provided for in the latest financial regulations. It is important to note that the PCC's financial management arrangements conform with the governance requirements of the CIPFA Statement on the role of the Chief Finance Officer in Local Government (2010)* as set out in the Application Note to Delivering Good Governance in Local Government: Framework.

[*Note: The reference to this CIPFA Statement is incorrect, the reference should be to the July 2012 Statement on the PCC's CFO and the CC's CFO].



Correspondence relating to the Chief Finance Officer Arrangements following the Audit Committee Meeting on 27 March 2015 (Agenda Item 8)

From: Cole, Kelly
Sent: 20 April 2015 13:22
To: David Rowe, Ian Blofield, Andrew Peck, Robert Millea
Cc: Passmore, Tim; Wilson, Gareth; Bland, Chris; Hollingworth, Liz; Jackson, Christopher; Chris Hewitt, Neil Harris
Subject: CFO Arrangements

Sent on behalf of Christopher Jackson

Dear All,

As discussed at the last Audit Committee herewith the paper upon Chief Finance Officer arrangements for your consideration.

As you know we have a provisional date set aside at 3.30pm on Wednesday 29 April 2015 should you consider it necessary, having read the paper, to meet and discuss the proposal.

Please let Liz Hollingworth know by close of business on Friday 24 April whether there are any issues for you with the proposals which require the meeting to go ahead, or alternatively that you are satisfied with the proposal. If all members of the Audit Committee are satisfied the meeting date will be vacated.

A hard copy of the paper has been put in the post to you tonight.

Regards

Chris

Christopher Jackson LLB LLM MBA Solicitor
Chief Executive
Office of the Police and Crime Commissioner for Suffolk
Police Headquarters, Martlesham Heath, Ipswich, IP5 3QS
[CFO ARRANGEMENTS PAPER ATTACHED]

On Wednesday, 22 April 2015, 13:18, Andrew J Peck wrote:

Dear All (fellow Audit Committee Members, cc's and Executive Officers)

Firstly, thank you Chris for your comprehensive report and extraction of relevant 'governing' legislation and guidance which is most appreciated.

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(Using the annotations/numbering in the Paper)

I note the 'proposal' at item 1.4 and its 'temporary' nature given the series of events, illnesses and retirements across both Norfolk and Suffolk, in the recent months. I am drawn to the legislation/regulation/codes practice and guidance extracted and in particular items 2.9 and 2.10 and note the reassurances advocated together with the 'advice' at item 3.2. I note the inherent 'risks' as extracted at items 3.3 and 3.5 and wonder whether this latter deficiency is being addressed or whether any risk management analysis has been undertaken in respect thereof? Perhaps our 'risk register' should consider what happens in the event of any unforeseen absence of the Section 151 Officer?

The 'conflict of interest' issue is well covered by item 4 and I particularly note item 4.4 extract of 100.19 and the potential for the Audit Committee to play a supportive role and welcome this.

Given the above, I am content with the proposed 'Working Arrangements' (items 4.6-4.8) and the 'Proposals' at item 5.

I think that the issue may however generate some media interest once it is in the public domain given the 'public interest' in the CC and PCC etc and therefore suggest that a 'media strategy' be prepared even if never required.

Thank you for a helpful, clear and informative 'Paper'. I am content that our scheduled meeting be cancelled subject to colleagues views/concerns being consistent but am also ready to attend should that be necessary.

All best wishes, enjoy your weekend

Regards

Andrew

Dr Andrew J. Peck

On Friday 24 April 2015, 10.54, David Rowe wrote:

I agree with Andrew's comments that the paper fully addresses the issues and any concerns I have. I note this arrangement is on a temporary basis until 31 March 2016, so it may be worth adding the matter to an audit committee agenda in 2016 to review.

Therefore I am also happy not to hold the meeting unless others wish to discuss the matter.

Regards

David

On Friday 24 April 2015, 12.14, Ian Blofield wrote:

Hello

I have reviewed the report and also found it clear and comprehensive.

It is noted that the CIPFA Statement does not envisage a joint CFO given the separate corporations sole. However given the temporary nature of the arrangement, similar

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arrangements elsewhere and safeguards to deal with any potential conflicts of interest (para 4.6 to 4.8), this seems a sensible response given recent events.

I have personal experience of twin hatting, having been chief finance officer of Ipswich and Colchester for 18 months in the local government sector. I found the benefits outweighed the potential disadvantages providing there are robust safeguards in place.

I am happy with the proposed working arrangements and the proposed next steps (section 5). I am content that our scheduled meeting be cancelled subject to other colleagues views but am also ready to attend should that be necessary.

Regards
Ian

Ian Blofield MAFA, CPFA

On Friday 24 April 2015, 12.22, Robert Millea wrote:

Dear All

I am content with the proposal and agree with David and Andrew's observations.

I had a couple of housekeeping questions:

1. does this need to formally be referred to and approved by the Police & Crime Panel (6.2 refers)?
2. are the external auditors content with this (and the internal auditors)?
3. 4.7 is important and I am not sure seeking advice from the CC Head of Finance is really objective and I am not quite sure about the relevance to the issue of Suffolk County Council. I think it is important that Chris B is assured that he can invoke para 100.21 under 4.4 if a problem arises and any reasonable costs accruing will be met by the PCC. He might also contact other CFOs who have both roles for support.
4. although probably difficult to answer, what conflict might arise in practice - is anything on the horizon that might give Chris a problem?
5. presumably, Peter J remains as Head of Finance of CC, reporting to Chris B and the Acting CC
6. who will monitor the arrangements? David seemed to be implying that the Audit Committee would do so? It is a valid point, I think.
7. is there any practical difficulty in Chris B's position - e.g. is he line managed by both the Acting CC and Chris J? We just need to be clear as to Chris' employment position and rights.

Generally, the NAO Report (para 3.3) is significant where it says(3.23) a CFO can be shared because the force is relatively small (we are) or it is a transitional arrangement (which it is).

As I said, I see no conceptual problem in us proceeding with this arrangement.

I don't think it is necessary to meet - my points are, as I said, mainly of a practical nature because, in my experience, that is where things go awry, even if the principle is sound.

Best wishes, Rob

On Friday 24 April 2015, 14.41, Christopher Jackson wrote:

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Thank you all for your support to the proposal and all the helpful observations. In the light of the responses the provisional meeting arranged for 29 April need not now take place and the diary can be cleared. I hope to respond to all the points made during the course of next week. I can say at this stage however that whilst I have shared the proposal with the Police and Crime Panel there is no requirement under the legislation for their formal consideration and approval. I have also shared the proposal with the external auditors – there is no aspect of the proposed arrangement that they are minded to challenge at this stage but they will review how the arrangement works in practice as part of completing their vfm conclusion.

I will now be preparing a paper for the PCC to formally agree the proposal and which will cover some of the practical aspects of the arrangement with the Constabulary so that it can commence from 1 May 2015.

Regards

Chris

Christopher Jackson LLB LLM MBA Solicitor
Chief Executive

On Wednesday 29 April 2015, 13.01, Christopher Jackson wrote:

Dear All

Regarding the various points raised last week upon the proposal for the PCC and CC to share a CFO:

- The proposal does not need to be referred to the Police and Crime Panel for confirmation. The Panel has been advised of the proposal last week and will receive a copy of the formal decision to adopt the proposal in the normal course on the day it is made (this should be later today).
- The external auditors have seen the proposal and will also see the formal decision. Thus far Neil Harris has commented, "there is no aspect of the proposed arrangements that I am minded to challenge at this stage of our audit. I am sure you understand that we will need to review how this arrangement, if adopted, works in practice as part of completing our VFM conclusion work this year and for that reason we would reserve our position to make any further comments and recommendations during the conclusion of our 14-15, if we think it is appropriate. Should that be the case, we will discuss any observations with you in the first instance".
- It is important that the CFO has the necessary support to deal with any difficulties. As noted para 100.21 under 4.4 of the paper is important. Additionally the CFO will find support from the SCC's s151 officer useful in appropriate circumstances as a person who is experienced in and familiar with the issues that occur for 151 officers in a public authority.
- It is difficult to give examples of where conflicts might arise. We are not however anticipating any imminent issues. The position will be monitored on a day to day basis by Chris Bland and myself (with input from the PCC and CC) and in due course we will report back to the Audit Committee in due course on how matters have progressed. Under 100.19 at 4.4 there is of course the possibility of a referral for consultation with the Committee in the meantime if a conflict arises.
- Peter Jasper will continue as the Joint Head of Finance for Norfolk and Suffolk Constabularies and will report into Chris Bland as the CC CFO and the Temporary Chief Constable.
- Chris Bland is in performing the dual role accountable for the performance of each role to the PCC or CC as appropriate. He will remain formally employed by the PCC albeit for

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- the purposes of carrying out the CC CFO role there will need to be an appointment made by the CC under the Police Reform and Social Responsibility Act 2011. This has historic precedent in other similar instances where statutory roles are carried out for one agency where the appointee was employed by another, e.g. myself when I was appointed Clerk to the Police Authority when employed by the County Council. The costs for each role will be apportioned between the PCC and CC budgets. I will be confirming Chris B's employment position in a letter to him. The arrangement is temporary for 11 months and terminable on reasonable notice by the PCC or CC. Its continuance beyond that time would be subject of report back to the Committee
- Chris B and myself have considered the risk issues and the question of resilience. Should there be any unforeseen absence there are some short term fixes that could be used involving the Joint Head of Finance and/or an approach to other force areas or the County Council for assistance. We do not propose at present to put the matter on the Risk Register. We will of course however keep the matter under review.
 - Hopefully that deals with all issues raised. There will be opportunity to comment on how matters progress at our Committee meetings and I have in any event asked Liz H to schedule a formal report back on the arrangement before the end of the financial year.

Regards,

Chris

Christopher Jackson LLB LLM MBA Solicitor
Chief Executive

PCC Decision 27 - 2015 – Chief Finance Officer Arrangements was published on 29 April 2015 and can be found here (Appendix B is not published): <http://www.suffolk-pcc.gov.uk/decisions>