

**ORIGINATOR: CHIEF EXECUTIVE**

**PAPER NO: AC16/5**

**SUBMITTED TO: AUDIT COMMITTEE: 23 MARCH 2016**

**SUBJECT: CHIEF FINANCE OFFICER ARRANGEMENTS**

**SUMMARY:**

1. In April 2015 the Chief Constable and PCC agreed to share a Chief Finance Officer upon an interim basis from 1 May 2015 to 31 March 2016.
2. It is now proposed to continue that arrangement until further notice, effectively deferring consideration of the ongoing future arrangements for discharge of the Chief Finance Officer duties until after the 2016 PCC election.

**RECOMMENDATION:**

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. On 29 April 2015 the PCC approved an arrangement (see Decision Paper 27 – 2015) with the Chief Constable to share a Chief Finance Officer (CFO). The arrangement comprised sharing a CFO for the period 1 May 2015 to 31 March 2016.
- 1.2. The proposal for the sharing arrangement was considered by the Audit Committee as a matter of principle before the PCC progressed his approval as a temporary measure.
- 1.3. The Audit Committee, having considered the proposal, was satisfied with the arrangements to handle any conflicts that might arise and was content for it to proceed.
- 1.4. The arrangement has been continuously reviewed by the Chief Executive and Chief Finance Officer since its inception on a day-to-day basis. No issues of difficulty have been encountered during the period of the arrangement to date.
- 1.5. The arrangement has been described in the Annual Governance Statements of the PCC and the Chief Constable. The description explains:

*“The PCC and Chief Constable have decided, following consultation with their Audit Committee to share the PCC’s Chief Finance Officer on a temporary basis from 1 May 2015 until 31 March 2016. The Police Reform and Social Responsibility Act 2011 requires both the Chief Constable and PCC to appoint a Chief Finance Officer. The issues involved in sharing such an officer and the formal decision by the PCC are found in PCC Decision No 27 – 2015. In making the decision to share, the PCC has had to be satisfied that any conflicts that might arise will be appropriately handled. Full regard has been had to the Chartered Institute of Public Finance and Accountancy (CIPFA) Standard of Professional Practice on Ethics. This sets out how conflicts of interest are to be handled. In the event of a conflict of interest the Chief Finance Officer will act in accordance with the CIPFA Standards. The steps to be taken are articulated in practical terms at Appendix A, paragraph 4.4 to 4.7 of PCC Decision No 27 – 2015.”*

The Statement sets out that, in addition to the continuous review by the Chief Executive and Chief Finance Officer, the matter will receive further review by the Audit Committee in early 2016.

- 1.6 The proposal was also shared with the external auditors before its inception. They commented initially that there was no aspect of the proposed arrangement that they were minded to challenge at that point. In their Audit Results Report published in September 2015 the external auditors stated:

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- *The accompanying letter to the CIPFA Statement on the Role of the Chief Finance Officer (CFO) strongly advocates that each CFO should form part of their respective leadership team. It goes on to say that those charged with governance should reassure themselves that any potential conflicts of interest could be appropriately handled.*
- *The March 2015 Audit Committee noted the proposal for the CFO function for PCC and Chief Constable to be carried out by same person on a temporary basis.*
- *Audit Committee members considered the paper prepared by the PCC Chief Executive. The paper noted the relevant guidance, advice taken by other Offices for the PCC and practice in the police sector, consideration*

*of relevant ethical standards for CFOs and proposed working arrangements should a conflict occur.*

- *We undertook work to review the report to the Audit Committee, consider the legal advice sought and reviewed the two (employment) contracts in place for the two roles.*
- *We understand that the arrangement is temporary. We are satisfied to date that the arrangements are working in practice and as such we are not minded to challenge the proposal.*
- *We will continue to review the arrangement during our 2015-16 audit.”*

## **2. DEVELOPMENTS**

- 2.1 Since the inception of the temporary arrangement to share a CFO the Constabulary's chief officer team has undergone some change. It will be remembered that the sharing arrangement came about following the Assistant Chief Officer retiring on ill-health grounds on 31 January 2015. This role discharged the statutory role of Chief Finance Officer to the Chief Constable. Since then the Temporary Chief Constable has been appointed on a substantive basis from January 2016. A Temporary Deputy Chief Constable has been serving since June 2015 and a new substantive Assistant Chief Constable has been appointed with effect from September 2015. The Chief Constable is now giving consideration to shaping his chief officer team for the future following the transitional and temporary arrangements that pertained during 2015 and now that he has been appointed on a substantive basis. Relevant to these considerations are discussions with Norfolk over shared chief officer arrangements.
- 2.2 The PCC elections will also take place during May 2016 and when any incoming new PCC may have their own views as to any future arrangements.
- 2.3 In view of the considerations being given by the Chief Constable and the forthcoming elections, the Chief Constable and the PCC are minded to extend the temporary arrangement in respect of the shared Chief Finance Officer. In taking this view they have taken into particular account, amongst other things:
- The Audit Committee's original contentment in proceeding with the arrangement;
  - The comments made by the external auditor during 2015;
  - The experience of the arrangement thus far and where no practical difficulties have been encountered.
- 2.4 Before a decision is taken to continue with this temporary arrangement the PCC and Chief Constable now invite any further views of the Audit Committee.
- 2.5 The individual performing the dual Chief Finance Officer role is content to continue with the arrangement.
- 2.6 Subject to the observations of the Audit Committee the PCC and Chief Constable will make a decision to continue with the temporary arrangement until further notice. This will then allow for further consideration by the PCC and Chief Constable after the PCC elections.

## **3. FINANCIAL IMPLICATIONS**

- 3.1 The existing arrangements set out in Appendix B of Decision Paper 27 – 2015 are proposed to continue for the period of the sharing arrangement.

#### 4. OTHER IMPLICATIONS AND RISKS

4.1 The position as set out in Decision Paper 27 – 2015 continues. That paper stated:

*“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?	The author is the Monitoring Officer and a Solicitor.
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?	Yes.
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.