



OFFICE OF THE POLICE & CRIME  
COMMISSIONER FOR NORFOLK



**Suffolk Police and  
Crime Commissioner**

*Making Suffolk a safer place to live, work, travel and invest*

# **Financial Regulations of the Police and Crime Commissioners for Norfolk and Suffolk**

**1 April 2014**

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## **INTRODUCTION**

### **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, including:
  - The Local Government Act 1972
  - The Local Government Finance Act 1988
  - The Accounts and Audit (England) Regulations 2011
  - The Police Reform and Social Responsibility Act 2011
2. The Police Reform and Social Responsibility Act 2011 defined arrangements for separate corporations sole for the Police and Crime Commissioner (PCC) and Chief Constable (CC), each of which is required to appoint a Chief Finance Officer (CFO). In addition, the Home Office issued a Financial Management Code of Practice (FMCOP) in October 2013 which deals specifically with the financial management of the corporations sole of the PCC and CC. The professional responsibilities of the PCC and CC CFOs are defined in the FMCOP and in a CIPFA Statement issued in September 2012, "Responsibilities of the CFO to the PCC and the CFO to the CC".
3. To conduct its business effectively, the PCC and CC need to ensure that sound financial management policies are in place and that they are strictly adhered to. Part of this process is to adopt and implement Financial Regulations. The Regulations contained herein have been drawn up in such a way as to ensure that the financial matters of the PCC and CC are conducted properly and in compliance with all necessary requirements. The CC CFO is responsible for managing funds delegated by the PCC in accordance with the requirements in these Regulations.
4. The Regulations are designed to establish overarching financial responsibilities, and to provide clarity about the financial accountabilities of groups or individuals. They apply to all PCC staff and all CC officers and staff and anyone acting on their behalf. The Regulations have been drawn in the knowledge that under S18 of the Police Reform and Social Responsibility Act 2011 it is not possible for the PCC to arrange for a function to be exercised by a constable or a member of staff employed as such.

### **STATUS**

5. Financial Regulations should not be seen in isolation, but rather as part of the overall regulatory framework within the Scheme of Governance and Consent. This scheme also includes the Contract Standing Orders.
6. All staff has a general responsibility for taking 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, provides value for money and achieves best value.
7. The PCC is responsible for approving or amending Financial Regulations in close consultation with the CC, the PCC CFO, the CC CFO, the Chief Executive and the Head of Finance.

8. The PCC is responsible for ensuring that all staff, contractors and agents for whom the PCC is responsible are aware of the existence and content of Financial Regulations and that they are complied with. Equally, the CC is responsible for ensuring that all officers, staff, contractors and agents for whom the CC is responsible are aware of the existence and content of Financial Regulations and that they are complied with.
9. Breaches of Financial Regulations of a serious nature may result in disciplinary proceedings. Such cases shall be reported to the PCC CFO and to the CC CFO who shall report to the PCC, Chief Executive and CC who will then determine the action to be taken.

#### **DEFINITIONS WITHIN THE REGULATIONS**

10. The 'Office of the Police and Crime Commissioner' (OPCC) when used as a generic term shall refer to the PCC, PCC Chief Executive, PCC CFO, and staff under his/her direction.
11. The 'Constabulary' shall refer to the CC, CC CFO, police officers, the special constabulary, and police staff under his/her direction.
12. The terms CC, CC CFO, PCC, PCC Chief Executive and PCC CFO include any member of staff, 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.

## **SECTION A**

### **FINANCIAL MANAGEMENT FRAMEWORK**

#### **A1 INTRODUCTION**

- 1.1 The Home Office advises on the roles and responsibilities of the PCC, the Constabulary and statutory officers. The PCC CFO and the CC CFO have certain statutory obligations and the PCC Chief Executive a specific monitoring role.
- 1.2 As far as possible financial management should be delegated to the CC CFO acting on behalf of the CC. The CC should actively encourage devolution of financial budgets within the Constabulary, provided that the financial information used to support this devolution is reliable, accurate, timely and complete.
- 1.3 Devolved budget monitoring responsibilities will ensure greater accountability within the Constabulary.
- 1.4 The PCC has responsibility for the Police Fund with the specific financial responsibilities of the PCC and CC being defined in the Home Office FMCOP. The professional financial responsibilities of the PCC CFO and CC CFO are defined in the FMCOP and in a CIPFA Statement.

#### **A2 THE ROLE OF THE PCC**

- 2.1 The financial role and responsibilities of the PCC include:
  - Agreeing a budget requirement and capital programme, setting the precept following advice from the PCC CFO in liaison with the CC CFO, subject to review by the Police and Crime Panel (PCP);
  - Setting the allocation of resources to the Chief Constable;
  - Scrutinising, challenging and monitoring aspects of financial performance and, if required, agreeing action taken to contain spending within the approved plans;
  - Identifying and agreeing the long term financial strategy of the PCC and any long term spending commitments;
  - Maintaining the highest standards of conduct and ethics;
  - Making Financial Regulations and any amendments to them, as presented by the PCC Chief Executive, the CC, the PCC CFO, the CC CFO and the Head of Finance.
  - Approving payment of Crime Disorder Reduction Grants
  - Own property and enter into contracts.

### **A3 THE ROLE OF THE CC**

#### **3.1 The financial role and responsibilities of the CC include:**

- Through the CC CFO, ensuring overall financial management of the Constabulary and reporting financial management issues and implications to the PCC;
- Complying with financial policies and procedures for use by the Constabulary including the Scheme of Governance and Consent, ensuring that officers and staff comply with them and with these Financial Regulations;
- Through the CC CFO drawing up financial policies and financial instructions, in liaison with the PCC CFO;
- Ensure proper financial management of resources allocated to him/her through the budget or arising from income generated by activities within the operational area, including control of officers, staff, security, custody and the management and safeguarding of assets. Ensure all resources are used efficiently and effectively.

### **A4 THE ROLE OF STATUTORY OFFICERS**

#### **PCC CFO and CC CFO**

#### **4.1 The PCC CFO and CC CFO have responsibility for financial administration and stewardship. The role has the statutory responsibilities specified by:**

- Within the Police Reform and Social Responsibility Act (2011) Schedule 1 paragraph 6 and Schedule 2 paragraph 4 define the role of the PCC CFO and CC CFO respectively in requiring a person to be responsible for the proper administration of the PCC and CC financial affairs;
- Section 113 of the Local Government Finance Act 1988 that requires the CFOs to hold a Chartered accountancy qualification;
- Section 114 of the Local Government Finance Act 1988 which requires the statutory finance officer to report to the PCC and the CC if the PCC or the CC or one of their staff:
- has made, or is about to make, a decision which involves incurring unlawful expenditure;
- has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency;
- is about to make an unlawful entry in the PCC or CC's accounts.

#### **4.2 The role and responsibilities of the PCC CFO are to:**

- Ensure that the financial affairs of the PCC are properly administered and that financial regulations are observed and kept up to date and accounting standards applied consistently;

- Ensure regularity, propriety and Value for Money (VfM) in the use of public funds;
- Ensure that the funding required to finance agreed programmes is available from Central Government funding, precept, other contributions and recharges;
- Report to the PCC, the PCP and to the external auditor any unlawful, or potentially unlawful, expenditure by the PCC or staff of the PCC;
- Report to the PCC, the PCP and to the external auditor when it appears that expenditure is likely to exceed the resources available to meet that expenditure;
- Advise the PCC on a budget requirement and capital programme and the robustness of the budget and adequacy of financial reserves;
- Ensure production of the statements of accounts of the PCC;
- Ensure receipt and scrutiny of the statements of accounts of the Chief Constable and production of the group accounts;
- Liaise with the external auditor;
- Advise the PCC on the application of Value for Money principles by the Constabulary to support the PCC in holding the Chief Constable to account for efficient and effective financial management;
- Advise, in consultation with the PCC Chief Executive, on the safeguarding of assets, including risk management and insurance;
- Ensure that accurate, complete and timely financial management information is provided to the PCC, and assist the PCC in monitoring the revenue and capital budgets;
- Arrange for the determination, issue and transfer of the precept;
- Secure, in liaison with the CC CFO, the provision of an effective internal audit service. Assist in the provision of safe and efficient financial arrangements ensuring there is a system of effective internal control;
- Secure and monitor treasury management including loans and investments and ensure compliance with the Prudential Code and Treasury Management Code, including regular reports to the PCC;
- Be responsible for all banking arrangements and authorise the creation and closure of any account;
- Undertake the role of Money Laundering Reporting Officer;
- Ensure the finance function is resourced to be fit for purpose.

4.3 The PCC CFO, in consultation with the PCC Chief Executive and the CC CFO, shall have the authority to institute any proceedings or take any action necessary on behalf of the PCC to safeguard the finances of the PCC.

#### 4.4 The role and responsibilities of the CC CFO are to:

- Ensure that the financial affairs of the Constabulary are properly administered and that Financial Regulations drawn up by the PCC are observed and kept up to date;
- Report to the CC, the PCC and the external auditor, any unlawful, or potentially unlawful, expenditure by the CC or officers or staff of the CC;
- Report to the CC, the PCC and the external auditor when it appears that expenditure of the CC is likely to exceed the resources available to meet that expenditure;
- Advise the CC on Value for Money in relation to all aspects of the Constabulary's expenditure;
- Advise the CC and the PCC on the soundness of the budget in relation to the Constabulary;
- Liaise with the external auditor;
- Ensure the statement of accounts is prepared for the CC;
- Ensure information is provided to the PCC CFO as required to enable production of group accounts;
- Be responsible to the CC for all financial activities undertaken within the Constabulary or contracted out under the supervision of the Constabulary;
- Direct the preparation of financial policies and strategies that optimise resources along with corporate management of the Constabulary both at an operational and strategic level. Ensure efficient and effective use of resources;
- Ensure adequate awareness and comprehension of financial policies / strategies and their continued development within the Constabulary;
- Draft the constabulary's medium term financial requirements and an annual budget in consultation with the PCC CFO. Submit these draft proposals to the CC and PCC for approval;
- Manage the allocation of the delegated budget, devolution to Budget Managers and in year virement for and on behalf of the CC. Monitor expenditure and provide regular reports to the CC and PCC;
- Ensure the management of revenue and capital resources to maximise effective use of funding and achieve value for money;
- Ensure the completion of all statutory returns including Home Office directives;
- Ensure the finance function is resourced to be fit for purpose.



## **PCC Chief Executive**

- 4.5 The role and responsibilities of the PCC Chief Executive in relation to financial management are to;
- Support and advise the PCC in fulfilling his/her statutory responsibilities;
  - Ensure the proper recording and reporting of PCC decisions;
  - Advise the PCC and CC about who has authority to take a particular decision;
  - Advise the PCC and CC about whether a proposed decision is within the policy framework;
  - Ensure the PCC meets his/her obligations in relation to statutory publications;
  - Perform the role of Monitoring Officer to draw to the PCC's attention any actual or possible contravention of law, maladministration or injustice.

## **A5 FINANCIAL MANAGEMENT STANDARDS**

### Overview & Control

- 5.1 The PCC and CC and all officers and staff have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring that all officers and staff are clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.
- 5.2 The PCC and CC will ensure that they receive updates on the financial performance by way of on-going budget monitoring and outturn reports, in addition to reports by Internal Audit, HMIC and External Audit.

### Requirements

- 5.3 The PCC and CC shall ensure that all their officers and staff are aware of, and comply with, proper financial management standards, including these Financial Regulations.
- 5.4 All officers and staff are to be properly managed, developed, trained and have adequate support to carry out their financial duties effectively.
- 5.5 The PCC and CC shall ensure that specific duties and responsibilities in financial matters are made clear to individual officers and members of staff and that these are properly recorded.

## **A6 ACCOUNTING RECORDS AND RETURNS**

### Overview and Control

- 6.1 The PCC CFO in liaison with the CC CFO is responsible for determining the accounting policies of the PCC and CC, in accordance with recognised accounting practices, and for approving strategic accounting systems and procedures. All officers and staff are to operate within the required accounting policies and published timetables.

6.2 Financial systems are used to record the financial transactions of the PCC and CC. With possible minor exceptions, these are electronic systems. Maintaining proper accounting records is one of the ways in which the PCC and CC discharge their responsibility for stewardship of public resources.

6.3 The following rules should be followed as a general principle:

- officers and staff with the duty of examining or checking the accounts of cash transactions must not themselves be originators or approvers of these transactions;
- the duties of providing information about sums due to or from the PCC and CC and calculating, checking and recording these sums, are to be separated from the duties of collecting or disbursing them.

### Requirements

6.4 The PCC CFO and the CC CFO shall:

- Ensure that there is agreement between themselves before making any fundamental changes to accounting records and procedures or accounting systems.
- ensure that all transactions, material commitments, contracts and other essential accounting information are recorded completely, accurately and on a timely basis.
- maintain adequate records to provide a management trail leading from the source of income and expenditure through to the accounting statements.
- ensure that reconciliation procedures are carried out on recognised control accounts on an agreed timetable to ensure transactions are correctly recorded.

6.5 Prime documents are to be retained in accordance with legislative requirements and the internal needs of the PCC and CC (Financial Instructions provide details of retention periods). The format of such documents shall satisfy the requirements of internal and external audit. The PCC and CC shall be responsible for providing a detailed schedule of requirements and making this available to all appropriate staff.

## **A7 THE ANNUAL STATEMENT OF ACCOUNTS**

### Overview and Control

7.1 The PCC and CC have a statutory responsibility to prepare accounts to present fairly their operations during the year. The PCC CFO and CC CFO are responsible for the preparation of the accounts in accordance with proper practices as set out in *the Code of Practice on Local Authority Accounting in the United Kingdom: (The CODE)* and with the Accounts and Audit (England) Regulations 2011. The PCC and CC are responsible for approving these annual accounts after scrutiny by the PCC, CC and the Audit Committee.

7.2 The accounts are subject to detailed independent review by the external auditor. This audit provides assurance that the accounts are prepared correctly and that proper accounting practices have been followed.

## Requirements

7.3 The PCC CFO and CC CFO shall:

- ensure that there is a timetable for final accounts preparation, in consultation with the PCC, CC and external auditor;
- select suitable accounting policies within the overall agreed approach and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with the CODE;
- prepare, sign and date the statement of accounts, stating that it presents truthfully and fairly the financial position at the accounting date and its income and expenditure;
- publish the approved and audited accounts each year, in accordance with the statutory timetable.

7.4 The PCC CFO in liaison with the CC CFO is responsible for the determination of PCC and CC accounting policies.

7.5 The PCC and CC shall consider for approval the annual accounts in accordance with the statutory timetable.

## **SECTION B**

### **FINANCIAL PLANNING AND CONTROL**

#### **B1 FINANCIAL PLANNING**

##### Overview and Control

- 1.1 The PCC and CC are complex organisations. Systems are needed to enable scarce resources to be allocated in accordance with carefully judged priorities. Proper financial planning is essential if the PCC and CC are to function effectively.
- 1.2 The financial planning process will be directed by the approved policy framework, a business planning process and a need to meet key objectives.
- 1.3 The planning process will be continuous and the planning period will cover at least four years. The process should include a more detailed annual budget, covering the forthcoming financial year. This allows the PCC and CC to plan, monitor and manage the way funds are allocated and spent. This should be used to support the Police and Crime Plan and the alignment of business and financial planning.
- 1.4 The format of the annual budget determines the level of detail to which financial control and management will be exercised and shapes how the rules around virement operate.

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

##### Requirements

- 1.5 The PCC CFO and CC CFO are responsible for ensuring that a Medium Term Financial Plan (MTFP) looking at least four years ahead is prepared. The MTFP should be submitted to the PCC and CC, be subject to review during the financial year, and cover:
  - policy requirements approved by the PCC as part of the policy framework;
  - the risk management policy ensuring that risk appraisals are embedded throughout the forecast;
  - unavoidable future commitments, including legislative requirements;
  - initiatives already underway;
  - spending patterns and pressures revealed through the budget monitoring process;
  - efficiency and savings requirements;
  - proposed service developments and plans;
  - revenue consequences of capital spending proposals;
  - taxation or other constraints;
  - public and partner consultation.
- 1.6 The PCC shall prepare at least a four year forecast of potential resources, including options for transfers to and from general balances and earmarked reserves and use of provisions, based upon an interpretation of government funding assumptions and all other available information. This will include potential implications for local taxation.
- 1.7 A gap may be identified between available resources and required resources. Requirements should be prioritised carefully by the PCC and CC to enable best informed judgements as to future funding levels and planning the use of resources.

- 1.8 The PCC and CC shall integrate financial and budget plans into service planning so that such plans can be supported by financial and non-financial performance measures.

## **Annual Revenue Budget Preparation**

### Requirements

- 1.9 The PCC CFO in liaison with the CC CFO shall determine the format and timetable for the annual budget. The format and timetable is to comply with all legal requirements and with other external guidance.
- 1.10 The PCC CFO and CC CFO shall prepare detailed budget estimates for the forthcoming financial year in accordance with the agreed timetable. This will identify the base budget, inflation and other commitments, budget changes, risk assessments, efficiencies, savings and service development proposals. Budget preparation should take account of legal requirements, Government guidelines, accounting standards, the Treasury Management Code and the Prudential Code and reflect medium term financial planning requirements.
- 1.11 Budget estimates shall identify all proposed individual major revenue projects. A major revenue project shall be defined as one in excess of the estimated annual value shown in Section F.
- 1.12 The PCC CFO and CC CFO shall ensure that a business case is prepared for each major project as defined in Section F and that proposals undergo an option appraisal that demonstrates the costs and benefits of the project to the service.
- 1.13 The results of the appraisal shall provide evidence as to the scheme's viability and inclusion in the proposed revenue budget, including a recommended solution resulting from consideration of the business case and option appraisal.
- 1.14 The PCC CFO shall advise on the adequacy of all reserves and provisions, transfers to or from general balances, earmarked reserves or provisions and ensure that the overall budget is balanced.
- 1.15 The PCC Chief Executive shall ensure that the PCC's draft precept and council tax requirement is submitted to the PCP in accordance with the statutory timetable.
- 1.16 Upon approval of the annual budget and capital programme, the PCC CFO shall submit the Budget Requirement return to central government and precept requests to appropriate bodies in accordance with the legal requirement.
- 1.17 The PCC CFO and CC CFO shall seek to identify opportunities to improve economy, efficiency and effectiveness, and value for money during the preparation of the budget and on a continuous basis throughout the year.

## **2 BUDGETARY CONTROL**

### Overview and Control

- 2.1 Budget management ensures that once the PCC has approved the overall budget, resources allocated are used for their intended purpose, subject to virement rules, and are properly accounted for. Budgetary control is a continuous process, enabling the PCC CFO and CC CFO to review and adjust budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.
- 2.2 Budget Managers shall accept accountability for the budgets under their management, the level of service to be delivered and understand their financial responsibility.
- 2.3 Management of budgets must not be seen in isolation. It should be measured in conjunction with service outcomes and performance measures.
- 2.4 For strategic monitoring and management purposes, the budget shall identify operational policing, other policing costs, PCC costs, financing items and transfers to and from general balances and earmarked reserves.

### **Revenue Budget and Capital Programme Monitoring**

#### Overview and Control

- 2.5 By continuously identifying and explaining variances against budgetary targets changes in trends and resource requirements can be identified at the earliest opportunity.
- 2.6 To ensure that the PCC in total does not overspend, each Budget Manager is required to manage expenditure within their budget allocation. All budget officers responsible for committing expenditure must comply with relevant guidance and Financial Regulations.

#### Requirements

- 2.7 The CC CFO is responsible for providing appropriate financial information to enable budgets to be monitored effectively.
- 2.8 The CC CFO shall 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. The CC CFO shall ensure also that a nominated officer is responsible for monitoring income and expenditure against the pensions account.
- 2.9 The PCC Chief Executive is responsible for managing the Commissioner's corporate budget in line with Financial Regulations.
- 2.10 It is the responsibility of Budget Managers to manage income and expenditure within their area and to monitor performance, taking account of financial information provided by the CC CFO. Detailed budget monitoring is to be undertaken by Budget Managers at least monthly and reported to the PCC CFO and CC CFO, including any variances within their own areas. Budget Managers will also take any action necessary to avoid exceeding their budget allocation and alert the CC CFO to any problems.

- 2.11 The CC CFO shall ensure that Budget Managers receive sufficient financial support to enable them to undertake the budgetary control responsibilities.
- 2.12 The CC CFO shall ensure as best as possible that total spending for operational policing remains within the allocation of resources and takes, where possible, corrective action where significant variations from the approved budget are forecast. Where total projected expenditure is likely to exceed the allocation of resources, the PCC CFO shall be alerted immediately, and proposals for remedy should be put forward. The same responsibilities apply to the PCC Chief Executive for the PCC's corporate budget. Where there is requirement for an urgent or immediate response to a major incident, civil emergency or ministerial direction under the Civil Contingences Act 2004 that would or might cause the operational budget to be exceeded, the CC and PCC shall operate within an agreed protocol for the financial management of such an event.
- 2.13 The CC CFO shall submit a budget monitoring report monthly to the PCC containing the most recently available financial information. The monitoring reports shall compare projected income and expenditure with the latest approved budget allocations. The style and format of the reports to the PCCs will reflect their requirements and be sufficient to ensure sound financial management.

## **Virement**

### Overview and Control

- 2.14 A virement is a planned reallocation of resources between approved budgets or heads of expenditure. A budget head is considered to be a line in the approved budget report. The scheme of virement is intended to enable the CC CFO to manage the budget with a degree of flexibility within the overall policy framework determined by the PCC and, therefore, to provide the opportunity to optimise the use of resources to emerging needs.
- 2.15 The overall budget is agreed by the PCC and budget holders are expected to incur spend in accordance with budgeted expenditure headings, subject to agreed virement rules, and within the limit of total resources allocated. Virement does not create additional overall budget liability. The CC CFO is expected to exercise discretion in managing budgets responsibly and prudently. Virement is not to be used as a tool to create future commitments. Therefore, it is vital that virement decisions do not lead to additional future spending without the prior approval of the PCC.
- 2.16 Overall, the rules on virement are designed to allow the CC CFO greater flexibility to meet operational requirements and to facilitate the decision making process. The CC CFO shall still be held to account by the PCC for decisions made and the way in which resources are deployed. Resources cannot be transferred if the effect is to alter a policy or decision of the PCC or to utilise resources ring-fenced for specific purposes. The virement rules allow greater freedom but require reports on significant changes.
- 2.17 Virement is permissible, however the CC CFO can withdraw the ability for virement in any year should he/she feel it is prudent to do so.

### Requirements

The PCC is responsible for approving any transfers to and from PCC balances.

- 2.18 Each budget monitoring report reported to the PCC shall contain details where revised budgets or forecast income and expenditure varies to a significant degree from the original approved budget.
- 2.19 The CC CFO can delegate authority to officers and staff in accordance with these arrangements.

## **Treatment of Year End Balances**

### Overview and Control

- 2.20 A year-end balance is the amount by which actual income and expenditure including capital costs varies from the final budget, normally identified down to devolved budget holder level. Arrangements may be necessary for the transfer of resources between accounting years, i.e. a carry forward. This may increase or decrease the resources available to Budget Managers in the following financial year. Regardless of any specific approval within these regulations, all carry forwards will be considered for approval by the PCC as part of the final outturn process.
- 2.21 As part of the monitoring and control process, reporting of potential variations from budget and proposals for reallocation of resources shall be made as early as possible in the financial year. All reasonable endeavours shall be taken to provide a service that matches the approved budget.
- 2.22 There may be occasions when an overall overspend position occurs, particularly where exceptional events occur so close to the end of the financial year that a balanced outturn position is not possible. In this event, consideration of a case by the CC for funding the overspend from the PCC's general reserve will be presented to the PCC

### Requirements

- 2.23 Devolved budget holders who overspend their budget in any financial year may have their devolved budget reduced for the following financial year up to the amount of overspend, subject to the determination of the PCC.
- 2.24 As a default position, any underspends against budgets will be taken to the corporate reserves of the PCC. In exceptional circumstances, Budget Managers who underspend their budget in any financial year may have their devolved budget increased for the following financial year, subject to the determination of the PCC

## **Financial Guarantees**

- 2.27 The CC must inform the PCC CFO of any proposal that may require a financial guarantee prior to its implementation.



## **B3 CAPITAL PROGRAMME**

### Overview and Control

- 3.1 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the PCC 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 for the future in the form of financing costs and revenue running costs.
- 3.2 Capital expenditure and financing should be managed in accordance with the Local Government Act 2003 and the CIPFA Prudential Code for Capital Finance in Local Authorities.
- 3.3 The capital programme should be linked to capital strategies including the Estates Strategy, the ICT strategy and the Transport Strategy.
- 3.4 A report should be addressed to the PCC annually to formally report the performance against prudential indicators in accordance with the Local Government Act 2003 and the Prudential Code for Capital Finance. Assurance should be provided during the year as part of budget monitoring reports on compliance with the prudential indicators.

### Requirements

- 3.5 Capital expenditure on land and buildings should be in accordance with the requirements of the approved capital strategies.
- 3.6 The CC shall ensure that a business case is prepared for each project and that proposals undergo an option appraisal that demonstrates the costs and benefits of the project to the service.
- 3.7 The results of the appraisal shall provide evidence for the scheme's viability and inclusion in the proposed capital programme, including a recommended solution resulting from consideration of the business case / option appraisal. Routine vehicle, ICT and estate replacement programmes shall be excluded from this requirement, although a report justifying the level of programme will be required.
- 3.8 The PCC CFO in liaison with the CC CFO, shall prepare at least a four year rolling programme of proposed capital expenditure for approval by the PCC as part of the annual process for determining the budget and precept. This shall cover the forthcoming financial year and the following three years. Each scheme shall identify the total capital cost of the project and any additional revenue commitments. The PCC will determine the Capital Programme.
- 3.9 Schemes proposed after the annual budget meeting for inclusion in the capital programme during the current financial year shall be submitted to the PCC CFO for approval in accordance with the limits shown in Section F.
- 3.10 The PCC CFO, in liaison with the CC CFO, shall identify funding for the capital programme. Amendments to the programme increasing its overall cost must demonstrate how such changes are to be funded.

- 3.11 A gap may be identified between available resources and required resources. Requirements should be prioritised carefully by the CC to enable the PCC to make the best informed judgements as to future funding levels and planning the use of resources.
- 3.12 No capital expenditure shall be incurred unless the scheme is included in the capital programme approved by the PCC or as subsequently modified. In this respect, the vehicle replacement programme, equipment replacement programme and ICT replacement programme shall be regarded each as one scheme.
- 3.13 Detailed estimates for each scheme in the approved capital programme shall be prepared as part of the option appraisal before tenders are sought or commitments made.
- 3.14 Arrangements covering variations in contract conditions and prices are covered within Contract Standing Orders.
- 3.15 Finance and operating leases and any other credit arrangements shall not be entered into without the prior approval of the PCC and sufficient revenue resources must be available to meet the repayments.
- 3.16 The CC CFO shall submit capital monitoring reports to the PCC monthly containing 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 PCC CFO in liaison with the CC CFO.
- 3.17 It is the responsibility of budget holders to manage capital expenditure estimates, taking account of financial information provided by the CC CFO. Detailed budget monitoring is to be undertaken by Budget Managers at least monthly and reported to the CC CFO including any variances within their own areas. Budget Managers should also take any action necessary to avoid exceeding their budget allocation and alert the CC CFO to any problems.
- 3.18 The CC CFO shall report to the PCC projections of spending on individual capital projects and reasons for significant changes to the Programme including spending slipping between financial years.
- 3.19 The CC CFO shall report capital expenditure for the year and cumulative expenditure on individual schemes to the PCC as part of the closure of accounts arrangements.
- 3.20 The CC CFO shall take steps to ensure that any external funding that is subject to a specific timescale is, wherever possible, fully utilised within that timescale.

## **B4 MAINTENANCE OF BALANCES AND RESERVES**

### Overview and Control

- 4.1 General Fund reserves are maintained by the PCC as a matter of prudence. Earmarked reserves for specific purposes may also be maintained by the PCC.

### Requirements

- 4.2 The PCC CFO shall advise the PCC on reasonable levels of general fund balances and earmarked reserves and take account of professional best practice.

- 4.3 When the annual budget and capital programme are submitted to the PCC for consideration, the PCC CFO is required to advise on the adequacy of the PCC's balances and reserves.
- 4.4 The PCC shall approve the creation and transfers to and from general balances and reserves. The purpose, usage and basis of transactions should be clearly identified for each reserve established.

## **SECTION C**

### **MANAGEMENT OF RISK AND RESOURCES**

#### **C1 RISK MANAGEMENT**

##### Overview and Control

- 1.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all potential significant corporate and operational risks to the PCC and CC. This should include the proactive participation of all those associated with planning and delivering services.
- 1.2 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 organisation and to ensure the continued corporate and financial well-being of the organisation. In essence it is, therefore, an integral part of good business practice.
- 1.3 Procedures should be in place 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.

##### Requirements

- 1.4 The PCC and CC are each responsible for ensuring Risk Management Strategies are in place and which provide for ongoing review and reporting.
- 1.5 The PCC CFO, in consultation with the CC CFO and Chief Executive, is responsible for advising the PCC on appropriate arrangements for insurance. Acceptable levels of risk should be determined and insured against where appropriate.
- 1.6 The PCC is responsible for approving the strategy for insurance.
- 1.7 The CC CFO shall;
- ensure that insurance cover is provided within the terms of the approved strategy and take account of all new risks as appropriate;

- ensure that claims made by the CC against insurance policies are made promptly;
- negotiate all claims in consultation with other officers as appropriate;
- notify the PCC CFO promptly of all new risks that require insurance and of any alterations affecting existing insurance;
- make all appropriate staff aware of their responsibilities for managing relevant risks and provide information on risk management initiatives;
- ensure that there are regular reviews of risk across the service;
- ensure that staff, or anyone covered by the PCC's insurance, are 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;
- ensure all appropriate staff are aware of their responsibilities to notify the CC CFO immediately of any loss, liability or damage that may lead to a claim against the PCC or CC, together with the information required;
- approve, before any contract for works is made, the insurance cover to be furnished by the contractor in respect of any act or default unless the PCC chooses to provide insurance cover itself.

1.8 The CC CFO shall be authorised to settle insurance liability claims, against the force, including third party costs up to the value shown in Section F. Beyond this value, claims must be referred to the PCC CFO for approval.

1.9 The CC CFO shall be authorised to settle individual claims, against the force, including third party costs, arising from a decision by an Employment Tribunal up to the value shown in Section F. Beyond this value, claims must be referred to the PCC CFO for approval.

1.10 The CC CFO shall present written claims reports to the PCC summarising activity as required by the PCC, but at least on an annual basis.

1.11 The PCC Chief Executive will obtain legal or other expert advice and commence, defend, withdraw or settle any claim or legal proceedings on the PCC's behalf, in consultation with the PCC CFO.

1.12 The PCC Chief Executive shall consider for any terms of indemnity that the PCC is requested to give by external parties.

## **C2 INTERNAL CONTROLS**

### Overview and Control

2.1 Internal control refers to the systems of control devised by management to help ensure PCC objectives are achieved in a manner that promotes economical, efficient and effective use of resources and those assets and interests are safeguarded from fraud or misappropriation.

- 2.2 The PCC and CC require internal controls to manage and monitor progress towards strategic objectives. The PCC and CC have statutory obligations and, therefore, require internal controls to identify, meet and monitor compliance with these obligations.
- 2.3 The PCC and CC face a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks. The system of internal controls is established in order to provide measurable achievement of:
- efficient and effective operations
  - reliable financial information and reporting
  - compliance with laws and regulations
  - risk management

### Requirements

- 2.4 The PCC and CC are responsible for implementing effective systems of internal control and the PCC CFO, in liaison with the CC CFO, for advising on such. These arrangements shall ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They shall ensure that public resources are properly safeguarded and used economically, efficiently and effectively.
- 2.5 The CC CFO shall ensure that internal controls exist for 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 systems is to promote ownership of the control environment by defining roles and responsibilities.
- 2.6 The CC CFO shall ensure that internal controls exist for financial and operational systems and procedures. This includes physical safeguards for assets, segregation of duties, authorisation and approval procedures and robust information systems.
- 2.7 The PCC and CC shall each produce, agree and sign an Annual Governance Statement
- 2.8 The PCC and CC shall have an Audit Committee which has a responsibility for the oversight of corporate governance, internal control and risk management. The committee shall consider the internal and external audit reports of both the PCC and the CC; advise the PCC and CC according to good governance principles and adopt appropriate risk management arrangements in accordance with proper practices. The Committee will also monitor the delivery of the Treasury Management Strategy during the year and also review the draft Annual Governance Statements and the draft accounts. Further information is contained in the detailed Terms of Reference for the Audit Committee.

## **C3    AUDIT REQUIREMENTS**

### **Internal Audit**

#### Overview and Control

- 3.1    The requirement for an internal audit function is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2003 more specifically require that a “relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems”. Both the PCC and CC corporations sole are auditable bodies.
- 3.2    Internal audit is an independent and objective appraisal function established by an organisation for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 3.3    Internal audit is required to comply with the Auditing Practices Board’s guidelines “Guidance for Internal Auditors”, as interpreted by CIPFA’s Code of Practice for Internal Audit in Local Government in the United Kingdom, along with any other statutory obligations and regulations.
- 3.4    The work of the Internal Audit function provides overall assurances to External Audit on internal control systems and external auditors may use the work of internal audit when carrying out their functions.

#### Requirements

- 3.5    The PCC CFO, in liaison with the CC CFO, shall ensure an effective internal audit service is resourced and maintained.
- 3.6    Internal audit shall have direct access to the PCC, PCC Chief Executive, PCC CFO, CC, CC CFO, the Chairman of the Audit Committee and all levels of management.
- 3.7    The PCC and CC shall ensure that internal auditors have the authority to;
  - access premises at all reasonable times;
  - access all assets, records, documents, correspondence, control systems and appropriate personnel;
  - receive any information and explanation considered necessary concerning any matter under consideration;
  - require any staff to account for cash, stores or any other asset under their control;
  - access records belonging to third parties, such as contractors, when required.
- 3.8    Any instances where the CC considers it inappropriate for internal audit to have the access detailed above, such as items considered to be of a sensitive operational nature, are to be confirmed with the PCC Chief Executive and PCC CFO.

- 3.9 The PCC CFO and the CC CFO, taking advice from internal audit and after consulting with the PCC, CC and external auditor, are responsible for ensuring an annual audit plan is prepared. The plan is to take account of the characteristics and relative risks of the activities involved.
- 3.10 The PCC CFO and the CC CFO shall submit the annual internal audit plan to the Audit Committee for approval prior to the start of the forthcoming financial year.
- 3.11 The PCC and CC shall consider and respond promptly to recommendations in audit reports and ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient manner.
- 3.12 The PCC and CC shall ensure that new systems for maintaining financial records or records of assets, or significant changes to existing systems, are discussed with and agreed by the PCC CFO and internal audit prior to implementation.
- 3.13 Internal audit shall provide an annual report to the Audit Committee summarising activities and findings for the year. This shall include an opinion on the effectiveness of the systems of internal control to support the Annual Governance Statements.
- 3.14 Internal audit shall provide an undertaking to respect the confidential nature of the service and to employ suitably qualified and vetted staff.

## **External Audit**

### Overview and Control

- 3.15 The Audit Commission is responsible for appointing external auditors to the PCC and CC. 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 the Audit Commission to prepare a code of audit practice, which external auditors follow when carrying out their duties. The code of audit practice issued in April 2005 sets out the auditor's objectives to review and report upon:
- the audited body's financial statements and its statement on internal control;
  - whether the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use or resources.
- 3.16 The PCC and CC accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts 'presents truthfully and fairly' the financial position and the income and expenditure for the year in question and complies with legal requirements.

### Requirements

- 3.17 The PCC CFO and the CC CFO shall liaise with the external auditor and advise the PCC and CC on their responsibilities in relation to external audit and ensure there is effective liaison between external and internal audit.
- 3.18 The CC shall ensure that the external auditors are given the same levels of access as determined for internal audit above for the purposes of their work.

## **Other Inspection Bodies**

- 3.19 The PCC and CC may, from time to time, be subject to audit, inspection or investigation by external bodies such as HMIC or HM Revenue & Customs.

## **C4 PREVENTING FRAUD AND CORRUPTION**

### Overview and Control

- 4.1 The PCC and CC will not tolerate fraud or corruption in the administration of their responsibilities
- 4.2 The PCC's and CC's expectation of propriety and accountability is that officers and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.
- 4.3 The PCC and CC also expect that individuals and organisations (e.g. suppliers, contractors, and service providers) with whom they come into contact will act towards the PCC and CC with integrity and without thought or actions involving fraud or corruption.

### Requirements

- 4.4 All staff shall act with integrity and lead by example.
- 4.5 The PCC and CC jointly are responsible for preparing an effective anti-fraud and anti-corruption policy and maintaining a culture that will not tolerate fraud or corruption and ensuring that internal controls are such that fraud or corruption will be prevented where possible.
- 4.6 Appropriate legislation, including the provisions upon whistleblowing, shall be adhered to.
- 4.7 The PCC and CC shall ensure that interests and the receipt of hospitality and gifts are registered.
- 4.8 The PCC, in consultation with the CC, shall ensure the existence of a whistle blowing policy to provide a facility that enables staff, 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 CC shall ensure that all officers and staff are aware of any approved whistle blowing policy and associated procedures.
- 4.9 The PCC and the CC shall notify the PCC CFO and the CC CFO immediately if a preliminary investigation gives rise to any suspected fraud, theft, irregularity, improper use or misappropriation of property or resources. In such instances, the PCC, the CC, the PCC CFO and the CC CFO shall agree any further investigative process. Pending investigation and reporting, the PCC and CC shall take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 4.10 The PCC and CC may instigate disciplinary procedures where the outcome of an investigation indicates improper behaviour.



## **C5 MONEY LAUNDERING AND PROCEEDS OF CRIME**

- 5.1 The PCC and CC shall ensure the existence of anti-money laundering policy and procedures intended to prevent the use of proceeds of crime.
- 5.2 The PCC CFO shall perform the role of Money Laundering Reporting Officer (MLRO) whose principal role is to receive, consider and respond to any reports received of known or suspected money laundering.
- 5.3 The PCC and CC are responsible for ensuring that:
- All officers and staff most likely to be exposed to or suspicious of money laundering situations are made aware of the requirements and obligations placed on the PCC and Constabulary and themselves by the legislation.
  - Those officers and staff considered most likely to encounter money laundering are given appropriate training. .
  - Procedures are established to help prevent money laundering including making arrangements for reporting concerns about money laundering to the MLRO.
  - Periodic and regular assessments are undertaken of the risks of money laundering.

## **C6 ASSETS**

### Overview and Control

- 6.1 The PCC holds assets in the form of land, property, vehicles, equipment, and other items. It is important that assets are safeguarded, that there are arrangements for the security of both assets and that proper arrangements exist for the disposal of assets. The CC CFO shall keep an asset register of all property and capitalised assets owned by the PCC. The function of the asset register alongside an asset management plan is to provide the PCC with information about fixed assets so that they are:
- safeguarded
  - used efficiently and effectively
  - adequately maintained
  - valued in accordance with statutory and management requirements.
- 6.2 Intellectual property is a generic term that includes inventions, writing and certain activities which could give rise to items which could be patented. If these are created by officers and staff during the course of employment, then, as a general rule, they belong to the PCC, not the officer or member of staff. .

### Requirements

#### **Security**

- 6.3 Resources are only to be used for the purposes of the PCC and CC, and are to be properly accounted for.

- 6.4 The CC CFO shall ensure that 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.
- 6.5 Portable items such as computers, cameras and recording devices should be identified with appropriate security markings as property of the PCC.
- 6.6 The CC shall ensure that all staff are aware of their responsibilities with regard to safeguarding the PCC's assets and information, including the requirements of the Data Protection Act and software copyright legislation.
- 6.7 The CC CFO shall ensure that title deeds to the PCC's property are held securely.
- 6.8 Lessees and other prospective occupiers of PCC land are not allowed to take possession of the land until a lease or agreement in a form approved by the CC CFO is in place.

### **Valuation**

- 6.9 The CC CFO shall maintain an asset register for all property and capitalised assets in accordance with the Accounting Policies shown in the annual Statement of Accounts., in a form approved by the PCC CFO. Assets are to be recorded when they are acquired by the PCC and this record updated as changes occur with respect to location, condition and ownership. Assets are to be valued:
- in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: (The Code)
  - for insurance purposes
- 6.10 Assets may also be valued at market rates for asset management planning purposes where this is different from other valuations.
- 6.11 The PCC CFO and CC CFO shall arrange for the valuation of assets for accounting purposes.

### **Inventories**

- 6.12 The PCC CFO and CC CFO shall maintain inventories that record an adequate description of portable and desirable items such as computers, monitors, printers, facsimile machines, mobile phones and photographic equipment above the value shown in Section F.
- 6.13 There shall be at least an annual check of all items on the inventory in order to verify location, review, and condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. The annual check is to be undertaken by the responsible budget holder, who shall ensure that another member of staff is responsible for maintaining the inventory.

### **Stocks and Stores**

- 6.14 The PCC CFO and CC CFO shall make arrangements for the care, custody and control of stocks and stores and maintain detailed stores accounts in a form approved by the CC CFO. Stocks are to be maintained at reasonable levels so as to balance the need for availability and the risk of obsolescence.

- 6.15 A complete stock check is to be undertaken at least once per year either by means of continuous or annual stock take. The stock take shall be undertaken and certified by an authorised member of staff who is independent of the stock keeping function. This procedure will be followed and a complete stock check undertaken whenever stock keeping duties change.
- 6.16 Where significant, values of stocks and stores at 31 March each year are to be certified and included in the annual accounts.
- 6.17 Discrepancies between the actual level of stock and the recorded level of stock may be written off by the CC CFO up to the level shown in Section F. Amounts for write off above this value must be referred to the PCC CFO for approval, supported by a written report explaining the reasons for the write off and any investigation undertaken.
- 6.18 Obsolete stock may be written off by the CC CFO up to the level shown in Section F. Amounts for write off above this value must be referred to the PCC CFO for approval, supported by a written report explaining the reasons for the write off and any investigation undertaken.

### **Intellectual Property**

- 6.19 The PCC CFO and CC CFO jointly are responsible for preparing guidance on intellectual property procedures and ensuring that staff are aware of these procedures.

### **Asset Disposal**

- 6.20 Assets shall be disposed of when in the best interests of the PCC and at the most advantageous price. Where this is not the highest offer, the CC CFO shall prepare a report for approval by the PCC CFO. Disposal of interests in land and building is vested in the PCC who may delegate responsibility.
- 6.21 Items shall be disposed of by public auction or sealed bids after advertisement, unless it can be shown that an alternative method of disposal would provide better value for the PCC.
- 6.22 All asset disposals shall be recorded in the asset register or inventory as appropriate.
- 6.23 The CC CFO shall inform the PCC CFO of any disposals that may have a significant impact upon the balance sheet.

## **C7 TREASURY MANAGEMENT AND BANKING ARRANGEMENTS**

### Overview and Control

- 7.1 The PCC and CC are large organisations. It is important that PCC and CC money is managed properly, in a way that balances risk with return, but with the prime consideration being given to the security of all monies. All treasury management activities should be undertaken in accordance with the CIPFA Treasury Management Code.

## Requirements

- 7.2 The PCC and CC shall adopt the key recommendations of *CIPFA's Treasury Management in the Public Services: Code of Practice (the Code)*, as described in Section 4 of that Code.
- 7.3 Accordingly, the PCC CFO shall maintain, following approval by the PCC
- a treasury management policy statement, stating the policies and objectives of the treasury management activities of the PCC and CC
  - suitable treasury management practices (TMPs), setting out the manner in which the organisations will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 7.4 The content of the policy statement and TMPs will follow the recommendations contained in Section 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the PCC. Such amendments will not result in the PCC deviating materially from the Code's key recommendations.
- 7.5 The PCC shall receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of this year, a mid year review and an annual report after its close, in the form prescribed in its TMPs. During the financial year, reports on action undertaken shall be submitted to the PCC, by the CC CFO, as part of the financial monitoring information.
- 7.6 Responsibility for the implementation of the PCC's treasury management policies and practices, and day to day administration of treasury management decisions is vested in the CC CFO, in liaison with the PCC CFO, who will act in accordance with the organisation's policy statement and TMPs and, *CIPFA's Statement of Professional Practice on Treasury Management*.
- 7.7 The PCC and CC nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
- 7.8 The PCC shall adopt the following Treasury Management Policy Statement. The PCC:
- Defines its treasury management activities as "the management of the PCC's cash flows, its banking, money market and capital market transactions; the effective management of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks";
  - Regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the OPCC;
  - Acknowledges that effective treasury management will provide support towards the achievement of its business and services objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employ suitable performance measurement techniques, within the context of effective risk management.
- 7.9 All investments shall be in the name of the PCC.

- 7.10 The PCC CFO shall have overall responsibility for banking arrangements. The PCC CFO, in liaison with the CC CFO, shall determine a policy for the secure operation of bank accounts. All bank accounts shall be in the name of the PCC unless authorised by the PCC CFO and PCC Chief Executive. The CC CFO has authority to open or close covert accounts to aid operations. The opening and closing of other bank accounts requires the authorisation of the PCC CFO.
- 7.11 The CC CFO shall provide appropriate staff with cash or bank imprests to meet minor expenditure. The CC 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.
- 7.12 The CC CFO shall prepare detailed Financial Instructions for dealing with petty cash
- 7.13 The use of purchase cards shall be allowed for undertaking PCC and CC business. The PCC CFO, in consultation with the CC CFO, shall determine a policy for the secure operation of such purchase cards.
- 7.14 All imprest cheques shall be signed at an appropriate level in accordance with an approved list of signatories and up to the level shown in Section F. All other cheques shall be signed at an appropriate level in accordance with an approved bank mandate.
- 7.15 The CC shall comply with the requirements of the Money Laundering Regulations 2007 (amended 2012).

## **C8 CUSTODY OF UNOFFICIAL FUNDS AND PRIVATE PROPERTY**

### **Voluntary Unofficial Funds**

#### Overview and Control

- 8.1 These are deemed to be funds, other than those of the PCC or CC, which are controlled wholly or partly by staff by reason of their employment.
- 8.2 These funds should be kept separate from all PCC and CC transactions and bank accounts and those responsible must ensure that appropriate insurance arrangements are in place to keep such funds separate.

#### Requirements

- 8.3 Staff controlling such funds shall ensure that a suitably experienced independent person audits the fund in accordance with procedures required by the CC CFO, and arrange for the annual audited accounts to be received by the appropriate management body.
- 8.4 The CC CFO shall be informed of the existence, purpose and nature of all voluntary unofficial funds and receive minutes from the management bodies confirming the adoption of the audited accounts.
- 8.5 The CC CFO shall issue Financial Instructions detailing how unofficial funds are to be managed and controlled.

## **Custody of Private Property**

### Overview and Control

- 8.6 The CC is required to exercise a duty of care and safeguard found or seized property pending decisions on its ownership, or private property of an individual e.g. a suspect in custody.

### Requirements

- 8.7 The CC is responsible for the safekeeping of the private property of a person, other than a member of staff, under his/her guardianship or supervision, and shall determine procedures for such. These procedures shall be made available to all appropriate staff.
- 8.8 The CC is responsible for the safekeeping of found or seized property and shall determine procedures for such. These procedures shall be made available to all appropriate staff.
- 8.9 The CC shall be informed without delay in the case of loss or diminution in value of such private property.
- 8.10 The CC shall comply with the requirements of the Proceeds of Crime Act 2002.

## SECTION D

### SYSTEMS AND PROCEDURES

#### D1 GENERAL

##### Overview and Control

- 1.1 There are many systems and procedures relating to the control of the PCC's assets, including purchasing, costing and management systems. The PCC is reliant on electronic systems for financial management information. This information must be accurate and the systems and procedures sound and well administered. They should comprise controls to ensure that transactions are properly processed and errors detected promptly.
- 1.2 It is imperative that operating systems and procedures are secure and that basic data exists to enable the PCC and CC's objectives, targets, budgets and plans to be formulated and measured. Performance measures need to be communicated to appropriate personnel on an accurate, complete and timely basis.

##### Requirements

- 1.3 The PCC CFO, in liaison with the CC CFO, is responsible for determining the overall accounting systems and procedures. The CC CFO is responsible for determining supporting financial records and issuing guidance and procedures for staff.
- 1.4 The PCC and CC shall ensure, in respect of systems and processes, that
  - systems are secure, adequate internal controls exist and accounting records are properly maintained and held securely. This is to include an appropriate segregation of duties to minimise the risk of error, fraud or other malpractice
  - appropriate controls exist to ensure that all systems input, processing and output is genuine, complete, accurate, timely and not processed previously
  - a complete audit trail is to be maintained, allowing financial transactions to be traced from the accounting records to the original document and vice versa
  - systems are documented and staff trained in operations.
- 1.5 The PCC and CC shall register compliance with the Data Protection Act 1988 ensuring that data processing (manual or electronic) involving personal information is registered.
- 1.6 The CC shall ensure compliance with copyright legislation around software being used.
- 1.7 The CC shall ensure that there is a documented and tested business continuity plan to allow 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.
- 1.8 The CC CFO shall establish a Scheme of Delegation, identifying officers and staff authorised to act upon their behalf in respect of income collection, placing orders, making payments and employing staff. A schedule of officers and staff, their specimen signatures and the delegated limits of their authority shall be maintained.

## D2 INCOME

### Overview and Control

- 2.1 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly.
- 2.2 The responsibility for cash collection should be separated from that:
  - for identifying the amount due
  - for reconciling the amount due to the amount received

### Requirements

- 2.3 The PCC shall determine and review annually a policy for all fees and charges, having regard to relevant guidance.
- 2.4 The CC CFO shall make arrangements for the collection of all income due including the appropriate and correct charging of VAT.
- 2.5 The CC CFO shall review scales of fees and charges at least annually. All charges should be at full cost recovery except where regulations require otherwise or with the express approval of the PCC.
- 2.6 The CC CFO shall order and supply to appropriate officers and staff 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.
- 2.7 Income is to be paid fully and promptly in the form in which it is received. Appropriate details should be recorded on to paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a monthly basis by the CC CFO. Income must not be used to cash personal cheques or other payments.
- 2.8 Sponsorship Income shall be entered into a Sponsorship Register in accordance with the approved policy. The total value of gifts and sponsorship in any financial year should not exceed 1% of the PCC net revenue budget. Where the monetary value of a sponsorship proposal is over the limits shown in section F or is perceived to be of a sensitive or controversial nature, this must be approved by the PCC before acceptance.
- 2.9 The CC CFO shall establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid in accordance with the PCC terms and conditions.
- 2.10 Income due shall not be written off until the CC CFO is satisfied that all reasonable steps have been taken for its recovery. Individual amounts may be written off by the CC CFO up to the level shown in Section F. Amounts for write off above this value must be referred to the PCC CFO for approval, supported by a written report explaining the reasons for the write off. A record must be kept of all sums written off up to the approved limit.
- 2.11 The CC CFO shall prepare detailed Financial Instructions for dealing with income, to be agreed with the PCC CFO, and these shall be issued to all appropriate officers and staff.



## **D3 ORDERING OF GOODS AND SERVICES**

### Overview and Control

- 3.1 Public money should be spent with demonstrable probity and in accordance with PCC and CC policies. PCCs have an obligation to achieve value for money. These procedures should ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Contract Standing Orders.

### Requirements

- 3.2 The CC is responsible for preparing a procurement policy covering the principles to be followed for the purchase of goods and services. The PCC is responsible for approving the procurement policy.
- 3.3 All officers and staff have a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and contractors if they are engaged in contractual or purchasing decisions.
- 3.4 All orders issued shall be in accordance with the approved procurement policy or Financial Instructions. Official orders must be issued for all work, goods or services to be supplied, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions approved by the PCC CFO and the CC CFO. Orders must be in a form approved by the PCC CFO and the CC CFO.
- 3.5 Authorisation of requisitions / orders shall be in accordance with the limits shown in Section F. Only authorised officers and staff can raise requisitions / orders and therefore an authorised signatory list will be maintained.
- 3.6 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of PCC contracts.
- 3.7 Goods and services ordered must be appropriate and needed, there must be adequate budgetary provision and quotations or tenders must be obtained where necessary.
- 3.8 Tenders and quotations shall be obtained in accordance with Contract Standing Orders within the limits shown in Section F.
- 3.9 Commitments incurred by placing orders are to be shown against the appropriate budget allocation and incorporated within budget monitoring reports.
- 3.10 ,Apart from in exceptional circumstances, which need to be documented and approved, a different person should authorise the payment from the person who signed the requisition / order.
- 3.11 The CC CFO shall prepare detailed Financial Instructions for dealing with ordering, to be agreed with the PCC CFO, and these shall be issued to all appropriate officers and staff.

## **D4 PAYMENTS FOR GOODS AND SERVICES**

### Requirements

- 4.1 All payments are to be made in accordance with the approved procurement procedures or Financial Instructions.
- 4.2 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. Goods should not be received by the person who placed the initial requisition, unless this is impracticable.
- 4.3 Two officers/staff must be involved in the processing of an invoice for payment. The first officer/staff must certify the accuracy and validity of the invoice. The second officer/staff shall authorise the invoice for payment.
- 4.4 Authorisation of invoices shall be in accordance with the limits shown in Section F.
- 4.5 Procedures should be in place to ensure that all payments are to be made to the correct person, for the correct amount and be recorded properly, regardless of the method of payment. Systems should ensure the invoice has not been processed for payment before and that full advantage has been taken of any discounts offered.
- 4.6 Where VAT is charged, payment is not to be made unless a proper VAT invoice has been received.
- 4.7 All payments should be processed promptly to comply with the Late Payment of Commercial Debt (Interest) Act 1988.
- 4.8 The CC CFO shall prepare detailed Financial Instructions for dealing with payments, to be agreed with the PCC CFO, and these shall be issued to all appropriate officers and staff.

## **D5 PAYMENTS TO OFFICERS, STAFF AND PCC**

### Overview and Control

- 5.1 Payments to staff must be accurate, timely, and made only where they are due and in accordance with individuals' conditions of employment. Payments must also be recorded and accounted for.
- 5.2 All overtime claims and other claims for remuneration, travel and expenses should be submitted at least monthly in accordance with Police Regulations and Constabulary Policy. This is to ensure that monitoring of expenditure is more accurate and that authorisation of claims can be certified properly.

### Requirements

- 5.3 Proper authorisation procedures are to be in place for starters, leavers, variations to pay and enhancements to pay. Appointments are to be made in accordance with approved establishments, grades and scale of pay and adequate budget provision should be available. Payroll staff must be notified of all appointments, terminations or variations in the correct format and to the timescales required.

- 5.4 The CC CFO shall make arrangements for the secure and reliable payment of salaries, wages, pensions, compensation and other emoluments to existing and former officers and staff. Adequate and effective systems are to be in place and procedures operated so that:
- payments are only authorised to bona fide officers, staff and pensioners;
  - payments are only made where there is a valid entitlement;
  - conditions and contracts of employment are applied correctly;
  - officer and staff names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- 5.5 The CC CFO shall make arrangements for the payment of all travel and expense claims. The PCC Chief Executive shall make arrangements for the payment of all PCC travel and expenses claims in accordance with determinations from the Home Secretary. Such claims should be in the prescribed form, duly completed and certified. Certification is taken to mean that journeys were authorised and expenses incurred properly and necessarily and that allowances are payable properly, ensuring that cost effective use of travel arrangements is achieved. Due consideration should be given to tax implications. Payments shall be made to the value of presented receipts up to the prescribed limits, in accordance with Financial Instructions.
- 5.6 All overtime payments are to be made on the basis of authorised timesheets or claims.
- 5.7 Payroll transactions are to be processed only through the payroll system. Payments to individuals engaged on a self-employed consultant or subcontract basis shall only be made in accordance with HM Revenue and Customs requirements. In cases of doubt, advice should be sought.
- 5.8 The CC CFO shall ensure that full records are maintained of benefits in kind and that they are properly accounted for in any returns to the HM Revenue and Customs.
- 5.9 The CC CFO shall ensure compliance with all HM Revenue and Customs regulations and record and make arrangements for the accurate and timely payment of income tax and national insurance. The CC CFO shall also ensure compliance with regulations regarding the payment of pension deductions and other statutory or voluntary deductions from pay to the appropriate recipients. Payroll staff should be notified of all employee benefits in kind to enable full and complete reporting within the income tax self-assessment system.
- 5.10 The CC CFO shall prepare detailed Financial Instructions for dealing with payments to officers and staff, to be agreed with the PCC CFO, and these shall be issued to all appropriate officers and staff.

## **D6 TAXATION**

### Overview and Control

- 6.1 The PCC and CC are responsible for ensuring their tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax can be severe.

- 6.2 It is important that all relevant officers and staff are kept up to date on tax issues and instructed on required record keeping.

### Requirements

- 6.3 The PCC CFO and CC CFO shall ensure the completion of all HM Revenue and Customs requirements regarding PAYE and that due payments are made in accordance with statutory requirements.
- 6.4 The PCC CFO and CC CFO shall ensure that the correct VAT liability is attached to all income due and that all VAT reclaimed on purchases complies with HM Revenue and Customs regulations. The CC CFO shall ensure the completion of VAT claims for receipts and payments are made in accordance with statutory requirements.
- 6.5 Where construction and maintenance works are undertaken, the contractor shall fulfil the necessary construction industry tax deduction requirements. The CC CFO shall provide relevant information to the HM Revenue and Customs regarding construction industry tax deductions
- 6.6 The CC CFO shall maintain up to date guidance for officers and staff on organisational taxation issues (e.g. VAT, CIS and Corporation Tax)..

## **D7 EX GRATIA PAYMENTS**

### Overview and Control

- 7.1 An ex gratia payment is a payment made where no legal obligation exists. An example may be recompense 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.

### Requirements

- 7.2 The CC CFO may make ex gratia payments to members of the public up to the level shown in Section F 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 PCC. The CC CFO shall maintain details of such payments in a register.
- 7.3 The CC CFO may make ex gratia payments up the level shown in Section F in any individual instance, for damage or loss of property or for personal injury to a police officer in the execution of duty or to a member of the public assisting the police. The CC CFO shall maintain details of such payments in a register. Amounts greater than those specified in Section F must be referred to the PCC CFO for approval.

## **SECTION E**

### **EXTERNAL ARRANGEMENTS**

#### **E1 PARTNERSHIPS**

- 1.1 Where the PCC and / or CC enter into a partnership with another body, the Chief Executive and / or CC should, as the case may be, ensure that the interests of the PCC or Constabulary with regard to risk, governance, performance management and financial probity are covered within any agreement.

#### **E2 EXTERNAL FUNDING**

##### Overview and Control

- 2.1 External funding is a very important source of income. The main source of such funding is government grants, but consideration should be given to ensuring that the potential for all income sources is maximised. The PCC shall agree a fees and charges policy and review this on a regular basis.
- 2.2 Any match funding requirements should be given due consideration prior to entering into agreements and resources identified for future commitments.

##### Requirements

- 2.3 The CC CFO shall ensure that any conditions placed on the Constabulary in relation to external funding are in accordance with the approved policies of the PCC. In such cases, the CC shall comply with the key conditions determined by the funding body and any statutory requirements.
- 2.4 The CC CFO shall pursue actively any opportunities for additional funding where this is considered to be in the interests of the PCC.
- 2.5 All bids for external funding and the proper recording of grant income shall be co-ordinated through the CC CFO.
- 2.6 The CC CFO shall ensure that all funding notified by external bodies is received and properly recorded in the PCC group accounts, that all claims for funds are made by the due date and that audit requirements are met.

#### **E3 WORK FOR THIRD PARTIES**

##### Overview and Control

- 3.1 The CC provides special services to other bodies outside of its normal obligations, for which charges are made e.g. policing inside football grounds. The CC shall ensure that arrangements should be in place to ensure that any risks associated with this work are minimised and that such work is not ultra vires.

## Requirements

- 3.2 The CC CFO shall ensure that proposals for assistance are costed in accordance with ACPO guidance, that contracts are drawn up where appropriate, that charges are made in accordance with the PCC policy that, where possible, payment is received in advance of the delivery of the service and that the PCC is not put at risk from any bad debts.
- 3.3 The CC CFO shall ensure that appropriate insurance arrangements are in place.

## **E4 PRIVATE FINANCE INITIATIVES / PRIVATE FINANCE 2**

### Overview and Control

- 4.1 Private Finance Initiative (PFI) / Private Finance 2 (PFII) are alternative methods of procuring assets or services for the organisation, whereby a scheme is designed, built, financed and operated by a private contractor in return for an annual payment by the PCC over the life of the contract. Schemes are normally supported by government grant for the capital element of the cost.
- 4.2 Such transactions tend to be complex, of a larger scale and with a fairly lengthy lead in time. The advantage of using PFI / PFII is to provide services that might otherwise be unaffordable or unavailable.

### Requirements

- 4.3 PFI / PFII shall be considered as a potential funding source during the option appraisal process of a project, where a scheme or group of schemes meet the current criteria for consideration of PFI / PFII support. Any PFI / PFII scheme shall only proceed on terms agreed by the PCC.
- 4.4 The PCC shall be responsible for approving progress of all PFI / PFII projects at key stages, including final sign off. Key stages are to be determined in advance of any potential scheme by the CC.
- 4.5 The CC shall ensure that appropriate specialist legal and financial advice is received at all stages of any potential PFI / PFII project, from initial preparation of the business case, through to procurement and operation of the contract and that sufficient fees are identified within the budget to procure such advice.
- 4.6 The CC shall ensure that PFI / PFII payments are made correctly under the contract after enforcement of any contract penalties for non-performance.
- 4.7 The CC shall inform the PCC of any matter that may lead to termination under an approved contract. The PCC shall be required to approve termination of a contract by use of the contractor default provisions.
- 4.8 The PCC CFO, in liaison with the CC CFO, is responsible for accounting for PFI / PFII arrangements in accordance with the relevant regulations and proper accounting practices.

## **E5 COLLABORATED ACTIVITES**

### Overview and Control

- 5.1 Providing services under collaborated arrangements can achieve efficiencies, savings and improve service reliance requirements.
- 5.2 The PCC and CC shall jointly ensure that each activity covered by collaborated arrangements is subject to the financial regulations.
- 5.3 The PCC and CC shall jointly ensure that every collaboration is subject to a Section 22a collaboration agreement where appropriate.

## **SECTION F**

### **DELEGATED LIMITS**

The section references below refer to the main body of text within sections A to E of these Financial Regulations. All financial limits are contained within this section in order to minimise the need for change when values are updated. The values will be reviewed annually, in February of each year, to ensure they remain appropriate for the following financial year.

The Chief Constable will establish reporting arrangements to the PCC which ensure prior approval of the PCC before incurring a liability that the PCC might reasonably regard as novel, contentious or repercussive.

#### **B1 Financial Planning**

##### Annual Revenue Budget Preparation

- 1.11 The budget estimates shall identify all proposed individual major revenue projects. A major revenue project shall be defined as one in excess of the estimated annual value shown below.

£20k

#### **B2 Budgetary Control**

##### Treatment of Year End Balances

- 2.24 As a default position, any underspends against budgets will be taken to corporate reserves of the PCC. In exceptional circumstances, Budget Managers who underspend their budget in any financial year may have their devolved budget increased for the following financial year, subject to the determination of the PCC.

#### **B3 Capital Programme**

- 3.9 The CC has day-to-day financial management of the force including the capital programme and as such shall approve any in-year variations to the Capital Programme on the following basis:
- CC CFO to have delegated authority to approve new or additional expenditure up to £50k on an existing or new project subject to remaining within the overall approved capital programme and in consultation with the PCC on any expenditure over £20k.
  - New or additional expenditure in excess of £50k to be approved by the PCC CFO and subject to consultation with the PCC on expenditure over £20k.

#### **C1 Risk Management**

- 1.8 The CC CFO shall be authorised to settle insurance liability claims against the CC, including third party costs up to the value shown below. Beyond this value, claims must be referred to the PCC CFO for approval.

£20k



- 1.9 The CC CFO shall be authorised to settle individual claims against the CC, including third party costs arising from a decision by an Employment Tribunal up to the value shown below. Beyond this value, claims must be referred to the PCC CFO for approval.

*£20k*

- 1.11 The PCC Chief Executive will obtain legal or other expert advice and commence, defend, withdraw or settle any claim or legal proceedings on the PCC's behalf, in consultation with the PCC CFO.

## **C6 Assets**

### Inventories

- 6.12 The PCC CFO and CC CFO shall maintain inventories that record an adequate description of portable and desirable items such as computers, monitors, printers, facsimile machines, mobile phones and photographic equipment above the value shown below.

*£100*

### Stocks and Stores

- 6.17 Discrepancies between the actual level of stock and the book value of stock may be written off by the CC CFO up to the level shown below. Amounts for write off above this value must be referred to the PCC CFO for approval.

<i>Individual items</i>	<i>£10k</i>
<i>Cumulative for financial year</i>	<i>£25k</i>

- 6.18 Obsolete stock may be written off by the CC CFO up to the level shown below. Amounts for write off above this value must be referred to the PCC CFO for approval.

<i>Individual items</i>	<i>£10k</i>
<i>Cumulative for financial year</i>	<i>£25k</i>

## **C7 Banking Arrangements**

- 7.14 All imprest cheques shall be signed at an appropriate level in accordance with an approved list and up to the level shown below

<i>Up to £1k</i>	<i>One signatory</i>
<i>Over £1k</i>	<i>Two signatories</i>

## **D2 Income**

- 2.8 Where the monetary value of a sponsorship proposal is over the limit shown below or is perceived to be of a sensitive and controversial nature, this must be approved:

<i>Up to £10k</i>	<i>Head of Finance</i>
<i>£10k to £50k</i>	<i>CC CFO</i>
<i>Over £50k</i>	<i>PCC CFO</i>

2.10 Individual amounts may be written off by the CC CFO up to the level shown below. Amounts for write off above this value must be referred to the PCC CFO for approval.

£5k

### **D3 Ordering of Goods and Services**

3.5 Authorisation of requisitions/orders shall be in accordance with the limits shown below:

<i>Up to £20k</i>	<i>Nominated authorised signatory</i>
<i>£20k - £50k</i>	<i>Authorised Budget Manager</i>
<i>Over £50k</i>	<i>Countersigned by PCC CFO or CC CFO</i>

3.8 Quotations and tenders shall be obtained in accordance with Contract Standing Orders, as shown below.

- *Evidence of more than one comparison* >£500 up to £3k
- *At least three written quotes received* £3k up to £20k
- *At least three quotes received via e-tendering system* £20k up to £50k
- *At least three tenders received* >£50k

### **D4 Payments for Goods and Services**

4.4 Authorisation of invoices shall be in accordance with the limits shown below:

<i>Up to £20k</i>	<i>Nominated authorised signatory</i>
<i>£20k - £50k</i>	<i>Authorised Budget Manager</i>
<i>Over £50k</i>	<i>Countersigned by PCC CFO or CC CFO</i>

### **D7 Ex Gratia Payments**

7.2 The CC may make ex gratia payments 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 CC. Amounts greater than those specified must be referred to the PCC CFO for approval.

£5k

7.3 The CC CFO may make ex gratia payments up to the level shown below in any individual instance, for damage or loss of property or for personal injury to personnel in the execution of duty or to a member of the public assisting the police. Amounts greater than those specified must be referred to the PCC CFO for approval.

£5k